

SCHOOLS FORUM

Meeting date: 13th March 2020

**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 within a three year period or longer in very exceptional circumstances.
- 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, 52 schools proposed a deficit budget plan for 2019-20. This projects a reduction compared to the 55 schools that finished the 2018-19 financial year in deficit.
- 4.8** The total projected deficit balance for 2019-20 is £7,276,312. As at 31st March 2019, the total of all deficit balances was £6,660,932, therefore there is a projected increase in the level of deficit balances of £615,380.
- 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 | 13 | 68% | £4,922,359 |
| Primary | 37 | 25% | £1,830,256 |
| Nursery | 2 | 7% | £523,697 |
| Total | 52 | | £7,276,312 |

APPLICATIONS FOR LICENSED DEFICITS

- 4.10** Applications for licensed deficits in accordance with the policy have been received from 27 schools. 25 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 15 of these schools have been approved.

MONITORING AND REVIEW

4.11 Forecast year end outturn positions as at the 31st December 2019 have been received from 41 out of 52 schools that set deficit budgets for 2019-20. 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 suggests that the projected deficit balance for the 52 schools will fall to £7,242,699, a decrease in the projected deficit against the October budget plans of £33,613. Of the 41 returns received, 19 schools are predicting an improved position, the predicted net deficit for these schools is £1,951,614 against a planned net deficit of £2,189,520 (reduction in the projected deficit of £237,906). However 22 schools are showing a worsening position, the predicted net deficit for these schools is £3,390,266 against a planned net deficit of £3,185,973 (projected overspend of £204,293).

4.12 The table below summarises the movement on deficit balances from 2018-19 to 31st December 2019:

| | | Number of Schools | £ |
|-----|---|--------------------------|-----------------|
| (a) | Total Deficit Balances brought forward from 2018-19 | | £6,660,932 |
| (b) | Total Projected Deficit Balances per October Three Year Budget Plans | 52 | £7,276,312 |
| (c) | Total Projected Deficit Balances as at 31 st December 2019 | 53 | £7,257,217 |
| | Movement (b-c) | 1 | -£19,095 |

4.13 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 2018-19 financial

year in deficit but are projecting a surplus for 2019-20, to ensure these schools are on track against budget.

- 4.14** A report on the final school year end balances for 2019-20 will be presented to the Schools Forum in June.

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 £485,174. This is based on the schools' three year budget plans (as at October 2019) and represents a projected decrease in net school balances of £1,871,320 compared to the net school balances in 2018-19 of £2,356,494.
- 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 continuing with its School Resource Management Adviser (SRMA) program. This financial year, 7 maintained schools have had SRMA deployments. The Schools are currently assessing the recommendations and will produce action plans that will be incorporated into their Three Year Budget Plan submissions in May.

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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