

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 20th June 2024

Subject: Maintained school and extended school balances outturn 2023/24

Report Author: Rosie Harrison

Contact telephone number: 01133788679

Summary of main issues

1. At the end of 2023/24, there was a net surplus balance of £26.96m for maintained schools and extended schools, which is a decrease of £6.3m compared to 2022/23 (£33.2m). Within this, balances for schools have decreased by £6.7m from a surplus of £26.2m at the end of 2022/23 to £19.6m at the end of 2023/24.
2. Although there was an overall surplus of £19.6m for schools at the end of 2023/24, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance at the end of 2023/24 was 38, an increase of 2 from 2022/23. The value of the deficit balances has increased by £0.1m during 2023/24, to a closing balance of £4.2m. Schools with projected deficit balances above £10k or 3% of their budget share are being asked to submit a deficit action plan detailing how the budget will be brought back into balance.
3. There are 6 schools where balances have remained greater than the applicable surplus balance threshold over three successive financial years. There are 5 primary schools and 1 secondary school and they will be asked to complete an application if they wish to retain their excess surplus balance.
4. The administration and management of surplus and deficit balances is carried out by the Local Authority in accordance with the requirements of the Leeds Scheme for Financing Schools.

Recommendations

5. Schools Forum is asked to note the 2023/24 school and extended school balances, and the work ongoing to consider both clawback of excess surplus balances and review deficit action plans.

1 Background information

- 1.1 Year-end balances for maintained schools and extended schools roll forward to the following year, subject to clawback of funding in some cases where excess surplus balances are held.
- 1.2 The excess surplus balance threshold was reduced from 15% to 8% from the financial year 2022/23. The previous threshold applicable to financial years up to and including 2021/22 was 15%. School balances are subject to clawback where the surplus balance, as a percentage of the Individual Schools Budget, has been over the applicable percentage threshold for three consecutive years (over 15% end of 21/22 and over 8% end of 22/23 and 23/24). The Individual Schools Budget is the sum of the Dedicated Schools Grant (DSG) and funding provided from the Education and Skills Funding Agency for post-16 expenditure.
- 1.3 Surplus balances held by AIPs are also subject to clawback. Other balances held by schools for extended services are not subject to clawback by the local authority, as they are not directly funded through the DSG.
- 1.4 Schools with projected deficit balances above a certain threshold are required to submit a deficit action plan detailing how the budget will be brought back into balance.

2 Main issues

2.1 Summary of balances

- 2.1.1 During 2023/24 school balances have decreased overall by £6.3m, to £26.96m.
- 2.1.2 Balances specifically for schools have decreased from a surplus of £26.2m at the end of 2022/23 to £19.6m at the end of 2023/24. Primary school balances have reduced by £5.2m. Feedback from schools indicates that this is due to the impact of pay increases, energy and wider inflationary costs in addition to reducing pupil numbers, and rising SEND need. Secondary school balances decreased by £0.6m. SILC balances have reduced by £0.9m.

Table 1 – Year end balances for maintained schools and extended school services

Note: negative figures are surpluses/increases and positive figures and deficits/reductions.

	2020/21	2021/22	2022/23	2023/2024	Movement 22/23 to 23/24
	£000	£000	£000	£000	£000
Primary	-26,767	-26,227	-16,205	-11,030	5,175
Secondary	-4,500	-7,736	-7,888	-7,300	588
SILCs	-2,203	-3,072	-2,140	-1,232	908
Sub Total Schools	-33,470	-37,035	-26,233	-19,563	6,671
School-led Extended Services	-2,512	-3,113	-3,745	-4,312	-567
Area Inclusion Partnerships	-319	-617	-1,161	-1,381	-220
Clusters	-2,395	-2,525	-2,096	-1,703	393
Total surplus balance	-38,696	-43,290	-33,235	-26,961	6,277

2.2 Individual school balances

2.2.1 Balances for individual schools are attached at Appendix 1. This shows balances at the end of 2023/24 compared with 2022/23. Schools are listed by phase with the highest percentage deficits first.

2.2.2 The table below provides an analysis of school surplus and deficit balances with further commentary in the sections that follow.

Table 2 – Year end surplus and deficit balances for maintained schools

Note: negative figures are surpluses and positive figures are deficits

	2022/23		2023/24		Movement	
	£000	No.	£000	No.	£000	No.
School surplus balances	-30,342	138	-23,782	132	6,560	-6
School deficit balances	4,109	36	4,217	38	108	+2
Total	-26,233	174	-19,565	170	6,668	-4

* Reduction of 4 schools due to academy conversions, whose net balances were £373k surplus at the end of 2023/24.

Surplus balances

2.2.3 In accordance with the rules set out in the Leeds Scheme for Financing Schools there are 40 schools where surplus balances are above 8% of the school budget share at the end of 2023/24. This is a decrease from 79 schools as at the end of 2022/23.

2.2.4 There are 6 schools where balances have remained greater than percentage threshold over three successive financial years. They have been asked to complete an application if they wish to retain this excess balance. These applications will be considered by the Deputy Director of Learning, a representative from finance and a representative member from Schools Forum.

2.2.5 The remaining 40 schools that have balances over the 8% threshold are not subject to clawback as the balance has not been over the threshold for 3 consecutive years. As with 2022/23, due to the high number of schools in this category these schools have not been required to identify how this surplus balance will be utilised.

2.2.6 For information, 5 schools had excess surplus balances clawed back for 2022/23. The total amount clawed back was £41k and this has been used to reduce schools' de-delegated contribution towards the contingency budget in 2023/24.

Deficit balances

2.2.7 Although there was an overall surplus of £19.6m for schools at the end of 2023/24, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance has increased by 2 since the end of 2023/24, with a total of 38 schools (22%)

carrying forward a deficit from 2023/24. The value of the deficit balances has increased by £0.1m during 2023/24, giving a closing deficit balances value of £4.2m.

2.2.8 Of the 38 schools in deficit:

- 3 are below £10k
- 12 are between £10k and £50k
- 19 between £50k and £250k
- 4 are between £250k and £500k

2.2.9 Of the 38 schools in deficit at the end of 2023/24, 1 is in overall surplus including their extended balances.

2.3 Deficit balance procedures

2.3.1 Work is currently ongoing to develop action plans for 2024/25 with the remaining schools in deficit. The Finance Team will be working alongside the Children and Families Directorate to identify the nature and level of support these schools require and provide any challenge necessary. To facilitate this the Deficit Action Plan Group meets monthly to discuss schools in deficit and to agree actions; this comprises officers from Children & Families, Finance and HR.

2.3.2 Finance officers work closely with schools to support them with their budgets, to explore reasons for the deficit position and provide guidance and support for schools in identifying actions that may be taken. Depending on the issues faced by particular schools this support has included such things as joint working across council teams to meet with schools, support with benchmarking to explore potential areas for savings, more frequent budget monitoring visits and attendance at relevant governing body meetings. The council will continue to provide this support and challenge and will consider what level of additional monitoring may be required for particular schools.

2.3.3 The Leeds Scheme for Financing Schools sets out that the following actions are available to the council when a school is in deficit:

- Requiring that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school.
- Requiring that an appropriately trained/qualified person chairs the finance committee of the governing body.
- Placing more stringent restrictions or conditions on the day-to-day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the council.
- Requiring regular financial monitoring meetings at the school attended by council officers.
- Requiring a governing body to use the council's financial management systems.
- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share (e.g. by requiring a school to submit income projections and/or financial monitoring reports on such activities).

- If a school does not comply with the approved action plan and fails to clear the deficit within the agreed period, financial delegation could ultimately be removed as empowered under Section 51 of the School Standards and Framework Act 1998.

2.3.4 The Local Authority has also accessed additional support through the DfE School Resource Management Advisor (SRMA) scheme. This is a free service where the Local Authority can request the deployment of an SRMA to visit a school and assess the financial position, with a view to making efficiency recommendations. 11 SRMA deployments have taken place in 2023/24, with several planned for 2024/25. The SRMA recommendations can form part of a school's deficit action plan where appropriate.

2.3.5 Once a school has been served with an academy order, the Finance Officers will work with the school to reduce the risk of any deficit balances increasing. This includes carrying out checks to ensure that expenditure relating to the new academy is not recorded against the school's accounts. Where a deficit balance reverts to the council, we will review what lessons can be learned to reduce the risk of this occurring again in future.

2.3.6 The Finance Services to Schools team also has arrangements in place to share any concerns over a school's financial position with relevant senior leaders and teams across the council. Good practice will also continue to be shared with other local authorities and the ESFA through regular regional meetings.

2.4 **Extended services accounts**

2.4.1 Schools hold £7.4m of balances in extended services accounts. This is held in three broad areas as follows:

- Extended Schools Facilities (£4.3m in 2023/24, compared to £3.7m in 2022/23) - This is the balance on the running of community facilities such as children's centres, wraparound childcare, before and after school clubs and sports development partnerships.
- Clusters (£1.7m in 2023/24, compared to £2.1m in 2022/23) – This is the balance held by lead schools on behalf of clusters of schools.
- Area Inclusion Partnerships (£1.38m in 2023/24, compared to £1.16m in 2022/23) – This is the balance held by the lead or host school on behalf of the Area Inclusion Partnerships.

3 **Recommendations**

3.1 Schools Forum is asked to note the 2023/24 school and extended school balances and the work ongoing to consider both clawback of excess surplus balances and to review deficit action plans.