

MAINTAINED SCHOOLS AND DEDICATED SCHOOLS GRANT (DSG) FINANCIAL HEALTH

To: Cambridgeshire Schools Forum
Date: 12th July 2019
From: Jon Lee – Head of Integrated Finance Services - LGSS

1.0 INTRODUCTION

1.1 Schools Forum received a report in May 2019 which included the latest position in respect of maintained school balances. At this meeting Schools Forum requested additional information in respect of the school balances as follows:

- a) Information on balances compared to others;
- b) School's planned use of carry forwards to support their 2019/20 budget positions; and
- c) Further consideration of excess balances and balance control.

A request was also made to co-ordinate information on balances for academies in Cambridgeshire. The financial year end for academies is 31 August 2019, information on balances will be requested at this date when academies will be producing their annual accounts. The information gathered will be presented to the September Schools Forum meeting.

- 1.2 It should be noted that the school balance figures used in this report are based on the year-end returns from maintained schools. However, following further validation of the Consistent Financial Reporting (CFR) returns the final information on Schools balances published by the Department for Education (DfE) may differ slightly.
- 1.3 In respect of this subject, the Leader of the Council and the Chief Executive have jointly written to the Chair of the Schools Forum about the increased level of school balances in Cambridgeshire's maintained schools.

2.0 MAINTAINED SCHOOL BALANCES - COMPARISON

- 2.1 As presented to the Schools Forum in May 2019 the table overleaf shows rounded revenue balances for each sector. The prior year is adjusted for academy conversions during 2018/19 to enable a like-for-like comparison to the year-end position.

	31st March 2018 £m (original published balances)	31st March 2018 £m (amended for in-year academy conversions)	31st March 2019 £m	Change £m
Nursery Schools	0.6	0.6	0.9	+0.3
Primary Schools	9.9	9.7	11.1	+1.4
Secondary Schools	0.0	0.0	0.0	0.0
Special Schools	0.6	0.6	0.5	-0.1
Pupil Referral Units (PRUs)	0.1	0.1	0.1	0.0
Sub Total	11.2	11.0	12.6	+1.6
Other Revenue Balances (e.g. Community Focussed)	1.1	1.1	1.1	0.0
TOTAL	12.3	12.1	13.7	1.6

2.2 By way of comparison information was presented to the Northamptonshire Schools Forum meeting on 2nd July 2019. A summary of this information is provided in the table below.

	Northamptonshire			Cambridgeshire	
All figures in £m	31st March 2018 Total	31st March 2019 Total	Increase /(Decrease) from prior year	31st March 2019 Total	Increase /(Decrease) from prior year
Capital	1.9	2.9	1.0	2.0	1.5
Revenue					
Committed	6.5	6.2	(0.3)	-	-
Uncommitted	7.0	7.3	0.3	-	-
Revenue Total	13.5	13.5	0.0	12.6	1.6
Community	0.6	0.5	(0.1)	1.1	0.0

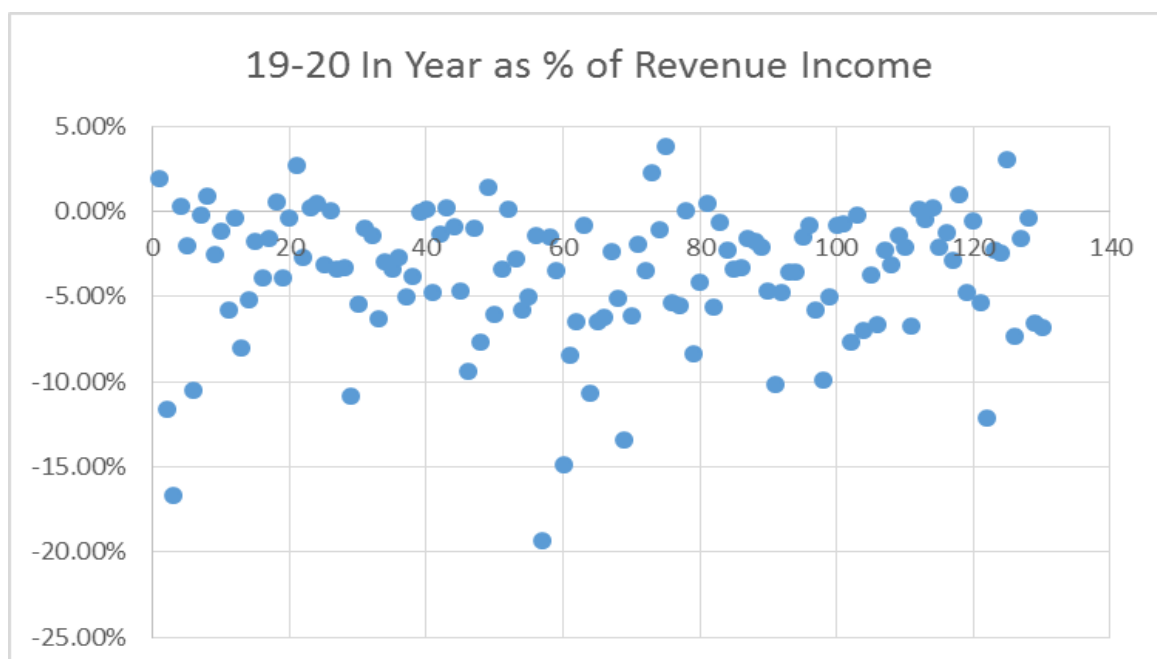
2.3 From the comparison with Northamptonshire schools the overall level of school balances is broadly similar. Based on the number of maintained schools in each authority (136 for Cambridgeshire and 123 for Northamptonshire) simple averages compare as follows:

- Average revenue balance: Cambridgeshire £92.6k compared to Northamptonshire £109.8k; and
- Average capital balance: Cambridgeshire £14.7k compared to Northamptonshire £23.5k.

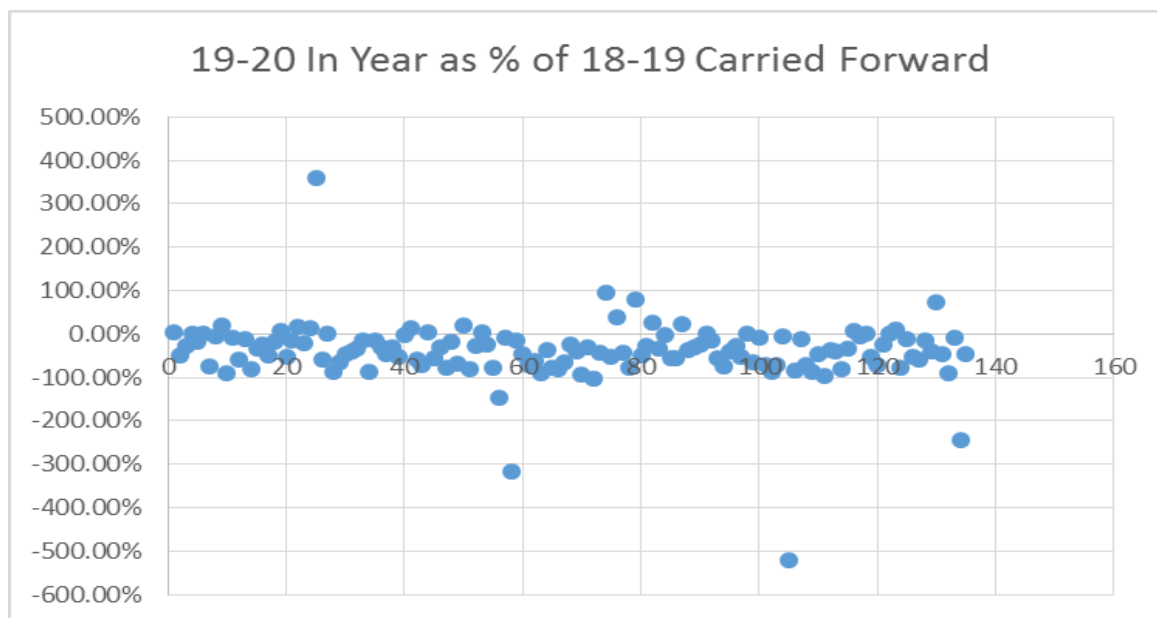
In both instances the average figures are lower in Cambridgeshire schools. An average balance for the Community focused balances has not been calculated as these are more specific balances and only held by a relatively small proportion of the schools in each authority.

3.0 2019/20 PLANNED USE OF BALANCES

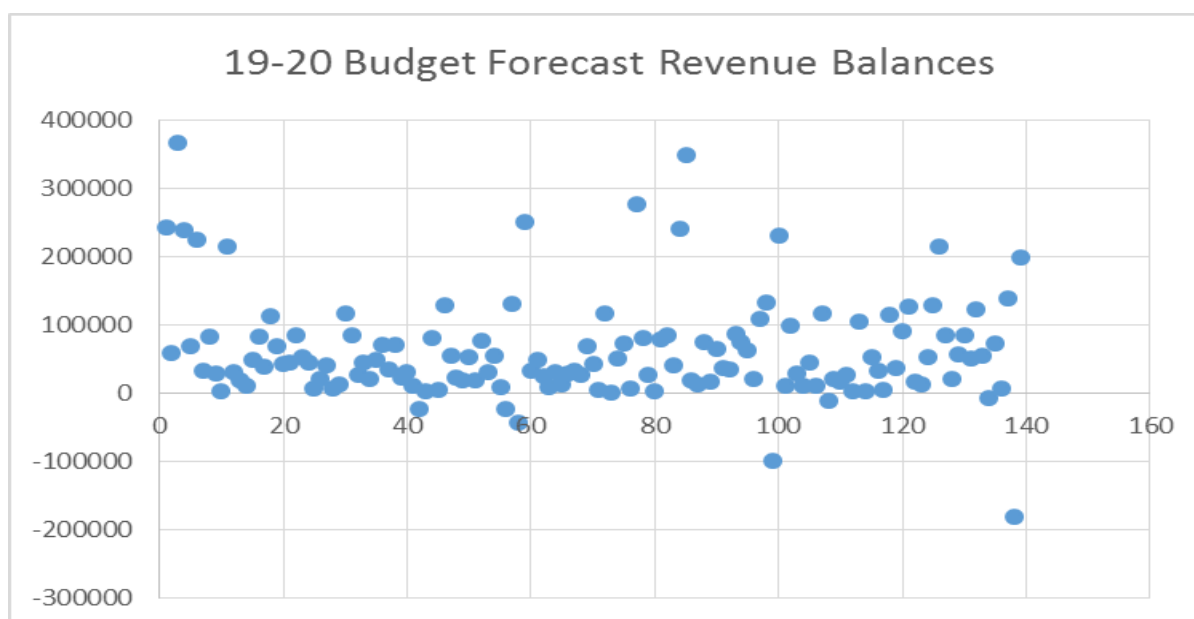
- 3.1 Schools are facing significant inflation costs within their budgets including 2% pay inflation for teachers from September 2019 and between 2% and 7.3% for support staff depending on the pay scale. In addition employer contributions for teacher's pensions have increased in 2019/20, up 44% from 16.48% to 23.68%. These are significant cost increases on school budgets, with a typical school's staffing structure being in the region of 75% or more. Some of these costs are being met by additional Government funding in 2019/20. Further information is awaited to confirm this Government funding in the Dedicated Schools Grant (DSG) allocations for 2020/21 and future years through the Spending Review.
- 3.2 Support for pupils with High Needs is a national issue and has been discussed at length by the Forum. Due to the overall funding pressures in the High Needs Block and the increasing number of pupils requiring support for high needs, many schools are having to spend an increasing proportion of their budget to support high needs pupils. This is a trend that is currently expected to continue in Cambridgeshire as the cumulative DSG deficit at the end of 2018/19 was £7.2m.
- 3.3 Added to these issues is the need for schools to maintain their premises so pupils and staff are warm, safe and dry, maintain Information Technology and sports equipment, as well as provide for general curriculum costs. A combination that is making the finances in Cambridgeshire schools an ever increasing challenge in the pursuit of outcomes for pupils.
- 3.4 Against this backdrop analysis has been undertaken in respect of the balances that maintained schools brought forward into the 2019/20 financial year and the budgets schools have set for the same year.
- 3.5 The following graph shows the range of in year surpluses and deficits in the budgets that have been set by schools compared to their total revenue funding. The graph outlines that 115 (85%) maintained schools are expecting to incur an in year deficit during 2019/20 with the remaining 21 schools forecasting a surplus in year. Of the 21 schools with surpluses these are surpluses of c£10k or less with the exception of 4 schools with larger forecast surpluses. The in year deficits are varied with the largest being £175k.



- 3.6 In order to meet the in-year balances, schools are planning to use their carry forward balances in 2019/20 in the majority of cases. The following chart shows the percentage that the in year surplus or deficit is of the school's carry forward. This demonstrates that based on the latest budget information, schools are forecasting a substantial reduction in their balances during the year with 19 schools (14%) utilising 80% or more of their brought forward balances. There are some outliers which indicate in-year deficits in excess of the school's balances brought forward. The authority is in dialogue with these schools to offer support and challenge with their financial position.



- 3.7 Finally after taking account of the brought forward balances and the in year surplus or deficit in the budgets set by schools, the following chart outlines the spread of schools and the value of their forecast balances at the end of the 2019/20 financial year. It shows that despite the level of in-year deficits being forecast, the majority of schools will have some balances left. However, based on the latest information, these are forecast to decrease from £13.6m at the end of March 2019 to £8.4m at 31st March 2020. There is a greater risk of schools going into deficit overall, with 8 schools forecast to be in deficit at the end of the year.



- 3.7 The analysis presented sets out the changing position that is forecast in respect of school balances with more schools having to utilise their balances to meet their costs for 2019/20. The Authority will continue to review the deficits and use of carry forwards to support schools and where necessary challenge the use or build up of balances as appropriate.

4.0 BALANCE CONTROL

- 4.1 Schools Forum previously agreed to a relaxation of the balance control mechanism for maintained schools. This was in response to the removal of the requirement to have a balance control mechanism by the DfE as no similar arrangement was put in place for academies. For Cambridgeshire an excessive balance is classed as:

- over 16% of Individual Schools Budget or £80,000 for nursery, primary and special schools
- over 10% of Individual Schools Budget for secondary schools

Or, where a school is below the national educational floor targets:

- over 8% of Individual Schools Budget or £40,000 for nursery, primary and special schools
- over 5% of Individual Schools Budget for secondary schools

- 4.2 The change in individual schools balances will be specific to each school's circumstances with some of the main reasons being:

- Some schools will have delayed or cancelled spending decisions due to the uncertainty around future years' funding amounts.
- Some schools have chosen to apply balances to maintain current staffing levels and class structures.
- Pressures on capital funding have led some schools to reconsider and reprioritise revenue resources to allow for the possibility of capitalisation in future years.
- A number of Education Skills and Funding Agency (ESFA) additional funding allocations were made to schools in the final quarter of 2018/19 (including Devolved Formula Capital & Free School Meals).

- 4.3 The relaxation of the balance control mechanism has in turn meant that the level of detail supporting school balances is not immediately available. Given the greater interest and scrutiny of school balances, Schools Forum is asked to consider a revised balance control mechanism for maintained schools. Any balance control mechanism should not be too onerous for schools to complete at year end adding significantly to workload. However, it should provide a more detailed breakdown of the revenue funding carry forwards in order for the Authority and Schools Forum to understand more fully the reasons for the balances that schools are holding.

- 4.4 The proposed criteria for a revised balance control mechanism is set out overleaf. Forum is asked to comment on the proposal. It should be noted this is still in draft and subject to internal review before finalising.

	Category	Criteria / Notes
1	Capital – Devolved Formula Capital	Where the balance relates to formula capital where a school is allowed to retain the balance for a 3 year period to enable the affordability of a capital project to be achieved (includes capital expenditure on IT).
2	Capital – Other capital balances	Other capital grants and contributions.
3	Committed Revenue – Pupil Premium Grant Funding	To include all categories of Pupil Premium funding including PE and Sports grant, Year 7 Catch Up grant and the Summer School Grant.
4	Committed Revenue – Other External Funding	Used to capture other external funding for specific purposes of which has conditions attached e.g. Universal Infant Free School Meal (UIFSM) funding.
5	Committed Revenue – set aside for capital purposes	For revenue contributions to capital expenditure.
6	Committed Revenue – set aside for repairs and maintenance	Must be for specific items or projects subject to evidence that the use of the balance is included in the School Asset Management Plan.
7	Uncommitted Revenue	Excess balances considered to be: <ul style="list-style-type: none"> • Over 8% of an Individual Schools Budget (ISB) (with a minimum £40,000) for nursery, primary and special schools; and • Over 5% of ISB for secondary schools
8	Community Focussed	Typically Extended Schools / Children’s Centre balances held predominantly in Nursery settings.

5.0 RECOMMENDATION

5.1 Members of Schools Forum are asked to note the contents of the report and to consider the proposed revision to the balance control mechanism set out in the table in paragraph 4.4 above.