
Schools: Deficit Recovery

Report being considered by: Schools Forum on 15th June 2020

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Item for: Information **By:** All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 This report reports on the outturn position of the four schools that set a deficit budget in 2019/20, and reports on schools closing with an unlicensed deficit.

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 Four schools set a licensed deficit budget for 2019/20 totalling £117.4k.

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 M6 to M11 inclusive)
 - (2) Submit a copy of draft and final governor meeting minutes (including Part 2) where the budget is discussed

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- (3) To attend meetings with the local authority when requested to address any budget concerns
- (4) Submit deficit recovery progress reports when requested.
- (5) Submit five year detailed deficit recovery plan.

4.3 The council's Schools Finance team includes a dedicated resource to work with the schools that are operating in a deficit and to offer support to those who are likely to enter a deficit position.

5. 2019/20 Outturn Position - Licensed Deficit Schools

5.1 Four schools had a Main School Budget (MSB) licensed deficit in 2019/20, totalling £117.4k. The final outturn position was a closing balance of £27.6k surplus. A summary is shown below:

SCHOOLS WITH LICENSED DEFICITS 2019/20	Original MSB Deficit	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
	1	2	3	3 - 1 = 4	3 - 2 = 5
1 Beenham	£ 24,060	£ 35,227	£ 33,848	£ 9,788	(£ 1,379)
2 St Finians	£ 77,150	£ 50,291	£ 40,599	(£ 36,551)	(£ 9,692)
Subtotal	£ 101,210	£ 85,518	£ 74,447	(£ 26,763)	(£ 11,071)
3 Westwood Farm Federation	£ 13,940	(£ 18,443)	(£ 6,501)	(£ 20,441)	£ 11,942
4 The Willink	£ 2,210	(£ 5,524)	(£ 95,498)	(£ 97,708)	(£ 89,974)
Subtotal	£ 16,150	(£ 23,967)	(£ 101,999)	(£ 118,149)	(£ 78,032)
TOTAL	£ 117,360	£ 61,551	(£ 27,552)	(£ 144,912)	(£ 89,103)

5.2 The overall improvement from budget to year end is £144.9k which is an excellent outturn, with two of the four schools ending the year in surplus. Each school is covered in detail below:

(1) Beenham Primary School

Balance History	MSB	
2016/17	£ 37,090	Deficit
2017/18	£ 64,783	Deficit
2018/19	£ 40,676	Deficit
2019/20	£ 33,848	Deficit

The final outturn position was a £33.8k deficit balance, which is a £9.8k increase on the original budgeted deficit of £24.1k.

SCHOOLS WITH LICENSED DEFICITS 2019/20	Original MSB Deficit	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
Beenham	£ 24,060	£ 35,227	£ 33,848	£ 9,788	(£ 1,379)

The WBC Senior Accountant (Projects) made support visits to the school to assist with both budget build and budget monitoring and forecasting.

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

Beenham				
MSB Summary 2019/20				
	Budget	Outturn	Variance	
Staffing Budget	£ 283,650	£ 289,757	£ 6,107	Overspend
Non Staffing Budget	£ 111,500	£ 115,623	£ 4,123	Overspend
TOTAL EXPENDITURE	£ 395,150	£ 405,380	£ 10,230	
Income	(£ 9,000)	(£ 11,310)	(£ 2,310)	Additional Income
NET REVENUE EXPENDITURE	£386,150	£394,070	£ 7,920	Overspend
Balance brought forward	£ 40,680	£ 40,676	(£ 4)	Rounding
Funds Delegated by LA	(£ 371,750)	(£ 372,674)	(£ 924)	Underbudgeted
SEN funding	(£ 9,900)	(£ 1,824)	£ 8,076	Overbudgeted
Pupil Premium	(£ 13,200)	(£ 18,480)	(£ 5,280)	Underbudgeted
Additional Grant for Schools	(£ 7,920)	(£ 7,920)	£ 0	
TOTAL FUNDING	(£ 362,090)	(£ 360,222)	£ 1,868	Underbudgeted
TOTAL	£ 24,060	£ 33,848	£ 9,788	Increased deficit

Extract from School's Statement on Financial Year 2019/20

There was an unforeseen sickness absence by a staff member from November 2018 to October 2019. The costs were not covered by the school's supply insurance. The school's end of year budget position varied from the P9 forecast because we managed to make some in house savings to reduce the deficit budget position.

(2) St Finians Catholic Primary School

Balance History	MSB Balance	
2016/17	£ 7,714	Deficit
2017/18	£ 31,909	Deficit
2018/19	£ 56,722	Deficit
2019/20	£ 40,599	Deficit

The final outturn position was a £40.6k deficit balance, which is a £36.6k improvement on the original budgeted deficit of £77.2k.

SCHOOLS WITH LICENSED DEFICITS 2019/20	Original MSB Deficit	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
St Finians	£ 77,150	£ 50,291	£ 40,599	(£ 36,551)	(£ 9,692)

The WBC Senior Accountant (Projects) made support visits to the school to assist with both budget build and budget monitoring and forecasting.

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

St Finians				
MSB Summary 2019/20				
	Budget	Outturn	Variance	
Staffing Budget	£ 609,040	£ 618,475	£ 9,435	Overspend
Non Staffing Budget	£ 193,630	£ 181,680	(£ 11,950)	Underspend
TOTAL EXPENDITURE	£ 802,670	£ 800,155	(£ 2,515)	
Income	(£ 35,250)	(£ 35,752)	(£ 502)	Additional Income
NET REVENUE EXPENDITURE	£767,420	£764,403	(£ 3,017)	Underspend
Balance brought forward	£ 56,730	£ 56,722	(£ 8)	Rounding
Funds Delegated by LA	(£ 707,050)	(£ 738,793)	(£ 31,743)	Underbudgeted (SIFD bid £30k)
SEN funding	(£ 5,910)	(£ 6,300)	(£ 390)	Underbudgeted
Pupil Premium	(£ 2,640)	(£ 2,640)	£ 0	
Additional Grant for Schools	(£ 31,400)	(£ 32,793)	(£ 1,393)	Underbudgeted
TOTAL FUNDING	(£ 690,270)	(£ 723,804)	(£ 33,534)	Underbudgeted
TOTAL	£ 77,150	£ 40,599	(£ 36,551)	Reduced deficit

The main reduction in deficit is from a Schools in Financial Difficulty bid of £30k being approved in 2019/20 to cover the reduced funding as a result of small cohort year. Other variances to budget are covered in the school's statement below.

Extract from School's Statement on Financial Year 2019/20

St. Finian's Primary School is committed to bringing the school out of deficit by 2021/22 year end with a combination of savings and increases in income.

(3) Westwood Farm Schools Federation

Balance History	MSB Balance	
2016/17	£ 67,109	Deficit
2017/18	£ 82,753	Deficit
2018/19	£ 26,786	Deficit
2019/20	(£ 6,501)	Surplus

The final outturn position was a £6.5k surplus balance, which is a £20.4k improvement on the original budgeted deficit of £13.9k.

SCHOOLS WITH LICENSED DEFICITS 2019/20	Original MSB Deficit	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
Westwood Farm Federation	£ 13,940	(£ 18,443)	(£ 6,501)	(£ 20,441)	£ 11,942

The early success of the introduction of a full time nursery meant the involvement of the WBC Senior Accountant (Projects) was limited to the review of the budget submission and monthly budget monitoring and forecast reports.

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

Westwood Farm Schools				
MSB Summary 2019/20				
	Budget	Outturn	Variance	
Staffing Budget	£ 1,518,540	£ 1,546,115	£ 27,575	Overspend
Non Staffing Budget	£ 312,340	£ 349,204	£ 36,864	Overspend
TOTAL EXPENDITURE	£ 1,830,880	£ 1,895,319	£ 64,439	
Income	(£ 67,180)	(£ 93,130)	(£ 25,950)	Additional Income
NET REVENUE EXPENDITURE	£1,763,700	£1,802,189	£ 38,489	Overspend
Balance brought forward	£ 26,790	£ 26,786	(£ 4)	Rounding
Funds Delegated by LA	(£ 1,690,150)	(£ 1,748,773)	(£ 58,623)	Underbudgeted
SEN funding	(£ 22,160)	(£ 20,531)	£ 1,629	Overbudgeted
Pupil Premium			£ 0	
Additional Grant for Schools	(£ 64,240)	(£ 66,172)	(£ 1,932)	Underbudgeted
TOTAL FUNDING	(£ 1,749,760)	(£ 1,808,690)	(£ 58,930)	Underbudgeted
TOTAL	£ 13,940	(£ 6,501)	(£ 20,441)	Year end surplus

The main reduction in deficit is driven by £26k additional income generated from the nursery, lettings, funding and donations, and £58k additional funding from Early Years and Teachers Pay Grant. Other variances to budget are covered in the school's statement below.

Extract from School's Statement on Financial Year 2019/20

Westwood Farm are thrilled to have moved out of a deficit budget position a year earlier than planned. The main reason for the variation to the overall budget forecast is due to the Nursery moving to full time (from mornings only) to meet potential demand for 30 hour nursery funded places. There was no way of predicting the potential uptake for this when setting the budget in Spring 2019 and therefore a cautious forecast was budgeted assuming 15 places would be taken however we were quickly able to allocate all places.

4) The Willink School

Balance History	MSB Balance	
2016/17	£ 2,630	Deficit
2017/18	£ 98,684	Deficit
2018/19	£ 151,086	Deficit
2019/20	(£ 95,498)	Surplus

The final outturn position was a surplus of £95.5k, which is a £97.7k improvement on the budgeted deficit of £2.2k.

SCHOOLS WITH LICENSED DEFICITS 2019/20	Original MSB Deficit	P9 Forecast	P13 Closing Balance	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
The Willink	£ 2,210	(£ 5,524)	(£ 95,498)	(£ 97,708)	(£ 89,974)

In addition to the review of the budget submission and monthly budget monitoring and forecast reports with the outgoing Finance Manager, the West Berkshire Council (WBC) Senior Accountant (Projects) spent two days with the school's new Finance Manager in January 2020, providing training and assisting with the production of the period 9 Budget Monitoring and Forecast report.

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

The Willink Secondary School				
MSB Summary 2019/20				
	Budget	Outturn	Variance	
Staffing Budget	£ 4,585,140	£ 4,566,532	(£ 18,608)	Underspend
Non Staffing Budget	£ 902,150	£ 916,674	£ 14,524	Overspend
TOTAL EXPENDITURE	£ 5,487,290	£ 5,483,206	(£ 4,084)	
Income	(£ 78,520)	(£ 109,229)	(£ 30,709)	Additional Income
NET REVENUE EXPENDITURE	£5,408,770	£5,373,977	(£ 34,793)	Underspend
Balance brought forward	£ 151,090	£ 151,086	(£ 4)	Overbudgeted
Funds Delegated by LA	(£ 4,660,240)	(£ 4,674,323)	(£ 14,083)	Underbudgeted
Sixth Form Funding	(£ 740,000)	(£ 747,320)	(£ 7,320)	Underbudgeted
SEN funding	(£ 49,650)	(£ 64,032)	(£ 14,382)	Underbudgeted
Pupil Premium	(£ 107,760)	(£ 120,806)	(£ 13,046)	Underbudgeted
Additional Grant for Schools	£ 0	(£ 14,080)	(£ 14,080)	Underbudgeted
TOTAL FUNDING	(£ 5,406,560)	(£ 5,469,475)	(£ 62,915)	Underbudgeted
TOTAL	£ 2,210	(£ 95,498)	(£ 97,708)	Year end surplus

The main reduction in deficit is driven by the additional income of £30k, generated by the school and additional funding of £63k. Variances to budget are covered in the school's statement below.

Extract from School's Statement on Financial Year 2019/20

Explanation as to why the school's year end position varied from the original budget.

- Savings of £18.5k on staffing budget
- Overspent of £15k on non-staffing budget:
Mainly from £4k overspent on software licence and £12k overspent in classroom resources
- Extra income received of £31.5k
- Extra Funding received of £62.5k:
I05 - £9.7k Year 7 catch up premium, £1.5k PPG allocation. I03 - £15.5k SEN funding I02 - £7.3k 6th Form SEN funding. I18 - £14k Free school meal grant. I01 - £14.5k Teacher pay and pension grant.

6. Schools ending year with unplanned deficits

6.1 Six schools ended the financial year 2019/20 with an unlicensed deficit, one deficit at Basildon C.E.Primary School was due to a £6k administrative error and is therefore not included in the table below. At the time of writing three of these schools are expected to submit a Deficit Budget License Application for 2020/21.

SCHOOLS ENDING FINANCIAL YEAR 2019/20 WITH AN UNLICENSED DEFICIT		Original MSB Surplus	P9 Forecast	P13 Closing Deficit	VARIANCE Original MSB to P13 Closing Balance	VARIANCE P9 Forecast to P13 Closing Balance
		1	2	3	3 - 1 = 4	3 - 2 = 5
1	Bradfield CofE Primary	(£ 11,890)	(£ 2,521)	£ 1,779	£ 13,669	£ 4,300
2	Bucklebury CofE Primary	(£ 210)	£ 11,245	£ 20,418	£ 20,628	£ 9,173
3	The Federation of Hampstead Norreys CE & The Iisleys Primary Schools	(£ 3,020)	£ 8,507	£ 3,825	£ 6,845	(£ 4,682)
4	Mrs Blands Infant & Nursery	£ 0	£ 21,992	£ 32,526	£ 32,526	£ 10,534
Late submission of report by school to WBC			P10 Forecast			
5	Compton C.E. Primary	(£ 1,144)	£ 16,480	£ 26,608	£ 27,752	£ 10,128
TOTAL		(£ 16,264)	£ 55,703	£ 85,156	£ 101,420	£ 29,453

(1) Bradfield CofE Primary School £2k deficit

Extract from School's Statement on Financial Year 2019/20

Bradfield CE Primary School had a budget surplus of £19k from 2018-19 due to being awarded funds late in the year from the Growing Schools Fund. However from September 2019 the school has suffered from very high levels of uninsured support staff absence. The school has not historically taken out absence insurance for support staff, this has been reviewed and certain support staff will be covered when the policy renews in September. The final issue arose from a child with an EHCP who could not be counted in the October 2019 census, resulting in a shortfall of funding. We have already made significant changes to our staffing structure to aid the schools recovery in the following year.

Action by Local Authority: Await the Licensed Deficit application.

(2) Bucklebury CofE Primary School £20k deficit

Extract from School's Statement on Financial Year 2019/20

High supply teaching costs due to a long term staff absence (illness) was our main deficit cause as it was not covered by insurance. In addition Teaching Assistant costs were higher due to additional hours and salary progression not in budget. Cleaning and maintenance costs were higher than anticipated. In 2020/21 our £23k funding increase due to a rise in pupils and a non-repeat of long term staff absence are key to clearing the deficit. Together with a fully trained Finance Officer working in close partnership with the Headteacher to accurately monitor and forecast spend.

Action by Local Authority: Review of Budget Monitoring and Forecast reports throughout 2020/21

(3) The Federation of Hampstead Norreys CE & The Ilsleys Primary Schools £4k deficit

Extract from School's Statement on Financial Year 2019/20

The 2019/20 deficit has arisen as a result of unforeseen adverse costs not originally budgeted for. This is mostly made up of the pay award for teachers, which at 2.75% exceeded the planned 1.5%, with the schools having to find the 0.5% difference. In addition, teaching support staff costs were in excess of budget due to the need for cover for a member of staff on long-term absence for the majority of the academic year. Actions for 2020/21 include not replacing a staff member who has retired. The schools are in the process of identifying further efficiencies in order to ensure the long term financial stability of the schools.

Action by Local Authority: Await the Licensed Deficit application.

(4) Mrs Blands Infant and Nursery School £32.5k deficit

Extract from School's Statement on Financial Year 2019/20

Schools: Deficit Recovery

The school's deficit arose due to increased staffing costs (including staffing vacancies and covering absences). We have also incurred exceptional, one-off investment in the infrastructure of Bumblebees, our thriving before/after school facility which we took over the running of in November 2018. The likely deficit was identified in quarter 4 of 2019, and reported to the Finance Governing Committee and WBC as part of our period 9 forecasting process. We are constantly reviewing differing and novel ways to source potential income - whether that be through local grants or increasing our lettings. We also review areas of potential expenditure where efficiencies can be made. The school will be applying for a licensed deficit in 2020/21.

Action by Local Authority: Await the Licensed Deficit application.

(5) Compton C.E. Primary School £27k deficit

Extract from School's Statement on Financial Year 2019/20

Compton has many students with special educational needs and these students have teaching assistants to support them (and sometimes to ensure that the school is safe). The actual deficit at the end of March 2020 is £26,608 which is better than was forecast. The school will not need to apply for a licensed deficit budget in 2020/21. The cumulative budget surplus at 31/3/21 is budgeted to be £6,130. The cost reductions already implemented have been augmented by other savings eg joining the DfE scheme for Risk Protection (this change has saved some £30,000 across our Downland Federation of schools).

Action by Local Authority: Review of Budget Monitoring and Forecast reports throughout 2020/21