

SCHOOLS FORUM

Meeting date: 8 June 2022

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MAINTAINED SCHOOL BALANCES AND DEDICATED SCHOOLS GRANT EARMARKED RESERVES OUTTURN 2021/22

1.0 EXECUTIVE SUMMARY

- 1.1 *Following the closure of the 2021/22 financial year, as at 31 March 2022, the total Dedicated Schools Grant (DSG) earmarked reserves stand at £2.672m (net deficit). This balance comprises two elements – individual maintained school balances totalling (£12.020m) (net surplus) and the centrally retained DSG reserve totalling £14.692m (net deficit).*
- 1.2 *This paper informs the Schools Forum of the movement on the DSG earmarked reserves from 1 April 2021 to 31 March 2022.*
- 1.3 *It also informs the Schools Forum that the local authority is required to report to the DfE where the number or proportion of maintained schools with revenue deficits is above a certain level in the form of a high level action plan.*
- 1.4 *The maintained Schools Forum representatives are asked to consider whether the excess surplus balances policy should be applied against maintained school balances at the end of 2022/23 financial year.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 1.1 *The value of the DSG 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 value of the DSG reserves at 31 March 2022 and the 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 recommend whether the excess surplus balances policy should be applied against school balances at the end of 2022/23 financial year.*

3.0 **INDIVIDUAL SCHOOL BALANCES**

- 3.1 In accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance the DSG allocated to the Individual Schools Budget (ISB) is taken to have been spent as soon as it is deployed – i.e. 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 2022/23 financial year.
- 3.3 As at 31 March 2022 the net surplus balance on maintained schools is (£12.028m) excluding other school-related balances, an increase in net balances of (£3.552m) since 2020/21 and an increase of (£6.148m) compared to schools’ own forecasts as at their October budget submissions of (£5.880m).
- 3.4 The table below shows a breakdown of these figures separately by surpluses and deficits:

| | 2020/21 Actual | | 2021/22 Actual | | Change in value (£) |
|-----------------------------------|-------------------|------------------|-------------------|-------------------|---------------------|
| | Number of Schools | Total Value (£) | Number of Schools | Total Value (£) | |
| Maintained Schools with Surpluses | 214 | (£14.808m) | 209 | (£16.555m) | (£1.747m) |
| Maintained Schools with Deficits | 42 | £6.332m | 38 | £4.527m | (£1.805m) |
| Total | 256 | (£8.476m) | 247 | (£12.028m) | (£3.552m) |
| Other School-Related Balances | | (£0.006m) | | £0.008m | £0.014m |
| Grand Total | 256 | (£8.482m) | 247 | (£12.020m) | £3.538m) |

Deficit Balances

- 3.5 The number of maintained schools in deficit has reduced from 42 to 38 and the total value of deficit balances has decreased by (£1.805m). During the year two schools joined academy trusts with a net deficit balance of £0.028m as at 31 March 2021, therefore in terms of the maintained schools both at 31 March 2021 and 31 March 2022 the number of schools in deficit has decreased by 2 with the total deficit for these schools decreasing by (£1.777m).
- 3.6 In their three-year budget plans for 2021/22, 36 schools proposed a deficit budget plan totalling £4.962m. Of these schools, 28 ended the financial year in deficit with the year-end deficit balances for these schools totalling £4.287m and 10 schools that had proposed a surplus budget ended the year in deficit totalling £0.240m.
- 3.7 As shown in the table below the maintained secondary schools continue to face significant financial challenges with 9 (69%) out of 13 in deficit. The combined deficit of the 5 secondary schools with the most significant deficits

as at 31 March 2021 has reduced by (£0.681m) from £3.605m to £2.924m as at 31 March 2022. However, whilst 4 secondary schools achieved a combined in-year surplus of (£0.697m) this was offset by one secondary school increasing its deficit by £0.016m.

| Phase | No of Schools in Sector | No in Deficit | Proportion of Sector | 2021/22 Net Deficit £m |
|-----------|-------------------------|---------------|----------------------|------------------------|
| Nursery | 5 | 0 | 0% | 0.000 |
| Primary | 223 | 29 | 13% | 1.313 |
| Secondary | 13 | 9 | 69% | 3.214 |
| Special | 3 | 0 | 0% | 0.000 |
| PRU | 3 | 0 | 0% | 0.000 |
| | | | | |
| Total | 247 | 38 | | 4.527 |

- 3.8 Since 31 March 2021 all maintained schools with deficits of 5% or more of their revenue budget are required to prepare a deficit recovery plan for review by the local authority. In addition to that the local authority is required to submit an action plan to the DfE for all maintained schools with deficit balances of 7% or more of total revenue as at 31 March 2022. To determine this the DfE use the Consistent Financial Reporting (CFR) data for 2020/21 which includes Primary PE & Sport Grant balances. Fourteen Cumbrian maintained schools have been identified as meeting the criteria comprising of 6 primary, 7 secondary and one PRU. The majority of these schools have reduced their deficits as at 31 March 2022.

Surplus Balances

- 3.9 The number of maintained schools in surplus has decreased from 214 to 209 but the total value of surplus balances has increased by (£1.747m). During the year 7 schools joined academy trusts with a net surplus balance of (£0.769m) as at 31 March 2021, therefore in terms of the maintained schools both at 31 March 2021 and 31 March 2022 the number of schools in surplus has increased by 2 with the total surplus for these schools increasing by (£2.516m).

Explanation of Movement

- 3.10 During 2021/22 nine maintained schools joined academy trusts. The combined net surplus for these schools at the end of 31 March 2021 was (£0.741m) and these balances together with their 201/22 in-year balances have transferred to their respective trusts. Therefore, after taking the academy convertors into account the actual net increase in surplus balances for the remaining 247 maintained schools was (£4.279m), as follows:

| | Total Value (£) |
|--|------------------------|
| Schools Net Surplus Balance as at 31 March 2021 | (£8.482m) |
| Less Schools converted to Academy Status during 2021/22 | £0.741m |
| Revised Schools Net Surplus Balance as at 31 March 2021 | (£7.741m) |
| Schools Net Surplus Balance as at 31 March 2022 | (£12.020m) |
| Movement | (£4.279m) |

3.11 The increase in school balances is due to funding of £250.526m offset by net expenditure of £246.247m resulting in an increase in balances of £4.279m for those schools that were maintained both as at 31 March 2021 and 31 March 2022 (i.e. excluding schools that have converted to academy status). This compares to the increase in net balances of £7.939m in 2020/21 shown the table below:

| | 2020/21 | 2021/22 | Movement | |
|---|----------------|----------------|-----------------|-----------|
| | £m | £m | £m | |
| Funding Devolved to Schools | 241.490 | 250.526 | 9.036 | 4% |
| Employees | 199.126 | 211.063 | 11.937 | 6% |
| Premises | 17.072 | 18.440 | 1.368 | 8% |
| Transport | 0.600 | 1.243 | 0.642 | 107% |
| Supplies and Services | 27.645 | 34.566 | 6.921 | 25% |
| Capital Expenditure funded from Revenue | 0.250 | 0.275 | 0.025 | 10% |
| Income | -11.370 | -18.506 | -7.136 | 63% |
| Grant Income | 0.228 | -0.833 | -1.061 | -465% |
| Net Expenditure | 233.552 | 246.247 | 12.696 | 5% |
| In-Year Balance | 7.939 | 4.279 | -3.660 | -46% |

Funding Devolved to Schools – increase £9.036m (4%)

3.12 The increase in funding between the two financial years is summarised below:

| | £m |
|---|---------------|
| Schools National Funding Formula net of roll in of Teacher Pay and Pension Grants | -4.173 |
| COVID-related grants | -0.906 |
| Net increase in HN funding mainstream schools | -1.961 |
| Pupil Referral Units | -0.721 |
| Special Schools | -1.588 |
| Ending of FSM Supplementary grant | 0.424 |
| Net other non-material increase | -0.110 |
| Total increase | -9.036 |

3.13 The most significant increase in funding related to inflationary increases and other formula factor changes to the National Funding Formula totalling £4.173m and is net of the impact of a reduction in 330 maintained school pupils between the 2 years.

3.14 There was a net increase in High Needs funding devolved to schools of £1.961m, Pupil Referral Units £0.721m and Special Schools £1.588m. The increase in High Needs funding reflects the continued rise in the number of pupils with EHCPs and amendments to existing EHCPs, the uplift of the special schools' lowest level top-up banding from £2,995 to £4,500, increases in the number of High Needs places in Resourced Provision Units and Special

Schools and newly created SEMH and AP places at the North and South PRUs.

- 3.15 There was also an increase in the level of new COVID19-related grants of £0.906m. Whilst many of the COVID19 grants were for costs already incurred by schools in-year the National Tutoring Programme and School-Led tutoring grants totalling £0.527m are for spend relating to the 2021/22 academic year and can be carried forward for spend in 2022/23 financial year.

Employee Costs – increase £11.937m (6%)

- 3.16 The most significant increase in employee costs related to directly employed staff totalling £9.692m of which approximately £1.244m equates to the backdated pay award for NJC staff of 1.75%. The increase also includes the full year impact of the teachers September 2020 pay award and teacher pay progression. Agency staff costs in 2021/22 are higher than 2019/20 pre-COVID levels and have increased by £1.686m compared to the 2020/21 level. This is partly explained by high levels of staff absence due to COVID19 and additional tuition for missed education funded from COVID19 grants. There was increase of £0.652m against learning and development costs compared to 2020/21 following the re-opening of schools after lockdown which represents a return to 2019/20 pre-COVID19 levels.
- 3.17 There was a net immaterial decrease of (£0.093m) against other employee costs compared to 2020/21.

Premises Costs – increase £1.368m (8%)

- 3.18 Property improvements account for £0.783m of the increase and were at a higher level than 2019/20 pre-COVID19 levels in 2021/22 however there were no individually material increases with the highest increase in expenditure being £0.086m for one individual school. Energy costs increased by £0.269m compared to 2020/21 levels however were lower than 2019/20 pre-COVID19 levels. The remaining increase of £0.316m relates to individually non-material increases against cleaning, grounds maintenance, and other premises related costs.

Transport Costs – increase £0.642m (107%)

- 3.19 The most significant increase compared to 2020/21 related to vehicle hire costs which increased by £0.553m, however, expenditure is still significantly lower than 2019/20 pre-COVID19 levels. A number of factors may have contributed to this including COVID19 restrictions on school trips and lower pupil numbers between the 2 years. The remaining balance of £0.089m comprises of individually immaterial increases across other transport costs.

Supplies & Services – increase £6.921m (25%)

- 3.20 Catering costs account for £2.698m of the increase however this is still lower than 2019/20 pre-COVID19 levels and is offset by a corresponding increase in school meals income. It is also reflective of the reduction in pupil numbers between the 2 years. There was increase of £3.477m against equipment and resourcing costs but again this was lower than 2019/20 pre-COVID19 expenditure. There was an increase of £0.916m against professional services which is higher than 2019/20 pre-COVID19 levels and is partly explained by additional bought-in services being required to support pupils on return to education following the COVID19 lockdowns and an increase in the number

of children with EHCPs plans. There was reduction in spend against computing of (£0.504m) however the spend against this line remains higher than 2019/20 pre-COVID19 levels. The remaining balance of £0.334m relates to net immaterial increase against other supplies & services costs.

Other Income – increase (£7.136m) (63%)

- 3.21 The most significant increase in income compared to 2020/21 was school meals income which increased by (£2.554m) however this is offset by a corresponding increase in catering costs. Fees & Charges, which includes income from Before and After School Clubs, increased by (£1.640m) compared to 2020/21 however income was lower than 2019/20 pre-COVID19 levels and can be explained by reduced activity due to COVID19 restrictions during 2020/21 and 2021/22. Contributions from parents increased by (£1.174m) and donations increased by (£0.533m) but again both were at a lower than 2019/20 pre-COVID19 levels reflective of a reduction in school trips and other activities due to COVID19 restrictions. Services of staff income increased by (£0.595m) which is higher than 2019/20 pre-COVID19 levels and can partly be explained by increased collaboration across schools due to additional support being provided to pupils following COVID19 lockdowns. The remaining increase totalling a net of (£0.640m) relates to individually immaterial increases against other income.

Other Grant Income – increase £1.061m (465%)

- 3.22 The main increase here relates to a reduction in the amount of Primary PE & Sports grant carried forward to 2022/23 compared to previous years. In 2020/21 there was a net increase of carry forward grant compared to 2019/20 of £0.984m and in 2021/22 there was a net decrease in the amount of carry forward grant compared to 2020/21 of (£0.570m) giving net movement of (£1.555m). One school has had a reduction in grant funding of £0.487m relating to the English Hub Programme grant. The grant available in 2020/21 was £0.531m however this reduced to £0.178m in 2021/22 of which £0.134m has been carried forward to spend in 2022/23. The remaining balance of £0.007m relates to non-material decreases in grant funding across a number of schools.
- 3.23 It should also be noted that the net schools surplus balance of £12.028m does not include unspent Primary PE & Sports Premium grant of which £3.376m has been carried forward to spend in 2021/22.

Excess Surplus Balances

- 3.24 Schools Forum agreed on 20 October 2021 not to apply the excess surplus balance policy against 2021/22 balances due to the COVID19 pandemic and it was felt that by not applying the clawback policy against maintained schools' 2021/22 balances this would enable schools to put longer term projects in place that would have a positive impact and allow a more strategic approach from schools. However, it was also agreed that an annual review of excess balances still had value in controlling the level of excess balances.

- 3.9 There were 122 schools with an excess surplus at 31 March 2022. This compares to 116 schools at 31 March 2021. The total value of the excess surpluses above the 8% (primary/nursery/special) 5% (secondary) thresholds is (£5.204m) an increase of (£1.782m) compared to balances as at 31 March 2021.
- 3.10 The maintained Schools Forum representatives are asked to consider whether the excess surplus policy should be applied against 2022/23 balances.

4.0 ***CENTRALLY RETAINED DSG RESERVE***

- 4.1 Each year, in accordance with the conditions of the DSG, any under or overspend relating to the centrally retained element of the DSG must be transferred to the earmarked DSG reserve to be carried forward for future years.
- 4.2 As at 1 April 2021, the balance on the centrally retained DSG reserve was a deficit of £9.641m. The balance on the reserve at 31 March 2022 is £14.692m. This represents an increase in the deficit balance of the reserve of £5.051m. The table below sets out this movement:

| | Central DSG | High Needs Block | Total |
|---|------------------|------------------|-----------------|
| DSG Balance as at 31 March 2021 | (£4.909m) | £14.550m | £9.641m |
| Actual over/ (under) spends on DSG in 2021-22 | (£0.841m) | £5.892m | £5.051m |
| DSG Balance as at 31 March 2022 | (£5.750) | £20.442m | £14.692m |

Central DSG

- 4.3 The Central DSG reserve has increased by (£0.841m). The key variances were:
- (£1.437m) underspend on the Early Years Block comprising of net underspends against 2,3, and 4 year olds takes up of free entitlement of provision of (£1.348m), combined underspend against the SEN Inclusion and Sustainability Funds of (£0.087m) and underspend of (£0.002m) against centrally retained budgets.
 - £0.596m net pressure on other DSG central services.
- 4.4 The outturn for the Early Years Block outturn is net of a £0.876m reduction in Early Years Block funding following adjustments for the May 2021 and October 2021 actual take-up of provision. There will be a further retrospective adjustment to the final Early Years Block allocation for 2021/22 to reflect the Spring 2022 term actual take-up of provision in financial year 2022/23. This is forecast to be a clawback of £0.407m but will not be confirmed by the DfE until July 2022.

- 4.5 The net pressure on other DSG central services of £0.596m comprises of:
- £0.762m pressure against the Schools Block
 - (£0.166m) underspend against the Central School Services Block
- 4.6 The Schools Block pressure of £0.762m related to a net overspend against the de-delegated budgets of £0.711m as follows:
- £0.359m School Contingency Fund
 - £0.413m Teacher Maternity Absence Cover
 - (£0.041m) Library Service
 - (£0.019m) Union Duties Facilities Time
- 4.7 The remaining balance of £0.051m related to an overspend of £0.054m against funding devolved to schools in respect of DSG recoupment for in-year academy convertors and an underspend of (£0.003m) against the Growth Fund. As in previous years the net overspend against the de-delegated budgets has transferred to the DSG earmarked reserves and will be offset by any future years' underspends against these services.
- 4.8 The Central Schools Services Block underspend of (£0.166m) related to Health & Safety (£0.103m), School Admissions (£0.045m), Schools Forum and other non-material variances of (£0.018m).

High Needs Block

- 4.9 The High Needs block overspent by £5.892m in 2021/22 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 2021/22 paper.

Commitments

- 4.7 There are no commitments within the DSG reserves relating to 2022/23.

5.0 OPTIONS

- 5.1 The Schools Forum is asked to note the contents of this paper and:
- Recommend that the excess surplus balances policy is applied against maintained school balances at the end of 2022/23 financial year;
- or
- Recommend that the excess surplus balances policy is not applied against maintained school balances at the end of 2022/23 financial year.

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 DSG reserves from 2020/21 to 2021/22.

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