

---

# West Berkshire Council Schools Policy on Supporting Schools in Financial Difficulty 2017/18

---

## 1. Introduction/Background

- 1.1 In 2016/17 there were seven schools with a deficit budget. In 2017/18 this had increased to 11, but with a further nineteen schools with little or no contingency in their 2017/18 budget and with a deficit predicted for 2018/19.
- 1.2 The increase is due to one or more of the following reasons:
  - The per pupil funding rate received through the Dedicated Schools Grant (DSG) has not increased for several years, so schools have not had an increase to their funding rates. If pupil numbers have remained much the same, then their funding has not gone up for several years.
  - Costs have risen each year, particularly employee costs in relation to pay awards, performance pay/increments, pension rates, and national insurance rates. Typically, staffing costs amount to 80% of a schools budget. In 2017/18 there will be additional payments schools need to make including paying for statutory services formerly met by the Education Services Grant, and the apprenticeship levy.
  - Schools have been using up balances to plug their funding shortfalls, which has a limited time frame.
  - School funding is largely based on number of pupils. If a school has a reduction in its number of pupils, their funding goes down. Small reductions in pupil numbers cannot always be offset by a similar reduction in expenditure if the same numbers of classes need to be operated.
  - Many schools have already cut back all they can on non staffing costs. Schools have limited options available to them for increasing income.
  - Schools are reluctant to make cuts which they perceive will have an impact on educational standards until they are absolutely forced to (when they are actually in deficit).
  - There may be exceptional instances of poor financial management and unwillingness to change, ignoring advice from the Council's finance service.



- 1.3 Schools are permitted to set a deficit budget if they meet certain conditions. This is termed a licensed deficit, they are not loaned the money. The conditions of a licensed deficit are set out in the Scheme for Financing Schools (the legal contract the Council has with schools). The funding to cover school deficits is backed by all other schools' surplus balances.
- 1.4 The conditions of a licensed deficit include a requirement to have a robust plan to repay it within five years. A detailed planner is provided to the school which must be completed in full. This will be closely monitored and reviewed by the Council during the period of the deficit.
- 1.5 If the conditions are not met by the school, the Council has the power to issue a Notice of Concern, which ultimately could mean removal of a school's delegation.
- 1.6 On 6<sup>th</sup> July 2017, the Council's Operations Board approved the strategy for schools in financial difficulty, which is set out in the following paragraphs.

## **2. Strategy to Support Schools in Reducing/Eliminating or Avoiding a Deficit**

- 2.1 Support/requirements for schools setting a deficit budget:
  - 2.1.1 All schools setting a deficit must also submit their five year detailed planner, fully completed, by 1<sup>st</sup> May. These are reviewed in detail by their accountant and discussed with the senior accountant and the Finance Manager.
  - 2.1.2 Each school receives a letter from the Head of Education and Head of Finance by the end of the summer term agreeing their licensed deficit, setting out the conditions to adhere to whilst in deficit, and highlighting any concerns or further work required.
  - 2.1.3 Senior finance staff and an education advisor meet with the school to review, challenge and advise on their deficit recovery plan (usually before end of October). This may also include a representative from HR. This is to ensure that plans are realistic and to explore if more can be done to reduce the deficit and/or clear it sooner.
  - 2.1.4 Finance staff review monthly monitoring reports (from month 4 to month 11) and the school receives detailed feedback at least every other month.
  - 2.1.5 Schools submit a progress report for the Schools' Forum. This is received by Schools' Forum at the December meeting
  - 2.1.6 Senior finance staff and an education advisor meet again with each school for in year review and look forward (prior to setting the following year's budget, usually before end of March). This may also include a representative from HR.
  - 2.1.7 Schools qualifying for additional funding from the Primary Schools in Financial Difficulty fund can submit a bid at any time throughout the year. This fund is paid into each year by all primary schools and is to cover one off exceptional costs such as for restructuring should the exit costs increase a schools deficit or take a school into deficit

- 2.2 Support for schools at high risk of going into deficit:
  - 2.2.1 Senior finance and an education advisor meet with school's requesting such support. These meetings take place from November to the end of January. HR staff may also be required to attend such meetings to advise on staffing restructures.
- 2.3 Support for all schools:
  - 2.3.1 Regular communication about school funding and school budgets is provided to school leaders via email and School Leadership Forum and Admin briefings.
  - 2.3.2 Regular separate finance training courses for Governors, head teachers, and school finance staff are run through the year.
  - 2.3.3 All schools buying the accountancy service are provided with budget planning and monitoring tools. These are currently spreadsheet based but hoping to introduce cloud based software by 2018. Available to purchase for schools not buying back.
  - 2.3.4 Additional support for schools on their budget planning/deficit recovery is available on a pay as go basis (subject to staff availability). Primary schools can have the cost of this (or any external support they purchase) reimbursed from the Primary Schools in Financial Difficulty fund.
  - 2.3.5 Facilitate workshops for groups of schools on specific savings strategies, such as for alternative staffing structures.
  - 2.3.6 Support the reorganising of small and/or unviable schools. For example, help set up Multi Academy Trusts, suggest/assist with school mergers, review admission numbers in schools within same geographical area to ensure make financial sense.

### 3. Intervention for schools not meeting their deficit recovery plan

- 3.1 The trigger points for intervention are as follows:
  - 3.1.1 A school's deficit has grown (either by the end of the financial year or the following year's budget).
  - 3.1.2 The deficit repayment period increases.
  - 3.1.3 The monitoring meetings identify an unrealistic or high risk deficit recovery plan without any contingency plans.
  - 3.1.4 The monitoring process identifies that the school is not adhering to its recovery plan and the deficit will potentially grow.
- 3.2 A "task force" will review the school's budget and staffing structure and determine options to repay the deficit, and make recommendations. The task force will consist of senior finance, education and HR staff in addition to an existing/recently retired

head teacher either from within the local authority or neighbouring local authority, and/or bought in professional expertise.

- 3.3 If a school does not follow the recommendations made by the task force (or determine their own realistic alternative), the “notice of concern” route will be followed. More details on the process of intervention are in Appendix A.

#### **4. Management of the Strategy**

- 4.1 The Corporate Director (Communities) and Head of Finance to hold once a term finance review meeting to specifically focus on schools in deficit and implementation of the strategy.
- 4.2 School budgets will form part of the quarterly financial reporting to Executive.

#### **5. Appendices**

- 5.1 Appendix A – Process for Intervention

---

# Process for Intervention

---

## 1. Background

- 1.1 The aim of the strategy to support schools in financial difficulty is to reduce the number of schools in or at risk of being in deficit, and the cost of this activity should reduce in future years, as and when schools become more adept at identifying and making savings for themselves.
- 1.2 In the event that a school does not put in place and implement a robust deficit recovery plan or take on recommendations made in the support meetings, the strategy sets out trigger points for intervention and what this intervention will consist of – namely a task force to work on the school's deficit recovery. As this would be in addition to the previous support meetings, this cost should not be borne by the local authority but by the respective school.
- 1.3 This note sets out the legal position, and sets out in more detail the process for this element of the strategy.

## 2. Delegation and Charging Schools

- 2.1 Part 2 of the School Standards and Framework Act 1998 requires local authorities to provide maintained schools with a delegated budget share, and gives the governing body of each school delegated responsibility in managing their school's budget share.
- 2.2 The Act requires local authorities to produce a Scheme for Financing Schools which deals with all matters connected to financial delegation, and which complies with current school finance regulations.
- 2.3 The Council has no authority to remove funding from a school's budget, other than for purposes as set out in the Scheme for Financing Schools. This will include delegations agreed by Schools' Forum, and salaries/redundancy payments at actual cost. Schools therefore need to agree to any charges for most other costs incurred by the local authority on behalf of the school.
- 2.4 The strategy for schools in deficit identifies trigger points for intervention. This would require a task force to work with the school on their deficit recovery plan.
- 2.5 The cost of this should be charged to the school, given that it is the school's lack of engagement and action that has put the school further into deficit, but the school would need to agree to the charge and for the work to take place, whilst they still have delegated responsibility for their budget.

## 3. The Route to Removing Delegation

- 3.1 A Local Authority may issue a warning notice to Governors if there is a breakdown in the way a maintained school is managed or governed and is likely to adversely

affect standards of pupils' performance. This includes a failure to oversee the financial performance of the school and make sure money is well spent – one of the core strategic roles of a Governing Body. The notice must set out:

- 1) The matters on which the concerns are based
- 2) The action which the Governing Body is required to take in order to address the concerns raised.
- 3) The period within which the Governing Body must comply or secure compliance with that action.
- 4) The action which the LA is minded to take under one or more of Sections 63 to 69 of the Education and Inspection Act 2006 or otherwise if the Governing Body does not take the required action.

A copy of the warning notice is to be sent to the head teacher and if applicable the diocese or foundation, and a copy to the relevant RSC and to Ofsted. The local authority is expected to work with their RSC to discuss where they judge that a warning notice is necessary.

3.2 The powers of intervention if the school does not comply with the warning notice are set out in Sections 63 to 66 of the 2006 Act as follows:

- 1) Section 63 – requires the Governing Body to enter into a particular arrangement. e.g. to enter into a contract for specified services of an advisory nature with a specified person.
- 2) Section 64 – power to appoint additional Governors
- 3) Section 65 – power to appoint Interim Executive Board
- 4) Section 66 – enables a local authority to suspend the governing body's right to a delegated budget

3.3 Schedule 15 to the SSFA provides another route for removal of financial delegation.

The LA may suspend a school's right to a delegated budget where a school's governing body has persistently or substantially breached a requirement or restriction relating to its delegated budget, has not managed its budget share satisfactorily or has not managed satisfactorily its expenditure or sums received in the exercise of its power to provide community facilities and services under section 27 of the Education Act 2002. The notice must specify the grounds for the suspension and the LA must give the notice to the governing body and give the head teacher a copy of the notice at the same time. The LA is required to review the suspension within a certain period (or may do so earlier if it wishes).

#### **4. Strategy for Schools in Deficit - Intervention Process**

4.1 In the (hopefully) unlikely event that a school does not engage with recovery of their deficit (following the initial review and support meeting), and meets one of the trigger points set out in the strategy, the process set out in the flow chart below is to be followed, which complies with the latest regulations.

4.2 The timescale given at each stage will need to be carefully considered in each case, to ensure the school has reasonable time to put in place the actions, but that no time is lost in being able to recover the deficit before it spirals out of control. It is suggested that this should be no more than two months.

4.3 The power(s) used if the final stage is reached will be determined with respect to the particular circumstances at the school, and after discussing with the RSC – which may include removal of delegation.

