
Scheme for Financing Schools: clawback mechanism

Report being considered by:	Schools Forum 17 th June 2024		
Report Author:	Melanie Ellis		
Item for:	Decision	By:	All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 A consultation was undertaken with all schools in November 2023 on the updates to the 2023/24 Scheme for Financing Schools. One of the Local Authority recommendations was for the inclusion of a clawback mechanism in the updated Scheme for Financing Schools (SFF). The consultation result was 68% in support of a clawback mechanism.
- 1.2 The clawback mechanism was discussed at Heads Funding Group in December who supported including a clawback mechanism in the SFF and applying it from 31.3.24 on balances over 10% of budget share, less any evidenced commitments, to be applied on a sliding scale in year one.
- 1.3 Schools Forum voted on this recommendation in December 2023, and voted to include a clawback mechanism in the SFF, but only from 31.3.25.
- 1.4 The Local Authority has spoken to the Department for Education regarding the appeal mechanism available to it when Schools Forum vote against local authority recommendations, but before a decision is made regarding this action, would like Schools Forum to review the original decision, in the light of now having the final balance information for 31.2.24.

2. Recommendations

- 2.1 Heads Funding Group of 5.6.24 recommend that the Schools Forum:
 - (1) Revisit the decision to introduce the clawback mechanism in the updated Scheme for Financing Schools (SFF) based on balances as at 31.3.25.
- 2.2 The Local Authority recommends that Schools Forum:
 - (1) Review the balance information contained within this report, and reconsider implementation of the clawback mechanism on balances as at 31.3.24.
 - (2) 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

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Funding Group after reviewing the commitments on the statement. Schools Forum would then make the decision.

- (3) 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 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.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

5. Current position

5.1 School balances in 2015 were £4m. The school balances at 31st March 2024 total £13.4m.

5.2 £11.2m is being held in Main School Budget (MSB) balances at 31.3.2024 (compared to £3.6m at 31.3.2020), £500k in other revenue balances, £350k in before and after school club funds and £1.3m in capital balances. The MSB balance has increased by £400k from last year overall, with primary schools decreasing by £384k and other schools categories all increasing their balances.

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- 5.3 The table below shows those schools with a MSB surplus balance greater than 10% of their funding and above £50k as at 31.3.24. Total balances greater than 10% and £50k total £4.8m.

Main School Budget Balance		2022/23	2023/24	% of funding	Balance > 10% and > than £50k
School	Funding Block				
Victoria Park Nursery	Early Years	72,277	149,760	20%	74,431
Beedon	Schools	67,618	65,718	15%	15,718
Chaddleworth and Shefford Federation	Schools	87,012	86,479	12%	11,382
Curridge Primary	Schools	53,622	75,025	12%	12,833
Garland Junior	Schools	68,246	171,928	13%	44,333
John Rankin Schools Federation	Schools	414,775	503,665	16%	196,009
Parsons Down Schools Federation	Schools	218,432	288,513	17%	114,134
Springfield Primary School	Schools	352,615	400,089	23%	228,067
		1,262,319	1,591,417		622,476
The Downs School	Schools	1,211,610	1,467,308	17%	603,791
Brookfields Special School	High Needs	3,445,943	3,804,042	51%	3,054,548
The Castle School	High Needs	1,147,535	847,633	15%	268,564
		4,593,478	4,651,675		3,323,112
iCollege Alternative Provision	High Needs	413,937	551,982	13%	204,890
		7,553,621	8,412,142		4,828,700

- 5.4 The schools in the table should provide a School Balance Statement for their MSB to outline plans and commitments against these balances. These will be presented to the Heads Funding Group in July.

6. Clawback mechanism proposal

- 6.1 When and how to clawback:

The clawback mechanism should be included in the Scheme for Financing Schools. Clawbacks should be based on balances at 31st March each year.

- 6.2 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:

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- 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.

6.3 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.

The actual amount to be clawed back will be recommended by Heads Funding Group after reviewing the commitments on the statement. Schools Forum would then make the decision.

6.4 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.

6.5 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

7. Appendices

7.1 A – School Balance Statement example

Appendix A

	Actuals				% of funding	Balance > 10%	Forecast		
	2020/21	2021/22	2022/23	2023/24			2024/25	2025/26	2026/27
Main School Budget Balance									
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:									