
Update on Schools in Financial Difficulty 2017/18

Report being considered by: Schools Forum
On: 11/12/2017
Report Author: Claire White
Item for: Information **By:** All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 This report provides an update from the schools that have set a deficit budget in 2017/18.

2. Recommendation(s)

- 2.1 That the report be noted.

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

- 3.1 Schools' Forum received a report on 17 July 2017 on school budgets, which included listing the eleven schools that had set a deficit budget in 2017/18. The purpose of this report is to provide an update from each school on their plans to recover their deficit and report on any changes to their original plan.
- 3.2 The report in July also set out West Berkshire's strategy for supporting the growing number of schools setting a deficit, and schools at risk of going into deficit. This strategy is set out in Appendix A. To date, the following has been carried out:
1. The deficit recovery plans have been reviewed by WBC finance staff – basically a sense check and checked for arithmetical accuracy; this is not an assessment of whether the plan itself is feasible or robust.
 2. WBC finance staff are reviewing each school's monthly budget monitoring; a thorough review is carried out with feedback provided to the school at least every other month.
 3. All schools have received a support meeting which took place between September and early November. From the school side, as well as the head teacher and school business manager, the Chair of Governors and/or Chair of Finance were also present. From the West Berkshire side, the School Finance Manager, the senior or school accountant, and peer head teacher attended all meetings, and in some cases a manager from HR. As well as reviewing what the school was doing to recover the deficit and discussing

the practicalities and progress of this, the group also explored other options and considered the longer term sustainability of the plan.

4. Meetings are being set up for a further review with each of the deficit schools in February/March 2018 – this will include a detailed review of the 2018/19 budget plan.
5. All schools received an email on 31st October recommending that they carry out a self-check of their financial position for next year (if not already done so) and offering a support meeting (aimed at those currently not in deficit). The self-check questions were as follows:
 - a. In your current year budget, is your expenditure **greater** than your income (i.e. you are using carry forward reserves to balance your budget)? (This is the situation for **75%** of our schools).
 - b. When you set your three year budget last April, did this show you going into **deficit** next year? (**61%** of our schools were in this position).
 - c. Have your staffing costs since setting the budget **increased**? e.g. as a result of new appointments or this could include the impact of the 2% pay award or PRP.
 - d. Are your October 2017 pupil numbers **lower** than the numbers used in the 2018/19 forecast set last April?
 - e. Have you had any **unexpected** significant expenditure in the current year not in your budget which cannot be offset by savings elsewhere in the budget?

Ten schools so far have requested a meeting and these are currently being arranged.

- 3.3 Table 1 summarises the five year position for each school in deficit. Note that the balances are the position of the main school budget only – all other funds are in balance. The green boxes indicate the year the school plans to recover the deficit, red minus figure is a deficit balance, black figure is a surplus balance.

TABLE 1	2016/17 Closing Balance £'000	2017/18 Closing Balance £'000	2018/19 Closing Balance £'000	2019/20 Closing Balance £'000	2020/21 Closing Balance £'000	2021/22 Closing Balance £'000
Beenham	-37	-65	-22	10	3	-24
Hampstead Norreys	2	-2	10	10	2	0
The Ilsleys	-2	-10	-13	-11	-5	6
John Rankin Schools	-109	-88	-73	-13	32	40
Kintbury	25	-22	-6	4	23	43
Long Lane	-0	-56	-29	-3	16	25
Parsons Down	16	-47	-159	-79	15	26

Partnership						
Spurcroft	-8	-28	6	27	55	71
St John the Evangelist Infants	-23	-50	-39	-1	18	42
Westwood Farm Schools	-67	-99	-41	1	17	6
The Willink	14	-147	-254	-146	-15	49

- 3.4 The following paragraphs contain the reports provided by each school. The RAG rating at the start of each report has been determined by the West Berkshire team in its assessment on how likely the school is to recover the deficit as per the school's plan set at the beginning of this financial year, and how financially secure the school is likely to be moving forward.

4. Beenham – 2017/18 deficit £65k

- 4.1 *West Berkshire has RAG rated Beenham AMBER – further work is required to ensure there is a clear plan which ensures the school is financially secure moving forward.*
- 4.2 Our revised end of year position for 2017/2018 is currently a deficit of £59,840. Whilst there have been some additional unplanned, in year costs to the school budget, we have reduced the headship post from full time to 0.6 commencing in January 2018. When the current Head leaves the school, then the governors will consider federation. These changes have delivered a decrease in the planned deficit at the end of the financial year of £2040. We are still on track to repay the deficit by 2019/20.
- 4.3 Measures taken in this academic year to reduce the deficit are as follows:
- There was a re-structure of the Teaching Assistant Workforce (167 hours reduced to 83.75 hours) in September 2017.
 - The PPA teacher resigned and was not replaced. PPA cover is now mostly provided by the Headteacher.
 - A re-structure of 4 to 3 classes at the outset of 2017/2018
 - The headteacher post will become 0.6 from January 2017 with the Assistant Head covering the school leadership for 2 days a week in her absence.
- 4.4 The school has now received a GOOD OFSTED and there is a renewed marketing campaign of the school. Once we have our September 2018 intake numbers in January 2018, we will be able to predict more accurately the impact of the reduction of the headship post to 0.6 and the speed of the recovery moving forward.

One of the costs that the school has had to bear is the redundancy costs of an after school club that was set up under an old historic Berkshire County Council model. This meant that the staff were paid through the school budget. Therefore the school had to bear the full redundancy costs. This is an extenuating circumstance so the school will be applying for Schools in Financial Difficulty funding once final figures

are known. If this application is successful then the deficit may be further reduced by approximately £11,500.

5. Hampstead Norreys – 2017/18 deficit £2k

- 5.1 *West Berkshire has RAG rated Hampstead Noreys GREEN – the school should come out of deficit this year or next, and as the financial management is strong they should be able to continually monitor their position and stay out of deficit.*
- 5.2 The revised year end forecast, as at the end of period 7, is a deficit of £1,926 (original budget submission was a deficit of £1,622). The school still expects to have repaid the deficit and have a balanced budget by the end of Year 2 (2018/19).
- 5.3 Plans to recover the deficit are in progress. The school continues to closely monitor costs and, where possible, renegotiate contracts to make further cost savings. The school now operates a 3 class structure (reduction from 4 classes took place in September 2017). Total expenditure for 2017/18 is forecast to be £444k (2016/17 £461k).
- 5.4 The school will receive approximately £11k less funding for 2018/19 due to lower numbers on roll at the time of the October 2017 census (actual numbers at the time of census were 85; pupil numbers in the 5 year forecast were expected to be 89). The school have two new admissions confirmed for January 2018.
- 5.5 Federation with The Ilsleys will commence in January 2018 and every potential opportunity for cost savings will be investigated.

6. The Ilsleys – 2017/18 deficit £10k

- 6.1 *West Berkshire has RAG rated The Ilsleys AMBER - the current structure is not financially secure moving forward with the latest pupil numbers and the plan needs to be revised.*
- 6.2 The current year end forecast is adverse to budget. The school is a very small school in a rural location, over two miles to the nearest other school. A low Reception intake in 2016 has resulted in lower funding. We have applied for falling rolls funding previously and so are unable to apply again. We have been addressing the situation by setting a very lean budget to try and recover the deficit as quickly as is possible whilst still maintaining teaching standards.
- 6.3 We have reviewed all areas of the budget very closely, changing suppliers, reducing West Berks buybacks to the smallest packages available and putting in place initiatives to increase fundraising for the school. Despite this we have had some areas where costs have been higher than expected in the original FY17/18 budget. The school building is old and maintenance and repairs costs have been higher than anticipated, keeping a basic IT solution running in two old buildings has also contributed to the current forecast being adverse to budget.
- 6.4 The Governing Boards are exploring deficit recovery options that may be achieved by the Federation of the two schools, seeking efficiencies through joint purchasing and other cost sharing. The Governing Board of the Ilsleys welcomes the recent conversation with the Local Authority which confirmed a more pragmatic approach to admission numbers, which will allow the school to admit additional children to offset the impact of the exceptionally small cohort admitted in 2016. However,

working closely with local pre-schools, we are not anticipating a large cohort in 2018 and this presents a known risk; the impact of which is challenging to mitigate.

- 6.5 Having recently received the new funding formula information early indications show this could have a positive impact on coming into balance by year five. Work on next year's budget is currently in progress.

7. John Rankin Schools – 2017/18 deficit £88k

- 7.1 *West Berkshire has RAG rated John Rankin AMBER – some uncertainty on whether changes will take place when planned making it financially secure moving forward.*
- 7.2 At the end of period 6 we had spent less than 50% of our budget but our current end of year forecast is a deficit of £157,965. This is larger than planned when the budget was set and is due to two main areas. Less income than expected in specific areas of the school and, although teaching assistant full time equivalent has reduced over time, there has been a need to employ extra staff to support specific children. We plan to recover the deficit, as originally planned, by the end of the financial year 2020/21.
- 7.3 Our plans for this year are currently on track but, due to the changing forecast for March 2018, further adjustments will be made; to develop curriculum and class structure changes, review after-school provision and to ensure increased pupil numbers/reduce staffing costs in the nursery. Due to the new funding formula we will also have a slightly improved base budget from April 2018.
- 7.4 Our continuing plans for deficit reduction include a range of challenging initiatives; to implement leadership changes, enable teaching assistants to provide further cover and for the governors and senior staff to monitor the budget, and the management of risks, with continued rigour and to develop further a culture of strict financial control.

8. Kintbury – 2017/18 deficit £22k

- 8.1 *West Berkshire has RAG rated Kintbury GREEN – the financial management is strong, the school has some contingency plans, and should be able to stay out of deficit moving forward.*
- 8.2 Original Year End Budget Deficit 2017/18 - £22,241; Budget planning predicted that this deficit would be repaid at end of 2018/19 financial year. Revised Year End Forecast 2017/18 (based on P5) - £18,846. Budget planning predicts that this deficit will be repaid at end of 2018/19. Kintbury School will return to surplus in three years, as per the licensed deficit agreement.
- 8.3 Current changes made to recover the deficit include:
- The merging of three separate chronological year groups into two classes of mixed age group pupils. It is expected that this will continue for the academic years 2018/19 and 2019/20.
 - Recruitment of teachers who occupy lower points on the salary scale. This will remain, where possible, a longer term consideration for the foreseeable future
 - Office admin staff who left through natural wastage have not been replaced
 - Recruitment of Interim Head Teacher working 0.8fte

- Consideration of use of capital funding where there is a significant health and safety issue.

8.4 Risks to continued recovery include:

- Assumptions have been made that 27 pupils will be admitted into the Reception Class in each of the following two academic years. This is 3 pupils lower than the PAN of 30 and is a nominal figure. Local intelligence informs us that our admission number for 2018/19 will be 'in the twenties'.
- Need to increase 1:1 cover for pupils with significant SEND may impact negatively in the short term on the predicted amount for support staff salaries; however, some of this impact will be absorbed by additional funding for these pupils. All contracts have been made on a fixed-term basis to allow for reassessment of TA support in the new academic year.
- Amount of high need pupils has demanded qualified SENCo support (0.1fte on a fixed-term contract until end of 2017/18 academic year) and additional 'buy-in' to the support of the Educational Psychology Service which was not included in the original budget planner.
- The Interim HT teaches half-day for PPA cover, whereas a full-day's teaching for the HT was included in the original budget plan.
- The amount allocated to supply may not be sufficient in the face of sustained staff illness or participation in LA School Improvement programmes.
- Assuming that the intake in the Reception Year remains at a number close to the PAN for the next 3 years, it is likely that the school will need to revert to 7 classes in 2020/21. An alternative option in this academic year, is to have two classes of approximately 36 pupils in each class but this is likely to have a detrimental impact on the quality of teaching and learning in these age groups. This does not take into account any significant pupil transition during this time.
- In order to attract a substantive Head Teacher, the Governors have agreed to increase the salary range to previous levels.

8.5 Further planned changes going forward include:

- The Governing Board have made the decision to consult stakeholders regarding school closure on Friday afternoons in line with other local schools. It is estimated that the financial saving for implementing this change to the school day will be in the region of £12K/year.

9. Long Lane – 2017/18 deficit £56k

9.1 *West Berkshire has RAG rated Long Lane GREEN – the school is on track to recover the deficit based on its current plan.*

9.2 Our revised year-end forecast for 2017/2018 is a deficit of £28,805. Early indications, using the budget planner and the 2018-2019 Exemplification Formula, show that we expect to be able to submit a balanced budget for 2018/2019.

9.3 Reductions in staffing were achieved through redundancy and natural wastage. In total the school reduced the number of Teaching Assistant hours by 115 hours per week. The non-class based deputy head teacher's position, as they were promoted to another local school, was not replaced and instead two team leaders appointed to lead the Infants and Juniors. We use HLTAs to cover PPA time and also short term teacher absences. We only use supply teachers if we are covered by our insurance. We have increased our income by letting a classroom space to a local pre-school. We reduced further as many non-essential expenditure lines as we could - this has included taking in-house our grounds maintenance; coming out of the LA catering service; reducing our training budget and curriculum lines.

- 9.4 Further changes needed in the future: Costs associated with the before and after school clubs to be charged to that cost centre instead of main budget.

10. Parsons Down Partnership – 2017/18 deficit £47k

- 10.1 *West Berkshire has RAG rated Parsons Down Partnership AMBER – work is still ongoing on a plan which will make the school financially secure moving forward.*
- 10.2 Forecast for year end 2017 -2018 is now £74,645. This is a difference of £27,195 from the original budget plan. The original budget plan shows recovery in 2020/2021. However, it is now difficult to say what financial year we expect to have repaid the deficit budget as our current plans to recover the deficit budget have stalled. This is due to an area review regarding pupil numbers that must take place before we can secure the strategy we will use to have a balanced budget. While we are uncertain which year a balanced budget will be achieved, we can be certain that it will not be before 2022. We have been advised that due to the local issues with school capacity in Thatcham we will be granted a reasonable extension in order to balance the budget.
- 10.3 Our deficit budget recovery plan relies on the school having control of pupil numbers. Without this certainty we will continue to have a structure that includes deficit year groups. Our current three form entry structure has been disrupted by a low intake (48) in EYFS 2017-2018 and only 60 pupils in year 3. In addition to this we have a large group in year 6 (76 pupils) which means that although we cannot have 3 classes we made a decision in October to support teaching and learning by employing 2.5 teachers. This is necessary to ensure good standards at the end of key stage 2.

The greatest risk to plans is the certainty of pupil numbers. We are waiting for the outcomes of the area review, beginning 28.11.2017, to make final decisions about whether we will be a 2 form or 3 form entry school in the future. However, we know that we will need several secure years of either 60 or 90 pupils, dependent on whether we are 2 or 3 form entry and a structure review to secure a balanced budget.

We have already looked at our staffing structure and in April 2017 reduced learning support hours by removing variable contracted hours from all staff. We have not replaced a member of administration staff who left in summer 2016. We have plans to see how we can reduce costs for planning, preparation and assessment time for teachers. These will begin in September 2018.

The budget does not provide enough contingency for any long term sickness this financial year. We are about to enter terms 3 and 4 where it is commonly known that most sickness for teachers occur. Therefore costs for cover teachers may increase. This is a risk to the yearend forecast.

- 10.4 In October 2017 we reviewed our year 6 strategy and it was clear that we need to increase teaching staff by 0.5 to ensure outcomes are good in July 2018. This was not accounted for in the original budget. In summer 2017 we had a member of staff on long term sick. The budget for supply did not cover this and already this budget line is already overspent by £13,395.

11. Spurcroft – 2017/18 deficit £28k

- 11.1 *West Berkshire has RAG rated Spurcroft GREEN – the school should come out of deficit this year or next, and as the financial management is strong they should be able to continually monitor its position and stay out of deficit.*
- 11.2 The revised year-end forecast for 2017/18 is £25,011 deficit against a planned deficit of £27,710. It has been confirmed that we can apply for Growth Funding which will allow us to return to surplus at the end of this year 2017/18. We will have returned to surplus within two years against a recovery budget plan of three years.
- 11.3 Covering supply in house as much as possible, changes in staffing has enabled us to restructure, delaying the recruitment of certain staff, monitoring overtime and monitoring and changing the timetable when necessary have had a positive impact on the deficit. Constant monitoring and ensuring best value on procurement and charging for nursery places where available have had a positive impact on the deficit.
- 11.4 Our plans for the current year are on track. The risks to remain in surplus are concerns regarding pupil numbers as a whole in the Thatcham area over the next few years and the impact that the 30 hours funding for nursery children has had on the numbers applying for nursery places.

12. St John the Evangelist Infants – 2017/18 deficit £50k

- 12.1 *West Berkshire has RAG rated St John the Evangelist RED – the school is unlikely to recover the deficit without making significant changes to the current plan.*
- 12.2 We are currently showing a £3k overspend, which is predominantly due to the following increases in staffing costs:
- 1) Teacher at TMS6 budgeted at TMS3 (part time).
 - 2) Teacher in nursery to cover the extra 15 hours for nursery budgeted at lower rate.
- These were partly offset by a TMS2 teacher replacing TMS6 (full time). Some savings in supply teacher costs have also been identified to help cover this.
- 12.3 At this stage it is anticipated that the repayment years will be as previously reported. The school is currently looking at the following to recover the deficit:
- The costs of the nursery beyond next September.
 - A working party has been formed regarding the review of an Executive Head for when the current head leaves.
 - The school will apply for "Primary Schools in Financial Difficulty" funding.

13. Westwood Farm Schools – 2017/18 deficit £99k

- 13.1 *West Berkshire has RAG rated Westwood Farm AMBER – further work is required around plans to make the school financially secure moving forward.*
- 13.2 Current Period 7 Budget Monitoring forecasts outturn of £97.8k. This is £1.5k under deficit budget of £99.3k. Deficit is planned to be repaid by 2020/21.

- 13.3 A number of fixed term contracts were terminated at the end of 2016/7 academic year. PPA teachers have left or gone back into class to fill vacancies with a less costly PPA plan for this academic year. One Head of School not replaced when left in May (although an increase in AHT by 1 FTE in Sept 2017). A review and restructure of support and administrative staff is close to completion with implementation planned from January 2018. Use of HLTA and SLT to cover any absence resulting in zero extra costs for supply cover.

Rationalisation of service contracts ongoing - initial negotiations have resulted in changes to curriculum ICT provision, water hygiene and fire alarm/emergency lighting contracts with plans set to yield savings over the next two years. Current plans in place to review Nursery provision in order to cut current losses. Increased use of Executive HT and some members of SLT to work with other schools to increase income and/or reduce SLT.

The risk has always been that the pupil numbers do not increase sufficiently and this continues to be a risk as some year groups are not full. We have lost a few children through house moves and have some on waiting lists for some year groups. We are still having a few mid-year intakes.

- 13.4 Work is currently in-hand to re-forecast the 5 year budget plan. Risks identified in the current plan are nursery numbers remaining low and pupil numbers in KS2 are below the original forecast. A project is in hand to review nursery arrangements. The full impact of the completed support staff review will be realised for January 2018 and again 18 months later when the protected salary period for some staff is lifted.

14. The Willink – 2017/18 deficit £147k

- 14.1 *West Berkshire has RAG rated The Willink RED – work had not yet commenced on the planned changes to recover the deficit.*

- 14.2 The Month 7 year end forecast shows a deficit of £118,000. This includes the performance pay award for teachers agreed recently by Governors. It also includes a generous estimate for winter utilities and departmental expenses.

This end-year forecast is significantly better than the budget deficit of £147,110. The financial assumptions we have made (e.g. pupil numbers, income per pupil, staffing costs), have been checked by West Berkshire's financial team and confirmed by Governors. Although our original budget indicated a return to surplus in Year 5, our current financial planning aims to place the school back in surplus in the fourth year of our plan which is 2020/21.

- 14.3 The savings are mainly in teaching staff costs achieved through the voluntary redundancy/early retirement and non-replacement of a member of the senior leadership group and the replacement of a number of teaching staff leavers on the upper pay scale with staff in the early stage of their teaching career.

The main risk associated with the non-replacement of a member of the leadership group is the additional responsibilities and pressure put on the rest of the team. To address this concern a middle leader has joined the senior team at no additional cost. Some responsibilities previously held by the leadership group have been delegated to other teaching and non-teaching staff.

We have three Heads of Department on the upper pay range either on or about to go on maternity leave: we have used this as an opportunity to give HoD experience to other members of the departmental team while employing teachers at a lower cost to cover their teaching commitment. This equates to a saving of approximately £15K. This saving is for academic year 2017/18 so affects the current financial year and part of the next. The school development plan and professional development plan has been constructed to ensure teachers taking on new leadership roles are being supported and trained to ensure our high standards and outcomes are maintained.

In September 2017 we were designated a Teaching School. As the staff employed are mostly existing Willink staff, this results in saving in staff costs from the main school budget of approx. £20,000 for F/Y 2017-18.

Since September 2017 we have reduced PPA time to the statutory minimum of 10% so that teaching staff are now at 97% capacity. West Berkshire have corroborated our data. We have employed an additional cover supervisor to reduce reliance on Agency Supply. Agency Supply has reduced from £31.3k to month 6 in 2016/17 to £11.7k to month 6 2017/18. The cost (including on-costs) for an additional cover supervisor for F/Y 2017/18 is approximately £9K (7 months).

Beyond F/Y 2017/18 we have built in assumptions to our plan that we shall secure a full allocation of pupils in year 7 in the years ahead; that present levels of retention from Key Stage 3 to 4 and into our Sixth Form remain the same. The risks aligned to these assumptions are mitigated through regular review of information when available and is reflected in decision making on curriculum provision and accurate forecasting of teaching numbers required. To ensure we have flexibility in staffing we make use of fixed term contracts, flexible working patterns and employing teachers with the ability to cover more than one subject.

We have also assumed a pay increase for all staff of 1% without additional funding from government. Based on information provided by WB finance we are currently modelling different scenarios to understand how we mitigate the risk of further unfunded increases.

- 14.4 All the measures explained above have allowed us to forecast for a better than budget situation at the end of the current financial year.

We have already saved £7.5K from support staff; this being achieved through reduction of hours. We are also in the process of making two posts redundant by March 2018 saving a further £32K for future years. As part of our plan we continue to look for opportunities to reduce costs in the support staff structure, including not replacing staff when they leave and reviewing job descriptions.

- 14.5 We continue to work closely with West Berks HR and Schools Accountancy teams. The School Business Manager and a Governor attended the recent redundancy workshop. The SBM has been working closely with WBCs Senior Accountant, regarding presentation of the budget and accompanying analysis.

We continue to take every opportunity to make savings and are currently seeking help from the LA with re-negotiating our costs of the leisure centre.

To ensure our plans are robust and achievable, we have arranged to meet in November with an external consultant who has widespread experience of working with secondary schools in deficit.

15. Appendices

Appendix A – West Berkshire Policy on Supporting Schools in Financial Difficulty