

Manchester City Council Report for Resolution

Report to: School Forum Committee – 15 July 2024

Subject: Analysis of Excessive School Balances 2023/24 & Clawback

Report of: Directorate Finance Lead – Children’s and Schools

Summary

All maintained schools deemed to have an excessive balance as reported at year end must complete an analysis of reserves, to account for the control and use of the excessive balances. In 2023/24, Manchester schools’ excessive balances have decreased by £0.752m when comparing to 2022/23 balances.

The Scheme for Financing schools includes a clawback mechanism (section 4), where schools who have held an excessive surplus balance above the allowable threshold for more than two years will be subject to a clawback, with a right to appeal.

This report seeks School Forum’s decision on the percentage rate of the automatic clawback mechanism for balances held as at 31st March 2024.

Recommendations

All Schools Forum members are asked to note and comment on:

- The level of maintained school excessive balances 2023/24
- The excessive clawback to be actioned for excessive balances, held as at 31st March 2024 for maintained schools

All maintained Schools Forum members are asked to comment and vote on the option and use of the school’s automatic clawback for excessive balances held up to 31st March 2024:

- Option One: 50% of all excessive surplus balances held for two years (£117k).
 - Option Two: 100% of all excessive surplus balances held for two years (£235k).
 - Any funds clawed back to be used against the high needs block deficit on Dedicated School Grant (DSG)
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Financial Consequences

None directly arising from this report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

17 th June 2024	Schools Forum Agenda Item 6: Dedicated Schools Grant (DSG) and School Balances 2023/24 Outturn Report
16 th January 2023	Schools Forum Agenda Item 4: Consultation Outcome – Updates to Scheme for Financing Schools (Excessive Balance mechanism)
14 th November 2022	Schools Forum Agenda Item 5: Review of Excessive Balance Clawback

1. Introduction

- 1.1 Annually an analysis of reserves review is completed for each maintained school that has an excessive revenue balance, identifying the planned use of the excessive reserves. Schools' balances are deemed excessive if the surplus is higher than the allowable balance, whereby the allowable balance is deemed to be 8% of the budget share for nursery, primary and special schools, and 5% of the budget share for secondary schools.
- 1.2 Within the Scheme for Financing schools where a maintained school has held an excessive surplus balance above the allowable threshold for two years will be subject to the clawback mechanism, with the right to an appeal. It is proposed that these funds are set against the DSG cumulative deficit.
- 1.3 The clawback mechanism was updated to consider excess balances held over a period of two, rather than five, years following consultation with schools (December 2022) and with Schools Forum in November 2022 and January 2023. This change is effective for balances from 31st March 2024.

2. Excessive Surplus Balances

- 2.1 Table one outlines the excessive balances for 2023/24 by phase, on all schools above the allowable balance, a total of £1.217m which is a decrease of £0.752m compared to 2022/23 excess balances.
- 2.2 The table shows that the number of schools with excessive balances has decreased by 12% (3 schools) compared to the last financial year. The primary sector has seen an increase of 2 schools, compared to special sector that have reduced by 5 schools.

Table one: Schools' Excess Balances

Sector	2023/24		2022/23	
	No.	£000's	No.	£000's
Nursery	0	0	0	0
Primary	21	843	19	751
Secondary	1	287	1	5
Special	1	87	6	1,214
Total	23	1,217	26	1,970

- 2.3 Schools, via analysis of reserves, have provided commitments for their 2023/24 excess balances, as shown in table two below. Most of the commitments relate to:
- Offsetting future year budget reductions resulting from falling rolls £0.794m, across eight primary schools and one secondary school.
 - Planned works primarily for building and grounds repairs and improvements, as well as electrical works and extensions, £0.632m across twelve primary, one secondary and one special school.
 - Planned asset purchases, £116k across seven primary schools.

- Unspent grants, £170k across four primary school.

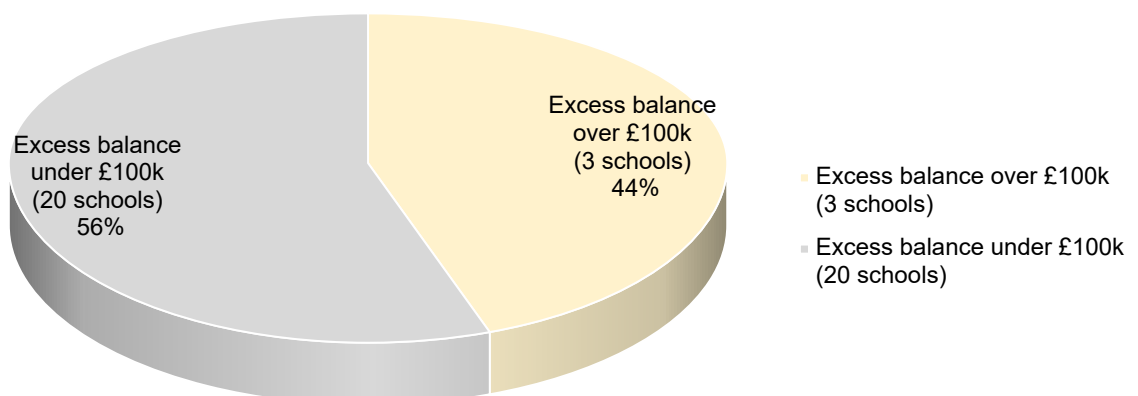
Table two: Analysis of Reserves - Committed Spend

Sector	Excess Balance	Planned Work, not yet began or completed	Planned asset purchases	To offset future year budget reductions (falling rolls)	Unspent Grants	Total Committed
	£000's					
Nursery	0	0	0	0	0	0
Primary	843	384	116	495	170	1,166
Sec.	287	50	0	299	0	349
Special	87	198	0	0	0	198
Total	1,217	632	116	794	170	1,713

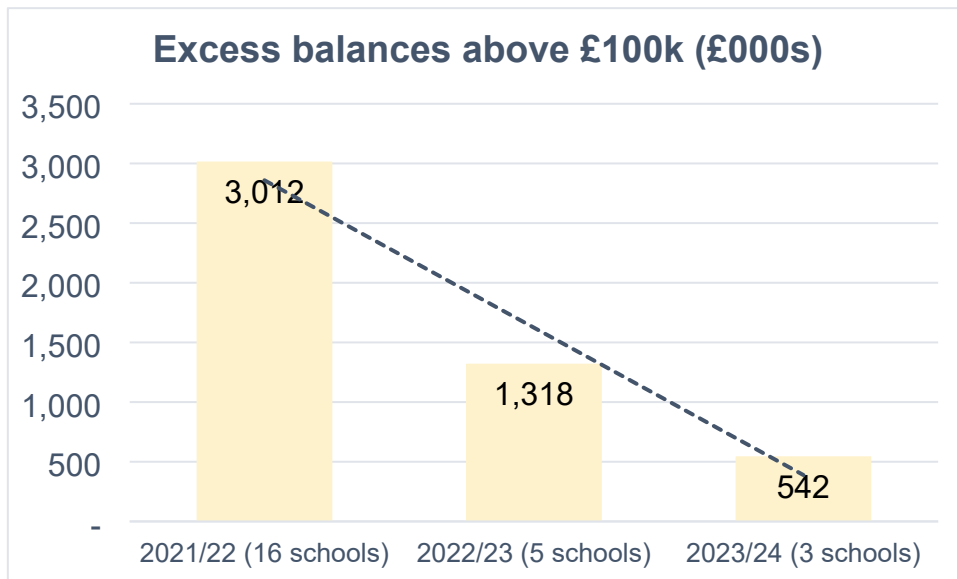
2.4 Table two sets out that some schools have outlined committed plans above and beyond their excess balances. Whereby, schools have committed spend of £1.713m compared to their total £1.217m excessive balances.

2.5 There are twenty-three schools with excessive balances, totalling £1.217m, of these **three** are above £100k, totalling £0.542m, this equates to 44%, illustrated on the chart below.

Excess balances 2023/24 £1.217m



2.6 Schools holding excessive balances above £100k in 2023/24 has reduced compared to 2022/23. Last year there were five schools reporting excess balances above £100k in 2022/23, totalling £1.318m. This is a reduction of 59%. The chart below shows how the amounts of excess balances over £100k held by schools has reduced over the last three years.



2.7 Appendix one provides a list of the schools with excessive balances at end of 2023/24, detailing their total 2023/24 year-end balance and the excess balances. The final column illustrates the schools' 2023/24 year-end balance as a proportion of their current year's budget share.

3. Clawback of Excessive Surplus Balances

3.1 As per Section 4.2 of the Scheme for Financing Schools maintained schools are subject to a clawback of any excessive surplus balances held by the school for more than two years. An example of how the excessive clawback mechanism works is illustrated in Appendix two. Schools have the right to challenge this clawback via appeal to a panel, made up of Schools Forum members.

3.2 In 2024/25, seven schools have been identified (5 primary, 1 secondary, and 1 special) for the automatic excessive balance's clawback. Their collective excessive balance over the allowable threshold totals £0.557m as at 31 March 2024, of which £235k has been held for more than two years. Appendix three outlines the excessive balances held by the seven schools over the past two years, and the potential clawback. The clawback at 100% rate totals £235k (at 50% £117k). Last financial year, five schools (which included three of the seven schools listed in appendix three), were subject to the excessive balances clawback, at the rate of 100% as agreed by Schools Forum.

3.3 The range of the excessive clawback if at 100%, would be from £5k to £87k, with three of the seven schools receiving a clawback of under £10k, two between £15k - £40k, and the remaining two between £70k - £87k.

3.4 In June 2024 Schools Forum, the Council reported that the Dedicated School grant (DSG) cumulative deficit as 31st March 2024 is £7.803m. This deficit is due to on-going pressures within the high needs block (HNB). The Council are actively working on recovery to address the structural deficit, an update on the recovery position is included in agenda item 4. It is intended that the excess balances clawback from schools will be used to offset the HNB deficit.

- 3.5 This report seeks agreement from the maintained Schools Forum members regarding the rate of the clawback for schools' excessive surplus balances held for two years as at 31 March 2024, option one: 50% or option two: 100%.

4. Conclusion and Recommendations

- 4.1. **All** Schools Forum members are asked to note and comment on:
- The level of maintained school excessive balances 2023/24
 - The excessive clawback to be actioned for excessive balances, held as at 31st March 2024 for maintained schools
- 4.2. **All maintained** Schools Forum members are asked to comment and vote on the option and use of the school's automatic clawback for excessive balances held up to 31st March 2024:
- Option One: 50% of all excessive surplus balances held for two years (£117k).
 - Option Two: 100% of all excessive surplus balances held for two years (£235k).
 - Any funds clawed back to be used against the high needs block deficit on Dedicated School Grant (DSG)

Appendix One: Schools with Excess Balances as at 31st March 2024
(twenty-three schools)

DFE NO	School	YEAR END BALANCES (Revenue & Capital)	EXCESS BALANCES	BUDGET SHARE INCOME (Early Years, Schools Block, High Needs, DFC)	YEAR END BALANCE as % of BUDGET SHARE
		2023-24 £	2023-24 £	2024-25 £	%
Primary					
2001	Abbott Primary	123,770	18,280	1,318,636	9%
2321	All Saints Primary (Gorton)	123,147	5,374	1,472,163	8%
3043	Armitage CofE Primary	240,068	20,564	2,743,801	9%
2010	Ashbury Meadow Primary	269,631	25,021	3,057,634	9%
2341	Benchill Primary	406,770	145,737	3,262,915	12%
2328	Birchfields Primary	293,215	10,881	3,529,172	8%
2296	Crab Lane Primary	206,725	5,051	2,520,913	8%
2327	Crumpsall Lane Primary	201,598	15,532	2,325,820	9%
2129	Heald Place Primary	349,314	55,246	3,675,853	10%
3005	Holy Trinity CofE Primary	266,215	41,805	2,805,127	9%
2161	Mauldeth Road Primary	237,503	48,882	2,357,768	10%
3475	Our Lady's RC Primary	106,426	10,960	1,193,325	9%
2302	Pike Fold Primary	257,622	43,806	2,672,696	10%
2008	Ringway Primary	241,468	36,851	2,557,711	9%
3491	Saviour CofE Primary	156,138	72,513	1,045,316	15%
3473	St Bernard's RC Primary	101,839	8,795	1,163,047	9%
3015	St Chrysostom's CofE Primary	277,693	72,358	2,566,695	11%
3045	St John's CofE Primary Longsight	329,412	109,291	2,751,506	12%
3452	St Malachy's RC Primary	125,284	15,352	1,374,147	9%
3325	St Philip's CofE Primary	173,915	71,697	1,277,726	14%
2278	Varna Street Primary	223,729	9,297	2,680,402	8%
	Primary Total (21 sch.)	4,711,483	843,293	48,352,374	10%
Secondary					
4770	St Peter's RC High	697,074	286,661	8,208,251	8%
	Secondary Total (1sch.)	697,074	286,661	8,208,251	8%
Special					
7007	Manchester Hospital School	432,393	87,402	4,312,383	10%
	Special Total (1 sch.)	432,393	87,402	4,312,383	10%
	Total Excessive Balances	5,840,949	1,217,356	60,873,008	10%

Note: Three schools with excessive balances £100k or more are highlighted.

Appendix Two: Illustration of excessive clawback mechanism.

Example below, all three schools have:

- demonstrated robust plans to spend the excess balance.
- the same excessive balance of £250k at the end of the current financial year.

However, each school is subject to a different clawback due to the lowest excessive balance held over two years.

Excessive Clawback over two years

	School A Excessive Balance (above 5% or 8% threshold)	School B Excessive Balance (above 5% or 8% threshold)	School C Excessive Balance (above 5% or 8% threshold)
Year one: 2023/24	£250,000	£250,000	£250,000
Year two: 2022/23	£0	£150,000	£780,000
Excess Balance held for 2 years	£0	£150,000	£250,000
Clawback at 50%	£0	£75,000	£125,000
Clawback at 100%	£0	£150,000	£250,000

Illustrated above: School A is not subject to a clawback and has demonstrated robust plans for the current excessive balance (via Analysis of Reserves). However, if School A has not demonstrated sufficient plans, a clawback will be applied prior to the lapse of the allowable balance retention period. In this example, the school would be subject to a maximum clawback of £250k. Appeals panel will give schools an opportunity to present evidence of their extenuating circumstances which have led to individual schools holding excessive balances over retention period.

Appendix Three: Clawback - Excess Balances held for two years (seven schools)

DfE no	Name of School	Excess Balance (£ Above Allowable Balance)		Excess Balance held for 2 years	Clawback at 50%
		2023/24	2022/23		
				100%	50%
2161	Mauldeth Road Primary	48,882	15,302	15,302	7,651
2302	Pike Fold Primary	43,806	37,682	37,682	18,841
3473	St Bernard's RC Primary	8,795	78,478	8,795	4,398
3325	St Philip's CofE Primary	71,697	103,087	71,697	35,849
2278	Varna Street Primary	9,297	44,699	9,297	4,648
4770	St Peter's RC High	286,661	4,739	4,739	2,370
7007	Manchester Hospital School	87,402	201,405	87,402	43,701
	Totals	556,541	485,392	234,915	117,457

Note: Highlighted schools identify those subjects to clawback last financial year.