

SCHOOLS FORUM

Meeting date: 16th January 2019

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

CHALLENGE & SUPPORT PROCESS FOR SCHOOLS & PRUs WITH DEFICIT BUDGETS

1.0 EXECUTIVE SUMMARY

1.1 *In accordance with the Challenge and Support policy for Schools and PRUs with a deficit budget, the Local Authority reviews the financial position of maintained schools and PRUs with a licensed deficit agreement at September, December and March and a summary report is provided to the Schools Forum.*

1.2 *This summary report informs the Schools Forum of the action the Local Authority has taken to challenge and support schools in their progress towards moving to a balanced position.*

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 notes this summary report and the action the Local Authority has taken to support schools in achieving a sustainable balanced financial position within an agreed timescale.

4.0 BACKGROUND

INTRODUCTION

4.1 The Cumbrian Scheme for Financing Schools prohibits maintained schools/PRUs from planning for a deficit when preparing their budget plans.

- 4.2** All schools/PRUs are required to submit three year budget plans by 31st May and a revised budget (if any significant revisions) by 31st October. Any schools that propose a deficit budget plan must either re-submit a balanced budget plan or apply for a licensed deficit together with a recovery plan indicating how they intend to bring the school's/PRUs financial position back to a balanced position.
- 4.3** If a school/PRU finishes the financial year in deficit, the expectation is that it should be corrected by the end of the following financial year. In exceptional circumstances a deficit proposed by the governing body may be agreed by the Assistant Director, Education and Skills to be recovered over a two or three year period.
- 4.4** A licensed deficit can only be approved in circumstances where the school/PRU cannot balance its budget in year without a significant impact on the provision of education.
- 4.5** In accordance with the policy, schools/PRUs with a deficit budget are required to return a forecast year end outturn position as at 30th September and 31st December to the Local Authority.
- 4.6** These returns are reviewed by the finance team to identify any significant variances from the agreed licensed deficit and where variances are identified, the school/PRU is asked to provide an explanation and provide details of the management action they are taking to address them.

DEFICIT BUDGET SUBMISSIONS

- 4.7** Following a review of the three year budget plans, 43 schools proposed a deficit budget plan for 2018-19. This projects a reduction compared to the 61 schools that finished the 2017-18 financial year in deficit.
- 4.8** The total projected deficit balance for 2018-19 is £5,885,803. As at 31st March 2018, the total of all deficit balances was £6,380,976, therefore there is a projected reduction in the level of deficit balances of £495,173.
- 4.9** The proposed deficit balances by sector are as shown in the table below.

Sector	Number of Schools	% of Maintained Schools	Total Deficit Balance
Secondary	10	71%	£4,188,188
Primary	32	23%	£1,324,211
Nursery	1	6%	£373,404
Total	43		£5,885,803

APPLICATIONS FOR LICENSED DEFICITS

4.10 Applications for licensed deficits in accordance with the policy have been received from 27 schools. 16 schools have not submitted applications. These have been requested to ensure the schools are compliant with the policy. However, in principle, the deficit recovery plans for 13 of these schools have been approved.

4.11 In total 22 schools have received budget plan approval letters following submission of an application for a licensed deficit, leaving a remainder of 5 schools that have not yet received approval. The finance team are continuing to work with these schools to enable them to prepare deficit recovery plans.

MONITORING AND REVIEW

4.12 Forecast year end outturn positions as at the 30th September 2018 have been received from 31 out of 43 schools that set deficit budgets for 2018-19. The missing returns have been rigorously chased, however, for the purposes of this report it is assumed that the 12 schools that have not submitted returns are on target with the deficit budget set. Budget monitoring based on the school returns suggests that the projected deficit balance for the 43 schools will rise to £6,112,523, an increase in the projected deficit against the May budget plans of £226,720. Of the 31 returns received, 14 schools are predicting an improved position, the predicted net deficit for these schools is £2,546,059 against a planned net deficit of £2,825,697 (reduction in the projected deficit of £279,638). However 17 schools are showing a worsening position, the predicted net deficit for these schools is £2,639,215 against a planned net deficit of £2,196,715 (projected overspend of £442,500).

4.13 The table below summarises the movement on deficit balances from 2017-18 to 30th September 2018.

		No. of Schools	£
(a)	Total Deficit Balances brought forward from 2017-18	61	£6,380,976
(b)	Total Projected Deficit Balances per May Three Year Budget Plans	43	£5,885,803
(c)	Total Projected Deficit Balances as at 30 th September 2018	43	£6,112,523
	Movement (b-c)	0	+£226,720

4.14 Finance Officers have rigorously challenged these schools in particular obtaining explanations for overspends and asking for details of the management action to be taken to bring the spend back in line with the budget. A number of finance review meetings are due to be arranged with schools that do not have deficit recovery plans in place. Forecast year end

outturn positions are also requested from schools that ended the 2017-18 financial year in deficit but are projecting a surplus for 2018-19, to ensure these schools are on track against budget.

- 4.15** A report on the final school year end balances for 2018-19 will be presented to the Schools Forum in July.

5.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 5.1 This report is focused on schools with a deficit budget and does not include schools that are predicting to be in surplus. The total proposed net balance for all maintained schools is currently a net surplus of £1,732,018. This is based on the schools' three year budget plans (as at May 2018) and represents a projected increase in net school balances of £46,265 compared to the net school balances in 2017-18 of £1,685,753.
- 5.2 Finance officers are closely monitoring the level of schools balances and in particular assessing the impact on school balances of a number of recent changes to schools funding..
- 5.3 Cumbria is leading the way nationally on the School Resource Management Adviser (SRMA) pilot. So far, 4 maintained secondary schools have had SRMA deployments. These have been in conjunction with the LA and feedback has been given to the DfE. 3 more SRMA advisers have been accredited in the Cumbria area, with another 3 due to be assessed in early 2019. Going forward, it is hoped that the new SRMAs will be deployed to Schools with financial deficits (historic or predicted) once the next steps of the scheme have been approved.

6.0 CONCLUSION

- 6.1 The Schools Forum members are asked to note the latest projection for schools with a deficit budget and the action the Local Authority is taking to ensure that schools in deficit are supported in their progress.

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