

SCHOOLS FORUM

Meeting date: 3rd July 2020

From: Dan Barton
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DEDICATED SCHOOLS GRANT EARMARKED RESERVES AND MAINTAINED SCHOOL BALANCES AS AT 31ST MARCH 2020

1.0 EXECUTIVE SUMMARY

- 1.1 *Following the closure of the 2019-20 financial year, as at 31st March 2020, the total Dedicated Schools Grant (DSG) earmarked reserves stand at £7.136m (net deficit). This balance comprises two elements – individual school balances totalling (£0.145m) (net deficit) and the centrally retained Dedicated Schools Grant reserve totalling £6.991m (net deficit).*
- 1.2 *This paper informs the Schools Forum of the movement on DSG earmarked reserves from 1st April 2019 to 31st March 2020.*

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 31st March 2020.*
- 2.2 *The maintained Schools Forum members are asked to consider whether the excess surplus balances policy should be applied as in previous years.*

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 2020-21 financial year.
- 3.3 Total schools' balances at 1st April 2019 comprised a net surplus of (£2.356m) and this has reduced by £2.501m to a net deficit of (£0.145m) at 31st March 2020. This is shown in the table below:

	Total Deficit Balances (£)	Total Surplus Balances (£)	Net Balances (£)
2018-19	£6.661m	(£9.017m)	(£2.356m)
2019-20	£7.941m	(£7.796m)	£0.145m
Difference	£1.280m	£1.221m	£2.501m

- 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 increased from 55 to 72 and the total value of deficit balances has increased by £1.280m from £6.661m to £7.941m. Three schools with a net deficit balance of £0.072m as at 31st March 2019 became academies, therefore in terms of the maintained schools both at 31st March 2019 and 31st March 2020 the number of schools in deficit has increased by 20 from 52 to 72 with the total deficit for these schools increasing by £1.352m from £6.589m to £7.941m.
- 3.6 In their three year budget plans for 2019-20, 52 schools proposed a deficit budget plan totalling £7.276m. Of these schools, 46 ended the financial year in deficit with the year end deficit balances for these schools totalling £7.544m and 26 schools that had proposed a surplus budget ended the year in deficit totalling £0.397m.

- 3.7 The five schools with the most significant deficits are all secondary schools and the net deficit for these schools is £3.654m. Public notice of closure was issued for Bram Longstaffe Nursery which has a deficit of £0.507m meaning that the combined net deficit of 6 schools represents 52% of the total deficit balance of £7.941m as at 31st March 2020.
- 3.8 During 2018-19 and 2019-20 seven secondary schools and four primary schools (including Alston Moor Federation) 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 2020-21 on a priority basis.

Surplus Balances

- 3.9 Total surplus balances have reduced by £1.221m from (£9.017m) to (£7.796m). The number of schools in surplus has reduced from 210 at 31st March 2019 to 187 at 31st March 2020. Two schools that had surplus balances totalling £0.068m at 31st March 2019 converted to academy status in year. Therefore, in terms of the maintained schools both at 31st March 2019 and at 31st March 2020, the number of schools in surplus has reduced by 21 from 208 to 187 with the total surplus for these schools decreasing by £1.153m from £8.949m to £7.796m.
- 3.10 There were 22 schools with an excess surplus at 31st March 2020. This compares to 36 schools at 31st March 2019. The total value of the excess surpluses is £0.403m. Of these 22 schools, 11 schools also had an excess surplus at 31st March 2019 which are subject to automatic clawback although the schools have a right of appeal. The potential clawback for these 11 schools is £0.316m. Schools are usually requested to justify their excess balances or submit appeals against automatic clawback by the end of May, however, the maintained Schools Forum members are asked to consider that due to falling balances of schools and the additional pressures many schools are experiencing whether it is appropriate to continue to apply the excess surplus clawback policy. If it is decided that the policy should be applied schools will be requested to provide their justifications and appeals by the end of September 2020.
- 3.11 The reduction in school balances can partly be explained by the continued pressure on school budgets in respect of the rise in the number of children with EHCPs and the requirement of schools to fund the first 11 hours of additional support from their own budgets. The changes to the national funding formula in 2020-21 and the continuation of the teacher pay and pension grants may provide some assurance that the schools' balances will return to a net surplus position, however, the continued rise in the number of children requiring additional SEND support and the impact of COVID19 on school budgets is uncertain and there is a very real risk that the net deficit will not be recovered by the end of 2020-21. It should also be noted that the net school deficit balance of £0.145m does not include unspent Primary PE & Sports Premium grant of which £2.392m has been carried forward to spend in 2020-21.

3.12 Appendix 1 presents the total deficits, surpluses and net balances by type of school.

4. CENTRALLY RETAINED DEDICATED SCHOOLS GRANT RESERVE

4.1 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.

4.2 As at 1st April 2019, the balance on the centrally retained Dedicated Schools grant reserve was a deficit of £3.841m. The balance on the reserve at 31st March 2020 is £6.991m. This represents an increase in the deficit balance of the reserve of £3.150m. The table below sets out this movement:

	DSG Other	High Needs Block	Total
DSG Balance as at 1 st April 2019	(£1.693m)	£5.533m	£3.841m
Drawdown to/from reserves	£0.036m	£0.000m	£0.036m
In-year (under)/overspend	(£2.374m)	£5.488m	£3.114m
DSG Balance as at 31st March 2020	(£4.031m)	£11.022m	£6.991m

4.3 The net overspend of £3.114m on the DSG budgets in 2019-20 comprises of:

- £5.488m overspend on High Needs Block.
- (£1.424m) underspend on the Early Years Block comprising of underspends against 2,3, and 4 year olds takes up of free entitlement of provision of (£1.222m) and SEN Inclusion and Sustainability Funds of (£0.202m).
- (£0.950m) net underspend on other DSG central services.

4.4 As previously reported at the Schools Forum at its meeting of 20th June 2019, a balanced High Needs Budget had been set for 2019-20 with no planned transfer to reserves. The actual outturn on the High Needs balance as at 31st March 2020 was £11.022m representing an overspend against the planned budget of £5.488m as shown in the table above.

4.5 In terms of the additional expenditure of £5.488m in 2019-20 the main reasons for this are pressures against EHCP top-ups and specialist placements. The variances are analysed in more detail in the High Needs Block Outturn 2019-20 and High Needs Recovery Plan paper.

Commitments

4.7 Within the DSG reserves there are a number of commitments as follows:

- £0.094m is included in relation to funds clawed back from schools in 2019-20 where pupils have been excluded. These funds will be transferred to the schools where these pupils are reintegrated in future.
- £0.012m arising from excess balances clawed back from maintained schools in 2019-20. As agreed by Schools Forum at its meeting on 29th October 2019 this balance will be transferred to the de-delegated contingency fund in 2020-21.
- £0.307m arising from the 2019-20 underspend to support the Early Years Block budget 2020-21 as agreed by Schools Forum at its meeting on 17th January 2020.

4.8 The table below therefore summarises the DSG reserve once these commitments have been taken into account:

Dedicated Schools Grant Reserve at 31st March 2020	£6.991m
Clawbacks for excluded pupils	£0.094m
Excess Surplus balance to de-delegated contingency	£0.012m
Early Years Block Budget	£0.307m
DSG Reserve Deficit	£7.404m

4.9 The table above shows that the DSG Central Reserve is in deficit at 31st March 2020 by £6.991m, and after taking into account commitments against this reserve, the deficit is £7.404m.

5.0 OPTIONS

5.1 The Schools Forum is asked to note the position on the Dedicated Schools Grant reserves at 31st March 2020.

5.2 The maintained School Forum representatives are asked to consider the excess surplus claw back policy and decide:

- to apply the excess surplus balance clawback policy against 2019-20 school balances or:
- not to apply the excess surplus balance clawback policy against 2019-20 school balances.

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 2018-19 to 2019-20.

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26th June 2020

Accompanying Documents:

Appendix 1 – Schools Balances at 31st March 2020

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