
Deficit Schools

Report being considered by:	Schools' Forum		
Date of Meeting:	2nd December 2024		
Report Author:	Melanie Ellis		
Item for:	Information	By:	All Maintained Schools Representatives

1. Purpose of the Report

- 1.1 This report provides details of the schools in deficit during 2024/25.
- 1.2 The report also provides information on lessons learned from monitoring schools in deficit.

2. Recommendation

- 1.1 That the report be noted.

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 of the license 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 During the financial year some schools enter an unplanned financial deficit due to circumstances beyond the school's control. For example higher than budgeted inflationary pay increases, power costs etc., poor Ofsted outcomes that result in unplanned spend. Any school doing so is requested to abide by the conditions of the deficit.

4. Deficit schools update

- 4.1 Ten schools ended 2023/24 in deficit totalling £671k.
 - 4.2 The 2024/25 budget shows ten schools again, eight the same schools from 2023/24 and two new schools. The budgeted deficit totals £866k.
 - 4.3 The table below shows the budgets for these schools and status of the licence approvals for 2024/25.
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Deficit Schools

Main School Budgets	2023/24 Year end balance	2024/25 Budgeted Outturn	2025/26 Budgeted Outturn	2026/27 Budgeted Outturn	2027/28 Budgeted Outturn	2028/29 Budgeted Outturn	2029/30 Budgeted Outturn	2030/31 Budgeted Outturn	Licensed	Terms for granting licence
Aldermaston CofE Primary School	£2,263	(£78,677)	(£28,267)	£11,220	£29,035	£25,104			10.10.24	Granted with standard terms
St Finian's Catholic Primary School	(£87,161)	(£66,938)	(£28,754)	£4,042	£17,270	£18,890			10.10.24	Granted with standard terms
St John & St Nicolas Schools Federation	(£47,172)	(£34,442)	(£563)	£16,349	£19,647	£20,840			10.10.24	Granted with standard terms
Kennet Valley Primary School	£3,875	(£34,604)	(£17,910)	(£64,526)	(£200,759)	(£361,170)			10.10.24	The submitted budget does not show recovery but due to 1)the additional work the school has been involved in to open the new SEMH and Autism unit on site, and 2)the budget in SBS titled WORKING Budget 2024/25 RECOVERY 03.10.24 showing a recovery in 2027/28, it has been agreed that the deficit be licensed.
Woolhampton CofE Primary School	(£133)	(£18,249)	(£7,707)	(£11,037)	(£29,247)	(£61,129)			10.10.24	The submitted budget does not show recovery but due to 1)the exceptional challenges the school has experienced in the past year, and 2)the budget in SBS titled "Budget 2024/5 WORKING COPY 03.10.24" showing a recovery in 2026/27, it has been agreed that the deficit be licensed.
Hermitage Primary School	(£13,311)	(£50,816)	(£34,257)	(£21,017)	(£71,235)	(£178,365)			14.10.24	The submitted budget does not show recovery so work will need to continue in order to recover the deficit in an acceptable timescale. The timescales will be discussed at the next deficit recovery meeting with the school. It has been agreed that the deficit for 2024/25 be licensed.
Pangbourne Primary School	(£77,778)	(£145,349)	(£235,409)	(£268,704)	(£156,708)	(£81,917)	£5,135	£93,650	08.11.24	Granted with longer recovery period.
Brimpton CofE Primary School	(£14,162)	(£26,170)	(£61,017)	(£110,216)	(£191,657)	(£318,507)			Outstanding	Not yet granted as have not received a budget that recovers the deficit in an acceptable timescale.
Spurcroft Primary School & Nursery	(£199,639)	(£228,263)	(£313,042)	(£380,675)	(£471,299)	(£516,595)			Outstanding	Not yet granted as have not received a budget that recovers the deficit in an acceptable timescale.Meeting arranged for 8.11.24.
St Joseph's Catholic Primary School & Nursery	(£158,621)	(£182,459)	(£147,304)	(£79,298)	(£21,816)	£8,780			Resubmitted	Not yet granted. Budget resubmitted and now shows recovering in 2028/29. Awaiting governor approval.
Enborne CofE Primary School	(£32,958)	£9,875							N/A	
Theale CofE Primary School	(£39,994)	£9,856							N/A	
Total of Deficits	(£670,929)	(£865,967)	(£874,230)	(£935,473)	(£1,142,722)	(£1,517,683)				

5. Reasons for school deficits

5.1 Falling pupil numbers:

- (1) National trend of falling numbers and no indication that this will reverse.
- (2) Viability of the smallest schools.
- (3) Belief that the school can market its way out of this.
- (4) Aversion to requesting a reduction in PAN.
- (5) Aversion to merging year groups (especially amongst parent governors).

5.2 Additional unfunded high need children:

- (1) Time taken to produce an EHCP and time lag in being awarded funding.
- (2) EHCPs not covering the full cost of support needed.

5.3 Increasing costs:

- (1) Energy.
- (2) Maintenance of buildings.
- (3) Catering – affecting small schools.
- (4) Unfunded support staff pay increases.

5.4 Lower Income:

Post covid income levels and hoping that this will recover to pre-covid levels and not addressing this as a long-term issue. This mostly applies to wrap around care and clubs that are impacted by parents working from home.

6. Reasons for not being able to recover a deficit

6.1 Budgetary control:

- (1) Lack of ownership of budget by Headteacher, Senior Leadership Team (SLT) and Governors.

All budget assumptions should be challenged and owned by the above, and not just left to the School Business Manager or Finance Officer (SBM/FO).

- (2) Poor financial management.

The monitoring of school's finances not being given sufficient time and attention to be reviewed to allow decisions to be made. The information should be timely, accurate and robust, with any variances fully explained.

In-year deficits or overspends not being addressed. Decisions should be made to consider the financial impact over more than just the current financial year.

Budgeting based on last year rather than reviewing what happened last year and using it to inform future forecasting.

Lack of spend control on non-salary items, such as authorising purchases without checking budget position. Failing to prioritise purchases eg no option items such as energy, insurance, necessities and nice to haves.

- (3) Staffing decisions.

Staff members should not automatically be replaced on a like for like basis. Consideration should be given to the needs of the school and the affordability of the replacement.

Appointment of additional staff should be referred to governors as this is a change from the budgeted agreed structure. Impact on future years should be considered.

Possible overuse of timesheets and overtime claims. Lack of payroll reconciliations or not investigating or resolving differences.

Recruitment and retention concerns. Disproportionate number of teachers on UPR. Retention is good but expensive.

Uninsured staff absences.

- (4) SBM/FO
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Insufficient hours to perform the role.

Lack of experience or financial background.

Expectation to cover admin tasks.

Tend to be cautious, overestimating expenditure and underestimating income, resulting in surpluses against budget, but masking deficit warnings.

6.2 Decision making:

- (1) Not agreeing the budget in a timely manner.

This should ideally be before the financial year begins, the date is known and the school should be able to plan to meet this deadline. We are still in the process of getting budgets agreed with deficit schools in November.

The LA issues budget shares by the end of March but does provide advance forecast figures, so this should not hold up the budget setting process.

- (2) Unwillingness to share possible deficit with WBC at the earliest point in time, take decisive action or explore early options.
- (3) Not taking advice from HR on staffing options.
- (4) Slowness to act on the deficit.

6.3 Funding uncertainty:

Late notification, not reading the detail provided.

7. Good practice learned from schools that do recover their deficit

7.1 Strong budgetary control:

- (1) Full ownership of budget by Headteacher, Senior Leadership Team (SLT) and Governors.
- (2) Good financial management.

The monitoring of school's finances is given sufficient time and attention to be reviewed to allow decisions to be made. The information is timely, accurate and robust, with any variances fully explained.

Papers circulated in advance of governor meetings and governors should consider submitting questions in advance to allow for a full response to be available at the meeting so discussion can take place.

In-year deficits or overspends addressed as soon as they arise with actions to bring the school back in line with budget.

Reviewing what happened last year and using it to inform future forecasting.

Strong spend control on non-salary items.

(3) Staffing decisions.

Full consideration given to the appointment of additional staff. Impact on future years considered.

Staff members not automatically replaced on a like for like basis. Consideration given to the needs of the school and the affordability in all decisions.

Thinking creatively and speaking to HR. Considering fixed term contracts.

(4) SBM/FO

Strong SBM with accountancy background or qualifications, with enough time to fulfil the accounting requirements.

7.2 Decision making:

(1) Agreeing the budget in a timely manner, ideally before the financial year begins.

(2) Sharing possible deficit with WBC at the earliest point in time, taking decisive action and exploring early options.

Taking advice from HR on staffing options.

Deciding whether to share the financial position with staff to help get ideas to improve efficiency or generate savings. Sharing can result in retirement plans being shared or requests to reduce hours.

(3) Those schools that get ahead can avoid or minimise and recover deficits sooner.
