

Cabinet

16 September 2020

**Maintained Schools Budget Plans and
Permission to Set Deficit Budgets
2020/21**



Ordinary Decision

Report of Corporate Management Team

John Pearce, Corporate Director of Children and Young People's Services

John Hewitt, Corporate Director of Resources

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

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 2020/21, as agreed by the relevant Governing Bodies.
- 2 The report highlights where the Corporate Director, Resources has exercised 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 as part of their retained balances. 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 Previous experience is that schools' initial budget plans, and the updated budget plans prepared during the autumn term, tend to

underestimate final balances, which are usually significantly higher than those included in the budget plans and forecasts.

- 5 At the end of 2019/20 the net balances carried forward by maintained schools were £16.066 million. The Quarter 3 forecast of outturn indicated that school balances would have retained net balances of £15.548 million. Since the end of 2019/20, retained balances have changed as a result of schools converting to academies, including one school with a substantial deficit. The current net retained balances for maintained schools come to £16.478 million.
- 6 The initial budget plans submitted by schools for 2020/21 again sees a significant forecast use of schools' reserves to balance individual budgets. Plans agreed by individual governing bodies show that schools are currently planning to utilise £8.002 million of their retained balances as at 31 March 2020 in 2020/21, reducing the forecast schools' balances at 31 March 2021 to £8.476 million. Experience suggests that schools will use much less than this and that the final balance figure will be much higher.
- 7 Budget planning has been and will continue to be impacted by the Covid-19 lockdown. Whilst many costs will not be affected, schools will lose third-party income (from lettings and out-of-school childcare), and planned savings through restructures have been delayed in some cases, which will reduce in-year savings in 2020/21. Schools will not be able to claim additional grant to offset these losses.
- 8 Eight schools submitted initial budget plans that would result in a deficit balance being carried forward at the end of the current financial year. Of these, seven had a deficit at 31 March 2020, with four of these being schools with long standing financial issues.
- 9 Five of the schools that have submitted an initial budget plan with a deficit carried forward at the end of this financial year were schools that had a licensed deficit in 2019/20.
- 10 The Corporate Director for Resources has considered the initial budget plans submitted by all schools where the school requested a deficit budget plan.
- 11 The Corporate Director of Resources, who is the Council's S.151 officer and must approve licensed deficits has approved licensed deficits for six schools and has provisionally approved a further two school requests pending the outcome of further reviews.

Recommendation(s)

12 Cabinet is recommended to:

- (a) note the contents of this report;
- (b) note the action taken under delegated powers by the Corporate Director for Resources to approve licensed deficits for six schools and to provisionally approve licensed deficits for two other schools pending the outcome of further reviews for the reasons set out in the report.

Background

- 13 This report set outs a summary of school budget plans for 2020/21 and details schools that have requested to set a licensed deficit, (i.e. those whose plan will result in the school having a deficit balance at 31 March 2021).
- 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. To date licensed deficits have mainly been allowed for secondary schools.
- 15 Setting a licenced deficit is a particular concern and risk, because schools that have a poor OFSTED judgement are required to become sponsored academies and if / when they do academise, 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 February. 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 then visits 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 The timetable this year has been impacted by Covid-19, which has meant that many schools have had to set budgets using online meetings and electronic exchange of information instead of through

face-to-face meetings with members of the Council's School Funding Team.

- 20 Budgets are set for the financial year, which covers elements of two academic years. Staff restructuring, which is often necessary to balance budgets, usually takes effect from September each year, because schools operate on an academic year rather than a financial year.
- 21 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.
- 22 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 in March and is updated on a monthly basis throughout the year.
- 23 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.
- 24 Post-16 funding is determined by the EFA and allocations for the coming academic year are not usually available at the time when budget plans are being set.
- 25 Schools also budget for income from the Pupil Premium and other income, including income from school meals.
- 26 Schools can set a budget with an in-year deficit, providing that they have enough surplus retained balances (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.
- 27 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.

28 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.

29 Budgets are reviewed with the School Funding Team in the autumn term, which includes a review of the current year and a projection for the following year. This allows schools to start planning, particularly where they will need to reduce staffing to balance their budget.

30 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 Human Resources, with advice from the School Funding Team. If it is agreed that the school needs to change or 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 2019/20

31 The initial budget plans for 2019/20 prepared by the schools forecast that their retained balances at 31 March 2020 would be an overall net surplus balance of £7.343 million. This was revised at Quarter 3 to £10.142 million. The Council's own forecast was that the actual retained balances would be £15.548 million.

32 The 2019/20 outturn in relation to schools-related balances showed that retained net surplus balances at 31 March 2020 were £16.066 million, significantly higher than schools were forecasting, but closer to the Council's own forecast. The variation from the Council's forecast was 0.17% of gross expenditure.

33 The table below summarises the changes in schools-related balances, including changes in respect of schools that have now converted to academies and the old school loans scheme:

Balance	31 March 2019 (£ million)	Movement in Year (£ million)	31 March 2020 (£ million)
Maintained schools' balances	17.116	(1.523)	15.592
Balances transferred to academies on conversion in 2019/20	0.237	(0.237)	0.000
Balance held at 31 March 2020 in respect of a school that converted in March 2020	0.345	0.130	0.475
Loans to schools	(0.007)	0.007	0.000
Total	17.690	(1.624)	16.066

34 Loans to schools represent the remaining loans outstanding from the old loan scheme, which was financed from the surplus balances of maintained schools. All loans have been repaid and this scheme is no longer available, although schools can borrow under a new scheme, financed by Council reserves.

35 Note that the retained balances for schools that were maintained schools at 31 March 2020 were £15.592 million and the table below analyses the change in their balances by phase of school:

Phase	31 March 2019 (£ million)	Movement in Year (£ million)	31 March 2020 (£ million)
Nursery	0.874	0.063	0.937
Alternative Provision	-	-	-
Primary	18.078)	0.078	18.157
Secondary	(4.122)	(2.151)	(6.273)
Special	2.285)	0.486	2.772
Total for maintained schools	17.116	(1.523)	15.592

36 At 31 March 2020 there were 21 schools with a deficit balance carried forward, with a total accumulated deficit balance of £8.402 million. For comparison purposes, at 31 March 2019 there were also 21 schools in deficit, with an aggregate deficit balance of £6.723 million. The aggregated deficits carried forward at 31 March 2020 showed a £1.679 million (25%) increase in 2019/20.

37 Of the 21 schools that carried forward a deficit balance at 31 March 2019, 16 still had a deficit carried forward at 31 March 2020, with 9 of these having an increased deficit carried forward and 7 a reduced deficit carried forward. There were 5 schools with a deficit carried forward at

31 March 2020 that were not in a deficit position at the beginning of the year. The table below summarises the instruction of the S.151 officer and the school's compliance with the permission given last year:

Schools in Deficit at 31 March 2019	Licenced Deficit agreed by S.151 Officer	Outcome / Compliance with s151 Determination
5	No	No Deficit as at 31/3/20
10	No	Still in Deficit as at 31/3/20
3	Yes	Deficit at a lower level than Licenced Deficit Level
3	Yes	Exceeded Licenced Deficit Level
21		

- 38 A further 7 schools had deficit balances at 31 March 2020, of which five intend to clear their deficit balances by 31 March 2021.

Budget plans for 2020-21

- 39 Since the start of the financial year four primary schools and one secondary school have converted to academies. The secondary school had a substantial deficit balance, and the removal of this sum has increased the net balances held from £15.592 million to £16.478 million.
- 40 The table below summarises the budget plans for the remaining maintained schools:

Phase	Balance Brought Forward at 31 March 2020 (£ million)	Annual funding (£ million)	Pupil Premium (£ million)	Other Income (£ million)	Total Resources Available (£ million)	Total Budgeted Gross Expenditure (£ million)	Planned Balance to be Carried Forward at 31 March 2021 (£ million)
Nursery	0.937	1.064	0.035	3.827	5.863	(5.265)	0.598
Alternative Provision	-	5.776	0.150	0.523	6.449	(6.449)	-
Primary	18.085	148.480	14.433	34.705	215.703	(203.066)	12.637
Secondary	(5.316)	38.526	2.463	13.184	48.857	(54.092)	(5.235)
Special	2.772	22.848	0.772	4.138	30.530	(30.053)	0.477
Total	16.478	216.694	17.853	56.378	307.402	(298.926)	8.476

- 41 The initial budget plans agreed by the various governing bodies would suggest an in-year use of retained balances of £8.002, reducing retained balances to £8.476 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.

Licensed deficits

42 Several schools prepared initial budgets for 2019-20 that would have resulted in a licensed deficit. The table below lists these schools and their final balances at 31 March 2020.

School	Planned balance at 31 March 2020 £	Actual balance at 31 March 2020 £	Comments
Crook Primary	(8,000)	15,000	No licensed deficit budget agreed, achieved a surplus balance at 31 March 2020
Broom Cottages Primary	(5,000)	75,000	No licensed deficit budget agreed, achieved a surplus balance at 31 March 2020
St. Helens Auckland Primary	(3,000)	(12,000)	No license deficit budget agreed, deficit balance at 31 March 2020, school has set a budget to recover the deficit in 2020-21
New Brancepeth Primary	(31,000)	(2,000)	School made savings to balance budget but has overspent.
Esh CE Primary	(8,000)	22,000	No licensed budget deficit agreed, achieved a surplus balance at 31 March 2020
Our Lady & St. Thomas RC Primary	(15,000)	(19,000)	No licensed deficit budget agreed, deficit budget at 31 March 2020, school has set a budget to recover the deficit in 2020-21
St. Joseph's RC Primary, Durham	(31,000)	72,000	No licensed deficit budget agreed, achieved a surplus balance at 31 March 2020
St. Thomas More RC Primary	(57,000)	(25,000)	Licensed deficit budget agreed, final balance was within the licensed deficit
Wolsingham School	(1,849,000)	(1,709,000)	Licensed deficit budget agreed, final balance was within the licensed deficit
Wellfield School	(3,363,000)	(3,406,000)	Licensed budget deficit agreed, final balance exceeds licensed deficit by £143,000
St. Bede's RC Comprehensive, Peterlee	(1,353,000)	(1,400,000)	Licensed deficit budget agreed, final balance exceeds licensed deficit by £47,000
The Durham Federation	(120,000)	(414,000)	Licensed deficit budget agreed, final balance was within the licensed deficit
Croft Community School	(10,000)	120,000	No licensed deficit budget agreed, achieved a surplus balance at 31 March 2020
Durham Trinity School & Sports College	(10,000)	270,000	No licensed deficit budget agreed, achieved a surplus balance at 31 March 2020
Total	(7,377,000)	(6,413,000)	

43 In addition to those schools listed above, a licensed deficit was agreed for Tanfield School, which has now converted to be a sponsored

academy. The licensed deficit for this school was £512,000. Following the identification of significant and urgent building problems, the school had to make emergency repairs and as a result, at the end of the year had a deficit balance of £957,000. The final deficit balance will be written-off against the Schools Reserve.

- 44 The following schools have prepared initial budgets for 2020-21 that would result in a licensed deficit. The table below lists these schools their initial planned use of reserves in 2020-21.

School Name	Phase	Type	Balance at 31 March 2020 £000s	Planned in-year use of reserves £000s	Planned balance at 31 March 2021 or point of conversion to an academy £000s
Bluebell Meadow	Primary	Community	(78)	(141)	(219)
Ferryhill Station	Primary	Community	(23)	(9)	(32)
St. Thomas More RC	Primary	Aided – RC	(25)	(78)	(103)
Wolsingham	Secondary	Community	(1,709)	(112)	(1,821)
Wellfield	Secondary	Community	(3,406)	222	(3,184)
St. Bede's RC, Peterlee	Secondary	Aided - RC	(1,400)	(210)	(1,609)
The Durham Federation	Secondary	Community	(414)	(191)	(605)
Windlestone	Special	Community	326	(628)	(302)

- 45 Schools can only set a deficit budget plan if the S.151 officer (Corporate Director for Resources) gives permission to do so. The actions taken for each school are set out below:

Bluebell Meadow Primary

- 46 This school is due to convert as a sponsored academy in September 2020. The forecast deficit at the point of conversion is £219,000 and this is the licensed deficit that has been authorised. This will have to be reconsidered should conversion be delayed. Because the school is converting as a sponsored academy, the deficit at the point of conversion will be a cost to the Council and will be charged to the Schools Reserve.

Ferryhill Station Primary

- 47 This school has been unable to set a balanced budget but is now looking at options to recover the deficit in future years. Several scenarios have been developed for different options, all of which include

either a part-time or shared Head Teacher. The S.151 officer has approved a licensed deficit of £32,000 for the current year, subject to the governing body agreeing to adopt a scenario that will recover the deficit from 2021/22 onwards. The plans developed by the school will be considered in the Autumn.

St Thomas More RC Primary

- 48 This school is one causing financial concern, because of its inability to balance its budget. A licensed deficit of £103,000 has been agreed, subject to the agreement of a long-term plan for this school with the Diocesan authorities.

Wolsingham

- 49 This school is one that has been subject to previous reports to Cabinet and is a continuing cause of financial concern due to its small size as a result of the low population density in the area that it serves. For several years now this school has struggled to set a balanced budget whilst providing an appropriately broad and balanced curriculum.

The school is due to convert to an academy in September. Although the school is not converting as a sponsored academy, the Council has agreed to meet the cost of writing-off the deficit at the point of conversion, which will be a charge to the Schools Reserve. In the meantime, a licensed deficit to the value of £1.821 million has been approved, which is the forecast deficit at the point of conversion. This will have to be reconsidered should conversion be delayed. The deficit at the point of conversion will be a cost to the Council and will be charged to the Schools Reserve.

Wellfield

- 50 This school has a legacy of long-standing financial issues. The school was granted a licensed deficit in 2019-20, which included a forecast in-year surplus which would have reduced its cumulative deficit by £103,000.
- 51 The school did not comply with the condition of its licensed deficit and instead increased the cumulative deficit by £43,000. For the current year, a licensed deficit has been agreed and the school will be required to reduce its cumulative deficit position by £225,000 in year.
- 52 The school will be more closely monitored to ensure that it complies with this condition, with the option to remove its delegated budget should it fail to comply.

St Bede's RC, Peterlee

- 53 This is another school with a legacy of long-standing financial issues. It is due to convert to an academy in September and was subject to a report to Cabinet in July.
- 54 Although the school is not converting as a sponsored academy, the Council has agreed to meet the cost of writing-off the deficit at the point of conversion, which will be a charge to the Schools Reserve.
- 55 The approved licensed deficit to the point of conversion is £1.609 million. This will have to be reconsidered should conversion be delayed.

The Durham Federation

- 56 This consists of two schools, Fyndoune Community College and Durham Community Business College and is significant cause for concern.
- 57 Following a report to Cabinet on 18 March 2020, the Council is consulting on closing the Fyndoune site. In the meantime, a provisional licensed deficit of £605,000 has been agreed, subject to the outcome of a review of the school's spending plans and its staffing structure by Council officers.

Windlestone

- 58 This school was rated as inadequate in its recent Ofsted inspection and the Council has been given an opportunity to reorganise the school as an alternative to it becoming a sponsored academy. Several options are being considered.
- 59 In the meantime, the school has seen its budget reduced considerably following a review of special school places and associated budgets and is currently unable to balance its budget. There is, however, some scope to make savings to cover much of the current budget shortfall and a provisional licensed deficit of £302,000 has been agreed, subject to review once the future of the school has been determined.
- 60 A summary of all the schools with deficit balances is provided in Appendix 2. This shows all the schools that had a deficit balance at 31 March 2019 and those with a deficit balance at 31 March 2020. The appendix also shows which schools were granted a licensed deficit in 2019/20 and the schools for which a licensed deficit has been approved for 2020/21.

Main implications

Financial implications

- 61 The Council has a responsibility for the oversight of maintained schools, including their financial planning.
- 62 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.
- 63 As noted above, where a school converts as sponsored academy the deficit must be written-off by the Council from its own resources.

Schools Reserve

- 64 The Council has a Schools Reserve to fund the cost of writing-off deficits of schools that are converting. The current balance on this earmarked reserve is £7.7 million. The table below shows the potential calls on that reserve for schools that either have already converted (Tanfield) or are due to convert this year.

School	Conversion plans	Potential call on School Reserve (£)	Comments
St Bede's	Planned conversion, 1 October 2020	1,609,000	Forecast of balance at 1 October 2020
Bluebell Meadow	Planned conversion, 1 September 2020	219,000	Forecast of balance at 1 September 2020
Tanfield	Converted (sponsored), 1 May 2020	1,030,000	Balance at 31 March 2020
Wolsingham	Planned conversion, 1 September 2020	1,821,000	Initial forecast of balance at 1 September 2020
Total		4,679,000	

- 65 Taking these schools into account will leave a balance in the Schools Reserve of around £3 million for future conversions. Indication is that the value of known deficits that may need to be written off because of future conversions may exceed this by in excess of £3 million.

Conclusion

- 66 This report notes that schools have delegated budgets and carry forward surpluses and deficits.

- 67 At the end of 2019/20 the net surplus balances carried forward by maintained schools showed a net decrease of £1.624 million in-year. The Quarter 3 forecast of outturn, excluding schools that have now converted, indicated that school balances would reduce by £1.912 million in-year.
- 68 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 £8.002 million of their retained balances at 31 March 2020 in 2020/21, reducing the forecast net schools' surplus balances at 31 March 2021 to £8.476 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.
- 69 Eight 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, seven had a deficit at 31 March 2020, with four of these being schools with long standing financial issues.
- 70 Five 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 had a licensed deficit in 2019/20. The other school with a licensed deficit in 2019/20 is now an academy.
- 71 The Corporate Director of Resources has considered the initial budget plans submitted by all schools where the school submitted a deficit budget plan.
- 72 The Corporate Director of Resources must approve licensed deficits, and has agreed licensed deficits for eight schools, two being provisional approvals pending the outcome of further reviews.

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, officers from the Education Service can advise schools about where there is scope to make savings, supporting the Schools Finance Team.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

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.

Appendix 2: Summary of Schools with Deficit Balances

			Balance at 31 March 2019 £ million	Licensed deficit in 2019/20 £ million	Balance at 31 March 2020 £ million	Proposed licensed deficit for 20/21 £ million	Planned balance at 31 March 2021 £ million
2357	Bluebell Meadow	Primary	0.042	-	(0.078)	(0.219)	(0.219)
2368	Ferryhill Station	Primary	0.032	-	(0.023)	(0.032)	(0.032)
3492	St. Thomas More RC	Primary	(0.002)	(0.037)	(0.025)	(0.103)	(0.103)
4139	Wolsingham	Secondary	(1.559)	(1.853)	(1.709)	(1.821)	(1.821)
4218	Wellfield	Secondary	(3.365)	(3.263)	(3.406)	(3.181)	(3.184)
4693	St. Bede's RC, Peterlee	Secondary	(0.481)	(1.353)	(1.400)	(1.609)	(1.609)
6500	The Durham Federation	Secondary	(0.112)	(0.438)	(0.414)	(0.605)	(0.605)
7030	Windlestone	Special	0.358	-	0.326	(0.302)	(0.302)
4099	Tanfield (now an academy)	Secondary	(0.513)	(0.512)	(0.957)	-	-
2302	Hunwick	Primary	(0.059)	-	(0.025)	-	-
2308	Crook	Primary	(0.008)	-	0.015	-	0.002
2328	Witton-le-Wear	Primary	(0.012)	-	(0.009)	-	-
2394	Ox Close	Primary	(0.014)	-	0.002	-	0.010
2419	St. Helens Auckland	Primary	(0.042)	-	(0.012)	-	-
2453	New Brancepeth	Primary	(0.020)	-	(0.002)	-	0.013
3085	St. Stephen's CE	Primary	(0.011)	-	(0.006)	-	0.008
3087	Stanhope Barrington CE	Primary	(0.015)	-	(0.039)	-	-
3123	St. Anne's CE	Primary	(0.058)	-	(0.029)	-	0.018
3406	Esh CE	Primary	(0.004)	-	0.022	-	0.008
3425	Our Lady & St. Thomas RC	Primary	(0.009)	-	(0.019)	-	-
3506	St. Joseph's RC, Blackhall	Primary	(0.034)	-	0.026	-	0.001
3518	Woodham Burn	Primary	(0.025)	-	(0.003)	-	-
4162	Bishop Barrington	Secondary	(0.052)	-	(0.153)	-	0.035
7013	The Croft	Special	(0.325)	-	0.120	-	0.032
2311	Peases West	Primary	0.031	-	(0.033)	-	0.001
2388	Bowburn	Primary	0.279	-	(0.055)	-	0.397
2532	Cotsford	Primary	0.052	-	(0.109)	-	0.113
2708	Horndale Inf.	Primary	0.001	-	(0.016)	-	0.008
2737	Blackhall	Primary	0.067	-	(0.044)	-	0.024