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# Primary Schools in Financial Difficulty – Bids for Funding 2016/17

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**Report being considered by:** Schools Forum  
**On:** 11/07/2016  
**Report Author:** Claire White, Ian Pearson  
**Item for:** Decision      **By:** All Primary Maintained Schools Representatives

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## 1. Purpose of the Report

- 1.1 To summarise two bids that have been received from schools with a deficit budget to access funding from the schools in financial difficulty de-delegated fund.

## 2. Recommendation(s)

- 2.1 To approve the two bids in full for the amounts requested.
- 2.2 That schools in deficit using the Finance Service to work with them on deficit recovery, have this cost paid for from the schools in financial difficulty de-delegated fund direct, rather than schools needing to submit individual bids to the Schools' Forum to reimburse this expense.

<b>Will the recommendation require the matter to be referred to the Council or the Executive for final determination?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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## 3. Introduction

- 3.1 Since April 2013, local authorities have been required to delegate to all schools the contingency previously held for schools in financial difficulty. Each phase in the maintained sector then has the option to de-delegate and pool this funding, with allocations made to schools that need it. This decision is made on an annual basis.
- 3.2 Primary schools have opted to continue to de-delegate this funding in 2016/17.
- 3.3 The budget for 2016/17 is £332,600, which includes the carry forward of the unspent budget from 2015/16 of £215,280. No payments have so far been made in the current financial year.
- 3.4 The criteria agreed by the Schools' Forum for allocating this funding to schools is as follows:

*If a school has a deficit budget it may be allocated additional support funding. If a school can meet the following criteria, a bid for additional funding can be made by the school to be considered by the Schools' Forum:*

- 1. The school has sought and followed the advice of the Schools' Accountancy Service prior to going into deficit*

2. *The school has (up to) a five year robust deficit recovery plan in place which has been discussed with and verified by the Schools' Accountancy Service.*
3. *Additional funding may be payable for one of the following exceptional unforeseen circumstances which has taken the school into deficit:*
  - a) *Short term downturn in pupil numbers - to maintain current staffing structure where evidence can be provided that the numbers are likely to recover within a 2 - 3 year period and where downsizing of staff and resultant redundancy costs in order to balance the budget on a short term basis would not be an efficient use of resources.*
  - b) *Sudden permanent downturn in pupil numbers in a school causing concern (i.e. Ofsted category of notice to improve or worse – to maintain current staffing levels on a temporary basis where to reduce the staffing levels immediately in order to balance the budget would be detrimental to the recovery of standards in the short term.*
  - c) *Unforeseen sudden permanent downturn in pupil numbers –to cover staffing costs during a short term interim period whilst restructuring takes place and in order where possible to avoid redundancies (such as through natural wastage).*
  - d) *Redundancy payments, where the staffing reductions are required in order to balance the budget, but these costs will put the school further into a deficit position which cannot be recovered over a 5 year period.*

*In order to access this funding, a school will need to complete and submit an application to the WBC Schools' Finance Manager who will arrange a panel (usually the next Heads Funding Group) to assess the application. The school will be invited to present their case in person to the panel and answer questions. The panel will also be provided with benchmarking information produced by Schools' Accountancy (which will be shared with the school prior to the meeting). The panel will recommend the amount and duration of the financial support to Schools' Forum for approval or not.*

- 3.5 Note that the decision to be taken by Schools' Forum is by Primary maintained school representatives only.

#### **4. Bid from John Rankin Schools**

- 4.1 John Rankin Infant and Junior schools are in a federation, and from April 2016 are operating a single budget.
- 4.2 The bid from John Rankin Schools is for £68,060 (out of a total deficit of £182,300) which is to cover one-off compensation/redundancy payments and the accountancy and IT additional support paid for to improve their financial systems and to put in place a deficit recovery plan.
- 4.3 The schools ended 2014/15 with a deficit, mainly due to poor financial controls. The schools set balanced budgets for 2015/16, but then didn't implement the changes required and failed to control the expenditure. Since then, the Chair of Governors, Chair of Resources, School Business Manager, and new executive head have all left, and WBC finance has been providing significant support to the new team. A new executive head teacher starts in September 2016.
- 4.4 The current five year budget plan has been largely prepared by WBC finance staff, working with the new Chair of Governors, interim executive head teacher, and new school business manager. Approval of this funding will bring the school out of a

deficit position a year earlier, although the new executive head will need time to consider the staffing structure moving forward.

- 4.5 The Schools' Finance Manager is able to verify that their current budget plan has been subject to scrutiny and that this bid meets the criterion (3d) set by the Schools' Forum. The financial controls in the school are also now more robust.

## 5. Bid from Westwood Farm Schools

- 5.1 Westwood Farm Infant and Junior schools are in a federation, and from April 2016 are operating a single budget.

- 5.2 The bid from Westwood Farm Schools is for £76,000 (out of a total deficit of £127,370) which is to cover one-off termination packages.

- 5.3 The schools ended 2015/16 with deficits mainly due to the cost of unforeseen exit packages of senior staff. A permanent executive head has been appointed from September 2016, and she has been involved in the preparation of the deficit recovery plan alongside the interim executive head. The plan has been scrutinised by and discussed with WBC finance staff. Approval of the funding will bring the school out of deficit a year earlier, and reduce the risk of needing to make further savings at the detriment of the pupils.

- 5.4 The Schools' Finance Manager is able to verify that their current budget plan has been subject to scrutiny and that this bid meets the criterion (3d) set by the Schools' Forum.

## 6. Conclusion and Heads Funding Group (HFG) Recommendation

- 6.1 The two bids total £144,060 out of a total budget of £332,600. During 2016/17 there *may* be one or two further bids from schools currently in deficit, but there is likely to be enough funding left should these two bids be approved in full. Any under spend can be carried forward to the following year.

- 6.2 Approval of the bids for these two schools will not clear their deficits, and they will still be required to implement the savings they have in their deficit recovery plans. Receipt of the funding will however put the schools in a stronger financial position; their current budget positions are fragile with no contingency (other than to implement further restructuring which may be detrimental to teaching and learning) should the budget not go to plan.

- 6.3 Both these schools have needed to make significant one off exceptional payments in order to move forward to bring their teaching and learning up to a good standard (each has one of the schools in a RI category), as well as to improve their financial position.

- 6.4 At its meeting on 29 June 2016, HFG reviewed the detailed applications and the benchmarking data provided by schools accountancy. At the meeting, each school presented their case, and answered challenging questions posed by the Group, particularly around current and future financial management. It was agreed that each had exceptional circumstances that had cost the school significant sums of money over and above what would normally be expected, that this had been a major factor in taking them into deficit, and that these amounts should be

reimbursed from the fund. To not do so would impact on current funding available for the pupils currently in the school.

- 6.5 HFG was unanimous in recommending to Schools' Forum approval of both bids for the full amount requested.
- 6.6 HFG were also asked to consider a proposal that where primary schools in deficit engage Schools' Finance to work with them on deficit recovery, that this cost be deducted from the Schools in Financial Difficulty Fund without schools needing to make a separate bid for this funding to the Group. HFG agreed, and recommend this proposal to Schools' Forum. The cost would be in the region of £2k to £3k if all primary schools currently in deficit were to pay for this additional support.