

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>School Budgets 2016/17 And Beyond</b>		
<b>KEY DECISION</b>	<b>Yes</b>	<b>Item No.</b>	<b>6</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>30 June 2016</b>

## **1. Purpose of the Report**

This report considers the schools budget returns for the next three years and the support from the Local Authority that is being offered to schools now and how this offer will look in the future.

## **2. Recommendation**

The Forum

- i) Note the position on schools budgets.
- ii) Note the current steps in place to support and challenge schools.
- iii) Agree that the school budget return date should be brought forward from 31 May to 1 May each year.
- iv) Agree to support the notion that those schools whose budget plan shows a deficit in 2017/18 submit a deficit recovery plan to the Local Authority in the Autumn Term.
- v) Support the promotion of the Peer Review system.

## **3. Submission of Budget Plans**

- 3.1 The deadline for schools to submit budget returns to the Local Authority is 31 May.
- 3.2 In the paper under item 4 of this agenda it was seen that there were 11 schools had deficits at the year-end (31 March 2016). This compares with the three schools that had a license deficit agreement in place for the year end.
- 3.3 Not all schools have submitted budget returns for this year, of those that have, there are three schools showing a deficit. It is believed that this will at least grow to 8 but could be higher.
- 3.4 There are 20 schools that have not sent in their budget return. All these schools have been written to by the Head of Education, Standards and

Inclusion. If a return is not received by the 4 July a letter will be sent to the Chair of Governors and the Headteacher by the Executive Director of Children and Young People.

- 3.5 Looking further ahead the returns received show another 7 schools going into deficit in 2017/18.
- 3.6 Currently officers are performing reasonableness checks on the information provided by schools. Such checks include
- Does the budget plan income agree to funding notification?
  - Is the carry forward quoted in the budget plan correct?
  - How do the budgets set compare to previous year's budget and expenditure.

This is likely to mean the above numbers of schools in deficit may change.

- 3.7 A table showing the forecast end of year balances for 2016/17 will be tabled at the meeting

#### **4 Current support to schools**

- 4.1 A workshop was run on the 21 June 2016 to take those schools who are likely to be in deficit through the process of applying for a licensed deficit approval and to provide advice and guidance on managing the human resources implications of the recovery plan. The licensed deficit application form is provided in Appendix A of this report.

- 4.2 For those schools in deficit in 2016/17 a meeting with the school has been arranged. This meeting is wherever possible with the Headteacher and Chair of Governors/ Chair of Finance Committee. The Local Authority representatives will cross the professional disciplines of School Improvement, Human Resources and Finance.

The purpose of this meeting will be to both support and challenge the school in its budget planning and the reorganisation of the delivery of the curriculum under the budget recovery plan.

- 4.3 The challenges posed will look backwards to see what lessons can be learned and then forwards to set the direction of travel for the school. The area of challenge will cover

##### **4.3.1 Looking back (to see management action needed to avoid a deficit recurring)**

- How has the deficit arisen?

- How early were school leaders including governors alerted to the situation?
- Role of the governors and the financial committee in the monitoring of the budget (one of their statutory duties)
- Why was management action not taken earlier?
- What management action /controls are in place to prevent this recurring?
- Costing of the School Development Plan – how was this monitored?

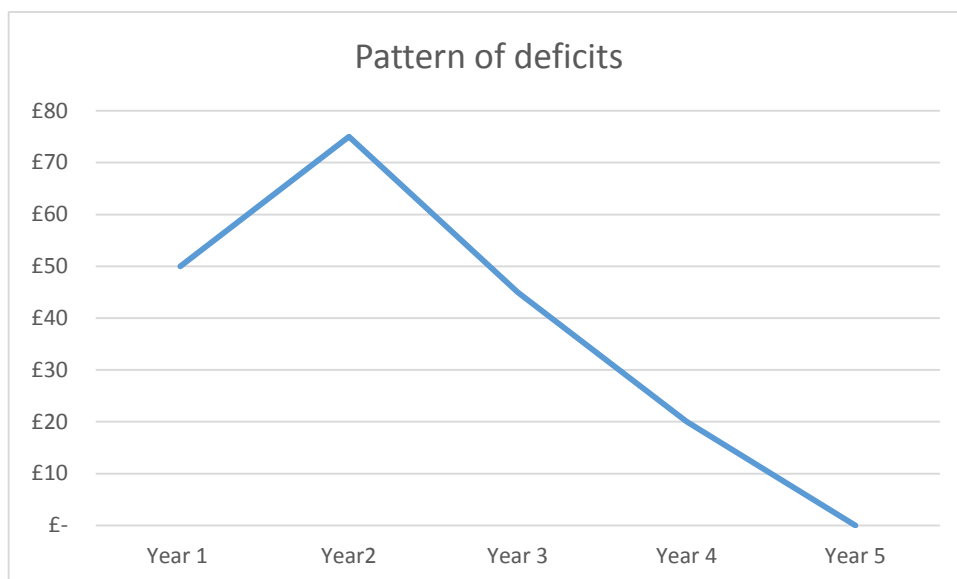
#### **4.3.2 Looking forward (planning for the future)**

- Impact on the curriculum delivery/impact on students
- Assumptions the budget plan is built on
- Action plan of savings and delivery dates
- How will the implementation of savings be monitored
- Rationale for deficit period
- Budget Sensitivity analysis together with issues and risks – alternative plans
- Benchmarking data -
  - Costs
  - Class sizes
  - Pupil data ratios
  - Contact time
  - Compare with similar schools nationally
- Curriculum delivery models

### **5 Current budget planning system**

- 5.1 The deficits and recovery plans in Lewisham have had a distinct pattern over the past few years. The deficit is identified and a budget recovery plan is put in place but in the first year of the recovery plan the deficit rises further before it falls and the school eventually comes back into balance, usually within three years.

This can be shown graphically



In the above graph the deficit has emerged in year 1

- 5.2 The fact that a deficit rises in the second year is often a product of management action that is taken too late. This is often as a consequence of the deficit not being identified earlier enough.
- 5.3 If under the recovery plan staff reductions are necessary the appropriate Human Resources procedures need to be undertaken, these include proper consultation and appeals procedures with all parties, and if necessary notice periods.
- 5.4 The date when budget returns are required to be made by schools are stipulated in Lewisham scheme of delegation as the 31 May during the financial year of the budget being set. This date is also governed by national regulations and cannot be before the 1 May.
- 5.5 The deadline of the 31 May does not allow sufficient time for the appropriate Human Resource procedures to take place to allow for reductions in teaching staff before the start of the next academic year in the following September. Consequently the school bears extra costs, often to the following September as it is not easy or desirable to reorganise the curriculum during the academic year. Early planning is essential to avoid this.
- 5.6 With this in mind it is proposed to
- Bring the budget return date forward to 1 May in the future
  - To ask those schools whose budget is showing a deficit emerging in 2017/18 to ensure that a balanced budget is agreed by governors in the autumn term.

## 6 Future Support

With less and less resource there is limited capacity at the centre to provide close scrutiny and the range support that maybe required. There are other approaches that need to be considered.

- 6.1 Efficiency benchmarking club - this has started but has had little impact to date – and will be re-invigorated.
- 6.2 Strategic Finance Consultancy service this may be helpful in providing an independent view, but there would appear to be insufficient resource to provide a service from the Local Authority that could be valued by schools and but would need to be bought in by schools. Initial discussions have taken place with possible consultants.
- 6.3 Previously the Schools Forum have agreed a Peer review system with finance professionals across the sectors, drawn from maintained schools, academies and local authority staff. This would bring in an extended range of skills that could combine together to provide a more comprehensive package for schools. This has stumbled a little due to the lack of volunteers but with the current financial position it maybe that more people are willing to support the process.

## **7 How the peer review system was proposed work**

Such a review would entail bringing together a team of finance experts and related disciplines. The structure of the team may consist of a headteacher, governor, school business manager as well as a finance professional. They would be tasked with reviewing a school by holding discussions with senior staff and governors and providing a report. The aim of the process would be to identify and share good practice in financial management. This would include:

- Governor processes to exercise challenge;
- The use of benchmarking data to drive change;
- the use of unit costs in assessing value for money;
- The approaches to delivering support services e.g. sharing or collaborative arrangements that promote Value for Money.

A secondary school review may need different personnel to that for a primary review.

The whole process would need volunteers to be involved and in the initial period, it would also require a school willing to be subject to the review. Follow this an assessment would be made of whether this programme could have a wider remit.

The Schools Forum are asked to support the promotion of the peer review system and members invited to volunteer

## **8 Conclusion**

Schools face challenging financial circumstances. Essential to managing this is early identification of the problem and suitable management action. The proposals in the paper will aid that and the support and challenge will assist schools in ensure they have proper financial management in place.

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