

# **SCHOOLS FORUM**

**Meeting date: 18 January 2022**

**From: Dan Barton  
Assistant Director – Education & Skills**

## **PROJECTED MAINTAINED SCHOOL BALANCES 2021/22**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 *This report presents a summary of the projected maintained schools balances. Based on school budget plans submitted in May 2021 the net surplus balance was projected to be (£5.776m) as at 31 March 2022. This comprised 217 schools proposing surplus balances totalling (£11.221m) and 31 schools proposing deficit balances totalling £5.445m.*
- 1.2 *In accordance with the LA Scheme for Financing Schools and policy for schools with deficit budgets, the Local Authority reviews the financial position of maintained schools and PRUs with a licensed deficit agreement and a summary report is provided to the Schools Forum.*
- 1.3 *The forecast year-end outturn for the 31 schools that have proposed deficit budgets for 2021/22 predicts an improved position of £4.857m as at 30 September 2021, representing a forecast reduction in pressure of (£0.588m) compared to their proposed deficit budgets of £5.445m.*

### **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 is asked to note the projected school balances for maintained schools and the latest forecast year-end outturn position as at 30 September 2021 for those schools that have proposed a deficit budget for 2021/22.*

## 4.0 **BACKGROUND**

4.1 Maintained schools are required to submit a three-year budget plan each year by the 31 May to the finance team. These plans are reviewed to check that the funding assumptions made are reasonable and that the expenditure plans are achievable. A summary report is provided to the Assistant Director, Education & Skills who approves the budgets. Those schools that submit a budget that cannot be approved, because they are forecasting a deficit balance or for other reasons, are required to re-submit a revised budget by 31 October. Schools that propose a deficit budget must apply for a licensed deficit and return a forecast year-end outturn as at 30 September and 31 December. In accordance with LA Scheme for Financing Schools summary report is provided to Schools Forum.

## 5.0 **PROJECTED MAINTAINED SCHOOL BALANCES 2021/22**

5.1 As at 31 March 2021 the net surplus balance for maintained schools was (£8.476m). Based on schools' own projections as at their May budget submissions the net surplus balance is predicted to be (£5.776m) as at 31 March 2022, a reduction of £2.700m. The table below shows a breakdown of these figures separately by surpluses and deficits:

	2020/21		2021/22		
	Number of Schools	Total Value (£m)	Number of Schools	Total Value (£m)	Change in value (£m)
Schools with Surpluses	214	(14.808)	217	(11.221)	(3.587)
Schools with Deficits	42	6.332	31	5.445	0.887
<b>Total</b>	<b>256</b>	<b>(8.476)</b>	<b>248</b>	<b>(5.776)</b>	<b>2.700</b>

5.2 During the year to date 8 schools have converted to academy status and their net surplus balances brought forward from 2020/21 totalling (£0.760m) have been removed from the projection and will transfer to their academy trusts together with any in-year surplus/deficit balances accrued in 2021/22.

5.3 Of the 217 schools that are predicting surplus balances for 2021/22 a total of 60 schools are predicting balances in excess of the allowable 8% (primaries/nurseries/specials/PRUs) and 5% (secondaries) thresholds. As agreed at the Schools Forum meeting on 20 October 2021 the excess surplus balances policy will not be applied against balances at the end of this financial year due to the impact of COVID.

## 6.0 DEFICIT BUDGET SUBMISSIONS 2021/22

- 6.1 The number of schools with deficit balances is predicted to reduce from 42 to 31. Of the 42 with deficit balances brought forward from 2020/21 14 of them are predicting to have a surplus balance at the end of 2021/22 and one has converted to an academy. Four schools that brought forward surplus balances from 2020/21 are predicting deficit balances at the end of 2021/22.
- 6.2 The proposed deficit balances by sector are as shown in the table below:

Sector	Number of Schools	Schools in Deficit as a Proportion of Schools in Phase	Total Deficit Balance (£m)
Secondary	11	85%	4.268
Primary	19	8%	1.176
Nursery	1	20%	0.001
<b>Total</b>	<b>31</b>		<b>5.445</b>

- 6.3 Secondary schools continue to be faced with the most significant budget difficulties with 11 out of 13 secondaries predicting deficit budgets in 2021/22. Ten of the 11 secondaries predicting deficit budgets in 2021/22 were in deficit in 2020/21 and the net deficit balance for these secondaries is predicted to reduce from £4.312m to £4.071m.
- 6.4 Cumbria was required to submit a high-level LA Action Plan to the ESFA in September 2021 in a move to strengthen and improve the financial transparency and accountability of maintained schools and for the ESFA to gain a better understanding of the arrangements Cumbria has in place for managing schools in deficit. Information was requested for 18 schools whose deficit was more than 10% of their total revenue funding in 2019/20. The ESFA have commissioned the Institute of Schools Business Leaders (ISBL) to complete a review of the action plan by an SRMA the outcome of which is not yet available.
- 6.5 In accordance with the LA Scheme for Financing Schools applications for licensed deficits have been received from 16 out of the 31 schools that have proposed deficit budgets for 2021/22. Applications have been requested from those schools who have not applied for a licensed deficit to ensure they are compliant with the policy. However, in principle, the deficit recovery plans for 27 of these schools have been approved. This leaves a remainder of 4 schools that have not yet received approval.

## 7.0 MONITORING AND REVIEW OF DEFICIT BUDGETS

- 7.1 Forecast year end outturn positions as at the 30 September 2021 have been received from 20 out of 31 schools that set deficit budgets for 2021/22. These returns have been reviewed to identify any significant variances from the agreed licensed deficit and where variances are identified, the school is asked to provide an explanation and details of the management action they are taking to address them. The missing returns have been rigorously chased, however, for the purposes of this report it is assumed that the 11 schools that

have not submitted returns are on target with the deficit budget set. Budget monitoring based on the school returns forecasts that the net deficit will reduce by (£0.588m) compared to the schools' submitted May budget plans. Of the 20 returns received, 14 schools are predicting an improved position, the predicted net deficit for these schools is £2.526m against a planned net deficit of £3.159m, a reduction in the projected deficit of (£0.633m). However, 6 schools are showing a worsening position, the predicted net deficit for these schools is £0.343m against a planned net deficit of £0.298m, a projected pressure of £0.045m.

- 7.2 The table below summarises the movement on balances brought forward from 2020/21 for the 31 schools that proposed a deficit budget for 2021/22 and shows a comparison between proposed deficit and projected deficit as at 30 September 2021:

		<b>Number of Schools</b>	<b>Total Deficit Balance £m</b>
(a)	Total Deficit Balances brought forward from 2020/21	31	5.227
(b)	Total Deficit Balances per May 2021 Budget Plans	31	5.445
(c)	Total Projected Deficit Balances as at 30 September 2021	30	4.857
	<b>Movement (c-b)</b>	<b>(1)</b>	<b>(0.588)</b>

- 7.3 Forecast year end outturn returns are also requested from schools that ended the 2020/21 financial year in deficit but are projecting a surplus for 2021/22, to ensure these schools are on track against budget. There are 12 schools that brought forward deficit balances totalling £0.807m that are planning to return to a surplus position in 2021/22. Of these, two schools are now predicting to be in deficit by the end of 2021/22 as at 30 September 2021 with a combined deficit of £0.044m.

## **8.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

- 8.1 Resource and value for money implications are considered throughout this paper. If a maintained school with a deficit is to open as a sponsored academy, the deficit remains with the LA. School deficits are not an allowable charge on the LA's schools budget. However, regulations allow, with the approval of Schools Forum, for closing school balances including those that close as a maintained school and become a new sponsored academy to be funded from a de-delegated contingency budget. This year to date, none of the 8 academy conversions have been enforced sponsored academy conversions.

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