

| <b>Schools Forum</b> |  |                 |                        |
|----------------------|--|-----------------|------------------------|
| <b>REPORT TITLE</b>  | <b>Financial Update and Budget Monitoring Report</b> |                 |                        |
| <b>KEY DECISION</b>  | <b>Yes</b>   | <b>Item No.</b> | <b>8</b>               |
| <b>CLASS</b>         | <b>Part 1</b>  | <b>Date</b>     | <b>8 December 2016</b> |

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

This report looks at the budget monitoring position of the Dedicated Schools Grant and considers the financial position of the mutual funds held by the Forum.

## **2 Recommendation**

The Forum

- i. note the report
- ii. note the position on the school budget monitoring escalation process detailed in section 3.4
- iii. members are invited to provide feedback on the training provided

## **3 Dedicated Schools Grant**

- 3.1 The DSG for 2016/17 now stands at £284.7m. The DSG is now £48m (or 20%) larger than the Council's Net General Fund budget.

Further grants are given to schools and routed through the Local Authority. This includes the Pupil Premium (£17m), Post 16 funding (£6m), and Universal Free School Meals Grant (£3m). This adds up to total funds of £309m. This total this is £73m higher than the Council's Net General Fund.

## **4 Schools**

- 4.1 At the end of the 2015/16 financial year there were 11 schools that had deficits. Out of these three schools that had a license deficit agreement in place for the year end.

There are 9 schools who have submitted deficit budget plans this year

|  |
|--|
| Schools                                      |
| All Saints' Church of England Primary School |
| Prendergast Ladywell School                  |
| Sedgehill School                             |
| Sydenham School                              |
| Bonus Pastor Roman Catholic School           |
| Deptford Green School                        |
| Forest Hill School                           |
| Trinity                                      |
| Addey and Stanhope                           |
|  |

4.2 The following escalation process exists for schools with deficit

|        |  | No of Schools |
|--------|--|---------------|
| Step 1 | Review by the Schools Finance Team   | 9             |
| Step 2 | Joint School visit by the Schools Finance Team / School Improvement                            | 8             |
| Step 3 | If the deficit < £500k, Chair & Headteacher maybe called to meet the Executive Director of CYP | 0             |
| Step 4 | If the deficit > £500k, Chair & Headteacher called to meet the Exe. Dir. of CYP                | 2             |
| Step 5 | If necessary a warning notice given with an action plan  | 0             |
| Step 6 | If not compiled with a withdrawal of delegation or IEB set up                                  | 0             |

Deficits of more than £0.5m have to be agreed by the Mayor in a public meeting.

4.3 Looking further ahead the returns show another 8 schools going into deficit in 2017/18. There are 45 schools who are operating an in-deficit in 2016/17, having balanced their budget by using their carry forward. There are 26 schools reporting a zero balance at the year end.

4.4 The Mayor considered a report the deficits of two schools Prendergast Ladywell School and Forest Hill at the beginning of November. The paper the Mayor considered can be found on the following link

<http://councilmeetings.lewisham.gov.uk/documents/s46348/Schools%20Licensed%20Deficit%20Forest%20Hill%20and%20Ladywell.pdf>

The Mayor approved the deficits but as part of the Council's scrutiny process the decision was called-in by the Overview and Scrutiny Education Business Panel. While the decision of the Mayor was not referred back and therefore stands the panel has asked Officers to

report to the Children and Young People Select Committee on secondary school deficits in January 2017.

- 4.5 All schools are required to submit a budget monitoring statement to the Local Authority for the period up to the end of September by the 31<sup>ST</sup> November.

There are 9 schools have not made a return and a second reminder is being sent to them in accordance with the budget monitoring escalation process.

The budget monitoring returns are being reviewed by officers who are raising queries with schools mostly asking for further clarification on the figures. Those schools that give rise to particular concerns are being visited by finance and if necessary by HR officers.

- 4.6 The government is proposing to introduce a new national funding formula for schools in April 2018. With the current details available (from the first stage consultation earlier in the spring), it is not possible to see the exact impact on Lewisham and the government are revisiting its approach. Nonetheless it is important to keep in mind the most likely scenario from the consultation is that schools in Lewisham will see a circa 10%, or £17m reduction in funding over the next three years. This is likely to impact on the level of traded services schools buy from the council. Likewise there is a review of the high needs block funding and it is expected the funding in the high needs block could also be reduced by some 10%, or £4.5m.
- 4.7 The government has released a consultation document on Early Years funding, while there is extra funding overall due to the funding of the new 30 hours child care for working families the underlying position is a loss for Lewisham. It is estimated that this loss will be £1.5m but in the next two years there will be some protection and the loss will initially be £0.9m. The consultation closed on 22 September.

## **5. Challenge and support to schools**

- 5.1 To ensure that schools are managing their finances a combination of briefing and training sessions is being held with all schools. This year the provision has been stepped up and targeted at those who need it most, with much greater emphasis on the role and effectiveness of governing bodies who take responsibility for school budgets.
- 5.2 Budget roadshows were held on both the 1st and 8th March, these roadshows helped schools understand the budget and were designed to assist schools who needed to undertake staffing reorganisations.

- 5.3 A 'Deficit Workshop' was held on the 21 June 2016 to help schools with budget problems to face up to their difficulties and to challenge them on their thinking
- 5.4 A presentation on school finances was made to a well-attended meeting for all Lewisham Chairs of Governors on 12 September 2016 highlighting the financial issues – the risks and challenges for schools and the dire consequences of not interrogating the budget properly.
- 5.5 On the 1st November a further session was held to explain the cost pressures facing school budgets coupled with the likely future reductions in funding, how to balance the challenge of increasing educational standards as delivering a balanced budget.
- 5.6 On the 1 December a session was held but in a different format. The training still had the same purpose of assisting schools but the whole team of school leaders and staff who are responsible for the budget (managers and governors) was invited to learn and be challenged together on helping them plan change in these uncertain financial times.
- 5.7 Members of the Forum are invited to comment on the training offered and particularly targeting of governors

## 6. Mutual Funds

The Schools Forum has a number of mutual funds it manages on behalf of schools. At the end of the year any balances are returned to schools or rolled forward to the next year. The current position of the funds is described below:

|  | <b>Growth Fund</b> | <b>Contingency</b> | <b>Non-Sickness Supply</b> |
|--|--------------------|--------------------|----------------------------|
|  | £                  | £                  | £                          |

|                               |                 |                 |                |
|-------------------------------|-----------------|-----------------|----------------|
| <b>Brought Forward</b>        | <b>-247,083</b> | <b>-726,549</b> | <b>158,993</b> |
| <b>Distributed To Schools</b> | <b>0</b>        | <b>0</b>        | <b>0</b>       |
| <b>Offset</b>                 | <b>0</b>        | <b>0</b>        | <b>0</b>       |
|                               | <b>-247,083</b> | <b>-726,549</b> | <b>158,993</b> |

|                             |                   |                  |                  |
|-----------------------------|-------------------|------------------|------------------|
| <b>De-Delegation Income</b> | <b>0</b>          | <b>-649,998</b>  | <b>-799,993</b>  |
| <b>Budget</b>               | <b>-1,092,000</b> | <b>0</b>         | <b>0</b>         |
|                             |                   |                  |                  |
| <b>Spend To Date</b>        | <b>984,786</b>    | <b>0</b>         | <b>446,953</b>   |
| <b>Projected Spend</b>      | <b>148,634</b>    | <b>1,310,355</b> | <b>1,068,000</b> |
|                             | <b>41,420</b>     | <b>660,357</b>   | <b>714,960</b>   |

|                         |                 |                |                |
|-------------------------|-----------------|----------------|----------------|
| <b>Cumulative Total</b> | <b>-205,663</b> | <b>-66,192</b> | <b>873,953</b> |
|-------------------------|-----------------|----------------|----------------|

## 7. Growth Fund

The budget for the year is £1,092k, but with the £247k brought forward surplus, the amount of funds available rises to £1,339k. Allocations have been journalled to maintained schools and payments are in process for academies.

At present a surplus of £205k is forecast, but these funds may be called upon to cover projected overspends elsewhere in the mutual funds. A list of the schools receiving the growth funding is shown in Appendix A to this report.

## 8. Contingency

The de-delegation charges for the year have provided £650k, but with the £727k brought forward surplus, the amount of funds available rises to £1,377k.

No charges have been actioned against the Contingency yet in 2016/17, but as discussed at the June 2016 Forum these funds will be called upon should a school with a deficit become an academy.

At present a surplus of £66k is forecast, but these funds may be called upon to cover projected overspends elsewhere in the mutual funds.

## 9. Non-Sickness Supply Fund

The de-delegation charges for the year have provided £800k, but with the £159k brought forward deficit, the amount of funds available falls to £641.

To date only summer term claims have been paid. These totalled £447k.

Forecasting future claims is difficult and previous years show little consistency, but as the summer term claims for this year are approximately twice that of the same period last year, a large estimate has been added for the remainder of the year.

This leads to the forecast of a deficit of £874k, but there is a large margin of error in projecting for this expenditure which the autumn term figures will help to reduce.

The summer term claims breakdown is as shown in the table below:

| Phase      | Claim Type   | Number | Amount  | Average |
|------------|--------------|--------|---------|---------|
|            |              |        | £       | £       |
| Nursery    | Suspension   | 1      | 800     | 800     |
| Primary    | Adoption     | 1      | 7,368   | 7,368   |
|            | Jury Service | 5      | 3,236   | 647     |
|            | Maternity    | 46     | 275,495 | 5,989   |
|            | Paternity    | 3      | 4,920   | 1,640   |
|            | Suspension   | 8      | 19,360  | 2,420   |
|            |              | 63     | 310,380 | 4,926   |
| Secondary* | Adoption     | 0      | 0       | 0       |
|            | Jury Service | 5      | 5,495   | 1,099   |
|            | Maternity    | 14     | 109,412 | 7,815   |
|            | Paternity    | 2      | 3,280   | 1,640   |
|            | Suspension   | 0      | 0       | 0       |
|            |              | 21     | 118,187 | 5,628   |
| Special    | Maternity    | 1      | 13,545  | 13,545  |
|            | Suspension   | 1      | 4,041   | 4,041   |
|            |              | 2      | 17,586  | 8,793   |
|            |              | 87     | 446,953 | 5,137   |

\* includes all-through schools

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