

SCHOOLS' FUNDING FORUM

SUBJECT:	2020-21 Balance Control Mechanism (BCM)
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SUMMARY OF REPORT:

To consider the operation of the Balance Control Mechanism (BCM) for the current financial year end (2020-21).

FOR:	Decision – Maintained Schools representatives only
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1. Background

- 1.1 The DFE guidance allows Local Authorities to have a mechanism to claw back excesses school balances for maintained schools. Sections 4.1 and 4.2 of the Kent Scheme for Financing Schools sets out the procedures for the treatment of surplus and deficit balances arising in relation to budget shares. This is Kent's Balance Control Mechanism (BCM). One of the purposes of the BCM is to ensure schools do not hold reserves that are deemed to be considered "excessive" and encourage schools to spend their budget on the children attending at that point in time rather than future cohorts.
- 1.2 The Schools Funding Forum Maintained Schools members are responsible for agreeing any changes to the Scheme for Financing Schools including changes to the BCM.
- 1.3 The Balance Control Mechanism for Kent Maintained Schools currently allows schools to retain a percentage of their balances for committed and uncommitted purposes. The percentage is applied to a school's total income as at 31 March of each year. The percentage schools can retain for uncommitted purposes is:
- 12% for Primary schools, Special Schools and Pupil Referral Units
 - 7.5% for Secondary schools
- 1.4 The permitted exceptions to this mechanism include:
- Capital projects,
 - Late allocations,
 - Funding held on behalf of other schools,
 - Other grant income and funding sources
- 1.5 Where a school has balances greater than percentages set out above, the Local Authority can take back the "excess" balance. Schools have the right

to appeal the decision and where this is the case the school needs to produce documentation for a panel decision to determine whether the money can be kept by the school or clawed back by the Local Authority. Schools Financial Services support in gathering the relevant information from the school and the panel consists of members of Delegated Formula Funding Group.

- 1.6 Since 2016, there has only been one real instance of a school completing the full BCM process, the outcome was the school was expected to spend the excess balance in the following year and to attend finance training.
- 1.7 In 2018, the percentage allowed to be retained was increased by 50%. This meant Primary schools and Pupil Referral Units limit increased from 8% to 12%, and Secondary schools increased from 5% to 7.5%. It was anticipated this would lower the number of schools holding reserves for other committed reasons and would require less LA resource and challenge.

2. 2021-22 Considerations

- 2.1 The draft 9-month monitoring is currently being finalised by Schools Financial Services however initial indications suggest a small proportion of schools could be subject to the BCM process (around 24 schools of which 11 were identified to have uncommitted balances). It is possible the number of schools with uncommitted balances more than either 12% or 7.5% of their total income could rise further, as historically total school balances have been higher than the 9-month monitoring position (In 2019-20 individual school balances increased by £3.6m rather than the £3.4m reduction forecast in the 9-month monitoring).
- 2.2 The Local Authority has been asked to consider whether the BCM process should be amended for 2020-21 to recognise schools have been unable to implement the plans they had intended due to the unique circumstances schools have faced during the pandemic. The BCM process can be lengthy and resource intensive from both the Local Authority and Schools perspective. The ultimate decision as to whether a balance is clawed back rests with the Schools Funding Forum.
- 2.3 The Schools Funding Forum are asked to consider whether the BCM process should continue as normal for balances held as at 31st March 2021, or a “lighter touch” BCM approach is taken in recognition that the COVID pandemic is a sufficient reason for schools to have accumulated an “excess” uncommitted balance during 2020-21.
- 2.4 The “light touch” BCM approach would require schools to:
- Complete the BCM form: to identify whether the school has exceeded the BCM limit and detail permitted exemptions.

- Schools Financial Services will continue to check these forms in accordance with year-end process.
- Where schools are deemed to have an uncommitted balance in excess of the BCM limit they will be required to submit a plan of how they intend to reduce their school balance to within the BCM tolerance during 2021-22. This will include a summary of intended/known commitments and estimated amounts of specific items.
- Failure to provide the plan would result in the initiation of the full BCM process.
- The normal BCM process would resume for school balances held as at 31st March 2022. Plans provided for excess balance held as at 31st March 2021 will be taken into account where a school fails to reduce their uncommitted reserve balance during 2021-22.

2.5 The outcome of this decision will be communicated to all maintained school Headteachers, Chair of Governors and Bursars before the end of term. No changes are required to the Scheme of Financing Schools for this temporary change.

3. Recommendation

3.1 Maintained School Members of the Forum are asked to APPROVE the “lighter touch” BCM approach, as set out in paragraph 2.4, to school balances held as at 31st March 2021 (this would be a temporary change for one year only).