

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 24th June 2021

Subject: Maintained school and extended school balances outturn 2020/21

Report Author: Liz Jackson

Contact telephone number: 0113 3788766

Summary of main issues

1. At the end of 2020/21, there was a net surplus balance of £38.7m for maintained schools and extended schools, which is an increase of £14.3m compared to 2020/21 (£24.4m). Within this, balances for schools have increased by £15.3m from a surplus of £18.2m at the end of 2019/20 to £33.5m at the end of 2020/21.
2. Although there was an overall surplus of £33.5m for schools at the end of 2020/21, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance has reduced by 11 since the end of 2019/20, with a total of 12 schools carrying forward a deficit from 2020/21. The value of the deficit balances has reduced by £2m during 2020/21, to a closing balance of £3.8m. 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 ten schools where balances have remained greater than 15% over three successive financial years. These are all primary schools and they will be asked to complete an application if they wish to retain their excess surplus balance.
4. The process for reviewing excess surplus balances (above 15% of income) for Area Inclusion Partnerships (AIPs) is underway currently and meetings will be held with AIPs to discuss their end of year positions. Only one AIP is in a clawback position for 20/21 and the evaluation of a bid to retain the surplus is being carried out by the council.
5. An update will be brought to Schools Forum later in the year on clawback from schools and deficit action plans.

Recommendations

6. Schools Forum is asked to note the 2020/21 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 School balances are subject to clawback where the surplus balance has been more than 15% of the Individual Schools Budget for three consecutive years. 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 2020/21 school balances have increased significantly due to the effects of the pandemic. Schools have continued to receive their base funding, plus additional covid-related funding and simultaneously made savings on expenditure. As a result the position at the end of 2020/21 was a net surplus of £38.7m, an increase of £14.3m. It is anticipated that schools will spend some of these balances during 2021/22, particularly considering the need for ongoing catch-up measures.
- 2.1.2 Balances specifically for schools have increased from a surplus of £18.2m at the end of 2019/20 to £33.5m at the end of 2020/21.

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

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

	2017/18	2018/19	2019/20	2020/21	Movement 19/20 to 20/21
	£000	£000	£000	£000	£000
Schools	-17,985	-16,453	-18,181	-33,470	-15,289
School-led Extended Services	-3,097	-3,492	-3,690	-2,512	1,109
Area Inclusion Partnerships	-1,535	-360	-80	-319	-239
Clusters	-2,746	-2,449	-2,479	-2,395	84
Total surplus balance	-25,363	-22,754	-24,430	-38,696	-14,266

2.2 Individual school balances

- 2.2.1 Balances for individual schools are attached as Appendix 1. This shows balances at the end of 2020/21 compared with 2019/20. 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 and deficits

	2019/20		2020/21		Movement	
	£000	No.	£000	No.	£000	No.
School surplus balances	-23,940	160	-37,292	168	-13,352	+8
School deficit balances	5,759	23	3,822	12	-1,937	-11
Total	-18,181	183	-33,470	180	-15,289	-3

* Reduction of 3 schools is due to academy conversions, whose net balances were a £272k surplus at the end of 2019/20.

Surplus balances

- 2.2.3 In accordance with the rules set out in the Leeds Scheme for Financing Schools there are 52 schools where surplus balances are above 15% of the school budget share at the end of 2020/21. This is an increase of 34 schools as at the end of 2019/20.
- 2.2.4 There are ten schools where balances have remained greater than 15% over three successive financial years. There are 9 primary schools and 1 SILC and they have been asked to complete an application if they wish to retain this excess balance. These applications will be considered by the Schools Forum Panel before the final decision is made by Children and Families.
- 2.2.5 The remaining 42 schools that have balances over the 15% threshold are not subject to clawback as the balance has not been over the 15% threshold for 3 consecutive years. Due to the high number of schools in this category and considering the general impact of the pandemic on school balances, for 20/21 these schools have not been required to explain how the balance has arisen.

Deficit balances

- 2.2.6 Although there was an overall surplus of £33.5m for schools at the end of 2020/21, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance has reduced by 11 since the end of 2019/20, with a total of 12 schools (7%) carrying forward a deficit from 2020/21. The value of

the deficit balances has reduced by £1.9m during 2020/21, giving a closing deficits of £3.8m.

2.2.7 National benchmarking information for 2020/21 will not be available until late 2021, however for 2019/20 the England average was 12% of maintained schools in deficit and the Yorkshire and Humber average was 12.9%. The Leeds average for 2019/20 was 12.5% and has reduced to 6.7% in 2020/21.

2.2.8 Of the 12 schools in deficit:

- 1 is below £10k
- 4 are between £10k and £100k
- 4 are between £100k and £500k
- 2 are between £500k and £1m
- 1 is over £1m

2.3 Deficit balance procedures

2.3.1 Work is currently ongoing to develop action plans for 21/22 with 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 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.

2.3.3 Finance Officers work closely with schools to support them with their budgets and provide challenge where deficits exist or are anticipated in future years. Depending on the issues faced by particular schools this has included actions such as joint working across council teams to meet with schools and offer support and challenge, 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.

2.3.4 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.

2.3.5 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 £5.2m of balances in extended services accounts. This is held in three broad areas as follows:

- Extended Schools Facilities (£2.5m in 2020/21, compared to £3.7m in 2019/20)
- This is the balance on the running of community facilities such as children's centres, wrap around childcare, before and after school clubs and sports development partnerships.
- Clusters (£2.4m in 2020/21, compared to £2.5m in 2019/20) – This is the balance held by lead schools on behalf of clusters of schools.
- Area Inclusion Partnerships (£0.3m in 2020/21, compared to £0.1m in 2019/20)
– This is the balance held by the lead or host school on behalf of the Area Inclusion Partnerships.

2.4.2 Surplus balances for Area Inclusion Partnership are currently being reviewed for 2020/21 and are subject to clawback on the following basis:

- Clawback of any funding provided for citywide exceptional places, where those places have not been provided, and

- Clawback of surplus balances in excess of 15% of other funding and income, unless an appropriate plan could be provided that meets defined criteria for the use of the balance, along with evidence to support the costs.

2.4.3 One AIP had a balance over 15% at the end of 2019/20 and was allowed to keep this in order to make planned improvements to a specific site. Due to the pandemic this work was not undertaken during 2020/21 and therefore an application has been made again and is in the process of being reviewed.

2.4.4 Due to the impact of the pandemic on the operation and income generation of some extended services, such as before and after school clubs, those in deficit have not been required to transfer funds from the school budget to balance the position as has been the case in previous years. Instead they have been asked to submit a deficit action plan detailing how the position will be recovered. This is to ensure transparency and that schools are reviewing the ongoing viability of these provisions, particularly in light of changing working habits amongst parents post-pandemic. These plans will be considered by the Deficit Action Plan Group as with main school deficits.

3 Recommendations

3.1 Schools Forum is asked to note the 2020/21 school and extended school balances and the work ongoing to consider both clawback of excess surplus balances and to review deficit action plans.