

SCHOOLS FORUM

Meeting date: 29th October 2019

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

PROJECTED SCHOOL BALANCES 2019-20 AND CONTROL OF EXCESS SURPLUS BALANCES 2018-19

1.0 EXECUTIVE SUMMARY

1.1 This report presents a summary of the projected maintained schools balances as at 31st March 2020. Based on submitted budget plans for 2019-20 the net surplus balance for maintained schools is projected to be £1.331m.

1.2 In line with the Control of Surplus Balances policy, this report sets out the action taken to address school excess surplus balances as at 31st March 2019. A total of £0.012m to date has been identified for clawback from schools. The Schools Forum is required to reach agreement on how to utilise this amount.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.

3.0 RECOMMENDATION

3.1 The Schools Forum is asked to note the projected school balances for maintained schools.

3.2 Schools Forum is recommended to either allocate the £0.012m of the clawed back surplus balances to schools through the Cumbria School Funding Formula in 2020-21 or add it to the de-delegated contingency fund in 2020-21.

4.0 BACKGROUND

- 4.1 Maintained schools are required to submit a three year budget plan each year by the 31st May 2019 to the finance team. These plans are reviewed to check that the funding assumptions made are reasonable and that the expenditure plans are achievable. A summary report is provided to the Assistant Director, Education & Skills who approves the budgets. Those schools that submit a budget that cannot be approved, because they are forecasting a deficit balance or for other reasons, are required to re-submit a revised budget by 31st October 2019.
- 4.2 All maintained schools must carry forward from one year to the next any under or overspend against the available budget plus/minus any balance brought forward from the previous year. Following the closure of the County Council accounts, the excess surplus balances as at 31st March 2019 for maintained schools were determined. In accordance with the Control of Surplus Balances policy, schools with an excess surplus balance over the permissible thresholds of 8% (primary, nursery and special) and 5% (secondary) are required to submit a justification to the Assistant Director, Education & Skills who makes the final decision on whether the schools are permitted to retain the excess surplus or if it is clawed back.

Projected School Balances 2019-20 and 2020-21

- 4.3 As at 31st March 2019 the net surplus balances for maintained schools was £2.356m which consisted of surplus balances of £9.017m and deficit balances of £6.661m. The net surplus balance position represented an increase of £0.670m (11%) from the position as at 31st March 2018.
- 4.4 Based on school's own projections the net surplus balance for maintained schools is predicted to be £1.331m as at 31st March 2020 (a decrease of £1.025m). The table below shows a breakdown of these figures separately by surpluses and deficits:

	2018-19		2019-20		Change in value (£)
	Number of Schools	Total Value (£)	Number of Schools	Total Value (£)	
Schools with Surpluses	210	£9.017m	218	£8.041m	-£0.976m
Schools with Deficits	55	-£6.661m	43	-£6.709m	£0.049m
Total	265	£2.356m	261	£1.331m	-£1.025m

- 4.5 The projection for maintained school balances for 2020-21 is a net deficit of £1.831m with 63 schools in deficit and 198 schools with a surplus based on schools own predictions.

Excess Surplus Balances 2018-19

- 4.6 In accordance with the Control of Surplus Balances policy, a total of 36 schools were identified as having excess surplus balances over the permissible thresholds as at 31st March 2019. The total excess balances over the threshold amounted to £0.774m, an increase of £0.206m compared to the previous year of £0.568m.
- 4.7 Included in the 36 schools with excess balances at the end of financial year 2018-19 were 8 schools that had ended the previous financial year 2017-18 with an excess balance. As outlined in the policy, schools that close the financial year with an excess surplus for a second time are eligible for an automatic clawback, although there is a right of appeal. All 8 schools used the right of appeal and, following a review of the evidence received this resulted in a partial clawback of £40 from one school.
- 4.8 There were 28 schools which ended 2018-19 with an excess surplus but had not done so at 31st March 2018. These schools were asked to justify the excess balance and provide supporting evidence by the deadline of 3rd June 2019.
- 4.9 The main reason for retaining the excess surplus was for planned building works to take place in the school holidays. Other justifications included unspent grants, and exceptional circumstances such as planned expenditure relating to 2018-19 charged in the 2019-20 accounts.
- 4.10 The returns and supporting evidence provided were scrutinised to determine if the reasons given were justifiable in accordance with the policy and a number of checks were carried out to ensure that the reasons given were reflected in the school's three year budget plan. Capital balances were also checked in the case of planned capital projects funded by revenue. The policy states that all available devolved formula capital should have been used before an excess surplus can be used to fund capital works.
- 4.11 On completion of this exercise a report was prepared for the Assistant Director, Education & Skills, People Directorate and the outcome of the review is as follows:
- 27 schools approved to carry forward an excess surplus
 - 3 schools decision deferred, subject to further evidence
 - 6 schools partial claw back approved totalling £0.012m
- 4.12 In total £0.012m has been identified for clawback from 6 schools to date. All schools ending 2018-19 with an excess surplus have been informed that there will be an automatic claw back if they close the 2019-20 financial year with an excess surplus balance.

5.0 OPTIONS

5.1 The Schools Forum can decide on one of the following options:

5.1.1 Allocate clawed back excess surplus balances of £0.012m to schools through the funding formula in 2020-21;

or

5.1.2 Allocate clawed back excess surplus balances of £0.012m to the de-delegated Contingency Fund in 2020-21.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 If a maintained school with a deficit is to open as a sponsored academy, the deficit remains with the LA. School deficits are not an allowable charge on the LA's schools budget, however, if the schools forum has agreed to a de-delegated contingency provision the deficit may be funded from the contingency.

7.0 CONCLUSION

7.1 This paper presents the outcome of the application of the Control of Surplus Balances policy in 2018-19. A total of £0.012m has been clawed back from schools.

7.2 The Schools Forum is asked to decide how the clawed back funding will be utilised.

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