

Cabinet

10 July 2019

**Maintained Schools Budget Plans and
Permission to Set Deficit Budgets
2019/20**



Ordinary Decision

Report of Corporate Management Team

**Margaret Whellans, Corporate Director of Children and Young
People's Services**

**Councillor Olwyn Gunn, Portfolio Holder for Children and Young
People's Services**

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide an overview of maintained schools' initial budget plans for 2019/20, as agreed by the relevant Governing Bodies.
- 2 The report highlights where the Corporate Director, Resources will exercise his judgement in terms of approving the setting of deficit budgets, in accordance with the Council's constitution and the Scheme of Financing for Schools.

Executive summary

- 3 Schools carry forward under and overspends against their budgets. This is a concern for the council, because deficit balances could become a cost to the council if a school closes or becomes a sponsored academy.
- 4 Experience is that schools' original budget plans, and updated plans prepared during the autumn term, tend to underestimate final balances,

which are usually significantly higher than those included in budget plans.

- 5 At the end of 2018/19 the net balances carried forward by maintained schools showed a net increase of £1.324 million in year (from £16.420 million to £17.744 million). The Quarter 3 forecast of outturn, excluding schools that have now converted, indicated that school balances would reduce by £5.075 million (from £16.420 million to £11.345 million). The outturn position was therefore £6.399 million higher than previously forecast, with most schools ending the year with a higher balance than the Q3 forecast.
- 6 The initial budget plans agreed by schools again sees a significant forecast use of schools reserves to balance individual budgets. Schools are currently planning to utilise £10.231 million of their retained balances at 31 March 2019 in 2019/20, reducing the forecast schools balances at 31 March 2020 to £7.484 million from £17.715 million, (this is different to the balance at the end of 2018/19 because it excludes a school that has now converted to an academy). Experience suggests that schools will use much less of their balances in-year and that the final balance figure will be much higher than this.
- 7 Fifteen schools have set initial budget plans that would result in a deficit balance being carried forward at the end of the current financial year. Of these, 12 had a deficit at 31 March 2019, with three of these being schools with long standing financial issues.
- 8 Seven of the schools that have set an initial budget plan with a deficit carried forward at the end of this financial year were schools that set an initial deficit budget plan in 2018/19, but who were required to amend their budget plans last year.
- 9 The Corporate Director for Resources has considered the initial budget plans submitted by all schools where the school submitted a deficit budget plan.
- 10 Five schools who submitted deficit budget plans were not given permission to set a deficit budget and instead were instructed to revise their budget plans such that they will be able to balance their budgets by the end of the summer term for the reasons set out in the report. Three other schools are expected to be able to balance their budgets by the end of the financial year.
- 11 For the remaining seven schools who submitted deficit budget plans:
 - the Corporate Director for Resources has agreed under delegated powers for three of these school to set a deficit budget (these are

known as licensed deficits) in 2019/20 for the reasons set out in the report;

- one school has been required to submit a revised plan to reduce its accumulated deficit balance;
- three schools were requested to submit further information to allow a final decision to be made about whether to approve licensed deficits.

Recommendation(s)

12 Cabinet is recommended to:

- (a) note the contents of this report;
- (b) note the position in respect of the five schools who submitted deficit budget plans and the action taken where these schools were not be given permission to set a deficit budget and instead were instructed to revise their budget plans such that they will be able to balance their budgets by the end of the summer term for the reasons set out in the report;
- (c) note the position in respect of the three schools who submitted deficit budget plans but who are expected to be able to balance their budgets by the end of the financial year;
- (d) note the action taken under delegated powers by the Corporate Director for Resources to give permission to four schools to set a deficit budget (these are known as licensed deficits) in 2019/20 for the reasons set out in the report;
- (e) note that one school has been required to submit a revised plan to reduce its accumulated deficit balance;
- (f) note that three schools have been asked to submit further information before a final decision is made about whether to approve licensed deficits.

Background

- 13 This report set outs a summary of school budget plans for 2019/20 and reports on schools that have requested to set a licensed deficit, (i.e. those whose plan will result in the school having a deficit schools balance carried forward at 31 March 2020).
- 14 Previous reports have outlined the significant financial difficulties being experienced by a number of schools across the county as a result of real terms reductions in schools funding, reductions in admission numbers and to a lesser extent school formula funding changes, which has necessitated approval for the setting of licensed deficits within some schools in previous years. Licensed deficits have mainly been allowed for secondary schools.
- 15 This is a particular concern because schools that have a poor OFSTED judgement are required to become sponsored academies and if / when they do, any deficit balance that they are carrying becomes a cost to the local authority and is not transferred to the sponsoring academy.

School Budget Setting Processes and Challenges

- 16 School budget setting processes are governed by Education and Skills Funding Agency (ESFA) regulations and funding timetables.
- 17 For mainstream primary and secondary schools, the formula funding allocations for each school are not finalised until January. This follows receipt of our Dedicated Schools Grant allocation in December along with data from the EFA for each school. The data, which is based on the October census, must be used in determining formula funding and includes pupil numbers and the proportions of pupils qualifying for different formula factors, e.g. deprivation.
- 18 At the same time supporting information is prepared in respect of payroll costs and the cost of Service Level Agreements. Detailed budget information is issued to all maintained schools at the end of February. The School Funding Team visit each school for a budget-setting visit in March and April. Schools vary in the extent to which they need assistance and advice on budget-setting, from those that do most of the work themselves, for which the visit is largely a review of the plan and set-up of the school's financial system for the change of financial year, and those who do little work in advance of the meeting, with most schools falling somewhere in between.
- 19 Budgets are set for the financial year, which covers two academic years. Staff restructuring, which is often necessary to balance budgets, often takes effect from September each year, because schools operate on an academic year rather than a financial year. Mainstream primary

and secondary schools also need to allow for any significant change in pupil numbers between academic years, for which there is no in-year adjustment to the formula. This poses problems in finalising the budgets in April / May for the coming financial year.

- 20 Funding for early years provision is allocated to nursery schools and nursery units in primary schools. Most funding is in the form of an hourly rate, which is updated termly to take account of termly headcounts. In addition, nursery schools receive a formula funding allocation, which is fixed for the year and which is notified at the end of February.
- 21 Funding for pupils with Special Educational Needs and Disabilities in mainstream schools varies during the year according to pupil movements and changes in assessments. Initial funding is notified at the end of February.
- 22 For special schools and alternative provision (for excluded pupils), funding is agreed based on anticipated numbers and a formula which allocates funding according to the numbers of places required in each category of need. Initial funding is notified in February, but in practice, agreeing on numbers of places can be a protracted process and this funding will change during the year.
- 23 Post-16 funding is determined the EFA and allocations for the coming academic year are not usually available at the time when budget plans are being set.
- 24 Schools also budget for income from the Pupil Premium and other income, including income from school meals.
- 25 Schools can set a budget with an *in-year deficit*, providing that they have sufficient surplus balance (reserves) carried forward to do so without this resulting in the school having a deficit balance at the end of the financial year. Where a school cannot do this and therefore wishes to set a licensed deficit, it must have permission from the s.151 officer to do so. Historically, most schools in this position have only had a small deficit in their budget plan and have been able to resolve this by in-year adjustments to their plan.
- 26 The respective duties and responsibilities of schools and local authorities are determined by local schemes of delegation, prepared in line with statutory guidance. These schemes confirm the arrangements for delegation to governing bodies, but also give authorities powers to monitor school budgets and determine whether a school is allowed to set a licensed deficit. The scheme also sets out the procedure for dealing with schools causing concern, including the power to require schools to provide budget plans and, in extreme cases, to suspend

delegation. Schemes also prohibit authorities from writing-off the deficits of schools with deficit balances, in order that authorities cannot favour one school over another by allowing one to overspend and write-off the deficit.

- 27 For some schools, the initial budget plans for the financial year can be balanced by use of their retained reserves whilst restructuring plans are developed and implemented for the autumn term. At budget setting these plans are often not fully developed and therefore cannot be reflected in the budget. By the time of the Autumn Term budget review the spending plans are revised and the use of retained balances adjusted.
- 28 Budget plans are set before final balances for the closing financial year are finalised and in some cases the balance is less than anticipated and means that the initial budget plan no longer balances. Again, in most cases schools can adjust their plans to balance their budgets.
- 29 Schools' budget plans change over the course of the financial year, to reflect changes such as:
 - Staff movement, which can have a significant effect on a school
 - Changes in early years pupil numbers
 - Changes in numbers and needs of SEND pupils
 - Final allocations of post-16 funding
- 30 Budgets are reviewed with the School Funding Team in the autumn term, using estimated funding for the following year, and this allows schools to start planning, particularly where they will need to reduce staffing to balance their budget.
- 31 Where schools need to reduce staffing, this process begins with a strategy meeting involving governors and the head teacher, supported by the School Governor Support Service and HR, with advice from the School Funding Team. If it is agreed that the school needs to reduce staffing then it forms a first committee to begin the formal process of staff reduction, which includes the issue of s.188 notices and usually culminates in either voluntary or compulsory redundancy.

Overview – School Budget Planning and Final Outturn 2018/19

- 32 The initial budget plans for 2018/19 forecast that schools retained balances at 31 March 2019 would be an overall net surplus balance of £8.594 million. This was revised at Quarter 2 to £8.886 million and again at Quarter 3 to £11.345 million.

- 33 The 2018/19 outturn in relation to schools-related balances showed that retained net surplus balances at 31 March 2019 were £17.697 million – significantly higher than schools were forecasting. The changes in retained schools’ balances in 2018/19 can be summarised as follows:

School balances (£ million)	31 March 2018	Movement in Year	31 March 2019
Schools balances	18.063	(0.366)	17.697
Loans to schools	(0.032)	0.025	(0.007)
Total	18.031	(0.341)	17.690

- 34 Loans to schools are the remaining loans outstanding from the old loan scheme, which was financed from the surplus balances of maintained schools. This scheme is no longer available, although schools can borrow under a new scheme, financed by council reserves.
- 35 These retained balances are the sums held in the Councils accounts at 31 March 2019. This includes sums still held in relation to schools that had converted to academy status in quarter 4 of 2018/19. When these sums are excluded, the change in balances for maintained schools that had not converted to academies by the end of 2018/19 showed an in year increase in balances of £1.324 million:

Maintained School balances (£ million)	31 March 2018	Movement in Year	31 March 2019
Nursery	0.700	0.174	0.874
Alternative Provision	0.000	0.000	0.000
Primary	15.766	2.464	18.230
Secondary	(2.407)	(1.237)	(3.645)
Special	2.361	(0.076)	2.285
Total for maintained schools	16.374	1.324	17.744

- 36 The Quarter 3 forecast of outturn, excluding schools that have now converted, indicated that school balances would reduce to £11.345 million by 31 March 2019. The outturn position showed that balances retained were £6.399 million higher than previously forecast, with most schools ending the year with a higher balance than the Quarter 3 forecast indicated. The variation between the Quarter 3 and outturn position is circa 2% of gross expenditure in the year to 31 March 2019.

- 37 The Quarter 3 forecasts were based on budget plans / forecasts prepared by each of the schools. The variation between the outturn position and the Quarter 3 forecast position is in line with experience in previous years. This is something that will be addressed in the 2019/20 monitoring arrangements, with greater challenge being put to schools' forecasts and the Councils officers providing their own forecasts also going forward.
- 38 At 31 March 2019 there were 21 schools with a deficit balance carried forward, with a total accumulated deficit of £6.723 million. For comparison purposes, the position at 31 March 2018 showed 20 schools in deficit, with an aggregate deficit of £5.633 million. The aggregated deficits carried forward at 31 March 2019 therefore increased by £1.090 million (35%) in year.
- 39 Of the 18 schools that carried forward a deficit balance at 31 March 2018, 13 still had a deficit carried forward at the year-end, with 7 of these having an increased deficit carried forward and 6 a reduced deficit carried forward. There were 8 schools with a deficit carried forward at 31 March 2019 that were not in a deficit position at the beginning of the year.

Budget plans for 2019-20

- 40 The initial budget plans for 2019/20 are summarised below. Since the start of the financial year one primary school has converted to an academy, reducing the balance brought forward at 31 March 2019 from £17.744 million to £17.715 million.

Schools' original budget plan summary (£ million)							
	Balance Brought Forward at 31 March 2019	Annual funding	Pupil Premium	Other Income	Total Resources Available	Total Budgeted Gross Expenditure	Planned Balance to be Carried Forward at 31 March 2020
Nursery	0.874	1.067	0.032	3.682	5.655	(5.036)	0.618
Alternative Provision	-	4.459	0.172	1.157	5.788	(5.788)	-
Primary	18.200	147.955	14.256	31.731	212.143	(200.508)	11.635
Secondary	(3.645)	52.990	3.430	12.530	65.305	(71.007)	(5.701)
Special	2.285	22.747	0.709	3.824	29.565	(28.633)	0.932
Total	17.715	229.218	18.599	52.924	318.457	(310.973)	7.484

- 41 The initial budget plans would reduce the schools balances by £10.231 million in year to £7.484 million at 31 March 2020. Experience suggests that schools will use much less of their balances in-year and

that the final balance figure will be much higher than the figure shown above.

- 42 Several schools prepared initial budget plans where the balance at the end of 2019-20 would be a deficit and these are set out below.

<i>Schools planning deficit balances at 31 March 2020 (£)</i>	Balance at 31 March 2019	Budgeted Funding & Income	Budgeted Expenditure	Planned balance at 31 March 2020	Planned change in balance
Crook Primary	(8,496)	2,125,621	(2,125,621)	(8,496)	0
Broom Cottages Primary	40,719	1,642,666	(1,688,612)	(5,227)	(45,946)
St. Helens Auckland Primary	(42,097)	1,122,820	(1,084,101)	(3,378)	38,719
New Brancepeth Primary	(20,486)	714,414	(725,310)	(31,382)	(10,896)
Esh CE Primary	(4,073)	578,828	(583,147)	(8,392)	(4,319)
Our Lady & St. Thomas RC Primary	(9,272)	650,506	(656,567)	(15,333)	(6,061)
St. Joseph's RC Primary, Durham	17,971	699,267	(747,963)	(30,725)	(48,696)
St. Thomas More RC Primary	(1,909)	476,409	(531,509)	(57,009)	(55,100)
Tanfield School	(512,528)	4,145,470	(4,145,383)	(512,441)	87
Wolsingham School	(1,559,159)	3,741,000	(4,030,722)	(1,848,881)	(289,722)
Wellfield School	(3,365,433)	4,960,778	(4,957,873)	(3,362,528)	2,905
St. Bede's RC Comprehensive, Peterlee	(480,761)	3,475,991	(4,348,209)	(1,352,979)	(872,218)
The Durham Federation	(112,452)	4,059,748	(4,067,410)	(120,114)	(7,662)
Croft Community School	(325,287)	2,950,867	(2,635,680)	(10,100)	315,187
Durham Trinity School & Sports College	154,928	3,803,244	(3,968,241)	(10,069)	(164,997)
Total	(6,228,337)	35,147,629	(36,296,348)	(7,377,056)	-1,148,719

- 43 Schools can only set a deficit budget plan if the s.151 officer (Corporate Director for Resources) gives permission to set a licensed deficit.

- 44 The following schools have not been granted a licensed deficit and the School Funding Team will work with these schools to revise their budget plans to make the savings necessary to balance their budget plans for 2019-20:

- Crook Primary
- Broom Cottages Primary
- St. Helens Auckland Primary
- Esh CE Primary

- Our Lady & St. Thomas RC Primary

45 New Brancepeth Primary is already planning a restructuring in the autumn term, which will allow it to balance its budget. The school will be given permission for a temporary licensed deficit on the basis that the deficit will be cleared by the end of the financial year.

Croft Community School and Durham Trinity School & Sports College

46 These are special schools and their final budget shares for the year are subject to confirmation. It is anticipated that they will be able to set balanced budgets once this process is completed.

St Joseph's RC Primary, Durham and St Thomas More RC Primary

47 These schools work together in a federation with a single governing body, which has made a request to set deficit budgets for 2019-20, pending a long-term solution for these schools, which may involve an amalgamation on a single site.

48 The schools have already been advised that licensed deficits can only be approved when there is clarity about the long-term future and a credible deficit recovery plan in place.

49 The council is supportive of the schools amalgamating but this can only progress if it is agreed with the Diocese and funding can be confirmed. This issue is complicated by uncertainty over the Diocesan plans for all RC schools to convert to academies.

50 There have been no further developments in respect of the long-term future of these schools and the schools have been told that they will not be granted licensed deficits unless a long-term plan is agreed by the end of the summer term. The implication of this will be that if there is no agreement, the schools will have to begin a staff restructuring exercise later than would normally be the case to reduce costs and allow them to set balanced budgets.

Schools causing concern

51 A number of secondary schools have either had a deficit, or have otherwise been of concern for a number of years:

Tanfield School

52 Tanfield has recently been judged Inadequate by Ofsted. Following this judgement an Academy Order has been issued by the Regional Schools Commissioner who is now looking for a sponsor for this school.

- 53 The conversion of this school to form a Multi Academy Trust with Wellfield School sponsoring, which was the recommended outcome from the review of schools provision in Wellfield considered by Cabinet in October 2018, has subsequently been rejected by the Governing body of Wellfield school.
- 54 Whilst an alternative sponsor for Tanfield is sought by the Regional Schools Commissioner, a licensed deficit of no more than £512,441 at the end of this financial year has been sanctioned by the Corporate Director, Resources.

Wolsingham School

- 55 In March 2019 Cabinet considered a report on the outcome of the review of schools provision in Wolsingham, where it was concluded that there was only two viable options: a federation of schools in the area or Wolsingham joining an existing Multi-Academy Trust. The school were given a deadline of 31 July 2019 to confirm which of these options they were wishing to take forward.
- 56 Subsequent to this report the governing body of Wolsingham school has taken the decision to apply to join the Multi-Academy Trust led by Parkside Academy, subject to the outcome of a due diligence process and agreement between the trust and the governing body.
- 57 In the interim, the Corporate Director for Resources has agreed to a licensed deficit of no more than £1,848,881 at the end of this financial year.

Wellfield School

- 58 Despite the review of schools provision concluding that Wellfield would form a Multi-Academy Trust with Tanfield School, this has not materialised. The school has considered several other options, but there is currently no plan for this school to join a Multi-Academy Trust, which continues to be considered a long-term solution to solve the financial position of this school, which has an accumulated deficit of over £3 million.
- 59 The school has set an in-year balanced budget for the second year running, though the initial budget plans would see only a minimal pay back of the accumulated deficit in year. This is not an acceptable position and the school has been instructed to revise its budget plans to include a greater in-year saving to start to reduce its accumulated deficit whilst it remains a maintained school.

St Bede's RC Comprehensive, Peterlee

- 60 In agreeing a licensed deficit for 2018/19 members will recall that the expectation was that the school would convert and be sponsored by the Northern Saints Catholic Education Trust. A decision is still awaited on whether St Bede's will be sponsored by this Trust.
- 61 Should the trust decide not to sponsor St Bede's then the council will have to consider the future of this school as a maintained voluntary aided school given its financial position.
- 62 In the interim, the Corporate Director for Resources has agreed to a licensed deficit of no more than £1,352,979 at 31 March 2020.

The Durham Federation

- 63 This school has applied to set a deficit budget for 2019-20, but the information submitted falls short of the requirements to have faith in the long term plans to address the financial difficulties it places. The school has been advised of the further work that is required on its deficit recovery plan before this can be agreed. Of particular concern are the very low numbers applying for places and the future of the Federation.
- 64 The numbers to be admitted in September 2019 are expected to be around 60, which is not a sustainable level of admissions for a secondary school. At the same time, the Federation is now providing mainstream education from a single site in Ushaw Moor, but is still made up of two separate schools, which attract additional funding compared to a comparable single school. The council will be exposed to challenge from other schools about the level of funding provided, which is not only more than they receive, but which is funded from the overall funding envelope for mainstream primary and secondary schools.
- 65 A further challenge is that the Federation is still responsible for the second site in Sacriston. In the long-term the second site is expected to be required, because of planned increases in housing in the area, but in the meantime the Federation is having to divert time and resources to managing the second site.
- 66 Following receipt of the updated deficit recovery plan, the Corporate Director for Resources will consider this request in conjunction with the Head of Education and Skills and the context of the council's view of the future of the Federation.

Main implications

Financial implications

- 67 The council has a responsibility for the oversight of maintained schools, including their financial planning.
- 68 If a school is allowed to set a deficit budget without good reason, then it is likely that its financial position will deteriorate over time until it reaches a point where it is unable to clear the accumulated deficit and the only option for the school is to become part of a multi-academy trust as a sponsored academy.
- 69 As noted above, where a school converts as sponsored academy the deficit must be written-off by the council from its own resources.

Conclusion

- 70 This report notes that schools have delegated budgets and carry forward surpluses and deficits.
- 71 At the end of 2018/19 the net balances carried forward by maintained schools showed a net increase of £1.324 million in year. The Quarter 3 forecast of outturn, excluding schools that have now converted, indicated that school balances would reduce to £11.345 million by 31 March 2019. The outturn position was therefore £6.352 million higher than previously forecast, with most schools ending the year with a higher balance than the Q3 forecast.
- 72 The initial budget plans agreed by schools again sees a significant forecast use of schools reserves to balance individual budgets. Schools are currently planning to utilise £10.231 million of their retained balances at 31 March 2019 in 2019/20, reducing the forecast schools balances at 31 March 2020 to £7.484 million. Experience suggests that schools will use much less of their balances in-year and that the final balance figure will be much higher than this.
- 73 Fifteen schools have set initial budget plans that would result in a deficit balance being carried forward at the end of the current financial year. Of these, 12 had a deficit at 31 March 2019, with three of these being schools with long standing financial issues.
- 74 Seven of the schools that have set an initial budget plan with a deficit carried forward at the end of this financial year were schools that set an initial deficit budget plan in 2018/19, but who were required to amend their budget plans last year.

- 75 The Corporate Director for Resources has considered the initial budget plans submitted by all schools where the school submitted a deficit budget plan.
- 76 Five schools who submitted deficit budget plans were not given permission to set a deficit budget and instead were instructed to revise their budget plans such that they will be able to balance their budgets by the end of the summer term for the reasons set out in the report. Three other schools are expected to be able to balance their budgets by the end of the financial year.
- 77 For the remaining seven schools who submitted deficit budget plans:
- the Corporate Director for Resources has agreed under delegated powers for three of these school to set a deficit budget (these are known as licensed deficits) in 2019/20 for the reasons set out in the report;
 - one school has been required to submit a revised plan to reduce its accumulated deficit balance;
 - three schools were requested to submit further information to allow a final decision to be made about whether to approve licensed deficits.

Background papers

- None

Other useful documents

- None

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Appendix 1: Implications

Legal Implications

Section 15 of the Education and Inspections Act requires a Local Authority to publish statutory proposals where it is considering discontinuing a maintained school. Section 16 of the Act requires the Local Authority to consult such people as they feel to be appropriate and to have regard to guidance published by the Secretary of State before publishing such proposals.

The Corporate Director Resources is responsible by virtue of Section 151 of the Local Government Act 1972 for the administration of the authority's financial affairs. The Corporate Director Resources also has a duty to report certain matters to the authority by virtue of Section 114 of the Local Government Finance Act 1988.

Schools have delegated budgets, but if a school closes or converts as a sponsored academy then any deficit balance remains with the council, which must meet the cost of writing-off the deficit from its general funds. Surplus balances of closing schools are credited to the council, but it does not retain any surplus balance for a school becoming a sponsored academy: the academy receives the balance upon conversion.

The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation the council is required to publish a Scheme of Financing for Schools. The scheme sets out the financial relationship between the authority and the maintained schools which it funds, including the respective roles and responsibilities of the authority and the schools. The scheme does not limit unreasonably the flexibility of schools to control and deploy their budgets, recognising the need for public monies are involved to be properly accounted for and recorded. The scheme includes provisions which are binding on both parties. Under the scheme, any deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year will be charged against the school and will be deducted from the following year's budget share to establish the funding available to the school for the coming year.

Schools cannot set a deficit budget without the prior agreement in writing of the authority. For clarity, a deficit budget is one where the gross expenditure in the budget plan exceeds the total of funding, income and the balance (surplus or deficit) brought forward from the previous year. This consent is

given by the Section 151 officer - Corporate Director, Resources; where approval is given this is known as a licensed deficit.

The scheme of delegation allows for deficit budgets, but only for three years, and no more than 20% of the school's budget share, up to a maximum of £750,000.

Finance

Schools are funded through Dedicated Schools Grant and operate to delegated budgets, which are the responsibility of individual school governing bodies. Where a school wishes to set a deficit budget (where its spending exceeds its resources in year) it can only do so in accordance with EFA guidance and the Scheme of Financing for Schools and with the permission of the council's S151 Officer; where approval is given this is known as a licensed deficit.

School budgets have come under increased pressure in recent years, because of the cumulative effect of cash-flat DSG funding. In addition, changes (restrictions) placed on the council through formula funding regulations, has made funding for mainstream schools more sensitive to changes in pupil numbers, and has reduced the scope of local authorities to use its funding formulas to target funding to schools that are struggling financially.

From April 2013 schools now have the powers to accept pupil numbers above their Pupil Admission Number, which is what the council (through the Schools Admissions Team) previously used to cap the admission numbers to an individual school and help manage demand across schools. In addition, from April 2015 schools that had a poor Ofsted judgement were required to become sponsored academies.

There are a number of schools in financial difficulty across the council, with insufficient capacity to accommodate the pupil numbers displaced should these schools need to close. Notwithstanding this, should a school close, the additional cost of providing home to school transport to pupils' nearest schools can be significant. There would also need to be significant capital investment to expand other secondary schools to accommodate additional pupils should a secondary school close for financial reasons.

Where a school is in financial difficulties, EDPs can advise schools about where there is scope to make savings and Finance can advise on the value of these savings.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

Staffing within schools is continually reviewed as schools consider arrangements for balancing their budgets on an annual basis. The fact that the DSG has been cash flat for a number of years, together with formula funding changes and changes to way admissions works, has meant that this is becoming more prevalent and difficult to manage. Any staff restructuring exercises are considered in line with the council's existing schemes and the School Brokerage Scheme to minimise redundancies wherever possible.

Accommodation

None.

Risk

If schools become financially unsustainable there is a risk to their ability to deliver a good standard of education. This would normally lead to a school failing an Ofsted inspection and being required to become a sponsored academy and the Council would have to meet the cost of writing-off the deficit.

In such a situation, the Council is at risk of damage to its reputation by being perceived to have failed to monitor the performance and financial position of maintained schools.

Procurement

None.