

Chairs Briefing

12 September 2016

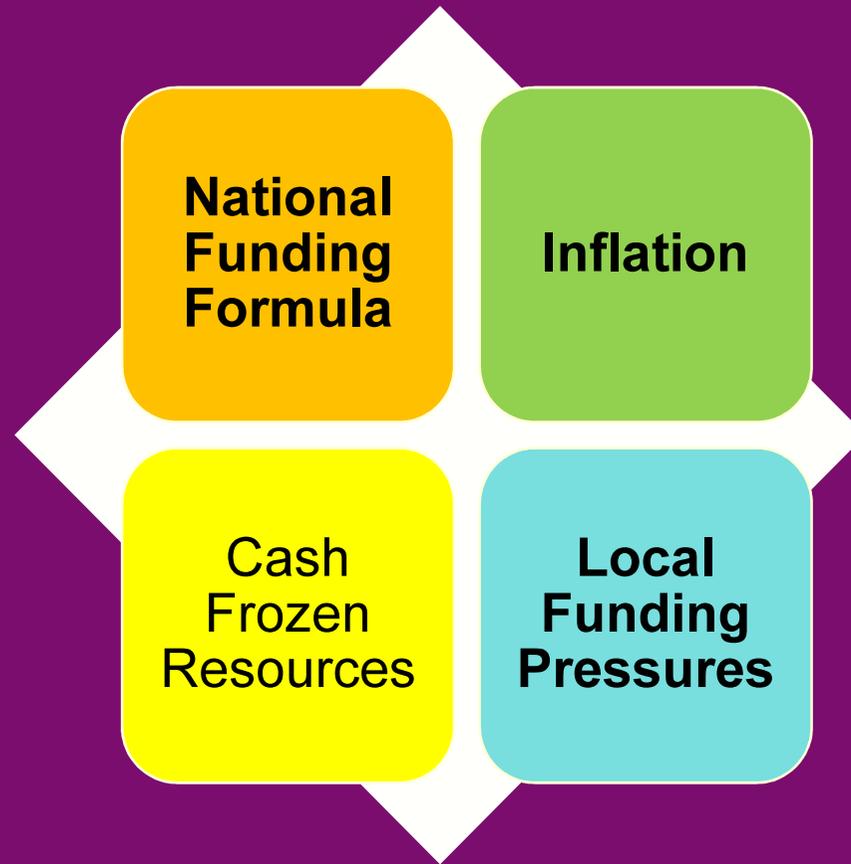
Jackie Jones - Strategic Leader - Secondary, School Improvement Team

Dave Richards – CYP Group Finance Manager



Background

Budget planning is going to become more difficult



Background

Schools cannot operate a deficit budget without approval

**If the deficit is greater than £500k the Mayor needs to approve the deficit
The reports will be in the public domain**

**If it is lower than £500k approval can be given by the Executive Director
of Children and Young People**

The deficit will be funded as a loan

**The loan will be interest free and need to be repaid over a three year
period for Primary or a five year period for Secondary.**

**A school cannot run out of cash; cash flow is a separate issue from a
budget deficit.**

Current Position

Schools with
deficits
2016/17

9

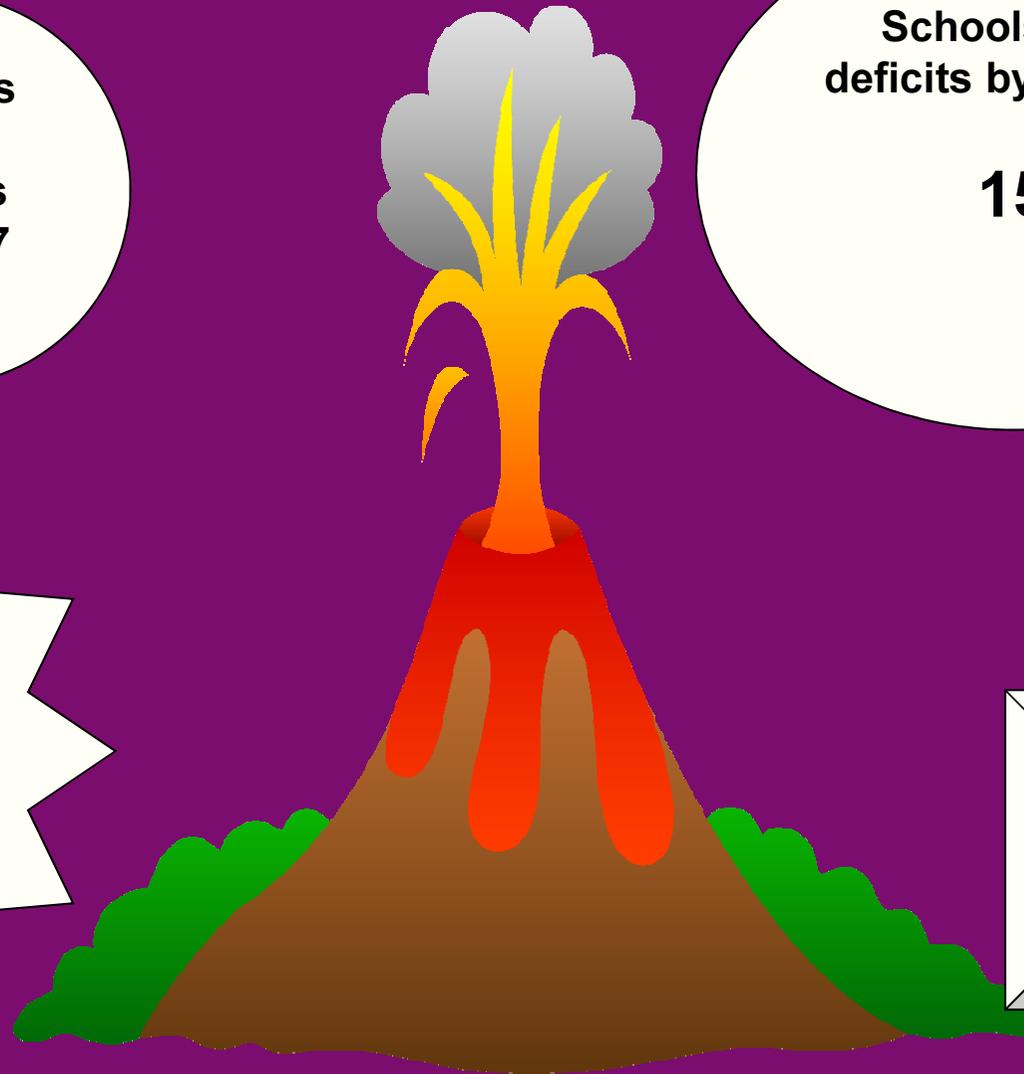
Schools with
deficits by 2017/18

15

Schools with
in-year
deficits

45

26 Schools
are
showing a
zero carry
forward



Background

The deficits and recovery plans in Lewisham have had a distinct pattern over the past few years.

The deficit is identified as the budget comes overspent at the year end and a budget recovery plan is put in place



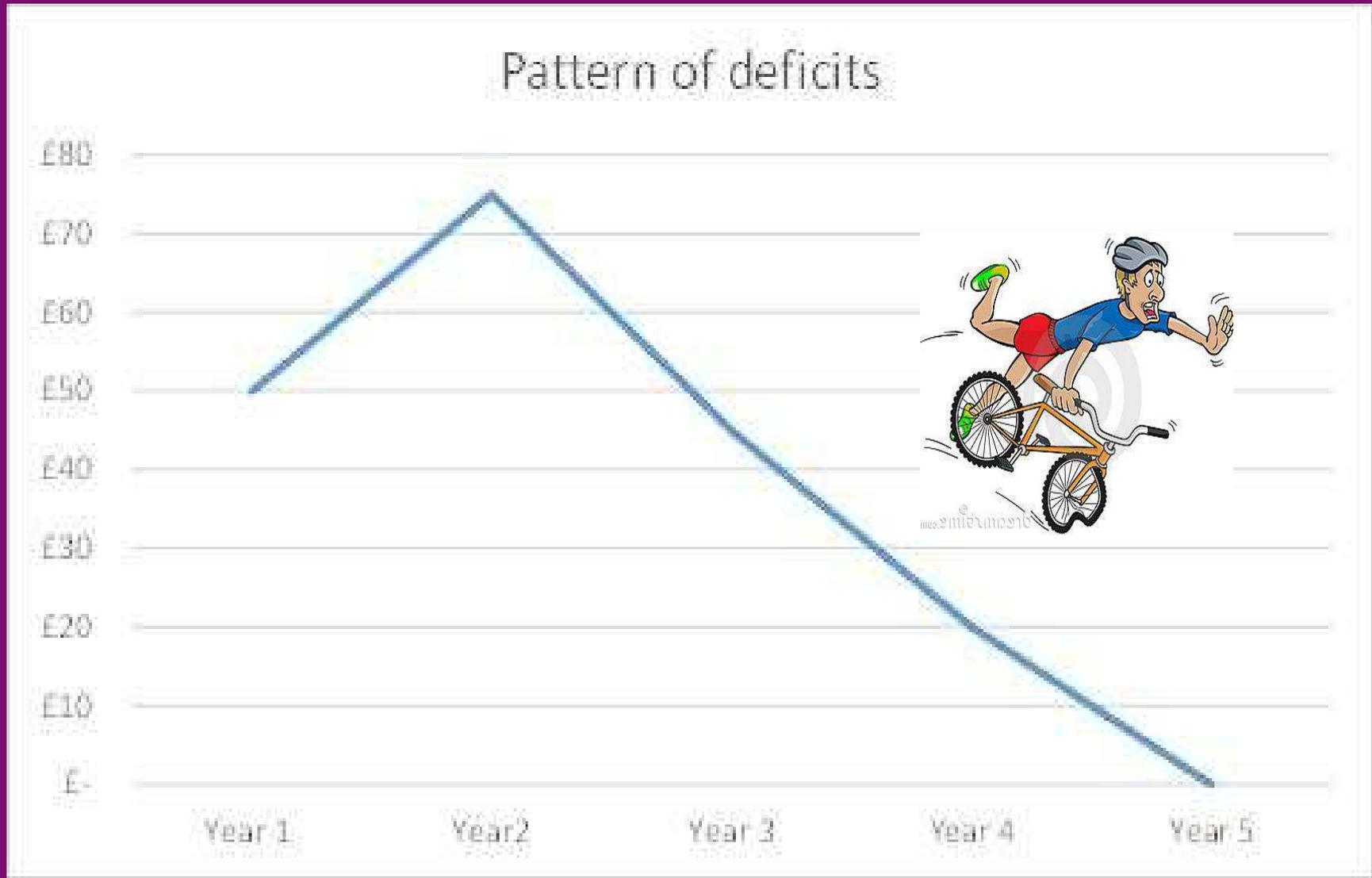
In the first year of the recovery plan the deficit rises further before it falls and the school eventually comes back into balance,



The fact that a deficit increases 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 early enough.

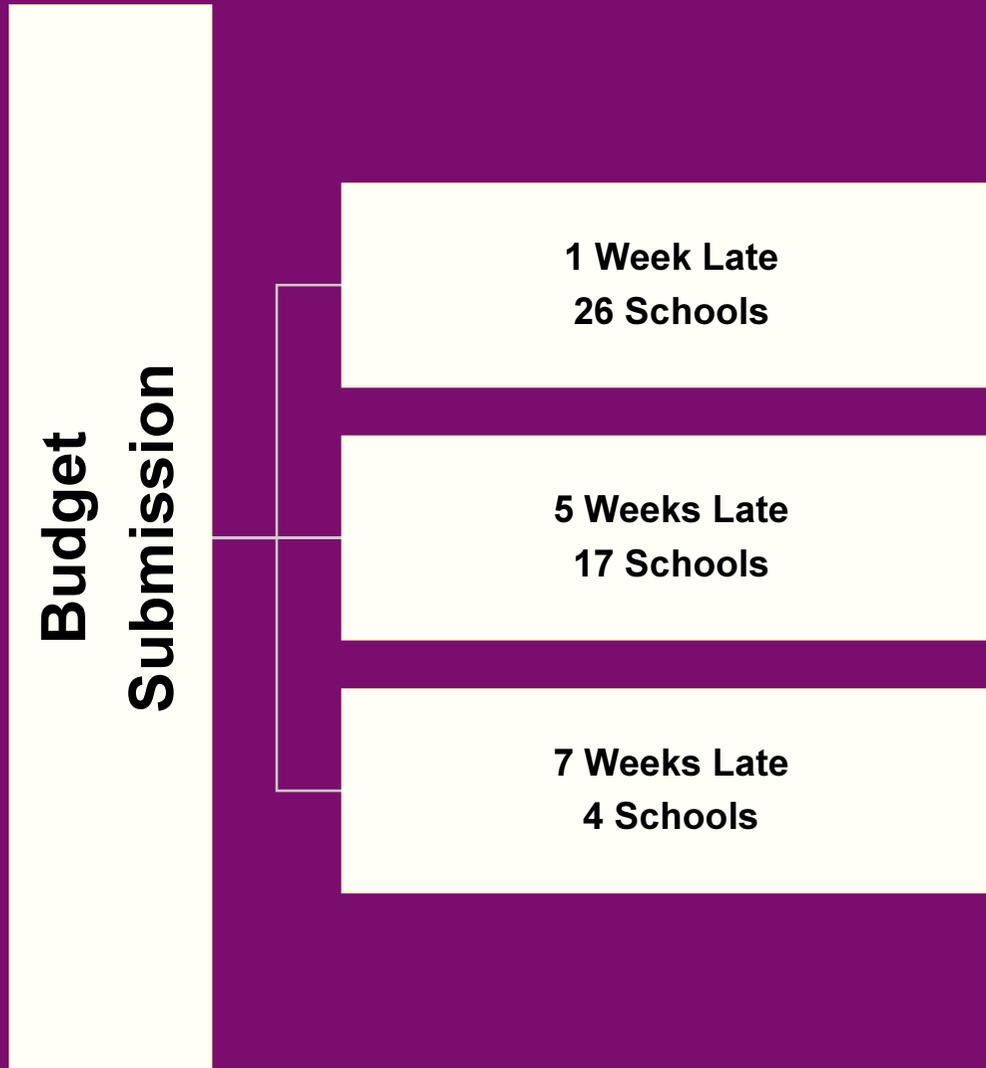
Don't get caught sleeping at the wheel

Background



Escalation process

Budget returns and monitoring returns



**Last Budget
return 28
July**

What's the problem

	Deficit In Year	Accumulated Deficit
Year 1	£100,000	£100,000
Year 2	£900,000	£1,000,000
Year 3	£400,000	£1,400,000
Year 4	£0	
Year 5		
Year 6		

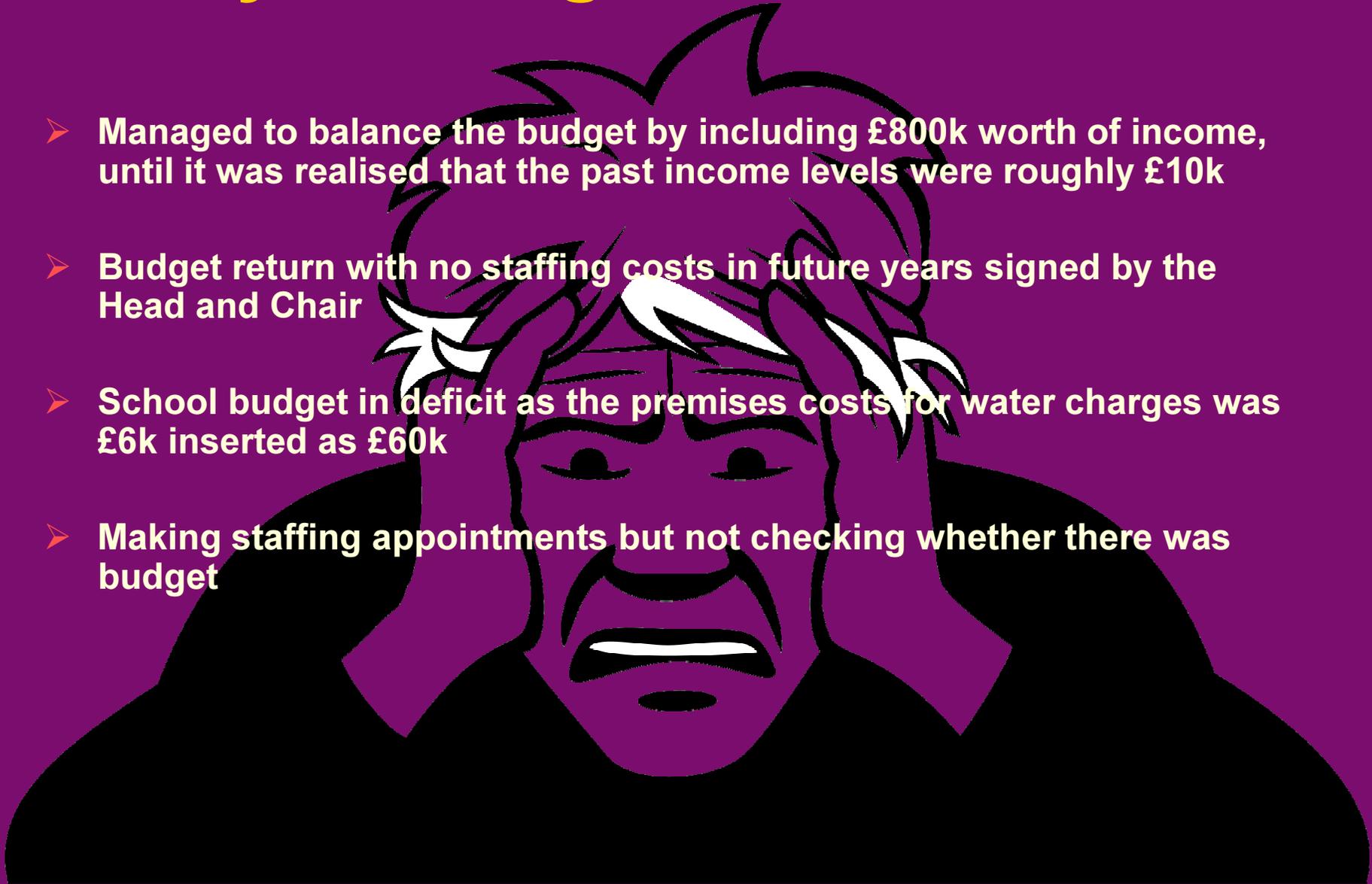
**In the September of year 3
budget reductions of £500k are
implemented**

What's the problem

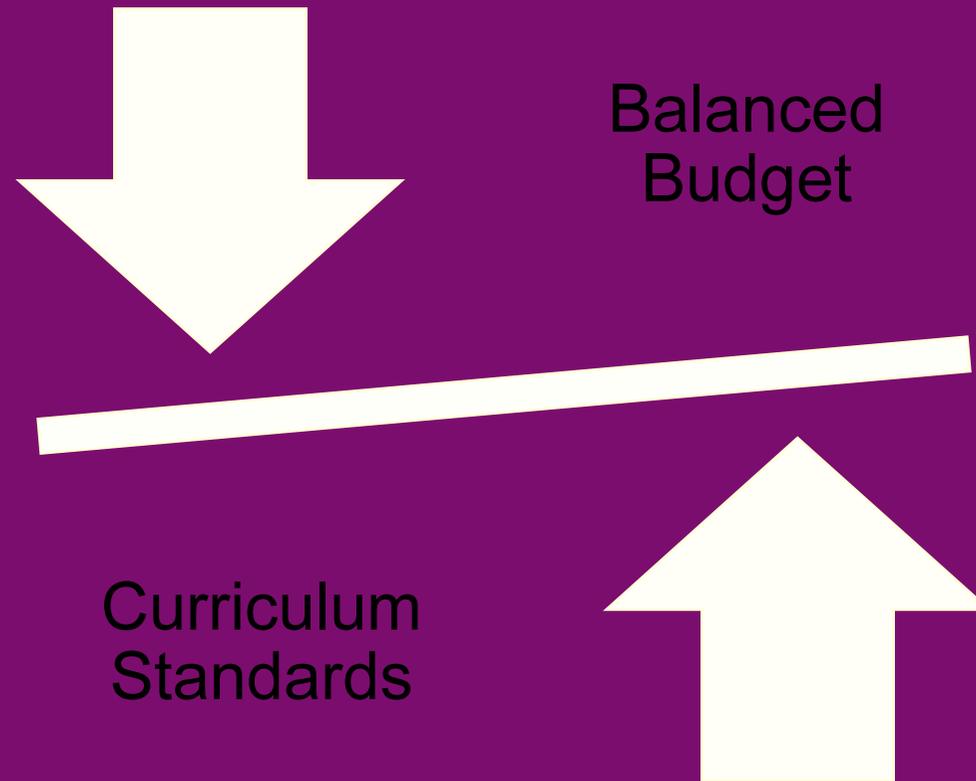
	Deficit In Year		Accumulated Deficit
Year 1	£100,000		£100,000
Year 2	£900,000		£,1000,000
Year 3	£200,000	Saving £700,000	£1,200,000
Year 4	£-400,000	Saving £600,000	£800,000
Year 5	£-400,000		£400,000
Year 6	£-400,000		£0

Quality of Budget Plans

- Managed to balance the budget by including £800k worth of income, until it was realised that the past income levels were roughly £10k
- Budget return with no staffing costs in future years signed by the Head and Chair
- School budget in deficit as the premises costs for water charges was £6k inserted as £60k
- Making staffing appointments but not checking whether there was budget



The dilemma



Escalation process – Recovery Budget Plan

Step 1

- Review by the Schools Finance Team

Step 2

- Joint School visit by the Schools Finance Team / School Improvement

Step 3

- If the deficit > £500k, Chair & Headteacher called into meet the Executive Director of CYP

Step 4

- If the deficit < £500k, Chair & Headteacher maybe called into meet the Executive Director of CYP

Step 5

- If necessary a warning notice given with an action plan

Step 6

- If not complied with a withdrawal of delegation or IEB set up

The Schools Forum have asked that for those schools showing a deficit in 2017/18 that the recovery plan process starts this Autumn.

Questions To Be Addressed

Looking back

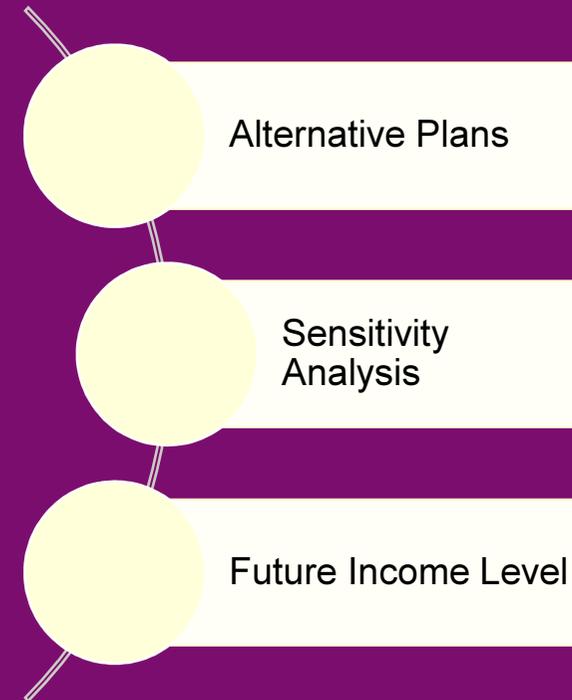
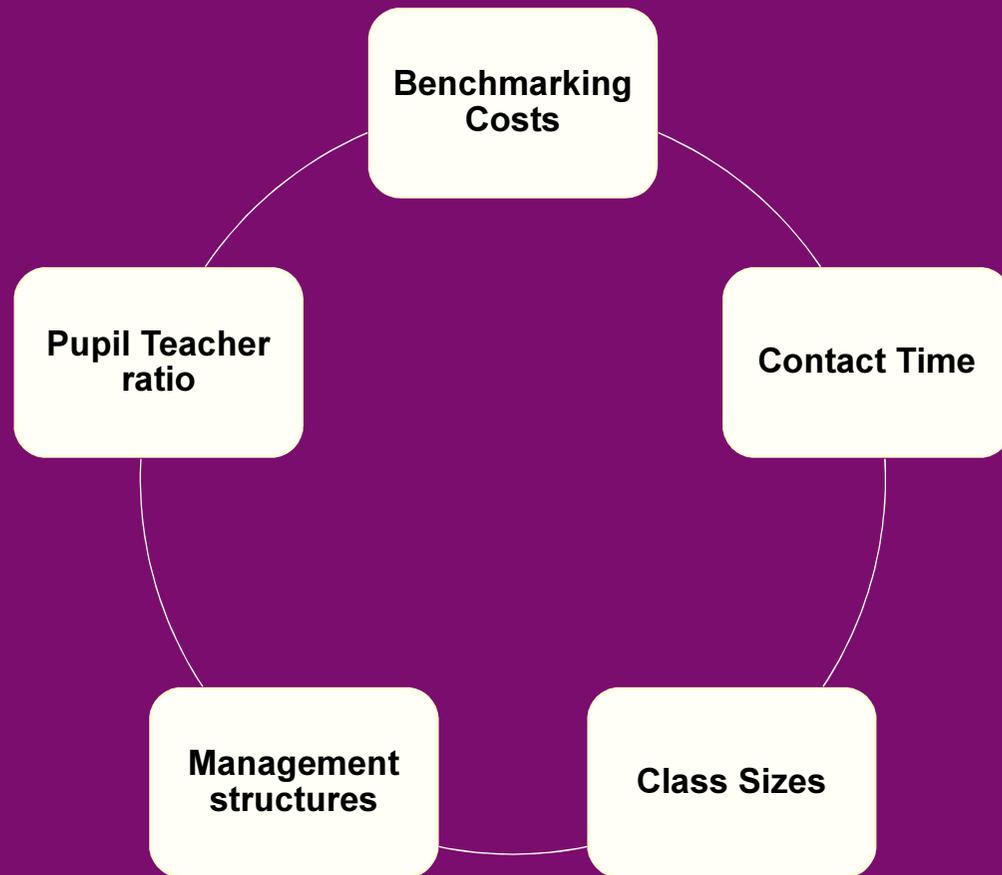
- How has the deficit arisen?
- How early were school leaders including governors alerted to the situation and could this have happened earlier?
- Have the governors fulfilled their statutory role of monitoring the budget?
- What management action was taken and could it have been taken earlier?
- What action has been taken to prevent a deficit recurring?
- Costing of the School Development Plan – how was this monitored?

Questions To Be Addressed

Looking Forward

- **How will you minimise the impact on curriculum delivery and on students?**
- **What assumptions is the budget plan is built on?**
- **What is your action plan to deliver savings and when will each saving be implemented?**
- **How long is your recovery plan and what is the rationale for this?**
- **How will the implementation of savings be monitored?**

Questions To Be Addressed



Support

Package of support

Crosses a number of professional disciplines

Finance

Challenge budget plans / recovery plan

Check the budget plans

Help with benchmarking

Seek the necessary Local Authority approval

If needed, write the report for the Mayor

Share that report before it is published

HR

Help with reorganisation, redundancy and reemployment process

School Improvement

Impact on the curriculum

The Technical Side Of The Loan

Signed legal agreement

Interest free

Loan period will vary

Repayments may or may not be standard through the life of the loan

Loan will be the maximum value of the deficit during the recovery period

Loan comes from the accumulated balances of schools

**On agreement of the loan, a credit is processed in the school accounts.
The accounts will not show the school is in deficit.**

How can the School Improvement Team help?

- Support for school leaders in the review of the curriculum.
- Help to assess the impact on pupils so that the impact on them is minimised.
- Support for governors in asking the right questions about the school's budget and the impact on provision.
- Sharing best practice.