

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM 26th September 2023

REPORT OF THE DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION

Excessive clawback mechanism consultation with Wirral maintained schools.

EXECUTIVE SUMMARY

This report outlines a request of schools' forum to conduct a consultation in relation to a clawback mechanism for Wirral Maintained Schools.

At the schools' forum meeting on the 26th June, it was outlined that the schools balances position for Wirral maintained schools was still historically high in comparison to pre-covid levels and that some schools on Wirral had significantly high revenue budgets. Following the discussion at schools' forum it was requested the local authority bring a report to the September forum in relation to school balances and approaches that could be explored.

Many other local authorities do have a clawback mechanism in place to address excessive balances where they occur, Wirral currently does not have a mechanism in place. DFE guidelines state it is good practice for primary schools to have a balance reserve of 8%, for secondary schools this would be 5%.

1. School Balances

- 1.1 School balances at 31st March 2023 have reduced to £13.5m. This is a reduction of £2.5m after the 2021-22 balance has been adjusted for 3 academy conversions during the year.
- 1.2 The average school balance for a primary school has reduced to £138,539 compared to £163,589 in 2021-22. The overall secondary school balance is an increasing net surplus position, with only 1 of the 4 schools remaining in a, much reduced, deficit position.

2. Monitoring School Balances 2022-23

- 2.1 The actual position for March 2023 is £1.9m was better than anticipated at Period 9 monitoring. In November 2022, the predicated outturn for the end of the financial year was £11.6 million, by the end of the financial year the outturn finished on the £13.5 million.
- 2.2 Analysis of all Wirral maintained budgets show a mixed a picture, there are currently 16 schools with a deficit budget of £2.8 million. Support is being put in place to support these schools in returning to balanced budget position.

- There is 1 Nursery School in deficit, which has increased during the year. The LA are working with them to reduce their costs.
 - There are 11 Primary Schools in deficit
 - 2 schools that had deficits in 2021-22 have moved into a credit position.
 - There are 7 schools who have moved into a deficit position this year.
 - Of the 4 schools still in deficit since last year, 2 of them have increased their deficits, whilst 2 have reduced their deficits significantly. 1 has a notice of concern and the others will continue to work towards their licenced deficit plans.
 - There is now only one secondary school in deficit, but they have reduced their deficit by £328k through the year and are working through an agreed licenced deficit plan.
 - There are 3 special schools with deficit budgets. They all have a Notice of Concern and the LA are working with them to reduce costs.
- 2.3 The removal of the 16 schools in deficit from the headline figure leaves the remaining Wirral maintained schools with a remaining balance of £16.3 million. Across the remaining schools, revenue reserves vary significantly, progressing from low reserves to schools with 25% revenue budget reserves. The DFE guidance in relation balance reserves in the eventuality of unexpected costs is 8% for primary schools and 5% for secondary schools.

3. Scheme for financing schools

- 3.1 Under the most recent scheme for financing local authority-maintained schools. In section 6.1 and 6.2 the DFE guidance makes clear, In 6.1 the guidance articulates a provision which allows a carry forward from one financial year to the next any surplus/deficit budget the school may have.
- 3.2 In 6.2 the guidance articulates that the scheme may have a mechanism to claw back excess surplus balances
- 3.3 It states the mechanism should be focused on only schools which have built up significant excessive uncommitted balances or where some level of redistribution would support improved provision across a local area.

4. Questions to be outlined in the consultation process

- 4.1 If approved by schools' forum, the following consultations questions will be put to all maintained schools, with an expectation that the outcome of the consultation is returned in a report to schools' forum on the 21st November. Any changes agreed at schools' forum in relation to a clawback mechanism, would require a change to the scheme for financing schools currently in place on Wirral.
- 4.2 The consultation would run from the Thursday 28th September until Thursday 9th November. This would be a 6-week consultation in line with normal expectations.

Consultations questions

Q1. Do you believe a clawback mechanism should be implemented on Wirral in relation to excessive school balances above the DFE recommended amounts? Yes/no

Do you have any addition comments you wish to share in relation to this question?

Q2. If a clawback mechanism is to be implemented on Wirral, which of the following approaches do you feel would be appropriate in calculating the claw back amount?

- A) 50% of excess balances above the DFE recommended amount of 8% for primary schools/ 5% for secondary schools, for the average surplus balance over 4-year period.
- B) 50% of excess balances above the DFE recommended amount of 8% for primary schools/ 5% for secondary schools, for the average surplus balance over 3-year period.
- C) 50% of excess balances above the DFE recommended amount of 8% for primary schools/ 5% for secondary schools, for the average surplus balance over 2-year period.

Would you like to share any other alternative proposals in relation to a clawback mechanism?

Example of clawback mechanism under option A vs option C

Wirral School has a budget of £2.3 million, over the last 4 fours they have had the following surplus budgets.

*2022/2023 – 450K
2021/2022 – 400K
2020/2021 – 350K
2019/2020 – 150K*

*The average surplus budget over the 4-year period is 337.5K
The clawback mechanism using option A would be the following. Under the DFE guidance of a recommended 8% surplus, this would be £184K. The excess surplus budget would be £153.5K – under option A the clawback applied would 76.75K*

*For option C, the surplus budget over the 2-year period is 425K.
The clawback mechanism using option C would be the following. Under the DFE guidance of a recommended 8% surplus, this would be £184K. The excess surplus budget would be £241K – under option C the clawback applied would 120.5K*

Q3. If a clawback mechanism is to be implemented, it would be expected any claw back would be transferred to the high needs block, this is linked to the scheme for schools financing that states, "some level of redistribution would support improved provision across a local area". Would you support this approach? yes/no

Would you like to share any other options for the use of funds that are subject to claw back?

Q4. As part of the consultation would you like to share any other comments in relation to school budget positions as part of this process?

5. Outcome of the consultation

- 5.1 If schools' forum approves the consultation in relation to excessive balances, a report will be brought back to schools' forum in November with a full outline of all responses and any additional actions that may arise from the consultation.
- 5.2 If any school leaders or governors have any queries throughout the consultation, please contact the Assistant Director: Education who will be able to respond with any clarifications required.

Recommendations for Schools' Forum

1. Schools' forum members are requested to not the contents of the report.
2. The appropriate schools' forum representatives agree to the consultation process as outlined in the report.

Simone White
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