

## **Appendix 2 - Extract from the Ealing Scheme for Financing Schools 2023-24 (for application to 2022-23 – cumulative Surplus Balances)**

### **6 THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

#### **6.1 Right to carry forward surplus balances**

Subject to section 6.2 of this scheme, a school shall carry forward from one financial year to the next any cumulative deficit or surplus balance from the previous year.

The amount of a surplus or deficit balance will be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009

#### **Good practice**

**Schools should be aware that it is good financial management to maintain reserves up to the region of 5% (for secondary schools) - 8% (for nursery, primary and special schools) of the school's budget share.**

#### **6.2 Control on surplus balances**

A Balance Control Mechanism (BCM) allows an authority to clawback excess surplus balances.

The mechanism is focused on only those schools which have built up significant excessive uncommitted balances or a redistribution of the balance would support improved provision within Ealing schools.

- a) The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework, including creditor and debtor provisions.
- b) If the result of step a is a sum is the greater of 5% for secondary schools, 8% for primary and special schools and nurseries, of the maintained schools original budget submitted to the LA. then the authority shall apply the clawback mechanism set out in section 6.2.d and deduct resulting amount from the current year's budget as appropriate. The LA will seek agreement to implement the BCM from Schools Forum following the confirmation of maintained school balances for the year.
- c) At year end every school with balances over 5% for secondary schools, 8% for primary will need to complete a School Balances form. Should Schools Forum agree to implement the BCM the LA will Review the School Balance Forms ensuring:
  - Projects on the form if capital in nature are using the school's devolved capital balances before applying the revenue balance
  - Schools earmarked revenue contributions to capital schemes lead on by the council are deducted from balances subject to clawback, and these contributions are held in a central reserve
  - Spend under the accrual limit and accruals with committed orders have been spent.
- d) Schools with an increasing excessive surplus for 2 consecutive years will be considered for clawback at the following incremental levels:

Nursery, Primary and Special Schools:

- 5% on surpluses between 9% to 12%
- 10% on surpluses between 12% to 20%
- 15% on surpluses more than 20%

Secondary Schools:

- 5% on surpluses between 6% to 9%
- 10% on surpluses between 9% to 17%
- 15% on surpluses of more than 17%

For example, if a Primary school has a balance of 30%, the amount between 9% and 12% attracts a 5% clawback, between 12% and 20% a 10% clawback, and the amount above 20% a 15% clawback.