

Schools: Deficit Recovery

Report being considered by: Schools Forum on 20th June 2022

Report Author: Melanie Ellis

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

1. Purpose of the Report

- 1.1 To report on the outturn position of the two schools that set a deficit budget in 2021/22 and three schools that planned to repay their deficits by the end of 2021/22.
- 1.2 To report on four schools closing 2021/22 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 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 This report provides details of two schools which set a deficit budget for 2021/22 and three which planned to repay their deficits by the close of 2021/22. There are an additional four schools that ended 2021/22 with unlicensed deficits.
- 3.4 Two schools set a licensed deficit budget for 2021/22 totalling £77k deficit. Three other schools operated with licensed deficit budgets in 2021/22 but set a recovered budget for the year, forecasting a year end surplus of £28.3k surplus. During 2021/22 these schools were supported as if operating with a licensed deficit, as were two of the five schools that ended 2021/22 with unlicensed deficits.

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
- (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.
- (6) Take part in:
 - a) any review the Local Authority commissions on the school's budget deficit position and recovery plan, including a Schools Resource Management Advisor deployment and,
 - b) the introduction and use of any additional analysis and data tools deemed appropriate including Integrated curriculum and financial planning (ICFP)

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. 2021/22 Outturn Position - Licensed Deficit Schools

5.1 Two schools had a Main School Budget (MSB) licensed deficit in 2021/22, totalling £77k deficit. The final outturn position for these schools was a closing position of £559 surplus. A summary is shown below:

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22		Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)		1	2	3	3 - 1 = 4	3 - 2 = 5
1	Inkpen Primary	(£14,570)	(£24,583)	(£17,964)	(£3,394)	£6,619
2	Kintbury St Marys Primary	(£62,440)	(£48,637)	£18,523	£80,963	£67,160
TOTAL		(£77,010)	(£73,220)	£559	£77,569	£73,779

(1) Inkpen

Balance at end of financial year	Main School Budget	
	2016/17	£18,585
2017/18	£22,427	Surplus
2018/19	£28,399	Surplus
2019/20	£15,767	Surplus
2020/21	£8,819	Surplus
2021/22	(£17,964)	Deficit

The final outturn position was a £18k deficit balance, which is £3.4k worse than the original budgeted deficit of £14.6k. The variance from the original deficit was due to essential building works and maintenance.

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22 Surplus / (Deficit)	Original Main School Budget	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
Inkpen Primary	(£14,570)	(£24,583)	(£17,964)	(£3,394)	£6,619

Inkpen deficit recovery will come from the sparsity funding received in 2022/23.

(2) Kintbury

Balance at end of financial year	Main School Budget	
	2016/17	£24,958
2017/18	(£12,317)	Deficit
2018/19	£16,372	Surplus
2019/20	£47,570	Surplus
2020/21	£30,085	Surplus
2021/22	£18,523	Surplus

The final outturn position was a £18.5k surplus balance, which is a £81k improvement on the original budgeted deficit of £62.4k. Two successful Financial Difficulty bids were approved totalling £59k. There were also savings on maintenance.

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22 Surplus / (Deficit)	Original Main School Budget	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
Kintbury St Marys Primary	(£62,440)	(£48,637)	£18,523	£80,963	£67,160

5.2 A summary of the final outturns of the three schools which planned to repay their deficits in 2021/22 is shown below:

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22 Surplus / (Deficit)	Original Main School Budget	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
3 Beenham Primary	£1,170	£2,452	£20,936	£19,766	£18,484
4 Mrs Blands Infant & Nursery	£22,290	£49,977	£98,099	£75,809	£48,122
5 St Finians Primary	£4,820	(£7,054)	£0	(£4,820)	£7,054
TOTAL	£28,280	£45,375	£119,035	£90,755	£73,660

(3) **Beenham**

Balance at end of financial year	Main School Budget	
2016/17	(£34,357)	Deficit
2017/18	(£64,783)	Deficit
2018/19	(£40,676)	Deficit
2019/20	(£33,847)	Deficit
2020/21	(£370)	Deficit
2021/22	£20,936	Surplus

The final outturn position was a £20.9k surplus balance, which is a £19.8k improvement on the original budgeted surplus of £1.2k. The school had a successful Financial Difficulty bid, staff savings and additional income from Operation Warm Welcome.

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22 Surplus / (Deficit)	Original Main School Budget	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
Beenham Primary	£1,170	£2,452	£20,936	£19,766	£18,484

(4) Mrs Blands

Balance at end of financial year	Main School Budget	
2016/17	£6,444	Surplus
2017/18	£9,150	Surplus
2018/19	£17,275	Surplus
2019/20	(£32,526)	Deficit
2020/21	(£12,620)	Deficit
2021/22	£98,099	Surplus

The final outturn position was a £98.1k surplus balance, which is a £75.8k improvement on the original budgeted surplus of £22.3k. There were increases in nursery and lettings income, plus additional grant funding for Operation Warm Welcome children and SEN.

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22 Surplus / (Deficit)	Original Main School Budget	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
Mrs Blands Infant & Nursery	£22,290	£49,977	£98,099	£75,809	£48,122

(5) St Finians

Balance at end of financial year	Main School Budget	
2016/17	(£7,714)	Deficit
2017/18	(£31,909)	Deficit
2018/19	(£56,722)	Deficit
2019/20	(£40,599)	Deficit
2020/21	(£20,657)	Deficit
2021/22	£0	-

The final outturn position was a nil balance, which is £4.8k worse than the original budgeted surplus of £4.8k. This was largely due to reduced lettings income and unplanned staffing costs, slightly offset by a supported bid for Financial Difficulty.

SCHOOLS / FEDERATIONS WITH LICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
St Finians Primary	£4,820	(£7,054)	£0	(£4,820)	£7,054

5.3 The combined final outturn of all five schools is shown below:

LICENSED DEFICITS 2021/22	Original MSB Deficit	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
Schools not planning to repay deficits in 2021/22	(£77,010)	(£73,220)	£559	£77,569	£73,779
Schools planning to repay deficits in 2021/22	£28,280	£45,375	£119,035	£90,755	£73,660
TOTAL	(£48,730)	(£27,845)	£119,594	£168,324	£147,439

5.4 The overall improvement from budget to year end is £119.6k which is an excellent outturn, with only one of the five schools ending the year with a deficit balance.

6. Schools ending 2021/22 with unplanned deficits

6.1 Five schools ended the financial year 2021/22 with an unlicensed deficit.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
Basildon Primary *	£18,950	(£40,838)	(£23,004)	(£41,954)	£17,834
Hermitage Primary	£27,140	£13,206	(£7,151)	(£34,291)	(£20,357)
St Josephs Primary	£540	(£9,545)	(£7,173)	(£7,713)	£2,372
Spurcroft Primary **	(£29,670)	(£32,848)	(£79,302)	(£49,632)	(£46,454)
The Kite Federation ***	£29,660	Not submitted	(£37,097)	(£66,757)	-
TOTAL	£46,620	(£70,025)	(£153,727)	(£200,347)	(£46,605)

(1) Basildon

Balance at end of financial year	Main School Budget	
2016/17	£1,123	Surplus
2017/18	£2,952	Surplus
2018/19	£10,918	Surplus
2019/20	(£6,040)	Deficit
2020/21	(£3,831)	Deficit
2021/22	(£23,004)	Deficit

The final outturn position was a £23k deficit, which is £42k worse than the budgeted surplus of £19k. Costs increased due to opening a nursery class, staffing cover, resources to support additional pupils and reduced lettings income. These pressures were partly mitigated by reductions in management and admin time and maintenance. Surplus income from wraparound care fund was transferred into the budget to further reduce the pressure.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
Basildon Primary *	£18,950	(£40,838)	(£23,004)	(£41,954)	£17,834

* Ended Ended 2020/21 with a deficit of £3,831 which was wholly attributable to financial impact of Covid-19. School submitted a budget in 2021/22 that showed a surplus balance at end of year so not requested to apply for a license

Action by Local Authority: Deficit licence application underway.

(2) Hermitage

Balance at end of financial year	Main School Budget	
2016/17	£38,182	Surplus
2017/18	£11,226	Surplus
2018/19	£11,233	Surplus
2019/20	£26,971	Surplus
2020/21	£19,019	Surplus
2021/22	(£7,151)	Deficit

The final outturn position was a £7.2k deficit, which is £34.3k worse than the budgeted surplus of £27.1k.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
Hermitage Primary	£27,140	£13,206	(£7,151)	(£34,291)	(£20,357)

Action by Local Authority: the local authority has reviewed the reasons for the deficit and believe those to be one off. The school is planning to return a surplus of £6,190 in 2022/23 and as such, we have decided that a licenced deficit is not required. This will be reviewed during the year to make sure the school is on track.

(3) St Josephs

Balance at end of financial year	Main School Budget	
2016/17	£53,394	Surplus
2017/18	£49,633	Surplus
2018/19	£9,730	Surplus
2019/20	£7,606	Surplus
2020/21	£11,678	Surplus
2021/22	(£7,173)	Deficit

The final outturn position was a £7.2k deficit, which is £7.7k worse than the budgeted surplus of £540. This was due to a downturn in Link club attendance since Covid and staff cover.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
St Josephs Primary	£540	(£9,545)	(£7,173)	(£7,713)	£2,372

Action by Local Authority: Deficit licence application underway.

(4) Spurcroft

Balance at end of financial year	Main School Budget	
2016/17	(£7,842)	Defiict
2017/18	£52,785	Surplus
2018/19	£211,676	Surplus
2019/20	£103,681	Surplus
2020/21	(£40,624)	Deficit
2021/22	(£79,302)	Deficit

The final outturn position was a £79.3k deficit, which is £49.6k worse than the budgeted deficit of £29.7k. The position is due to loss of income in wraparound care and nursery provision since Covid, pupil support and premises expenditure. There is also reduced income from falling rolls.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
Spurcroft Primary **	(£29,670)	(£32,848)	(£79,302)	(£49,632)	(£46,454)

** Ended 2020/21 with a deficit of £40,624 which was wholly attributable to financial impact of Covid-19. School was not initially asked to submit a License Deficit Application as awaited outcome of School Balances report/Covid-19 Impact on Balances report going to SF 21st June 2021 and further delays in submission of a bid to PSIFD resulting it being decide completion and submission of an application for a license was not best use of time.

Action by Local Authority: Deficit licence application underway.

(5) The Kite

Balance at end of financial year	Main School Budget	
2020/21	£59,369	Surplus
2021/22	(£37,097)	Deficit

The final outturn position was a £37.1k deficit, which is £66.8k worse than the budgeted surplus of £29.7k. This has largely arisen due to staff cover requirements.

SCHOOLS / FEDERATIONS WITH UNLICENSED DEFICITS 2021/22	Original Main School Budget	P9 Forecast	P13 Closing Balance	Variance Original MSB to P13 Closing Balance	Variance P9 Forecast to P13 Closing Balance
Surplus / (Deficit)	1	2	3	3 - 1 = 4	3 - 2 = 5
The Kite Federation ***	£29,660	Not submitted	(£37,097)	(£66,757)	-
TOTAL	£29,660	£0	(£37,097)	(£66,757)	£0

*** Agreed the school would not submit P9 forecast

Action by Local Authority: Deficit licence application underway

7. Consultation and Engagement

7.1 Schools included in the report have been consulted.