

**Report of the Director of Children and Families**

**Report to the Leeds Schools Forum**

**Date: 23<sup>rd</sup> June 2022**

**Subject: Maintained school and extended school balances outturn 2021/22**

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**Summary of main issues**

1. At the end of 2021/22, there was a net surplus balance of £43.3m for maintained schools and extended schools, which is an increase of £4.6m compared to 2020/21 (£38.7m). Within this, balances for schools have increased by £3.6m from a surplus of £33.5m at the end of 2020/21 to £37m at the end of 2021/22.
2. Although there was an overall surplus of £37m for schools at the end of 2021/22, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance at the end of 2021/22 was 21, an increase of 9. The value of the deficit balances has reduced by £0.8m during 2021/22, to a closing balance of £2.96m. 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 12 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. Four AIPs are in a clawback position for 2021/22 and the evaluation of bids to retain the surplus is being carried out by the council.

**Recommendations**

5. Schools Forum is asked to note the 2021/22 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. Please note, as agreed by Schools Forum the surplus balance threshold has been reduced to 8% for the financial year 2022/23 onwards.
- 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 2021/22 school balances have increased overall by £4.6m, to £43.3m. This is a much smaller increase than last year (£14.3m).
- 2.1.2 Balances specifically for schools have increased from a surplus of £33.5m at the end of 2020/21 to £37m at the end of 2021/22. Primary school balances have reduced by £0.5m. This demonstrates the lessening impact of covid on school activity, strains on supply budgets and the use of catch-up funding; the receipt of which had bolstered balances at the end of 2020/21. Secondary school balances and SILC balances have increased by £3.2m and £0.9m respectively; reflective of increased pupil numbers moving through into secondary.

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

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

	2018/19	2019/20	2020/21	2021/22	Movement 20/21 to 21/22
	£000	£000	£000	£000	£000
Primary	-17,315	-18,022	-26,767	-26,227	540
Secondary	1,369	1,024	-4,500	-7,736	-3,236
SILCs	-505	-1,183	-2,203	-3,072	-869
<b>Sub Total Schools</b>	<b>-16,453</b>	<b>-18,181</b>	<b>-33,470</b>	<b>-37,035</b>	<b>-3,565</b>
School-led Extended Services	-3,492	-3,690	-2,512	-3,113	-601
Area Inclusion Partnerships	-360	-80	-319	-617	-298
Clusters	-2,449	-2,479	-2,395	-2,525	-130
<b>Total surplus balance</b>	<b>-22,754</b>	<b>-24,430</b>	<b>-38,696</b>	<b>-43,290</b>	<b>-4,594</b>

## 2.2 Individual school balances

2.2.1 Balances for individual schools are attached at Appendix 1. This shows balances at the end of 2021/22 compared with 2020/21. 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

	2020/21		2021/22		Movement	
	£000	No.	£000	No.	£000	No.
School surplus balances	-37,292	168	-39,995	156	-2,703	-12
School deficit balances	3,822	12	2,960	21	-862	+9
<b>Total</b>	<b>-33,470</b>	<b>180</b>	<b>-37,035</b>	<b>177</b>	<b>-3,565</b>	<b>-3</b>

\* Reduction of 3 schools due to academy conversions, whose net balances were a £447k surplus at the end of 2020/21.

### Surplus balances

2.2.3 In accordance with the rules set out in the Leeds Scheme for Financing Schools there are 41 schools where surplus balances are above 15% of the school budget share at the end of 2021/22. This is a reduction of 12 schools as at the end of 2020/21.

2.2.4 There are 12 schools (all primaries) where balances have remained greater than 15% 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 Schools Forum Panel before the final decision is made by Children and Families Directorate.

2.2.5 The remaining 29 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. As with 2020/21, 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.

### Deficit balances

2.2.6 Although there was an overall surplus of £37m for schools at the end of 2021/22, within this some schools have been operating with deficit balances. The number of schools with a closing deficit balance has increased by 9 since the end of 2020/21, with a total of 21 schools (11.9%) carrying forward a deficit from 2021/22. The value of the deficit balances has reduced by £0.9m during 2021/22, giving a closing deficit balances value of £2.96m.

2.2.7 National benchmarking information for 2021/22 will not be available until late 2022, however for 2020/21 the England average was 8.4% of maintained schools in deficit. The Leeds average for 2020/21 was 6.7% and has increased to 11.9% in 2021/22.

2.2.8 Of the 21 schools in deficit:

- 4 are below £10k
- 10 are between £10k and £100k
- 7 are between £100k and £700k

2.2.9 Although the number of deficits has increased, the overall total value has reduced. Of the 21 schools in deficit at the end of 2021/22, 8 have already set an overall surplus budget for 2022/23. Another of the schools converted to academy status on 1st June 2022. Of the remaining 12, 10 already have a deficit action plan in place from previous years and their cumulative total deficit reduced by £190k in 2021/22.

### 2.3 Deficit balance procedures

2.3.1 Work is currently ongoing to develop action plans for 22/23 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 £6.26m of balances in extended services accounts. This is held in three broad areas as follows:

- Extended Schools Facilities (£3.11m in 2021/22, compared to £2.51m in 2020/21) - 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 (£2.53m in 2021/22, compared to £2.4m in 2020/21) – This is the balance held by lead schools on behalf of clusters of schools.
- Area Inclusion Partnerships (£0.62m in 2021/22, compared to £0.32m in 2020/21) – 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 Partnerships are currently being reviewed for 2021/22 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.

## 3 **Recommendations**

3.1 Schools Forum is asked to note the 2021/22 school and extended school balances and the work ongoing to consider both clawback of excess surplus balances and to review deficit action plans.