
Scheme for Financing Schools: clawback mechanism

Report being considered by:	Schools Forum 19 th December 2023		
Report Author:	Melanie Ellis		
Item for:	Decision	By:	All Maintained Schools Representatives

1. Purpose of the Report

1.1 A consultation was recently undertaken with all schools on the updates to the 2023/24 Scheme for Financing Schools and on the 2024/25 funding formula. At Schools Forum of 4th December 2023, the majority of the consultation was approved, but it was agreed that an additional Heads Funding Group and Schools Forum be arranged to discuss the inclusion of a clawback mechanism in the updated Scheme for Financing Schools.

1.2 The DfE Scheme for Financing Schools says the following:

The scheme may contain a mechanism to claw back excess surplus balances. Any 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.

2. Recommendations

2.1 Heads Funding Group recommend that the Schools Forum:

- (1) Include a clawback mechanism in the updated Scheme for Financing Schools (SFF).
- (2) To apply the clawback based on balances as at 31st March each year, less any evidenced commitments, starting from 31.3.24. This would be introduced on a sliding scale for the first year. See 7.1 for options.
- (3) The maximum amount that could be clawed back each year is the amount of school balance in excess of 10% of their budget share. This is subject to leaving the schools with a minimum of £50,000 balance. The actual amount to be clawed back will be recommended by Heads Funding Group after reviewing the commitments on the statement, and

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taking into consideration the sliding scale in the first year. Schools Forum would then make the decision.

- (4) Funds should be returned as follows:
 - (a) Special Schools – high needs block
 - (b) Secondary Schools – high needs block
 - (c) Primary Schools – maintained primaries

Is the Schools' Forum required to make a decision as part of this report or subsequent versions due to be considered later in the meeting cycle?	
Yes: x	No:

3. Implications and Impact Assessment

Equalities Impact:	Positive	No Impact	Negative	Commentary
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
Data Impact:		x		
Consultation and Engagement:	Heads Funding Group, all schools.			

4. Introduction

4.1 It is sound financial management for maintained schools to plan their budgets over more than one year and to be given the flexibility to manage their finances and retain a reserve from year to year. The Scheme for Financing Schools requires that schools must submit a three-year budget each year. This enables schools to:

- (1) Progress capital works where capital resources are insufficient
- (2) Progress 'spend to save' strategies
- (3) Support costs associated with expanding or reducing pupil numbers
- (4) Support reducing funding or increasing costs or manage exceptional circumstances to avoid an impact on standards at the school.

4.2 However this should only be if the Governing Body has made deliberate decisions to allocate revenue funding for these purposes with a clear timescale for spending, and that these decisions do not impact from maximising in-year spending on the school's key priorities.

4.3 This must be balanced against the Local Authority duty to maximise the spending of resources, targeted correctly, to improve outcomes for children and young people.

4.4 A clawback mechanism is important in enabling the Local Authority, with the Schools Forum, to redistribute funding that is not being used by schools. The Schools' Forum has not clawed back excess surplus balances since 2015, when the level of excess balances had significantly reduced. This has been subject to annual review to ensure that balances did not creep back up again, and it was made clear that the claw back scheme could be reintroduced if need be.

4.5 The current Scheme for Financing Schools states: "In order to control surplus balances, the authority will report the balances held by each school at the end of the financial year to the Schools' Forum (during the Summer term), alongside the actual balance for the previous three years and any other data deemed to be of relevance. The Schools' Forum may request individual schools to provide further information and/or attend a meeting of the Heads Funding Group if the data reported raises any concerns regarding their financial management in respect of their balances."

5. Current position

5.1 School balances in 2015 were £4m. The school balances at 31st March 2023 total £13.7m.

5.2 £10.8m is being held in Main School Budget (MSB) balances at 31.3.2023 (compared to £3.6m at 31.3.2020), £550k in other revenue balances, £224k in before and after school club funds and £2.2m in capital balances.

5.3 The table below shows those schools with a MSB surplus balance greater than 10% of their funding or £20k in 2022/23. Total balances greater than 10% total £4.3m. Of this, £450k relates to Primary Schools, £407k to Secondary Schools and £3.5m to High Needs.

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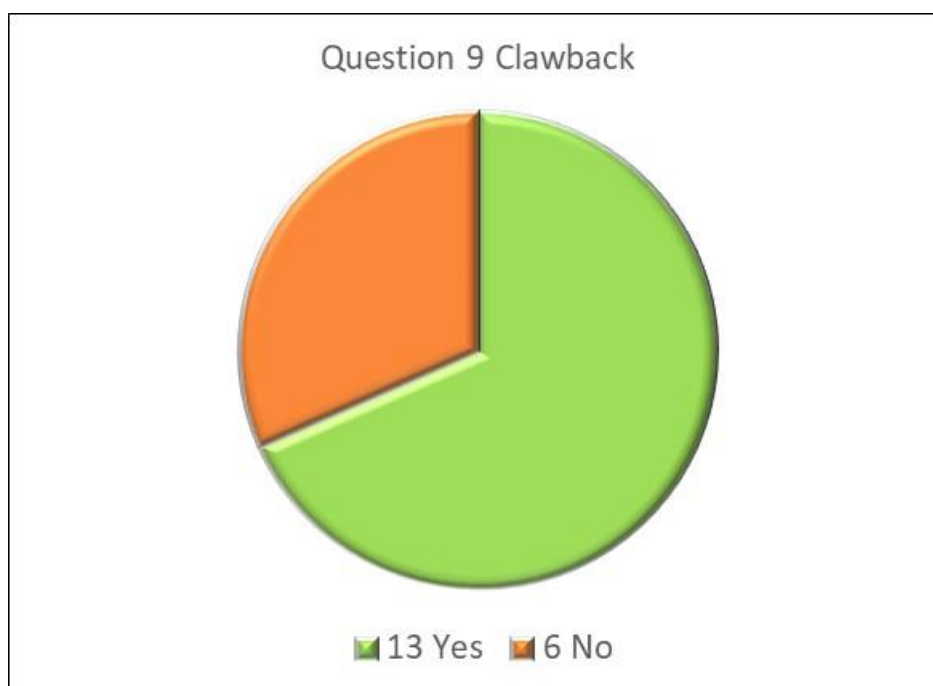
Main School Budget Balance		2019/20	2020/21	2021/22	2022/23	% of funding	Balance > 10%
School	Funding Block				Total Balance		
Beedon Church of England (Controlled) Primary School	Schools	19,149	28,605	49,431	67,618	16%	26,356
John Rankin Schools Federation	Schools	298,129	387,427	445,104	414,775	14%	119,162
Parsons Down Schools Federation	Schools	58,879	88,012	101,146	218,432	12%	40,464
Robert Sandilands Primary School and Nursery	Schools	125,878	177,063	170,993	146,824	12%	23,656
Springfield Primary School	Schools	81,296	154,633	274,906	352,615	22%	191,111
St Paul's Catholic Primary School	Schools	93,651	181,504	228,677	196,548	13%	49,979
		676,982	1,017,244	1,270,257	1,396,812		450,728
The Downs School	Schools	30,622	151,869	662,609	1,211,610	15%	407,773
Brookfields Special School	High Needs	425,991	879,012	2,027,795	3,445,943	46%	2,699,013
The Castle School	High Needs	366,436	527,828	749,418	817,535	18%	357,659
		792,427	1,406,840	2,777,213	4,263,478		3,056,672
iCollege Alternative Provision	High Needs	106,385	352,757	423,079	413,937	13%	104,780
		1,606,415	2,928,711	5,133,158	7,285,837		4,019,953

5.4 The schools in the table all provided a School Balance Statement for their MSB to outline plans and commitments against these balances. These were presented to the Heads Funding Group in July.

6. Consultation

6.1 The following consultation was included in the recent consultation with all schools:

Do you support the Scheme for Financing Schools containing a clawback mechanism for schools with balances over 10% of their budget share, subject to retention of a minimum of £50k? Yes/No.



Summary of comments in support:

“I feel that we need to find a way to reduce schools' balances to give a more true figure of the state of finance in education. If large balances are held then the government has a strong argument not to increase funding, whereas in reality balances are probably being held to avoid financial difficulty in future”.

“Schools balances need to be reduced to give a true picture of the state of finance in education. Schools retain funds to balance budgets in future years but this doesn't help the DfE understand that schools are struggling financially”.

“Yes, provided the money clawed back is shared amongst schools who need this funding as we are supporting an immense amount of need in schools without any funding”. This is part of the recommendations for primary schools.

“Straight into the high needs block”. This is part of the recommendation for special schools and secondary.

“As long as this is made clear to operate from a particular date. Also perhaps have a consideration if a school is taking an amount forward for a large planned project etc. A way needs to be found for the true extent of the state of finance in education to be seen. If large balances are held then the government has a strong argument not to increase funding”. A date has been proposed. The School Balance Statements (see below) would take into account any planned expenditure.

Summary of comments against:

“We do a lot of money raising and saving. Self generated income should be shown separately from our allocation”. This could form part of the School Balance Statement so schools are not penalised for raising funds.

“Schools are holding balances to deal with in year unfunded and unknown increases (like recent staffing costs). In reality balances are probably being held to avoid financial difficulty in future. Schools should not be penalised for being financially stable and well controlled where they can be”. Commitments can be detailed on the School Balance Statements.

“Whilst I appreciate that as a school, we have a carry forward above the proposed 10% budget share I disagree with the proposal of a claw back for the following reasons. As a school we have a number of large building projects about to be completed (roof) and the begin (drains). Whilst this has been funded via a capital project as a school, we have ensured that we have enough in our budget to support the payments needed and further improvements after the projects have been completed”. Commitments can be detailed on the School Balance Statements.

“Inadequate information provided within the consultation to understand the level of detail would be required from schools with a surplus to evidence commitments in the coming years. Will the 3-year budget submissions be reviewed and the setting of in year deficit budgets be considered? Scheme for financing schools runs parallel with the financial year, therefore a clawback mechanism introduced within the 24/25

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scheme should not clawback surpluses until 31st March 2025, so not be moving the goalposts on a surplus that relates to the 23/24 financial year. This would also ensure that schools don't feel encouraged to spend funds on arguably less critical resources to run down their balances before the end of the current financial year (in 5 months) in order to avoid more intense scrutiny in a public forum. This is an unintended consequence which puts at risk the public sector duty to achieve value for money". School Balance Statement example provided in Appendix A shows the detail that would be required to evidence commitments and provides opportunity to include 3 year budget detail.

"As long as any surplus is accounted for i.e. there are plans for medium term projects/commitments, this should be fine. Not sure my voice should count for much on this question as an Academy!"

"Not relevant to academies, but if we were maintained, it would be 'no'. Most schools understand the need to use their reserves for the benefit of existing pupils, but schools should be able to plan to spend reserves in the way they choose".

7. Clawback mechanism proposal

7.1 When and how to clawback

The clawback mechanism should be included in the 2023/24 Scheme for Financing Schools. Clawbacks should be based on balances at 31st March each year, starting from 31st March 2024 balances.

This would be introduced on a sliding scale for the first year. The table below shows the impact on the amount of clawback for a sliding scale approach looking to either clawback amounts over 12.5% of funding or 15% of funding at 31st March 2024.

Main School Budget Balance	2022/23	2022/23				
School	Total Funding	Total Balance	% of funding	Balance > 10%	Balance > 12.5%	Balance > 15%
Beedon Church of England (Controlled) Primary School	412,627	67,618	16.4%	26,356	16,040	5,724
John Rankin Schools Federation	2,956,127	414,775	14.0%	119,162	45,259	-
Parsons Down Schools Federation	1,779,683	218,432	12.3%	40,464	-	-
Robert Sandilands Primary School and Nursery	1,231,686	146,824	11.9%	23,656	-	-
Springfield Primary School	1,615,036	352,615	21.8%	191,111	150,735	110,359
St Paul's Catholic Primary School	1,465,688	196,548	13.4%	49,979	13,337	-
	9,460,846	1,396,812		450,727	225,371	116,083
The Downs School	8,038,378	1,211,610	15.1%	407,773	206,813	5,854
Brookfields Special School	7,469,291	3,445,943	46.1%	2,699,013	2,512,281	2,325,549
The Castle School	4,598,765	817,535	17.8%	357,659	242,690	127,721
	12,068,055	4,263,478		3,056,672	2,754,971	2,453,270
iCollege Alternative Provision	3,091,567	413,937	13.4%	104,780	27,491	-
	32,658,847	7,285,837		4,019,952	3,214,646	2,575,207

7.2 Circumstances leading to clawback

Surplus balances should continue to be reported at each year end. Schools with balances over 10% of their budget share (the amount of funding allocated via the funding formula) should prepare a School Balance Statement to be reviewed by HFG to ensure information surrounding commitments is justified and reasonable.

The statements should outline commitments for:

- Capital, building and ICT works
- Unspent Pupil Premium
- Unspent Sports Fund
- Prior year commitments not accrued for
- Specific grant balances
- Other commitments

Any uncommitted balance and anything in the statement that it is deemed should be covered by future budgets rather than balances, could be subject to clawback.

7.3 Amount of clawback

The maximum amount that could be clawed back each year is the amount of school balance in excess of 10% of their budget share. This is subject to leaving the schools with a minimum of £50,000 balance.

A sliding scale approach will be taken for balances at 31 March 2024, to recognise that this scheme has been introduced part way through the financial year.

The actual amount to be clawed back will be recommended by Heads Funding Group after reviewing the commitments on the statement, and taking into consideration the sliding scale in the first year. Schools Forum would then make the decision.

7.4 Redistribution of funds

Any clawed back funds should be returned as follows:

- Special school funding to the High needs block
- Secondary funding to the High needs block
- Primary funding to either maintained primaries or to the High needs block.

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7.5 Timetable

- Report on school balances: HFG and SF June 2024
- School balance statements submitted: 30.6.24
- HFG review of balances and recommendation of clawback: July 2024
- SF approval: July 2024
- Clawback actioned: July 2024

8. Appendices

8.1 A – School Balance Statement example

Appendix A

Main School Budget Balance	Actuals				% of funding	Balance > 10%	Forecast		
	2020/21	2021/22	2022/23	2023/24			2024/25	2025/26	2026/27
School name	10,000	20,000	30,000	40,000	16%	26,356			
Total MSB at 31.3.24				40,000					
Commitments									
1 Capital, building and ICT works (eg. Planned work for 23/24 that will require a revenue contribution to capital and cannot be fully supported by existing capital monies) - add detail below			2,000						
2 Unspent Pupil Premium (only if not held in separate fund)			1,000						
3 Unspent Sports Fund (only if not held in separate fund)			8,000						
4 Prior year commitments not accrued for (eg outstanding orders)			4,000						
5 Specific grant balances (add detail below)									
6 Self generated income									
7 Other commitments			0						
Total Commitments				15,000					
Uncommitted balance				25,000					
Explanation of capital commitments and timescale of spend:									
Explanation of unspent grants and timescale of spend:									
Explanation of other commitments and timescale of spend:									