

# Deficit Schools

**Report being considered by:** Schools Forum on 18<sup>th</sup> October 2021

**Report Author:** Melanie Ellis

**Item for:** Information **By:** All members

## 1. Purpose of the Report

- 1.1 This report provides details of two schools which have submitted deficit budgets for 2021/22 and three which expect to recover their deficit position in 2021/22. There are an additional two schools that ended 2020/21 with unplanned deficits entirely due to the financial impact of Covid-19.

## 2. Recommendation

- 2.1 That the report be noted.

<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/Background

- 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 the following statement, "The recommended length over which schools may repay the deficit, i.e. reach at least a zero balance, with appropriate mechanism to ensure that the deficit is not simply extended indefinitely, is three years. The maximum length of repayment is 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 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.
- 3.4 Approval of a licensed deficit requires the school to do the following:
- (1) Submit monthly budget monitoring reports (Month 3 and then Month 6 to Month 11 inclusive)
  - (2) Submit a copy of draft and final 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
- (5) Submit five year detailed deficit recovery plan.

3.5 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.

#### 4. Deficit Schools

4.1 Two schools submitted a WBC Deficit Budget License Application for the financial year 2021/22. One of the two had a licensed deficit in the financial year 2020/21.

4.2 Following a detailed review of each application and discussion, both deficits have been licensed. The individual schools have been informed. The total value of the licensed deficits is £76,983.

4.3 As is normal practise both schools have been asked to submit additional reporting to WBC Schools Accountancy for review. (See Appendix A for submission deadline table).

4.4 Both schools submitted their period three budget monitoring, which has been reviewed by Schools Accountancy and feedback emailed to each school. The budget submissions are shown in the table below with one school forecasting to come out of deficit in 2023/24 and the other in 2024/25.

School	Budget Submission 2021/22			
	Budgeted Closing Balance			
	2021/22	2022/23	2023/24	2024/25
Inkpen Primary School	(£14,563)	(£10,709)	(£15,014)	£20,698
Kintbury Primary School	(£62,420)	(£46,959)	£8,005	£26,688
<b>TOTAL DEFICIT</b>	<b>(£76,983)</b>	<b>(£57,668)</b>	<b>(£7,009)</b>	<b>£47,386</b>

Figures in red brackets indicate a deficit

4.5 Historic information for both schools is shown below.

School	2018/19		2019/20		2020/21	
	Budget	Actual	Budget	Actual	Budget	Actual
Inkpen Primary School	£17,050	£28,399	£6,110	£15,767	£5,850	£8,819
Kintbury Primary School	(£15,550)	£16,372	£1,530	£47,570	£24,750	£30,085

Figures in red brackets indicate a deficit

It was viewed as appropriate for Inkpen Primary School to wait until the outcome of the sparsity funding consultation was announced before implementing any significant changes in order to recover the deficit. Inkpen have not previously been awarded sparsity funding, but under changes to the National Funding Formula (NFF), the school would be eligible, subject to the Schools Forum adopting the NFF changes. This could equate to up to £55k additional funding for the school.

## 5. Schools expecting to come out of a period of licensed deficit in 2021/22

- 5.1 Three schools expect to come out of a period of licensed deficit in 2021/22 with a combined surplus balance of £23,441. The schools have been asked to submit the same additional information as those schools with a licensed deficit.

School	Budget Submission 2021/22			
	Budgeted Closing Balance			
	2021/22	2022/23	2023/24	2024/25
Beenham Primary School	£1,179	(£15,545)	(£37,742)	(£40,656)
Mrs Blands Infant & Nursery School	£22,262	£8,990	£12	(£16,984)
St Finians RC Primary School	£4,823	£2,587	£9,183	£8,174
<b>TOTAL DEFICIT</b>	<b>£23,441</b>	<b>(£6,555)</b>	<b>(£37,730)</b>	<b>(£57,640)</b>

Figures in red brackets indicate a deficit

- 5.2 Beenham Primary School forecasts it will return to a deficit position in 2022/23 but the changes to sparsity fund if adopted would have a positive impact on this school and the future deficits would not materialise.
- 5.3 The schools submitted their period three budget monitoring. The submissions have been reviewed by Schools Accountancy and feedback emailed to the schools.

## 6. Schools ending 2020/21 with an unlicensed deficits

- 6.1 Two schools ended the financial year 2020/21 with unlicensed deficits, the total value was £44,455 deficit. Both schools are expected to submit bids to the Primary Schools in Financial Difficulty Fund to recover the financial impact of Covid-19 on each school.

School	2018/19		2019/20		2020/21	
	Budget	Actual	Budget	Actual	Budget	Actual
Basildon Primary School	£2,240	£10,918	£6,130	(£6,040)	£7,790	(£3,831)
Spurcroft Primary School	£37,510	£211,676	£143,170	£103,681	£13,470	(£40,624)

Figures in red brackets indicate a deficit

- 6.2 Note re Spurcroft: 18/19 surplus due to rising pupil numbers/staff vacancies/additional income. 19/20 lower surplus due to lower pupil numbers, more TA support, maintenance catch up costs, staff regrading and new curriculum resources. 20/21 deficit due to lower Reception intake and £73k attributable to lost wrap around care income due to Covid.
- 6.3 The budget submissions are shown in the table below with one school forecasting no deficit position going forward and the second showing recovery in 2022/23.

School	Budget Submission 2021/22		
	Budgeted Closing Balance		
	2021/22	2022/23	2023/24
Basildon Primary School	£18,951	£42,819	£76,955
Spurcroft Primary School	(£29,637)	£28,401	£72,965
<b>TOTAL DEFICIT</b>	<b>(£10,686)</b>	<b>£71,220</b>	<b>£149,920</b>

Figures in red brackets indicate a deficit

- 6.4 Spurcroft has been asked to submit the same additional information as those schools with a licensed deficit as it does not expect to recover until 2022/23. As Basildon expects to recover in year, no additional reporting requirements have been made.
- 6.5 Spurcroft submitted their period three budget monitoring. The submission has been reviewed by Schools Accountancy and feedback emailed to the school.

## 7. Conclusion

- 7.1 The total school deficits over the last three years are shown in the table below:

	2019/20 Actual	2020/21 Actual	2021/22 Budget
<b>Total Deficit</b>	<b>(£165,546)</b>	<b>(£78,088)</b>	<b>(£106,620)</b>

Figures in red brackets indicate a deficit

- 7.2 School balances have been impacted by Covid19 expenditure and loss of income, and schools will try to recover from this impact during 2021/22. Any successful bids to the SiFD would potentially reduce the 2021/22 actual deficit figure.

## 8. Consultation and Engagement

- 8.1 Schools as listed above.

## 9. Appendices

- 9.1 Appendix A – Submission Deadlines

# Appendix A

## Submission Deadlines

Submission Deadlines for licensed deficit schools 2021/22, those that expect to come out of a period of licensed deficit in 2021/22 and those that ended 2020/21 with an unlicensed deficit and are required to report.

<b>SUBMISSION TIMETABLE</b> <b>All submissions should be emailed to <a href="mailto:sarah.reynard@westberks.gov.uk">sarah.reynard@westberks.gov.uk</a></b>						
Period covered by Agresso Report	Budget Monitoring (All fund codes)	Agresso FMS Reconciliation (All fund codes)	Bank Statement, FMS Reconciliation & Historical Unreconciled Bank Transactions reports	Forecast (All fund codes)	FMS Outstanding Purchase Order report	Submission Deadline (midnight)
Period 3 / June	Yes	Yes	Yes	No	Yes	14/07/2021
Period 6 / September	Yes	Yes	Yes	Yes	Yes	14/10/2021
Period 7 / October	Yes	Yes	Yes	Yes	No	12/11/2021
Period 8 / November	Yes	Yes	Yes	Yes	No	14/12/2021
Period 9 / December	Yes	Yes	Yes	Yes	Yes	18/01/2022
Period 10 / January	Yes	Yes	Yes	Yes	No	14/02/2022
Period 11 / February	Yes	Yes	Yes	Yes	No	14/03/2022