

Report Details

Date: 2 October 2025	Item 12 Type of report: Decision
Report title:	Schools Balance Control Mechanism
Author name and contact details:	Aron Brown Aron.Brown@southwark.gov.uk
Officer to present the report and title:	Aron Brown Senior Finance Manager, Education

PURPOSE OF REPORT

1. This report outlines the intention to apply the Balance Control Mechanism (BCM) to maintained schools with surplus balances above the agreed threshold.

RECOMMENDED ACTIONS FOR SCHOOLS FORUM

2. Schools Forum is asked to:

Agree with the implementation of the Balance Control Mechanism as set out in this paper. (Maintained schools Only)

BACKGROUND

3. Southwark operates a Balance Control Mechanism (BCM) for maintained schools on behalf of the Schools Forum which is set out in the Southwark Scheme for Financing Schools (the Scheme) at clause 4.2.1. This mechanism is focused on those schools which have built up significant excessive balances over the years. In calculating whether a school has an excess surplus balance, the balance is taken from the end of financial year accounts.
4. The calculation for the BCM is based on the schools revenue balance (A) and school budget share funding (B). The surplus balance calculation is, surplus balance (%) = $(A) / (B) \times 100$.

5. For this purpose, the revenue balance (A) is the sum of B01 (committed revenue balances) and B02 (uncommitted revenue balances), as defined in the consistent financial reporting framework. The school budget share (B) will be the sum of I01 (fund delegated by the LA), I02 (funding for sixth form students), I03 (SEN funding), I04 (funding for minority), I05 (pupil premium), as defined in the consistent financial reporting framework.
6. Schools Forum of January 2024 approved an updated calculation for the BCM to ensure schools could hold larger balances before being considered under the BCM. Balance thresholds rose from 5% and 8% respectively for Secondary and Primary schools respectively to 11% for all schools.
7. To ensure schools have the opportunity to plan and use these excess balances, the threshold does not apply on a single year, but the balance for a given school needs to have been over the 11% threshold for each of the previous 4 years to be considered under the BCM.

KEY CONSIDERATIONS

8. During the summer term, officers carried out the calculations as per the scheme and contacted effected schools. These schools were asked to supply supporting documentation for any committed spend or other mitigations they felt were relevant for amounts to be excluded from their excess balances since balances were reported in March '25. As a result four schools have been excluded as their provided sufficient evidence that justify their balances therefore no clawback for those schools is proposed.
9. Table 1 below shows the proposed adjustments to the balances of schools that remain above the threshold.

Table 1:

Balance Control Mechanism	Balance Over Threshold	Proposed Adjustments
School 1	72,356	72,356
School 2	337,461	46,780
School 3	36,745	36,745
School 4	1,053,729	1,053,729
School 5	19,830	19,830
School 6	9,783	9,783
School 7	26,826	26,826
School 8	62,715	62,715

School 9	191,214	124,026
Total	1,810,659	1,452,789

10. It is important to note that the proposed adjustments to schools balances will still leave those schools with significant balances, the full amount up to the 11% threshold, to support ongoing education provision. The figures in Table 1 are not the schools full balances, but only the element of their balance that is over the 11% threshold.
11. As part of the operation of the BCM, there is an appeal process. Where schools disagree with the proposed adjustments, they can refer the decision to the BCM Appeals Panel. The panel can uphold an appeal provided it is in accordance with the Scheme and all decisions are final and reported back to the Schools Forum.
12. The appeals panel consists of:
- Director of Children Services (*or a nominated representative*) – Chair of the Panel
 - Chair of Schools Forum (*must be from a maintained school and, if not, their nominated maintained school representative*)
 - Assistant Director of Finance for Children and Adult services (*or a nominated representative*)
13. All members of the panel must be independent of the original decision to adjust balances.
14. Once the funds are removed from schools balances, these will be ring-fenced in the local authority accounts and used solely for the benefit of schools through improvements to the schools estate, which will include additional resources for the schools capital works programme.