

SCHOOLS FORUM

Meeting date: 11th March 2021

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MAINTAINED SCHOOL BALANCES 2020-21

1.0 EXECUTIVE SUMMARY

1.1 *This summary report updates the Schools Forum on the latest maintained schools projected net balance as at 31st March 2021 and, in accordance with the Challenge and Support policy for Schools and PRUs with a deficit budget, the overall position on schools with deficit budgets.*

1.2 *The overall projected net surplus balance for maintained schools as at 31st March 2021 is (£1.497m) an increase of (£1.642m) compared to the actual deficit net balance as at 31st March 2020 of £0.145m. At the joint Budget and SEN working group meeting held on 11th February the members representing maintained schools were asked to provide a view on whether the excess surplus balances policy should be applied against 2020/21 balances. The joint working groups' recommendation to full Schools Forum is that the policy is not applied in respect of 2020/21 balances.*

1.3 *There are 52 schools that have proposed a deficit budget in their updated October budget submission for 2020/21 equating to £6.996m. Forecast outturn returns as at 30th September 2020 have been received from 31 schools. Of these schools, 17 are forecasting an improved position of (£0.642m), and 14 schools are forecasting a worsening position of £0.236m compared to their original May budget plans. Forecast outturn returns as at 31st December 2020 are currently under review by the finance team.*

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 are recommended to:

- note the contents of this paper and the latest projected maintained school balances and the overall position on schools with deficits budgets;

and

- the maintained school members are asked to decide whether the Excess Surplus Balance policy should be applied against maintained schools 2020/21 balances.

4.0 BACKGROUND

4.1 As previously reported at Schools Forum as at the 31st March 2020 the net deficit balances for maintained schools was £0.145m. The net deficit balance position represented a reduction in school balances of £2.501m (106%) from the position as at 31st March 2019 with 187 schools in surplus (£7.796m) 72 schools in deficit totalling £7.941m. The 5 schools with the most significant deficits are all secondary schools and the net deficit for these schools is £3.654m equating to 46% of the total deficit balance of £7.941m as at 31st March 2020. This was an increase of £0.346m compared to their balances as at 31st March 2019. The net deficit balance for 4 of these schools increased by £0.547m offset by one school achieving an in-year surplus of (£0.201m).

4.2 The overall reduction in maintained school balances can partly be explained by pressure on school budgets in respect of the rise in the number of children with EHCPs and the requirements to fund the first 11 hours of additional support from their own budgets and the national funding formula which has lagged behind the impact of pay inflation.

4.3 All maintained schools are required to submit a governor approved three year budget plan for review by the local authority finance team by the end of 31st May each year and again by 31st October if their budget plans have changed significantly since the May submission or they have been formally requested to review their budget plans in their May budget response letter. This can be due to several reasons such as, concern about the achievability of the budget, a deficit budget has been proposed with no plan for recovery or predicted financial difficulties in future years which have not been addressed.

4.4 The Cumbrian Scheme for Financing Schools prohibits maintained schools/PRUs from planning for a deficit when preparing their budget plans. If a school/PRU finishes the financial year in deficit, the expectation is that it should be corrected by the end of the following financial year. In exceptional circumstances a deficit proposed by the governing body may be agreed by the Assistant Director - Education and Skills to be recovered within a three year period or longer in very exceptional circumstances.

4.5 A licensed deficit can only be approved in circumstances where the school/PRU cannot balance its budget in year without a significant impact on the provision of education. In accordance with the policy, schools/PRUs with a deficit budget are required to return a forecast year end outturn position as at 30th September and 31st December to the Local Authority.

4.6 These returns are reviewed by the finance team to identify any significant variances from the agreed licensed deficit and where variances are identified,

the school/PRU is asked to provide an explanation and provide details of the management action they are taking to address them.

BUDGET SUBMISSIONS

- 4.7** Based on school submitted October budget plans for 2020/21, the net surplus balances for maintained schools is projected to be (£1.497m) as at 31st March 2021. The table below shows a breakdown of these figures separately by surpluses and deficits:

	2019/20 Actual		2020/21 Forecast		Change in value (£)
	Number of Schools	Total Value (£)	Number of Schools	Total Value (£)	
Schools with Surpluses	187	(£7.796m)	205	(£8.493m)	(£0.697m)
Schools with Deficits	72	£7.941m	52	£6.996m	(£0.945m)
Total	259	£0.145m	257	(£1.497m)	(£1.642m)

- 4.8** The forecast increase in school balances for 2020/21 of (£1.642m) reflects a reduction of two maintained schools with deficit budgets, namely the closure of Bram Longstaff Nursery and Newtown Primary Schools which become a sponsored academy on 1st September 2020. The combined deficits for these schools which were £0.534m as at 31st March 2020 will be funded from the contingency fund.
- 4.9** The predicted rise in school balances can partly be explained by an increase in funding through national funding formula in 2020/21 in which each formula factor was increased by at least 4% compared to 2019/20 and the removal of the gains cap. A recent report published by the Department for Education estimates that overall funding to mainstream schools at a national level has risen by 6.5% in 2020/21 compared to 2019/20 whilst the underlying costs of mainstream schools have increased by 4.8% however the analysis is at a high level not at individual school level and includes a number of key assumptions and therefore as such the usefulness of this data is limited. Prior to 2020/21, in cash terms, schools funding has not kept up with inflation and many schools continue to face financial challenges.
- 4.10** Also, the predicted rise in balances should be treated with caution as they are before the full cost implications of the 3rd COVID lockdown was known to schools and there continues to be uncertainty about when schools will fully re-open again and what additional COVID costs can be claimed. A total of £0.800m in exceptional COVID costs has been claimed by maintained schools to date for the Summer 2020 term, of which only £0.528m has been funded by the DfE.
- 4.11** A number of schools have expressed concern about clawback of excess surplus balances at the end of 2020/21 financial year and whether the policy will be applied. Many planned activities or works have been delayed due to COVID and whilst some funds may have been diverted in response to COVID

cost pressures there is potential that the number of schools with an excess balance may increase in 2020/21. At the end of financial year 2019/20 22 schools had excess balances over the allowable thresholds (8% primary, nursery, special, 5% secondary) totalling £0.403m. At the meeting of Schools Forum held on 3rd July 2020 the relevant Schools Forum representatives decided that the policy should not be applied against 2019/20 balances due to the foreseen cost pressures of COVID19 and the additional burden on schools at the time.

4.12 If the policy is to be applied at the end of 2020/21 this only gives schools a limited time between now and the financial year end to plan how the predicted excess will be utilised to avoid potential clawback. Whilst the government have provided some additional funding for COVID19 pressures faced by schools, applying the excess policy at this time could be counterintuitive with funds being committed now that could be needed in the following financial year to support the full re-opening of schools, making sure that children catch-up for missed education and the expected additional mental health and SEN support needed as a consequence of COVID19. The joint Budget and SEN working group members considered this at their meeting on 11th February and recommend to full Schools Forum that the policy should not be applied against 2020/21 balances. However, it was felt that the annual review of excess balances still has value in controlling the level of excess balances so schools should plan on the basis that the policy will apply against 2021/22 balances. Based on school submitted October budget plans 23 schools are predicting excess balances for 2021/22.

4.13 Lamplugh School, which had a deficit balance of £0.008m as at 31st March 2020 became an academy on 1st February 2021. Seven catholic schools have applied to become a multi-academy trust with a provisional conversion date of 1st April 2021. The combined net surplus of these schools at the end of 31st March was (£0.417m) and if these school do decide to convert this will also have a negative impact on the maintained schools' net balance. At the joint Budget and SEN working group on 11th February a question was raised about the number of schools in deficit at risk of becoming a sponsored academy and the potential value of the net deficit for those schools. The latest data available is that 16 maintained schools currently have a Requires Improvement Ofsted rating with a further 2 potentially at risk. Five of those schools are in deficit totalling £1.596m, 3 of which are secondary schools.

DEFICIT SCHOOLS

4.14 Following a review of the October budget plans, 52 schools have proposed a deficit budget plan for 2020/21. It should be noted that 3 schools in deficit have not yet submitted budget plans and therefore for these schools it is assumed that they will balance their budget in-year.

4.15 The proposed deficit balances by sector are as shown in the table below:

Sector	Number of Schools	% of Maintained Schools by Phase	Total Proposed Deficit Balance £
Secondary	12	80%	£4.946m

Primary	38	16%	£1.820m
Special	1	33%	£0.041m
PRU	1	33%	£0.189m
Total	52		£6.996m

APPLICATIONS FOR LICENSED DEFICITS

4.16 Applications for licensed deficits have been received from 26 schools. For those schools that have not submitted applications these have been requested to ensure the schools are compliant with the policy. However, in principle, 16 of these schools have received conditional budget approval for one of the following reasons: their predicted deficit in year one is below 2% of delegated funding or their deficit is planned to be recovered within 3 years or is planned to be reduced over three years.

MONITORING AND REVIEW

4.17 Forecast year end outturn positions as at the 31st December 2020 for the 52 schools that proposed deficit budgets in their October budget plan submissions are in the process of being reviewed. However, to date 29 returns have been received, the forecast net deficit for these schools is £2.240m compared to a budgeted net deficit of £2.891m and includes 4 schools which are now predicting that they will have a surplus balance at year end.

4.18 Forecast year end outturn returns are also requested from schools that were in deficit at the end of 2019-20 who are planning to recover their deficits by the end of 2020-21. Of the 15 returns received to date, 12 schools are still on track to recover their deficits.

4.19 Finance Officers have reviewed the explanations provided by the schools that have set deficit budgets that are predicting a worsening position compared to their May budget plan submissions. Many of the reasons provided relate to the negative impact COVID19 has had on school-generated income such as catering and contributions to school transport as well as additional staff and premises related costs. Due to schools prioritising their response to COVID19 and with limited resources within the finance team to support schools in deficit there has been limited opportunity to engage with schools to support them in returning to a balanced position this year. However, in recognition of the continuing financial challenges that schools are faced with new posts will be recruited to within the finance team specifically to support schools with deficit budgets. It is hoped that the new staff will be in place early in the new financial year.

4.20 Twelve schools have benefited from a review of their financial health by an accredited School Resource Management Advisor (SRMA) since the start of the program. 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. To date reports have been prepared for 10 schools, 2 having only recently having taken place. Of the 10 reports received 4 action plans have been received from schools. In addition, three schools have received support through the National Leaders of Education (NLE) arranged SRMA deployments as part of a package of support for schools adversely impacted by COVID19 to help them with financial planning.

5.0 OPTIONS

5.1 The relevant Schools Forum members are asked to decide if the Excess Surplus policy should be applied against maintained schools 2020/21 balances.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

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

7.0 CONCLUSION

7.1 The Schools Forum members are asked to note the latest projected net surplus balance position for maintained schools and the overall position of schools with deficit budgets and the action the Local Authority is taking to ensure that schools in deficit are supported in their progress.

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5th March 2021

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