

## **SCHOOLS FORUM**

**Meeting date: 9 June 2021**

**From: Dan Barton  
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### **MAINTAINED SCHOOL BALANCES AND DEDICATED SCHOOLS GRANT EARMARKED RESERVES OUTTURN 2020/21**

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 *Following the closure of the 2020-21 financial year, as at 31 March 2021, the total Dedicated Schools Grant (DSG) earmarked reserves stand at £1.165m (net deficit). This balance comprises two elements – individual school balances totalling (£8.476m) (net surplus) and the centrally retained Dedicated Schools Grant reserve totalling £9.641m (net deficit).*
- 1.2 *This paper informs the Schools Forum of the movement on DSG earmarked reserves from 1 April 2020 to 31 March 2021.*
- 1.3 *It also informs the Schools Forum that there is a new requirement for the local authority to report to the DfE where the number, or proportion, of maintained schools with revenue deficit is above a certain level in the form of a high level action plan.*

#### **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 March 2021 and the new requirement to submit a high level action plan to the DfE in respect of maintained schools with revenue deficit balances.*
- 2.2 *The maintained Schools Forum members are also asked to note that as agreed at the meeting held on 11 March 2021 the excess surplus balances policy will not be applied against 2020/21 maintained school balances due to the COVID19 pandemic.*

### 3.0 **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 2021/22 financial year.
- 3.3 Total schools' balances at 1 April 2020 comprised a net deficit of £0.145m and this has increased by (£8.621m) to a net surplus of (£8.476m) at 31 March 2021. This is shown in the table below:

	<b>Total Deficit Balances (£)</b>	<b>Total Surplus Balances (£)</b>	<b>Net Balances (£)</b>
2019-20	£7.941m	(£7.796m)	£0.145m
2020-21	£6.332m	(£14.809m)	(£8.476m)
<b>Difference</b>	<b>(£1.609m)</b>	<b>(£7.013m)</b>	<b>(£8.621m)</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 72 to 42 and the total value of deficit balances has decreased by (£1.609m) from £7.941m to £6.332m. During the year one nursery school closed and two schools became sponsored academies with a net deficit balance of £0.542m as at 31 March 2020, therefore in terms of the maintained schools both at 31 March 2020 and 31 March 2021 the number of schools in deficit has decreased by 27 from 69 to 42 with the total deficit for these schools decreasing by (£1.067m) from £7.399m to £6.332m.
- 3.6 In their three-year budget plans for 2020/21, 51 schools proposed a deficit budget plan totalling £6.993m. Of these schools, 36 ended the financial year in deficit with the year end deficit balances for these schools totalling £6.245m and 6 schools that had proposed a surplus budget ended the year in deficit totalling £0.087m.
- 3.7 As shown in the table below the maintained secondary schools continue to face significant financial challenges with 11 (73%) out of 15 in deficit. The combined deficit of the 5 secondary schools with the most significant deficits as at 31 March 2020 has reduced by (£0.182m) from £3.654m to £3.472m as at 31 March 2021. However whilst 3 secondary schools achieved a combined in-year surplus of (£.0384m) this was offset by 2 secondary schools increasing their deficits by a combined £0.202m.

School Phase	Number of Schools in Deficit	Schools in Deficit as a Proportion of Schools in Phase	Total Deficit Value (£m)	Number of Schools in Surplus	Schools in Surplus as a Proportion of Schools in Phase	Total Surplus Value (£m)	Net Balance at 31 March 2021 (£m)
Nursery	1	20%	£0.002m	4	67%	(£0.111m)	(£0.109m)
Primary	27	12%	£1.290m	203	76%	(£13.081m)	(£11.792m)
Secondary	11	73%	£4.694m	4	20%	(£0.870m)	£3.824m
Special	2	67%	£0.075m	1	67%	(£0.252m)	(£0.177m)
Pupil Referral Unit	1	33%	£0.272m	2	67%	(£0.494m)	(£0.222m)
<b>Total</b>	<b>42</b>		<b>£6.332m</b>	<b>214</b>		<b>(£14.809m)</b>	<b>(£8.476m)</b>

- 3.8 During 2020-21 three schools have benefited from a review of their financial health by a School Resource Management Advisor (SRMA) with a further 5 planned deployments being delayed due to COVID19. In addition, three further schools have received support through the National Leaders of Education (NLE) as part of a package of support for schools adversely impacted by COVID19 to help them with financial planning.
- 3.9 Following on from the government's review of financial transparency in maintained schools it is now mandatory for maintained schools with deficits of 5% or more of their revenue budget to prepare a deficit recovery plan. In addition to that the local authority is required to submit an action plan to the DfE if it has 10 schools, or 10% of schools, with revenue balance deficits of 10% or more. To determine this the DfE have used the Consistent Financial Reporting (CFR) data for 2019-20. Nineteen Cumbrian maintained schools have been identified as meeting this criteria although one school (Bram Longstaffe Nursery) has now closed. Of the remaining 18 schools, this comprises of 12 primary and 6 secondary schools. The DfE intend to formally request local authority action plans for these schools from July 2021.

### Surplus Balances

- 3.9 Total surplus balances have increased by (£7.013m) from (£7.796m) to (£14.809m). The number of schools in surplus has increased from 187 at 31 March 2020 to 214 at 31 March 2021.
- 3.10 There were 116 schools with an excess surplus at 31 March 2021. This compares to 22 schools at 31 March 2020. The total value of the excess surpluses is £3.422m. Schools Forum agreed on 11 March 2021 not to apply the excess surplus balance policy against 2020/21 balances due to the COVID19 pandemic.
- 3.11 The increase is partly explained by reduced activity due to school closures to all pupils except for vulnerable children and children of key workers during the COVID19 lockdowns and therefore reduced expenditure compared to pre-COVID19 levels. Whilst schools have incurred additional costs in respect of operating under COVID19 restrictions, much of this additional expenditure has been covered by schools claiming COVID19 exceptional funds of which £0.778m was received in 2020/21. Schools own-generated income is significantly lower than pre-COVID19 levels, however, due to reduced activity this loss has been offset by significantly reduced delivery costs against supply teaching and agency staff, staff training, energy, learning resources, catering and professional curriculum services.
- 3.12 There was also an increase in the amount of funding available to schools in 2020/21 compared to 2019/20. In total schools received an additional

£17.663m in delegated funding. This mainly related to an increase in S251 Schools Block funding following additional funding allocated through the national funding formula of £10.828m, Teacher Pay and Pension grants £4.550m and other net increases relating to UIFSM, SEN allocations, Pupil Premium and other ad hoc allocations totalling £2.285m.

- 3.13 In addition to the increase in delegated funding COVID19 grants totalling £2.664m were also received. Of this, £1.866m was for Catch Up Premium funding to support pupils during the academic year 2020/21, however, due to children having only recently returned to school the spend against this grant is expected to be incurred during 2021/22.
- 3.14 It should also be noted that the net schools surplus balance of £8.476m does not include unspent Primary PE & Sports Premium grant of which £3.376m (representing an increase of £0.984m compared to 2019/20) has been carried forward to spend in 2021/22.

#### **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 1 April 2020, the balance on the centrally retained Dedicated Schools grant reserve was a deficit of £6.991m. The balance on the reserve at 31 March 2021 is £9.641m. This represents an increase in the deficit balance of the reserve of £2.650m. The table below sets out this movement:

	<b>Central DSG</b>	<b>High Needs Block</b>	<b>Total</b>
<b>DSG Balance as at 31 March 2020</b>	<b>(£4.031m)</b>	<b>£11.022m</b>	<b>£6.991m</b>
Drawdown to/from reserves	£0.319m	£0.000m	£0.319m
Actual over/ (under) spends on DSG in 2020/21	(£1.197m)	£3.528m	£2.331m
<b>DSG Balance as at 31 March 2021</b>	<b>(£4.909m)</b>	<b>£14.550m</b>	<b>£9.641m</b>

#### **Central DSG**

- 4.3 The Central DSG reserve has increased by (£1.197m) before taking into account the above in-year drawdowns from reserves. The key variances are:
- (£0.908m) underspend on the Early Years Block comprising of underspends against 2,3, and 4 year olds takes up of free entitlement of provision of (£0.800m) and combined underspend against the SEN Inclusion and Sustainability Funds of (£0.108m).
  - (£0.289m) net underspend on other DSG central services.

4.4 The outturn for the Early Years Block includes additional expenditure relating to COVID19 of £0.210m during the Summer 2020 and £0.021m for the Spring 2021 term due to the third lockdown to mid-February where there was a requirement to double fund providers where parents could not place their child with their usual provider due to the setting being closed for public health reasons. There was also an increased pressure relating to the actual Autumn 2020 allocations due to government guidance that providers should be funded at pre-COVID19 levels using Autumn 2019 actual take-up of provision as a basis. Whilst some providers were negatively impacted by COVID19 and received protection by being funded at pre-COVID19 levels others experienced an increase in take-up above their Autumn 2019 levels and as there was a requirement to fund these providers based on actual hours this created an additional pressure. However, this was offset by an underspend in Spring 2021 following government guidance that providers should be funded based on the January 2021 census count and, as many of the providers were closed or take-up provision was lower than normal due to the third COVID19 lockdown, this has resulted in an overall underspend against the original planned budget.

4.5 Whilst there is an underspend against the Early Years Block in 2020/21, the funding allocation will be updated retrospectively in July 2021 to reflect the actual January 2021 census data and this is expected to create a pressure in 2021/22. However, as the DfE recognise that attendance may not have been at normal levels on the January 2021 census date, where attendance was below 85% of the January 2020 census level and if evidence can be provided of increased attendance after the January 2021 census date the DfE will provide a top-up capped at 85% of the January 2020 census return. The January 2021 census data indicates that attendance was higher than the 85% of the January 2020 cap level and therefore top-up funding will not apply. It is estimated that the clawback of funding will be £0.450m giving an adjusted underspend against the Early Years Block of (£0.458m).

**Commented [CAJ1]:** I still think there is scope for increasing the hourly rate to providers given that we have had consistent underspends over the last few years

4.6 The net underspend on other DSG central services of (£0.289m) comprises of:

- £0.003m overspend against the Schools Block
- (£0.292m) underspend against the Central School Services Block

4.7 The Schools Block underspend of £0.003m relates to an underspend against the Growth Fund of (£0.593m) offset by an overspend against the de-delegated budgets of £0.590m of which £0.519m related to the Schools Contingency Fund see more detail in the Contingency Fund Outturn 2021/22 paper.

4.8 The Central Schools Services Block underspend of (£0.292m) relates to Schools Maintenance and Health & Safety (£0.215m) and other non-material variances of (£0.077m).

#### **High Needs Block**

4.9 The High Needs block overspent by £3.528m in 2020/21 the main reasons for this are the continued pressures against EHCP (Education Health Care Plans) top-ups and specialist placements. The variances are analysed in more detail in the High Needs Block Outturn 2020/21 paper.

#### **Commitments**

4.7 There are no commitments within the DSG reserves relating to 2021/22.

## 5.0 OPTIONS

5.1 There are no options, the Schools Forum is asked to note:

- the net surplus balance position on the Maintained School Balances of (£8.476m) and the DSG earmarked reserves net deficit of £9.641m at 31 March 2021;
- the new requirement to report on maintained schools with revenue deficit balances to the DfE;
- that as previously agreed, the excess surplus balance policy will not be applied against 2020/21 maintained 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 2019/20 to 2020/21.

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