

EAST RENFREWSHIRE COUNCIL8 September 2021Report by Head of AccountancyADDITIONAL CONTRIBUTION TO SCHOOL BUDGETS**PURPOSE OF REPORT**

1. The purpose of this report is to propose an additional contribution from general reserves to schools to assist with addressing budget savings pressures.

**RECOMMENDATION**

2. Council is invited to:-

- (i) note that the COVID pandemic disrupted schools' normal spending plans in 2020/21, resulting in the level of underspend returned to the Council's non-earmarked General Fund reserve being £285,000 higher than in the previous year;
- (ii) agree to allocate £285,000 from the Council's non-earmarked General Fund Reserve to primary and secondary schools on a one-off basis, shared pro rata to the £881,000 of schools savings targets set as part of the 2021/22 budget, to assist schools in managing within their reduced budget levels; and
- (iii) note that the Devolved School Management (DSM) scheme arrangements will be reviewed for 2022/23 and beyond.

**BACKGROUND**

3. The Devolved School Management carry forward scheme was approved by the Council in January 2018 and allows individual schools to retain a capped level of underspends in an earmarked reserve. If these reserves exceed 2% of a school's budget, or if funds transferred to the reserve are not spent within 3 years, the excess funding is returned to the Council's non-earmarked General Fund Reserve.

4. In setting its budget for 2021/22 East Renfrewshire Council noted that DSM underspends at 31 March 2021 were expected to be larger than usual due to the impact of COVID on spending plans and that this might result in an abnormally high transfer of excess funds to the Council's non-earmarked General Fund reserve due to the cap in place on the level of DSM funding that can be retained by schools at year end.

5. The Council agreed to consider an additional allocation to school budgets during 2021/22 should this prove to be the case.

**REPORT**

6. In closing the accounts for 2020/21 the Council was able to increase its non-earmarked General Fund reserve by £1,964,000. Within this figure, the level of excess DSM resources

transferred to the non-earmarked General Fund reserve was £285,000 higher than in the previous year.

7. Budget savings of £1,797,000 were allocated to Education for 2021/22 with £881,000 of these to be met from DSM budgets controlled by primary and secondary headteachers. The Council has recognised that some of the remaining Education savings measures proposed to address the savings target in the current year will necessarily be one-off actions and this will increase pressure on devolved budgets next year.

8. As schools are facing an exceptionally challenging year with the impacts of the pandemic in addition to savings targets, it is proposed, on a one-off basis, that the higher than usual excess amount clawed back from DSM budgets at 31 March 2021 is returned to Education to reduce the savings burden on schools in the current academic year. As such, any reallocated resources which are not used by 31 March 2022 but are intended to address savings required in 2022/23 would be excluded from any calculation of the DSM cap at this financial year end.

9. It is proposed that the returned funding is allocated across all schools in proportion to their share of the £881,000 DSM savings target.

10. The Scottish Government published updated guidance on Devolved School Management schemes in June 2019. As a result, the Council must review and update the local scheme with effect from 1 April 2022 and every three years thereafter. Education staff are now commencing this review.

## **FINANCE AND EFFICIENCY**

11. The proposed one-off transfer of funding to schools would reduce the estimated non-earmarked General Fund reserve balance at 31 March 2022 from £8,142,000 (3.1% of current budget) to £7,857,000 (3.0% of current budget).

## **CONSULTATION**

12. The Director of Education has been consulted on this matter.

## **PARTNERSHIP WORKING**

13. There are no new partnership working arrangements in relation to this policy.

## **CONCLUSIONS**

14. The Council should consider the return of £285,159 excess 2020/21 DSM resources to Education on a one-off basis to assist them in managing their £881,000 DSM savings target.

## **RECOMMENDATION**

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- (ii) agree to allocate £285,000 from the Council's non-earmarked General Fund Reserve to primary and secondary schools on a one-off basis, shared pro rata to the £881,000 of schools savings targets set as part of the 2021/22 budget, to assist schools in managing within their reduced budget levels; and
- (iii) note that the Devolved School Management scheme arrangements will be reviewed for 2022/23 and beyond

Council contact: Councillor Tony Buchanan, Leader, ext 3108

Report Author: Margaret McCrossan, Head of Accountancy, ext 3035  
[Margaret.mccrossan@eastrenfrewshire.gov.uk](mailto:Margaret.mccrossan@eastrenfrewshire.gov.uk)

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