

Report to the Lancashire Schools Forum
Meeting to be held on Thursday 15th October 2026

Item 9

Schools Balances and Clawback Policy 2026/27

Contact for further information:
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Brief Summary

This report provides the revised Schools Balances and Clawback Policy for 2026/27 guidance.

Recommendation

The Forum is asked to:
a) Approved the revised policy to be implemented for 2026/27 and subsequent financial years.

School Balances and Clawback Policy 2026/27
(Applicable to uncommitted school balances at 31 March 2027)

Introduction

Lancashire's approved Scheme for Financing Schools includes a balance control mechanism, which is designed to control and clawback, where appropriate, schools' excessive uncommitted surplus balances.

The Controls on Surplus Balances (clawback) provision is included within the Scheme at section 4.2, and can be found at: [Approved Scheme for Financing Schools - Lancashire](#)

The clawback mechanism is implemented with regard to the principle of schools moving towards greater autonomy with the ability to make efficiencies to help support medium-term financial planning, however, it remains focussed on schools that have built up significant excessive uncommitted surplus balances.

The Local Authority shall calculate the cumulative outturn position for all Maintained schools as at the 31 March each year and will notify all schools that are reporting an excess surplus balance above the approved threshold.

Schools should be aware of their own financial forecasts and, where they anticipate being in breach of the maximum surplus threshold, should have appropriate spending plans in place to ensure the balance



is sustained at a reasonable level below the threshold within the financial year, or should have definite plans and commitments as part of their multiple-year financial planning to be able to readily comply with the clawback policy requirements.

Governing Bodies are responsible and must oversee financial performance and ensure public money is well spent, in a way that maximises value for the schools' pupils by using resources effectively and in a timely manner. The Governing Body will be aware of the financial position of their school through their termly reporting and monitoring of the budget forecasts.

Governing Bodies must also comply with the provisions of the Schools Financial Value Standard (SFVS) that includes reference to excessive surplus balances and clawback, and which must be signed off for assurance on an annual basis.

This policy aims to support schools with their effective multiple-year financial management of surplus balances. The process provides ample opportunity and time for schools to comply with the Controls on Surplus Balances requirements for their excessive surplus balance planning and submissions.

Threshold Balances

The Authority's current maximum surplus threshold balance is:

- **8%** of Consistent Financial reporting (CFR) income for all phases of maintained schools
(The 8% guideline figure is not to be seen as a target);
- A £75,000 minimum balance threshold will be applied.

Clawback of excess balances

The Authority's clawback arrangements are:

- All Maintained schools that breach the approved surplus balance threshold must submit a detailed explanation for accumulating an excess surplus balance, including specific spending plans with clear timelines to assure the Local Authority of the appropriate assignment of the funding commitments provided for children in school now.
- For consistency and effectiveness, an 'Excess Surplus Balance' pro-forma will be provided prior to year-end for all schools with an excess surplus balance to complete and submit. (See Appendix A)
- To allow sufficient time for review, the excess surplus pro-forma must be submitted, with supporting evidence, no later than **30th April**, and must be signed off by the Headteacher and Chair of Governors / Chair of Finance.
- Following review, and after adjustments for the automatic exemptions detailed below, a report will be taken to a sub-group of Schools' Forum for them to consider recommendations on whether any clawback will be applied to individual schools. Any clawback decided will be as follows:
 - o A clawback rate of 0% is to be applied to any uncommitted balance above the threshold in the first year a school exceeds the approved threshold.
 - o A clawback rate of 50% is to be applied to any uncommitted balance above the threshold in the second year a school exceeds the approved threshold (after adjusting for exemptions).
 - o A clawback rate of 100% is to be applied to any uncommitted balance in excess of the approved threshold where the threshold has been breached for three or more consecutive years (after adjusting for exemptions).



- o A clawback rate of 100% is to be applied to any uncommitted balance in excess of the approved threshold (after adjusting for exemptions) where any school has not submitted a response in accordance with the clawback policy and timeframe.
- Once any clawback amount has been confirmed and notified to relevant schools, the Local Authority will ensure the funding is adjusted accordingly in the current financial year.
- Decisions to clawback any uncommitted excess surplus balances will not be taken lightly and will be based on the evidence provided by individual schools that are subject to the Controls on Surplus Balances requirements. If a school wishes to appeal the decision, they should do so in writing within 7 days of their clawback decision notification to: schoolsforum@lancashire.gov.uk. The appeal process will be overseen by the Local Authority.

Automatic Exemptions from clawback

The local authority shall make the following deductions from the school's actual balance before applying clawback:

- Any funding received in advance that is funded on an academic year basis to schools by the DfE or other Government department will have 5/12 exempt from clawback. Schools will be required to submit relevant supporting documentation relating to the government allocation, including appropriate evidence of distribution timescales.
- Any newly announced grants notified after 1st January in the financial year being considered.
- Devolved Formula Capital (DFC) allocations are specifically excluded from the clawback calculation. Schools are asked to ensure that the relevant capital accounting codes are used for DFC income and expenditure, thus ensuring that DFC is identifiable and able to be excluded from year end revenue balances and the clawback calculation.

Other Clawback Considerations

In addition, schools may submit additional information relating to other exemptions from the clawback calculation, only in the following circumstances:

Capital Project - where your school has a capital project and there is a need for a contribution from revenue to capital in the subsequent year(s). The Minutes of Governing Body meetings, quotations for work, orders and invoices will be considered as suitable evidence for planned expenditure. Schools must be able to evidence their planned expenditure by reference to the School Improvement/Development Plan or Asset/Building Management Plan. Correspondence from the Local Authority outlining contributions within an agreed capital scheme will also constitute appropriate supporting information.

Funds held on behalf of other schools – for example, collaborative funding involving formal partnerships with other schools. In these circumstances, the school must include the balance held and the schools the balances are held on behalf of.

High Needs Late Allocation criteria – due to the work being undertaken to clear the backlog of Education Health and Care Plans (EHCPs) with unconfirmed funding, should any accumulated backdated funding trigger a payment received near to 31 March then it is reasonable for this to be treated as a late allocation (and be excluded from any surplus balance calculation). However, if an indication of the likely funding has been given, then the expected income should have been included in any forecasting (and spending on the pupil should have already taken place) and so in those



circumstances any proposed exclusion from the surplus balance calculation made by a school will be closely scrutinised by the Local Authority

Exceptional Circumstances – where a school is managing financial difficulties associated with a budget reduction in the following financial year, resulting from either a significant reduction in pupil numbers or a loss or significant reduction of a specific funding stream, then this may be reviewed by the Local Authority. Similarly, the Local Authority will review circumstances whereby a school is managing exceptional circumstances in such a way as to avoid significant financial turbulence that may impact on standards. This may include, for example, outcomes of HR processes. In these circumstances, the Local Authority would require additional verification from a party independent from the school (for example, confirmation of pupil numbers from Admissions, confirmation of HR processes from the school's HR supplier, a letter from a grant provider stating the cessation of funding etc)

- Any further exemptions requested by a school **MUST** be included on the Excess Balance proforma submitted by 30th April.
- Any exemptions not notified through this process and/or not within the required timeframe will **NOT** be considered.



What is Consistent Financial Reporting (CFR) Income?

CFR Income is defined by the Department for Education in the consistent financial reporting (CFR) framework

<https://www.gov.uk/guidance/consistent-financial-reporting-framework-cfr>

You will have seen your CFR income on several financial documents, but you may not have known it by this description. You will have seen it on:

- Your financial outturn statement - it is the total line labelled "Revenue Income". This will be the sum of lines I01 to I18D on the outturn statement:

This is the figure that will be used to calculate the guideline but as funding and income will change during the year this figure will not be known until the outturn statements have been produced following the end of the financial year.

It does not include "Capital Income" codes CI01-CI04

- On your submitted income and expenditure form – it is the total line labelled "Total Income Revenue". It does not include any balances brought forward.

This is not used to calculate the guideline, but it is your estimate of your CFR income and may be used as your estimate of the guideline. Please note if you revise your estimates of income in the year then you would need to revise your estimate of the guideline figure.



EXCESS SURPLUS BALANCE – 2026/27

School Name:

School Cost Centre:

Final Outturn balance: £

Excess surplus balance: £

Financial year ending: 31 March 2027

Planned commitments for the use of surplus balance *	Brief description	Amount related to this purpose	Timescale by which balance is planned to be spent
Total Commitments		£	

** The planned use of surplus should not be restricted to the excess amount only i.e. detail all specific spending plans with total costs*



Additional comments – *(enter any supporting comments you wish to be considered)*

Supporting evidence attached – *(provide a list of the supporting evidence included)*

Headteacher name and signature:

Chair of Governor's name and signature:

Date:

Please return this form to: schoolsforum@lancashire.gov.uk – no later than 30th April

