**School clawback policy – extract from Scheme for Financing Schools**

Controls on Surplus Balances

* The aim of the School Balance Control Mechanism is to promote the effective and planned use of balances so that the funding schools receive is spent on the children currently in the schools. Schools are still able to hold a reasonable amount in reserve to support multi-year budgeting and meet unforeseen circumstances. The overall intended outcome from the Balance Control Mechanism is that balances are used in the best way to benefit children and young people, and as a result the levels of balances are within acceptable levels.
* The management of surplus balances should not be seen as just a year-end issue. Instead, it should be integrated with multi-year school budget planning and monitoring. Given the importance of having an understanding as to the level of reserves that schools are planning, and to ensure that this allows sufficient time for schools to change plans under challenge, both the City Council and schools will participate in a Balance Management Process. Schools will provide early in the new financial year (prior to 31st May) a Budget Plan which will additionally include the intended use of any planned anticipated reserves at the end of the financial year over the Normal Maximum Level. Such plans will be reviewed by the City Council and discussed with the school to ensure that the intended level and use of balances will be effective, leading to approval or otherwise of the plans by the Director of Children’s Services.

Schools will be asked to prepare an in-year budget revision in the Autumn Term prior to 15th October. This will provide a further opportunity for any school that has significant changes to its original Budget Plan to set out a revised year end forecast, which also sets out the intended use of any new or additional reserves over and above the NML anticipated at the end of the financial year. Such plans will be reviewed by the City Council prior to the end of November, leading to approval or otherwise of the plans by the Director of Children’s Services.

After the end of the financial year, schools will submit a statement of how any balances are to be used (whether below or above the NML). Any balances above the NML not approved by the Council in the original or revised budget will be discussed with the school and would potentially be subject to claw-back. Such discussions would encompass the school’s entire balance.

* The normal maximum level of a school’s balance is calculated by the City Council and notified to the school before the start of the financial year. This will be limited to 10% as a percentage of the aggregate of the school’s delegated budget plus School Development Grant and plus School Standards Grant. This is termed the “Normal Maximum Level”. These thresholds are not targets and schools with balances above the threshold will be challenged on their whole balance.
* The scheme incorporates scope for schools to apply for exemptions and transitional relief in certain circumstances. Schools Forum has indicated that it will expect City Council officers to apply more challenge to schools with balances over the standard threshold and that it would also expect excessive balances to be clawed back for recycling into initiatives to be agreed by the Council and the Forum.
* Proposals should form part of the initial budget plan and the in-year budget revision, which should be approved by the Governing Body prior to submission to the City Council for approval. This process would help promote a dialogue with the City Council where balances are anticipated to be above the Normal Maximum Level and enable schools to apply for approval from the Council to retain such balances. It is important to have an understanding as to the level of resources that schools are planning, and to ensure that this allows sufficient time for schools to change plans under challenge. Such plans will be reviewed by the City Council.
* There is a presumption that the Council will claw-back funds from schools whose out-turn (actual at end of year) balance exceeds the Normal Maximum Level or such higher figure as has been agreed between the Council and the School in advance. Before the Council decides on the level of claw-back from such a school, schools will have an opportunity to explain why such an excess balance has occurred and the school’s plans for how it would be used if not clawed back. It is expected that the Normal Maximum Level would be sufficient to accommodate routine amounts of additional income or changes to costs in the final outturn compared to the budget. Justifications supplied would need to be significant changes compared to the budget plan, which the school could not reasonably have foreseen or controlled.

Any proposals for claw-back would be considered by a Partnership Panel comprising of City Council officers and Schools Forum representatives. This panel would make recommendations to the Strategic Director, Children Services who will take the final decision. Usually claw-back will be determined by the end of September after the year end.

* Local authorities, in consultation with their Schools Forum, should ensure that any funds clawed back are spent productively within the scope of the overall Schools Budget. Schools Forum has agreed that it would expect excessive balances to be clawed back for recycling into initiatives to be agreed by the Council and the Forum. The City Council will be seeking to utilise any clawed back funds to undertake collaborative activity to finance strategies to help address local educational and efficiency priorities, subject to robust monitoring and evaluation by Schools Forum and its Formula Funding Review Group, in consultation with headteachers and Chairs of Governing Bodies. The City Council will be seeking to make proposals to Schools Forum to utilise any clawed back funds to support strategic resourcing recommendations that are designed to bring about a step change in children’s preparedness for learning and secure improved achievement in City schools. These measures will also improve well being and narrow the performance and well being gaps in and between City Schools. Consideration will also be given to supporting the development of efficiency initiatives (e.g. procurement arrangements, sharing back office functions with other schools and exploring federations and other partnership models).
* The decision of the Strategic Director, Children Services will be final and there will be no appeal mechanism.