ITEM 8d

Bury Schools' Forum

Proposed revision to Scheme for Financing Maintained Schools

Statutory Guidance

In accordance with statutory Scheme for Financing Schools guidance any controls on surplus balances mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy.

The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances or where some level of redistribution would support improved provision across a local area.

Proposal overview

In compliance with the statutory guidance a revised controls on surplus balances mechanism is proposed in order to help address the recovery of the significant deficit that has accumulated on the Dedicated Schools Grant (DSG) and that is currently impacting on all provision within Bury.

The revised mechanism will not impact on the autonomy and ability for schools to plan their spending effectively and will only focus on those schools that have accumulated surplus balanced above the maximum permitted thresholds.

Any recovery of surplus balances will be used to benefit all provision across the local area through ensuring the DSG deficit is recovered at the earliest possible timeframe which will allow for greater investment into local provision.

6.2 Controls on Surplus Balances

All schools should aim to spend their funds prudently with proper regard for value for money. Schools should regularly check that they have plans for the money they are holding to ensure they are getting the most benefit and best value for money from their budgets.

Where any school has an accumulated surplus balance above the maximum permitted thresholds of 5% for Secondary and 8% for Nursery, Primary and Special, for 3 consecutive years or more the Local Authority shall deduct any surplus amount equal to 50% of the lowest excess above these maximum thresholds recorded over the 3 year period.

The excess clawback amount will only be redistributed within the Dedicated Schools Grant (DSG) in order to support improved provision across the local area.

All schools should have a clear plan for making best use of surplus balances, however, should a school fail to demonstrate an appropriate spending plan approved by their Governing Body, which will be monitored and challenged by the Local Authority for each financial year, and with the surplus balance determined at each financial year-end, the school surplus balance above the maximum threshold will be subject to the approved Controls on Surplus Balances mechanism.

The Local Authority will ensure there are no financial risks to schools subject to this provision in respect to deficit budgets. A schools multiple year financial plan will be considered and will be used to track and monitor actual school spending activity in each financial year.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this Scheme or otherwise.

This provision is intended to assist schools in ensuring more effective annual budget management and allows the Local Authority to ensure the best possible outcomes for pupils in school through more robust resource management by its schools utilising the budget allocation for said pupils accordingly.

Appeals Process

An appeals panel will be formulated to review any appeals made against the automatic clawback of excess balances. The panel would be a sub-group to Schools' Forum and would be made up of three members of Schools Forum and would be supported by an LA officer.

In specific situations (i.e. discussion around own school), it will become necessary for a substitute representative of Schools' Forum to take the place of a colleague on the sub-group. It is not expected that this group would meet more than twice each year.

Appeals will be evidence-based. The panel will consider only written evidence from schools subject to automatic clawback.

Conclusion

It is proposed that this revised mechanism is applied until the end of 2024/25 financial year and is then reviewed in accordance to the position of the Dedicated Schools Grant (DSG) deficit recovery. It is anticipated at this time the deficit will be fully recovered and a more relaxed balance controls mechanism will be re-introduced from April 2025.

Recommendation

Maintained schools members of Bury's Schools' Forum are requested to support the request to implement the revised balance control mechanism with effect from the financial year 2021/22, thus bringing balances from 2019/20 and 2020/21 into consideration, up to 2024/25 in accordance with the Safety Valve DSG deficit recovery timeline - to be reviewed for April 2025

Footnote:

Schools' Forum should note the proposed change to surplus balance thresholds in line with common practice across other Local Authorities, and consistent to Ofsted and Department for Education guidance, including the Schools Financial Value Standard (SFVS) requirements

APPENDIX A

Revised Surplus Balance Control Mechanism – options appraisal

In order to develop a revised surplus balance controls mechanism that provides a preferred option to apply the following were considered.

Option A

Automatic clawback of 100% excess surplus balances above the maximum permitted threshold from the last completed financial year.

Financial Year 2020/21
Schools affected = 25
Clawback = £2,098,355

Option B

Automatic clawback of 50% excess surplus balances above the maximum permitted threshold from the last completed financial year.

Financial Year 2020/21 Schools affected = 25
Clawback = £1,049,177

Option C

Automatic clawback of 50% from all surplus balances using the average from the last 3 completed financial year.

Financial Year 2018/19, 2019/20, 2020/21 Schools affected = 52
Clawback = £2,883,548

Note: Option rejected

Option D

Automatic clawback of 25% from all surplus balances using the average from the last 3 completed financial year.

Financial Year 2018/19, 2019/20, 2020/21 Schools affected = 52
Clawback = £1,441,774

Note: Option rejected

Option E

Automatic clawback of fixed percentage (25% was used for this example) from all surplus balances from the last completed financial year.

Financial Year 2020/21 Schools affected = 53
Clawback = £1,957,331

Note: Option rejected

Option F
Automatic clawback of 100% of the lowest excess surplus balances above the maximum permitted threshold from the last 3 completed financial years.

Financial Year 2018/19, 2019/20, 2020/21
Schools affected = 25
Clawback = £1,369,693

Option G
Automatic clawback of 50% of the lowest excess surplus balances above the maximum permitted threshold from the last 3 completed financial years.

Financial Year 2018/19, 2019/20, 2020/21
Schools affected = 25
Clawback = £684,847

Further information

The analysis has been completed using data from the last 8 years of schools balances with calculations based on the last 3 financial years only.

All figures will be updated to apply the revised scheme to the 2021/22 financial year end.

Recommendation
To support schools with their effective financial planning and to achieve an essential contribution to the DSG deficit recovery from un-committed surplus balances, the LA recommends **Option G** is supported by Schools' Forum and applied with effect from the 2021/22 financial year – subject to review at the end of the Safety Valve period 2024/25.