

London Borough of Sutton

Schools Forum – 6 October 2020

Report of the Strategic Finance Business Partner

SCHOOL DEFICITS REPORT

**Author: Sue Holmes
Strategic Finance Business Partner**

**Chair of Schools Forum:
Brenda Morley MBE**

Summary

1. This report provides an update to Schools' Forum on the financial position of Sutton maintained schools. The purpose of the report is to raise awareness of the financial pressures on Sutton's maintained schools as this represents a financial risk which could impact on the DSG.

Recommendations:

2. I recommend the Forum to note the report

Background

3. Local authorities are required to publish a Scheme for Financing Schools (Scheme), in accordance with Section 48 of the School Standards and Framework Act 1998, setting out the relationship between them and the schools they maintain. It contains requirements relating to financial management and controls, banking and other accounting arrangements binding on both the Authority and on schools. The Local Authority may suspend a school's right to a delegated budget if the provisions of the Scheme are substantially or persistently breached.
4. The authority may issue a notice of concern to the governing body of any maintained school where, in the opinion of the Strategic Directors of Resources and People the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority and the school.
5. Schools may not plan for a budget deficit without the approval of the Strategic Directors of Resources and People. The Sutton Scheme specifies that if a deficit is approved:
 - Schools may repay the deficit over a maximum of two years; and
 - The maximum size of the deficit should be 3% of the budget share for all types of school.

Issues

6. At the end of 2019/20 there were 5 maintained schools in deficit, ranging from £47k to £671k, with a total deficit value of £1.3m. The same schools are expected to be in deficit at the end of 2020/21. There are 18 schools predicting an in-year deficit in 2020/21 with a total forecast in-year deficit of £1.6m. A number of schools have balances to cover these in-years deficits, but if the overspend is supporting ongoing expenditure this can create a future financial problem.

7. The local authority's finance support for schools was reduced significantly in 2012, as part of the finance team's restructure. Prior to 2012 there was a school support team of 3 people and a buy-back service available to all schools at an annual cost of £1,000/school and 50 schools out of 58 brought back the service. Termly School Business Manager meetings also took place to inform and support schools. The existing offer to schools is a finance returns service only and adhoc support. The current shared finance service is currently undergoing another re-structure and the school finance support is being reviewed but within the limited resources available.
8. Schools experiencing financial difficulties is not unique to Sutton. In April 2019 the DfE wrote to local authorities to offer the opportunity to access some funded School Resource Management Adviser (SRMA) time to supplement financial oversight and improvement work with schools. Sutton took the opportunity to engage with this offer which included 5 days of support for two schools.
9. The process involved a considerable commitment from the schools concerned and the local authority. Both schools had to complete a deficit recovery plan prior to a school visit by the SRMA and myself. One visit took place in November 2019 and the other in February 2020. There was also a follow up visit to discuss the outcome of the exercise and a way forward. The final reports were received in May 2020 which included potential savings for each school.

Next steps

10. A project team has been set up to support one of the schools which has included the production of an in-house deficit recovery plan based on the information and metrics used by the SRMA.
11. All maintained schools should use the information included in the School Financial Value Standard (SFVS) submission to identify areas the school needs to review to help the school to keep or get back on track.
12. Work with Governor services to ensure that information and advice is provided to governing bodies of schools to reiterate the key role they play in keeping a school's finances on track and challenging the senior leadership team to ensure its compliance with the Scheme for Financing Schools.
13. There is also a management process called Integrated Curriculum and Financial Planning (ICFP) that helps schools plan the best curriculum for their pupils with the funding they have available. It can be used at any phase or type of school. ICFP involves measuring the current curriculum, staffing structure and finances, and using the data to create a 3 to 5 year plan. There is no one way to do ICFP, but it should include analysing school data such as teacher deployment, use of support staff, non-staffing costs and the balancing of income and costs. ICFP is most effective when it is a normal part of your planning activity and involves the schools senior team, including the business manager and governors.
14. Review the financial support on offer from the local authority.
15. To consider if there is a case for re-establishing a schools in financial difficulty fund.