

# **SCHOOLS FORUM**

**Meeting date: 20<sup>th</sup> June 2019**

**From: Dan Barton  
Assistant Director – Education & Skills**

## **DEDICATED SCHOOLS GRANT – EARMARKED RESERVES AS AT 31<sup>ST</sup> MARCH 2019**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 *Following the closure of the 2018-19 financial year, as at 31<sup>st</sup> March 2019, the total Dedicated Schools Grant (DSG) earmarked reserves stand at £1.485m (net deficit). This balance comprises two elements – individual school balances totalling (£2.356m) (net surplus) and the centrally retained Dedicated Schools Grant reserve totalling £3.841m (net deficit).*
- 1.2 *This paper informs the Schools Forum of the movement on DSG earmarked reserves from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.*

### **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

- 1.1 *The value of the Dedicated Schools Grant reserves is supportive of the Council Plan outcome that ‘People in Cumbria are healthy and safe’.*

### **2.0 RECOMMENDATION**

- 2.1 *The Schools Forum is recommended to note the contents of this paper and the value of the Dedicated Schools Grant reserves at 31<sup>st</sup> March 2019.*

### **3.0 BACKGROUND**

#### **INDIVIDUAL SCHOOL BALANCES**

- 3.1 In accordance with CIPFA’s guidance Dedicated Schools Grant allocated to the Individual Schools Budget (ISB) is taken to have been spent as soon as it is deployed – ie passed to schools’ budget shares. There is no requirement to track DSG through the ISB to its use by individual schools.
- 3.2 As the DSG is considered to be spent as soon as it is deployed to schools, and as schools have delegated budgets, any balances on individual schools

are transferred to earmarked reserves and passported to these individual schools to form their opening balance for the 2019-20 financial year.

- 3.3 Total schools' balances at 1<sup>st</sup> April 2018 comprised a net surplus of (£1.686m) and this has increased by (£0.670m) to a net surplus of (£2.356m) at 31<sup>st</sup> March 2019. This is shown in the table below:

	<b>Total Surplus Balances (£)</b>	<b>Total Deficit Balances (£)</b>	<b>Net Balances (£)</b>
2017-18	(£8.067m)	£6.381m	(£1.686m)
2018-19	(£9.017m)	£6.661m	(£2.356m)
<b>Difference</b>	<b>(£0.950m)</b>	<b>£0.280m</b>	<b>(£0.670m)</b>

- 3.4 The movement in school balances can be analysed in terms of schools with deficit balances and those with surpluses.

### **Deficit Balances**

- 3.5 The number of schools in deficit has decreased from 61 to 55 and the total value of deficit balances has increased by £0.280m from £6.381m to £6.661m. One school that had a deficit balance of £0.064m as at 31<sup>st</sup> March 2018 became a sponsored academy, therefore in terms of the maintained schools both at 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019 the number of schools in deficit has reduced by 5 from 60 to 55 with the total deficit for these schools increasing by £0.344m from £6.317m to £6.661m.
- 3.6 In their three year budget plans for 2018-19, 42 schools proposed a deficit budget plan totalling £5.820m. Of these schools, 35 ended the financial year in deficit with the year end deficit balances for these schools totalling £6.253m and 20 schools that had proposed a surplus budget ended the year in deficit totalling £0.408m.
- 3.7 During 2018-19 four secondary schools benefited from a review of their financial health by an accredited Schools Resource Management Advisor (SRMA). The outcome from these deployments were a range of recommendations for cost savings from which the schools could draw up an action plan detailing the recommendations to be taken forward and the action taken to achieve them. Cumbria now has a pool of accredited SRMAs and further deployments will be undertaken during 2019-20 on a priority basis.

### **Surplus Balances**

- 3.8 Total surplus balances have increased by (£0.950m) from £8.067m to £9.017m. The number of schools in surplus has increased from 207 at 31<sup>st</sup> March 2018 to 210 at 31<sup>st</sup> March 2019. Two schools that had surplus balances totalling £0.053m at 31<sup>st</sup> March 2018 converted to academy status in year. Therefore, in terms of the maintained schools both at 31<sup>st</sup> March 2018 and at 31<sup>st</sup> March 2019, the number of schools in surplus has increased by 5 from 205 to 210 with the total surplus for these schools increasing by £1.003m from £8.014m to £9.017m.

- 3.9 There are 36 schools with an excess surplus at 31<sup>st</sup> March 2019. This compares to 30 schools at 31<sup>st</sup> March 2018. The total value of the excess surpluses is £0.774m. Of these 36 schools, 8 schools also had an excess surplus at 31<sup>st</sup> March 2018, and are subject to an automatic clawback of this excess although they retain the right of appeal. The potential clawback for these 9 schools is £0.281m. Schools were requested to justify their excess balances or submit appeals against automatic clawback by the deadline of 3<sup>rd</sup> June 2019. The review exercise of these requests ongoing and is expected to be completed before the end of the summer term.
- 3.10 Appendix 1 presents the total deficits, surpluses and net balances by type of school.

### ***CENTRALLY RETAINED DEDICATED SCHOOLS GRANT RESERVE***

- 3.11 Each year, in accordance with the conditions of the Dedicated Schools Grant, any under or overspend relating to the centrally retained element of the Dedicated Schools Grant must be transferred to the earmarked Dedicated Schools Grant reserve to be carried forward for future years.
- 3.12 As at 1<sup>st</sup> April 2018, the balance on the centrally retained Dedicated Schools grant reserve was a deficit of £3.553m. The balance on the reserve at 31<sup>st</sup> March 2019 is £3.841m. This represents an increase in the deficit balance of the reserve of £0.288m. The table below sets out this movement:

	<b>DSG Other</b>	<b>High Needs Block</b>	<b>Total</b>
DSG Balance as at 1 <sup>st</sup> April 2018	(£1.287m)	£4.840m	£3.553m
In-year (under)/overspend	(£0.406m)	£0.693m	£0.288m
<b>DSG Balance as at 31<sup>st</sup> March 2019</b>	<b>(£1.693m)</b>	<b>£5.533m</b>	<b>£3.841m</b>

- 4.13 The net overspend of £0.288m on the DSG budgets in 2018-19 comprises of:

- £0.693m overspend on High Needs Block.
- (£0.388m) underspend on the Early Years Block comprising of underspends against 2,3, and 4 year olds takes up of free entitlement of provision of (£0.135m) and SEN Inclusion and Sustainability Funds of (£0.253m).
- (£0.017m) net underspend on other DSG central services.

- 4.14 As reported at the Schools Forum High Needs working group on 7<sup>th</sup> June 2019, the High Needs Budget for 2018-19 planned to reduce the High Needs deficit balance by £2.281m from £4.840m as at 1<sup>st</sup> April 2018 to £2.559m as at 31<sup>st</sup> March 2019. The actual outturn on the High Needs balance as at 31<sup>st</sup>

March 2019 was £5.533m representing an overspend against the planned budget of £2.974m as follows:

Budgeted DSG Balance on High Needs Block as at 31 <sup>st</sup> March 2019	£2.559m
Actual overspend against projected expenditure	£2.974m
<b>Actual DSG Balance on High Needs Block as at 31<sup>st</sup> March 2019</b>	<b>£5.533m</b>

4.15 Appendix 1 presents the outturn against the plan as at 31<sup>st</sup> March 2019. In terms of the additional expenditure of £2.974m in 2018-19 the main reasons for this are as follows:

	<b>£m</b>
Overspend against EHCP top-ups	£2.515m
Overspend against residential placements	£0.348m
Overspend against independent day placements, bespoke packages, PVIs and equipment	£1.768m
Underspend against Post-16 top-ups	(£0.910m)
Underspend against Special Schools (following transfer of same amount to Invest to Save budget)	(£0.158m)
Overspend against Resourced Provision places	£0.256m
Underspend against Investment to Save Initiatives	(£0.636m)
Other individually non-material variances	(£0.209m)
<b>Actual overspend against planned High Needs deficit balance as at 31<sup>st</sup> March 2019</b>	<b>£2.974m</b>

4.16 The 2018-19 High Needs budget included additional HN funding of £0.969m received from the DfE in December 2018 and as agreed by Schools Forum at its meeting on 16<sup>th</sup> January this funding was used to fund Invest to Save Initiatives specially to manage the rising demand on SEND services whilst at the same time achieving savings to managed down the HN deficit. To date £0.333m of expenditure has been identified and transferred to the Invest to Save Initiatives budget resulting in an underspend of £0.636m. Further details of this expenditure and the savings achieved to date are included in the High Needs Recovery Plan 2019-22 paper to this meeting.

## Commitments

- 4.17 Within the DSG reserves there are a number of commitments as follows:
- 4.18 £0.199m is included in relation to funds clawed back from schools in 2018-19 where pupils have been excluded. These funds will be transferred to the schools where these pupils are reintegrated in future.
- 4.19 £0.050m arising from an underspend against the Library Services for Schools in 2018-19 which is earmarked for the purchase of a new library vehicle in support of schools in 2019-20.
- 4.20 £0.020m arising from excess balances clawed back from maintained schools in 2018-19. As agreed by Schools Forum at its meeting on 16<sup>th</sup> October 2018 this balance will be transferred to the de-delegated contingency fund in 2019-20.
- 4.21 The table below therefore summarises the DSG reserve once these commitments have been taken into account:

<b>Dedicated Schools Grant Reserve at 31<sup>st</sup> March 2019</b>	<b>£3.841m</b>
Clawbacks for excluded pupils	£0.199m
Library Services for Schools	£0.050m
Excess Surplus balance to de-delegated contingency	£0.020m
<b>DSG Reserve Deficit</b>	<b>£4.110m</b>

- 4.19 The table above shows that the DSG Central Reserve is in deficit at 31<sup>st</sup> March 2019 by £3.841m, and after taking into account commitments against this reserve, the deficit is £4.110m.

## 5.0 OPTIONS

- 5.1 The Schools Forum is asked to note the position on the Dedicated Schools Grant reserves at 31<sup>st</sup> March 2019.

## 6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 6.1 Resource and value for money implications are considered throughout this report.

## 7.0 CONCLUSION

- 7.1 The Schools Forum is asked to note this report and the movement in the Dedicated Schools Grant reserves from 2017-18 to 2018-19.

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*10<sup>th</sup> June 2019*

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**Accompanying Documents:**

*Appendix 1 – Schools Balances at 31<sup>st</sup> March 2019*

*Appendix 2 – High Needs Recovery Plan Outturn 2018-19*

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