
Schools: Deficit Recovery

Report being considered by: Schools Forum
On: 17.6.2019
Report Author: Melanie Ellis
Item for: Information **By:** All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 This report reports on the outturn position of the nine schools that set a deficit budget in 2018/19 and provides an update on the work that has been carried out to support these schools.

2. Recommendation

- 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

- 3.1 Schools are permitted to set a deficit budget if they meet certain conditions. This is termed a licensed deficit. The conditions of a licensed deficit are set out in the Scheme for Financing Schools (the legal contract the Council has with schools) and include a requirement to have a robust plan to repay the deficit within five years.
- 3.2 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.
- 3.3 Nine schools set a licensed deficit budget for 2018/19 totalling £870k.

4. West Berkshire Strategy for Schools in Deficit

- 4.1 The Council has adopted a strategy aimed to minimise the number and size of deficits. It is in two parts:
- (1) Procedures to support schools to reduce/eliminate or avoid a deficit
 - (2) Intervention for schools not meeting their deficit recovery plan.
- 4.2 Approval of a licensed deficit requires the school to do the following:
- (1) Submit monthly budget monitoring reports (M3 and then M5 to M11 inclusive)

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- (2) Submit a copy of draft governor meeting minutes (including Part 2) where the budget is discussed
- (3) To attend meetings with the local authority when requested to address any budget concerns
- (4) Submit deficit recovery progress reports when requested, which will be reported to Schools' Forum
- (5) Submit five year detailed deficit recovery plan.

4.3 The Council Schools Finance team has been restructured to provide a dedicated resource to work with the schools that have set a deficit budget.

4.4 The Schools Forum has previously agreed that schools in deficit using the WBC Finance service to work with them on their deficit recovery have associated costs refunded directly from the Schools in Financial Difficulty fund direct rather than schools needing to submit individual bids to the Schools Forum.

5. 2018/19 Outturn Position - Licensed Deficit Schools

5.1 Nine schools had a licensed Main School Budget (MSB) deficit in 2018/19, totalling £870k. At Period Nine, the forecast deficit for these nine schools was £604k and the final outturn position is a closing deficit balance of £212k. A summary is shown below:

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
1 The Willows	-£130,797	-£91,997	£37,892	-£168,689	-£129,889
2 Kintbury St Mary's	-£15,576	£202	£16,372	-£31,948	-£16,170
3 Parson's Down	-£92,212	-£39,024	£5,673	-£97,885	-£44,697
4 St Johns	-£46,000	-£8,686	£3,462	-£49,462	-£12,148
5 John Rankin Federation	-£131,033	-£53,291	£0	-£131,033	-£53,291
Subtotal	-£415,618	-£192,796	£63,399	-£479,017	-£256,195
6 Westwood Farm Federation	-£45,280	-£40,612	-£26,786	-£18,494	-£13,826
7 Beenham	-£36,153	-£50,502	-£40,676	£4,523	-£9,826
8 St Finians	-£61,542	-£62,837	-£56,722	-£4,820	-£6,115
9 The Willink	-£311,588	-£257,345	-£151,086	-£160,502	-£106,259
Subtotal	-£454,563	-£411,296	-£275,270	-£179,293	-£136,026
Total	-£870,181	-£604,092	-£211,871	-£658,310	-£392,221

5.2 The overall improvement from budget to year end is £658k which is an excellent outturn. Five schools ended the year out of deficit.

(1) The Willows Primary School

	MSB Balance	
2016/17	-£17,826	Deficit
2017/18	-£212,694	Deficit
2018/19	£37,892	Surplus

The final outturn position was a £37.9k surplus balance, which is £168.7k better than the budgeted deficit of £130.8k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
1 The Willows	-£130,797	-£91,997	£37,892	-£168,689	-£129,889

The main variances to original budget are shown in the following table:

The Willows MSB Outturn Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£85,723	Underspend
Non Staffing Budget	£29,896	Overspend
TOTAL EXPENDITURE	-£55,827	
TOTAL INCOME	-£41,263	Additional Income
NET EXPENITURE	-£97,091	
Business rates adjustment	£6,375	Unknown at time of budget build
Early years in year adjustment	£4,951	Over budgeted
Schools in Financial Difficulty funding	-£65,573	Unknown at time of budget build
Teachers Pay Grant	-£7,413	Unknown at time of budget build
SEN	-£1,594	Under budgeted
Pupil Premium Grant- Early Years and LAC	-£5,619	No budget
Free School Meal Supplementary Grant & adjustment	-£2,722	Unknown at time of budget build
TOTAL FUNDING	-£71,595	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£168,686	

The review meeting took place on 18th October 2018.

(2) Kintbury Primary School

	MSB Balance	
2017/18	-£12,317	Deficit
2018/19	£16,372	Surplus

The final outturn position was a £16.4k surplus balance, which is £31.9k better than the original budgeted deficit of £15.6k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
2 Kintbury St Mary's	-£15,576	£202	£16,372	-£31,948	-£16,170

The main variances to original budget are shown in the following table:

Kintbury MSB Outturn Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£8,174	Underspend
Non Staffing Budget	-£71	Underspend
TOTAL EXPENDITURE	-£8,245	
TOTAL INCOME	-£15,418	Additional Income
NET EXPENDITURE	-£23,663	
Business Rates Adjustment	£468	Overbudgeted at budget build
Teachers Pay Grant	-£2,887	Unknown at time of budget build
SEN	-£2,335	Underbudgeted at budget build
Universal Infant Free School Meals	-£3,505	Overbudgeted at budget build
TOTAL FUNDING	-£8,259	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£31,922	

The review meeting took place on 13th November 2018.

(3) Parsons Down Schools Federation

	MSB Balance	
2017/18	-£22,432	Deficit
2018/19	-£5,673	Deficit

The final outturn position was a £5.7k deficit balance, which is £97.9k better than the original budgeted deficit of £92.2k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
3 Parson's Down	-£92,212	-£39,024	£5,673	-£97,885	-£44,697

The main variances to original budget are shown in the following table:

Parsons Down Partnership MSB Outturn Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£62,487	Underspend
Non Staffing Budget	£54,824	Overspend
TOTAL EXPENDITURE	-£7,663	
TOTAL INCOME	-£53,933	Additional Income
NET EXPENDITURE	-£61,596	
Business rates adjustment	£1,172	Unknown at time of budget build
Excluded pupils-transfer funding between schools	£1,214	Unknown at time of budget build
Schools in Financial Difficulty funding	-£32,106	Unknown at time of budget build
Teachers Pay Grant	-£8,894	Unknown at time of budget build
SEN	£2,234	Over budgetted
Free School Meal Supplementary Grant & adjustment	£105	Unknown at time of budget build
TOTAL FUNDING	-£36,275	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£97,871	

The review meeting took place on 6th November 201

(4) St John the Evangelist Infant School

	MSB Balance	
2016/17	-£22,725	Deficit
2017/18	-£37,759	Deficit
2018/19	£3,462	Surplus

The final outturn position was a £3.5k surplus balance, which is £4.8k better than the original budgeted deficit of £61.5k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
4 St Johns	-£46,000	-£8,686	£3,462	-£49,462	-£12,148

The main variances to original budget are shown in the following table:

St John the Evangelist MSB Outturn Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	£18,998	Overspend
Non Staffing Budget	-£7,987	Underspend
TOTAL EXPENDITURE	£11,011	Overspend
TOTAL INCOME	-£42,412	Additional Income
NET EXPENDITURE	-£31,401	
Pupil Premium Grant	£288	Overbudgeted at budget build
Teachers Pay Grant	-£3,960	Unknown at time of budget build
Early Years In Year Adjustment	-£13,142	Underbudgeted at budget build
SEN	-£1,066	Underbudgeted at budget build
Universal Infant Free School Meals	-£182	Underbudgeted at budget build
TOTAL FUNDING	-£18,062	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£49,463	

The review meeting took place on 23rd November 2018 and was followed by a short support visit by the WBC Senior Accountant (Projects) to work with the outgoing School Business Manager.

(5) John Rankin Schools Federation

	MSB Balance	
2014/15	-£28,693	Deficit
2015/16	-£169,724	Deficit
2016/17	-£122,680	Deficit
2017/18	-£189,992	Deficit
2018/19	£0	

The final outturn position was a zero balance, which is £131k better than the budgeted deficit of £131k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
5 John Rankin Federation	-£131,033	-£53,291	£0	-£131,033	-£53,291

The main variances to original budget are shown in the following table:

John Rankin Schools MSB Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£33,197	Underspend
Non Staffing Budget	£44,979	Overspend
TOTAL EXPENDITURE	£11,783	Overspend
TOTAL INCOME	-£110,579	Additional Income
NET EXPENDITURE	-£98,796	
Business rates adjustment	£342	Unknown at time of budget build
Growth funding	£433	Over budgeted
Schools in Financial Difficulty	-£2,833	Unknown at time of budget build
Teachers Pay Grant	-£11,463	Unknown at time of budget build
SEN	-£2,928	Under budgeted
Pupil Premium Grant	-£12,650	Under budgeted
Free School Meal Supplementary Grant & adjustment	-£3,125	Unknown at time of budget build
TOTAL FUNDING	-£32,224	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£131,020	

The WBC Senior Accountant (Projects) made induction visits to work with the school's Finance Manager on 5th November and 11th December, and the review meeting took place on 12th October 2018.

(6) Westwood Farm Schools Federation

	MSB Balance	
2015/16	-£40,270	Deficit
2016/17	-£67,108	Deficit
2017/18	-£82,753	Deficit
2018/19	-£26,786	Deficit

The final outturn position was a £26.8k balance, which is £18.5k better than the original budgeted deficit of £43.3k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
6 Westwood Farm Federation	-£45,280	-£40,612	-£26,786	-£18,494	-£13,826

The main variances to original budget are shown in the following table:

Westwood Farm Schools Federation		
MSB Summary		
VARIANCE: Original Budget to Final Outturn		
Staffing Budget	£5,542	Overspend
Non Staffing Budget	£114,627	Overspend
TOTAL EXPENDITURE	£120,169	
TOTAL INCOME	-£102,607	Additional Income
NET EXPENDITURE	£17,562	
Main School Budget Delegation	£2,944	Overbudgeted at budget build
Business Rates Adjustment	£1,665	Overbudgeted at budget build
Pupil Premium Grant	-£213	Underbudgeted at budget build
Teachers Pay Grant	-£7,972	Unknown at time of budget build
Early Years In Year Adjustment	-£23,616	Underbudgeted at budget build
SEN	-£2,146	Underbudgeted at budget build
Universal Infant Free School Meals	-£6,712	Underbudgeted at budget build
TOTAL FUNDING	-£36,050	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£18,488	

The review meeting took place on 10th December 2018.

(7) **Beenham Primary School**

	MSB Balance	
2016/17	-£37,090	Deficit
2017/18	-£64,783	Deficit
2018/19	-£40,676	Deficit

The final outturn position was a £40.7k deficit balance, which is £4.6k worse than the original budgeted deficit of £36.1k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
7 Beenham	-£36,153	-£50,502	-£40,676	£4,523	-£9,826

The main variances to original budget are shown in the following table:

Beenham		
MSB Summary		
VARIANCE: Original Budget to Final Outturn		
Staffing Budget	£1,105	Overspend
Non Staffing Budget	£19,277	Overspend
TOTAL EXPENDITURE	£20,382	
TOTAL INCOME	-£15,813	Additional Income
NET EXPENDITURE	£4,569	
Schools in Financial Difficulty - additional Schools Accountancy support	-£200	Underbudgeted at budget build
Business Rates Adjustment	£108	Overbudgeted at budget build
Pupil Premium Grant	£3,980	Overbudgeted at budget build
Teachers Pay Grant	-£1,776	Unknown at time of budget build
SEN	-£2,964	Underbudgeted at budget build
Universal Infant Free School Meals	£861	Overbudgeted at budget build
TOTAL FUNDING	£9	
TOTAL VARIANCE TO ORIGINAL BUDGET	£4,578	

The WBC Senior Accountant (Projects) made a support visits to the school on 8th October and 4th December.

The first review meeting took place on 16th November. Given the significant forecast overspend a second review meeting took place on 15th February.

(8) St Finians Catholic Primary School

	MSB Balance	
2017/18	-£7,714	Deficit
2018/19	-£56,722	Deficit

The final outturn position was a £56.7k deficit balance, which is £4.8k better than the original budgeted deficit of £61.5k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
8 St Finians	-£61,542	-£62,837	-£56,722	-£4,820	-£6,115

The main variances to original budget are shown in the following table:

St Finians MSB Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£3,603	Underspend
Non Staffing Budget	£7,847	Overspend
TOTAL EXPENDITURE	£4,244	Overspend
TOTAL INCOME	-£9,609	Additional Income
NET EXPENDITURE	-£5,365	
Business rates adjustment	£810	Unknown at time of budget build
Pupil Premium Grant	£2,760	Overbudgeted at budget build
Teachers Pay Grant	-£3,395	Unknown at time of budget build
SEN	-£184	Underbudgeted at budget build
Universal Infant Free School Meals	£554	Overbudgeted at budget build
TOTAL FUNDING	£545	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£4,820	

The WBC Senior Accountant (Projects) made a support visit to work with the Headteacher and School Business Manager on 22nd January 2019.

The review meeting took place on 6th November 2018. Whilst the school is forecasting a year end figure greater than the licensed deficit, the sum is at this time not considered significant so there is currently no plan to make a second review visit.

A bid will be submitted in July 2019 for Schools in Financial Difficulty funding to cover the reduced funding as a result of small cohort year.

(9) The Willink School

	MSB Balance	
2016/17	-£2,630	Deficit
2017/18	-£98,684	Deficit
2018/19	-£151,086	Deficit

The final outturn position was a deficit of £151k, which is £160.5k better than the budgeted deficit of £312k.

SCHOOLS WITH LICENSED DEFICITS 2018/19	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
9 The Willink	-£311,588	-£257,345	-£151,086	-£160,502	-£106,259

The main variances to original budget are shown in the following table:

The Willink MSB Summary VARIANCE: Original Budget to Final Outturn		
Staffing Budget	-£5,421	Underspend
Non Staffing Budget	£33,647	Overspend
TOTAL EXPENDITURE	£28,226	Overspend
TOTAL INCOME	-£139,490	Additional Income
NET EXPENDITURE	-£111,264	
Teachers Pay Grant	-£26,528	Unknown at time of budget build
Sixth Form	-£1,200	Under budgeted at budget build
SEN	-£21,349	Under budgeted at budget build
Pupil Premium Grant	£4,245	Over budgeted at budget build
Free School Meal Supplementary Grant	-£4,400	Unknown at time of budget build
TOTAL FUNDING	-£49,232	
TOTAL VARIANCE TO ORIGINAL BUDGET	-£160,496	

The West Berkshire Council (WBC) Senior Accountant (Projects) made support visits to work with the school's Finance Manager on 4th October 2018 and 14th January 2019. The review meeting took place on 9th November 2018.

6. Schools ending year with unplanned deficits

6.1 In addition to the nine schools above, three schools ended the financial year 2018/19 with an unlicensed deficit. Each of the three schools has submitted a balanced budget for 2019/20.

SCHOOLS THAT FINISHED 2018/19 WITH AN UNLICENSED DEFICIT	Original MSB	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
1 Stockcross	£6,510	£454	-£25,899	£32,409	£26,353
2 Welford & Wickham	£7,940	£3,560	-£13,208	£21,148	£16,768
3 Enborne Primary School	£2,950	-£3,396	-£3,167	£6,117	-£229
	£17,400	£618	-£42,274	£59,674	£42,892

7. Conclusion

- 7.1 The overall improvement for the nine schools that set a deficit budget for 2018/19 is an excellent outturn. Five schools ended the year out of deficit, and all schools have reduced their budgeted deficit by £658k.
- 7.2 This has been achieved by schools applying rigorous budget management, securing better value for money, putting new staffing structures in place and generating income. The Primary Schools in Financial Difficulty fund has been awarded to qualifying schools to support one off costs.
- 7.3 Review meetings have taken place throughout the year to monitor and support these schools.