



Audit and Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	15 th July 2020
Classification:	General Release
Title:	2019/20 School Balances Outturn Position Report
Key Decision:	No
Report of:	Gerald Almeroth, Executive Director of Finance and Resources.

1. Executive Summary

- 1.1 The 2019/20 School Balances Outturn Position Report presents an update on the level of school balances at the end of the 2019/20 financial year. 14 schools have a deficit balance at the end of 2019/20, a net increase of 2 over the previous year. Schools are facing increasing and ongoing funding pressures particularly due to falling school rolls and with the agreement of the Schools' Forum, ISOS have been commissioned to undertake a strategic review of school finances and pupil projections.

2. Recommendations

- 2.1 That the Committee notes the content of the report.
- 2.2 That the Committee indicates any matters that require further investigation.

3 Reasons for Decision

- 3.1 The outturn on school balances is presented as agreed at a previous meeting. No decision is required as the paper is for noting only.

4 Background, including Policy Context

- 4.1 This report sets out how the Council is challenging and supporting schools in managing their school balances and deficit recovery.

5 Key Messages

- 5.1 14 schools have deficit balances as at 31st March 2020, totalling £1.893m. The remaining schools have surplus balances totalling £3.749m. The schools with deficits are required to produce deficit recovery plans for review and approval by officers of the Council.

6 Schools' Balances

Overview

- 6.1 The responsibility for school budget management transferred to school governing bodies when Local Management of Schools was introduced in 1988 which was fully implemented in 1992. All school governing bodies are responsible for setting and approving the annual budget plan for their school, including the development of deficit recovery plans (where necessary) which officers review and determine whether to approve.
- 6.2 The 2020/21 pupil headcount reduced by a net of 61 (-0.3%) pupils as per the October 2019 census. Primary school numbers fell by 272 (-2.5%), and conversely secondary schools increased by 211 (+2.3%). 76% of school funding is based on pupil numbers. Per pupil funding increased by an average of 3.5%.

Schools with deficits

- 6.3 Westminster's annual statement of accounts reported an aggregate total of School Balances of £1.839m at 31st March 2020, based on the best information available (including an element of estimates) at the time of closing the accounts. Following this, further work to refine the balances and verify the final position shown on the financial systems shows the final schools balances to be higher by £0.008m at £1.846m. This is a reduction of £1.375m from the balances at 31st March 2019
- 6.4 There are now 14 schools with deficit balances at 31st March 2020 compared to 12 at 31 March 2019. Of the 12 in deficit at 31 March 2019, only two schools have delivered an underspend in the year to get back to an overall surplus this year. Four schools have gone from a surplus to a deficit position in the year.
- 6.5 The Council's Scheme for Financing Schools does not permit a school to plan for a deficit budget. Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under licence. This requires the school to agree with the Council, a deficit recovery plan, to clear the deficit within three years before the first formal budget is set in the financial year of the planned deficit. The status of the recovery plans for schools in deficit is set out in Table 1.
- 6.6 The 14 schools with deficits at the end of 2019/20 have been contacted and offered support to develop deficit recovery plans where necessary, to bring their budgets back to a balanced position within an agreed timescale. Collectively, these schools had an aggregate deficit of £1.893m. The total of all school balances is a net surplus of £1.846m, within which the total of surplus balances in schools is £3.739m. The schools with deficits are in the following position with regard to their recovery plans:

Table 1 – Recovery Plan Position

School Name	Deficit at 31 March 2020 (£)	Deficit Recovery Plan Position
The following schools were in deficit at the end of 2018/19:		
Portman Early Childhood Centre	166,472	Deficit recovery plan approved
All Souls CE	86,909	Deficit recovery plan approved
St Augustine's CE Primary	77,968	Deficit recovery plan approved
St Mary Bryanston Square CE	29,568	Deficit recovery plan approved
St Luke's CE	357,575	Deficit recovery plan submitted, however over 4 years
Westminster Cathedral RC	246,569	Deficit recovery plan submitted, however over 4 years
St Mary of the Angels RC	233,781	Revised deficit recovery plan requested
Essendine	111,575	Revised deficit recovery plan requested
St George's Hanover Square CE	21,728	Deficit recovery plan to be submitted - plan to eliminate within 2019/20 not achieved
St Vincent de Paul RC	118,882	Deficit recovery plan to be submitted - plan to eliminate within 2019/20 not achieved
The following schools went into deficit at the end of 2019/20:		
Burdett Coutts CE	89,904	Deficit recovery plan approved
Soho Parish CE	136,323	Revised deficit recovery plan requested
St Saviour's CE	133,909	Deficit recovery plan to be submitted
Dorothy Gardener Nursery School	82,243	Deficit recovery plan to be submitted
Total	1,893,406	

- 6.7 Of the 5 schools with licensed deficit recovery plans, 1 of these is ahead of schedule in their deficit reduction. The other 4 had not reduced their deficit by as much as planned by the end of 2019/20.
- 6.8 Of the 5 schools that had planned to recover their deficit within 2019/20, 4 of these have an increased deficit position at the end of 2019/20 compared to the end of 2018/19. The other one has improved their position but is still in deficit.
- 6.9 The 4 schools with further work needed to establish a deficit recovery plan have been offered further support.
- 6.10 Deficit recovery plans need to be reviewed annually and revised as necessary. Monthly reporting to the Council is compulsory for schools with deficits and monitoring reports are actively pursued.

6.11 It is known that schools are facing increasing and ongoing funding pressures particularly due to falling school rolls, which means that the potential for WCC schools to encounter difficulties needs to be taken seriously. Looking ahead the impact of Covid-19 regarding additional costs incurred that may not be claimable from the Department for Education (DfE) and the partial loss of school generated income means that all schools will need to apply further tight financial management to avoid significant worsening of school balances through the year if they are not to dramatically worsen by March 2021.

Managing the risk

6.12 The school roll projections produced by the GLA have not resulted in the projected number of pupils within Westminster schools. There has been a decline of 1,040 pupils within the primary sector since 2017. Since September 2018, almost 6 forms of entry have been removed from primary provision to address the increasing surplus. Population trends suggest further reductions to pupil admission numbers in primary school and longer term impact on secondary schools.

6.13 Further action is needed to not only further reduce overall primary capacity, but also to address the financial viability of schools that are either in deficit or soon will be. Careful thought and consideration must however be applied before permanently removing any education provision that cannot be re-instated if demand then materialises as a result of affordable/social housing developments.

6.14 The level of financial expertise contributing to effective financial management at each school particularly those in financial difficulty is variable, as is each school's willingness to engage sufficiently with Finance.

6.15 There is an increasing anxiety across the system surrounding falling pupil admission numbers, financial allocations and budget deficits. In addition, schools are facing increasing costs in both staffing and non-staffing budgets.

6.16 Headteachers have asked the Local Authority for support in the development of a clear future vision for the school's estate. In addition, how to address the continued financial viability of schools resulting from the decline in pupil numbers.

6.17 It is also acknowledged that schools are requiring additional support for both Headteachers and Governing Bodies in strategic budget planning and financial modelling.

Strategic Review of Schools Finances and Pupil projections

6.18 With the agreement of the Schools' Forum, ISOS have been commissioned to undertake a strategic review with the following objectives:

6.18.1 To develop a robust school placement planning model and uniform budgetary principles to promote accuracy and consistency across the system in the future.

- 6.18.2 The development of a full options appraisal for future options for consideration by officers, members and schools.
- 6.18.3 Use the Schools' Forum as a lever for challenge and change with the objective of improving financial planning/ admissions planning across the school's system.