



Paper C

Purpose: For Noting

Committee report

Committee	SCHOOLS FORUM
Date	17 JULY 2020
Title	2019/20 SCHOOL BALANCES (MAINTAINED)
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report provides an update in the movement of individual maintained school balances as at 2019/20 year end March 2020 alongside information on indicative budget planning for 2020/21. Detail on individual balances is included in Appendix A.
2. The local [Isle of Wight Scheme for Financing Schools](#) drives the financial compliance requirements of local maintained school's with the key section 4 being the main controls linked to the treatment of surplus and deficit balances.

SCHOOLS 2019/20 OUTTURNS

3. Isle of Wight maintained schools have devolved bank accounts and accounting systems which adds to year end responsibilities alongside time pressures from Easter holidays, COVID19 lockdown and tight closedown deadlines, but despite this school business managers worked hard with the Education Finance Team to complete closedown requirements on time. The overall balance on the 42 maintained Isle of Wight schools brought forward from 2018/19 was at a minimal £456,000 and as expected in May 2019 the net cumulative balance of all 42 schools has turned negative at March 2020 (£272,000).
4. The authority does not access academy school information as this is reported to the DfE directly as well as using different financial years, so the reported picture is for maintained schools and not the whole Isle of Wight school system.

5. The number of schools in cumulative deficit has increased very slightly to 13 out of 42 (31%) after 1 primary came out of deficit (Barton ahead of schedule) and 2 new deficits occurred (Gurnard Primary and the Island Learning Centre, both of which were not expected at the November 2019 budget refresh point).

Table 1: Cumulative School Positions

Year:	Cumulative Balances				In Year
	16-17	17-18	18-19	19-20	19-20
Surplus	31	30	30	29	21
Deficit	11	12	12	13	21
TOTAL Schools	42	42	42	42	42
Total Value	£567,579	£189,505	£456,701	£-272,472	£-729,173

6. Half of schools (50%) operated with an in year surplus position for 2019/20 financial year, matching income & expenditure for that period. The remaining schools are utilising balances or working through recovery plans in conjunction with the local authority requirements linked to the Scheme for Financing Schools.

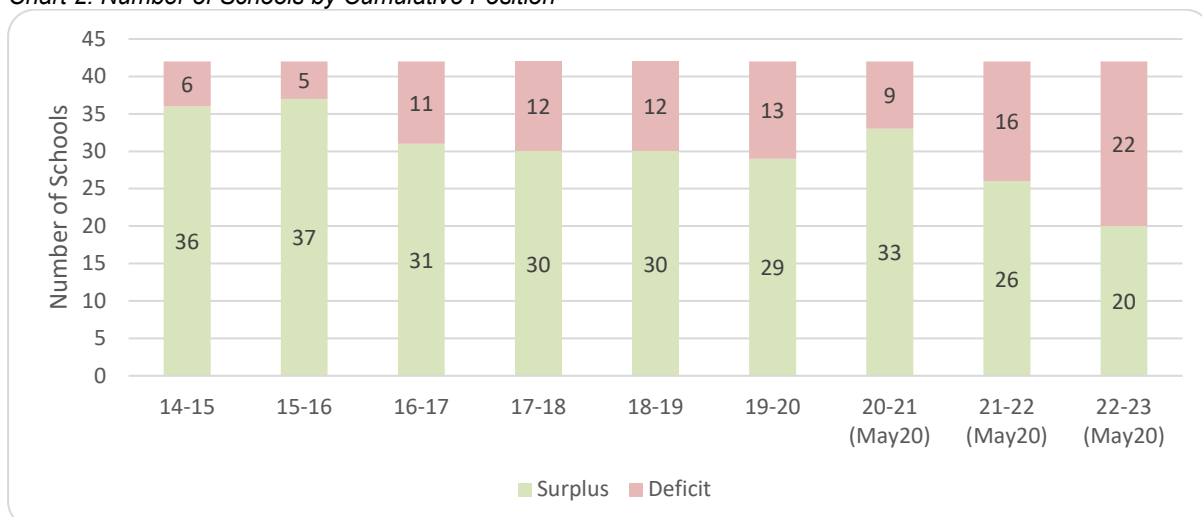
SCHOOL FINANCIAL VALUE STANDARD (SFVS) 2019/20

7. The SFVS return is an annual mandatory 29 question statement completed by governors to self-assess their finances and provide assurance to the Local Authority that they have secure financial management in place for all 42 maintained schools. All schools completed and submitted to the Local Authority the return for 2019/20 on time, with just a few logistical issues in gaining actual signatures to complete the return whilst lockdown arrangements were being resolved.
8. In a change to previous years, the DfE template moved to a spreadsheet based exercise which required the review of basic dashboard information on the school before submission. Awareness of this change was discussed with schools in an Education Finance and SBM network meeting in January 2020.
9. The annual Isle of Wight Council internal audit programme is currently reviewing the process and sample of the submissions and the result will be known shortly and circulated to the DCS. As a result of COVID19 the Schools Financial Value Standard CFO statement will not be required this year as part of the DfE cancelled data collections and services to reduce the burdens on authorities.

SCHOOL 2020/21 BUDGET PLANNING (JUNE 2020 SUBMISSIONS)

10. Following on pressures on schools adjusting to COVID19 impact, the decision was taken to extend the deadline for budget plan submission from 31 May to the 30 June 2020 for this exceptional year. This gave schools the ability for time to fully consider submissions in changing times and complete the logistical exercise of governor approval of the budgets
11. Schools are under continued pressure to balance budgets and working towards matching in year expenditure with in year income to evidence longer term sustainability and financial viability. There are continued pressures in particular on staffing inflation, impact of high needs demand growth, pockets of surplus places impacting some school and class sizes creating less efficient staffing structures that take time to realign. Specific grants on teachers pay and teachers pension changes have mitigated some of this, but neither are confirmed long term. That said, formula funding factors in general increased by in the region of 4.6% for 2020/21.
12. The overall number of schools in deficit increased by 1 to 13 as at 31 March 2020 and the number of schools in deficit is forecast to fall to 9 during 2020/21 as part of agreed recovery plans (Arreton, Gurnard, Hunnyhill, St Helens, Wootton). One new deficit is forecast to be entered into during 2020/21 (Greenmount) but the local authority is working with the school on a revised submission. In year 3, 52% of schools are forecast to be in a deficit position but this information should be treated with extreme caution due to a few key factors.
 - Some school business managers have a history of pessimism in a proportion of schools, some with repeated evidence of outturn positions significantly improved on original budgets. Prudence is good to ensure affordability and generate initiatives in enough time to action but needs to be balanced with a level of realism to ensure an accurate budget. That said work has been done with SBMs to include realistic budget planning alongside scenario based alternatives.
 - Although it is expected that the government honours the 3 year settlement and therefore allows for increases in basic funding, indicative allocations are not yet known, and the DSG splits between schools block and high needs block may impact these allocations.
 - The future of significant specific grants such as the Teachers Pay and the Teachers Pension grant are not confirmed and there is a view that these may be rolled into the wider DSG. Many schools have these grants assumed ongoing albeit at the current rates so the outcome for these grants may impact future budget planning. Recently communicated catching up funding in relation to COVID19 may also contribute, but allocation methods and allocations are not yet known.

Chart 2: Number of Schools by Cumulative Position



13. The overall £ value of school cumulative current and forecast balances is listed below but numbers are partially distorted by a) the small number of secondaries/all through schools (4 schools) and b) the significant value of the Christ the King deficit (although improved from previous years through 2nd year delivery of their recovery plan).

Table 2: Forecast school balances, as per May 2020 budget plans

Sector	19/20 Actual	19/20 Forecast
Primary	1,467,582	1,270,331
Secondary & All-through	-2,398,015	-2,879,445
Special	684,056	548,772
Alternative	-26,095	-291,522
TOTAL	-272,472	-1,351,864

14. Under the current Scheme for Financing Schools, each school must submit a 3 year budget plan each May (updated in November) and the licensing of deficits must satisfy these main recovery / timing criteria.
- A deficit budget must not be set without the prior approval of Education Finance (Senior Finance Business Partner) and the school must produce a clear plan to recover the deficit within 3 years, i.e. enter a cumulative surplus position in year 3.
 - In exceptional circumstances, it may be possible to extend the recovery period to up to 5 years with the approval of the DCS, i.e. enter a cumulative surplus position in year 5.
 - Under no circumstances is a school allowed to remain in deficit for 5 or more years without either a notice of concern being issued or the schools delegated budget being suspended.

SCHOOL INTERVENTION

15. With 42 maintained schools, individualised knowledge, communication, support and challenge is key in monitoring the financial health of schools. In addition, the authority uses an internal risk rating system to target support and challenge as appropriate.
16. The majority of schools are a lower risk rating, but there are 10 classified as higher risk, mainly as a result of longer term deficits or extensions to previously agreed recovery periods. The authority considers a variety of interventions when approaching schools to ensure they remain financially sustainable. These may include:
 - Writing to governors for explanation of the school budget strategy.
 - Increasing the level of authority level budget monitoring.
 - Requesting a formal recovery plan is produced, detailing the strategies, costed with timelines to achieve a balanced sustainable budget position.
 - Joint meetings between the school, finance and school improvement to consider budget assumptions, staffing structures, efficiencies and value for money of any proposals.
 - The issuing of a notice of concern requiring the school to undertake a range of actions that further increase spending controls with local authority oversight and intervention.
17. The local authority has statutory and regulatory duties around maintained schools producing revenue budgets. Requirements are detailed within the scheme for financing schools but some developments have contributed to increased oversight.
 - The School Reorganisation Panel (including Assistant Director, Principal Lawyer and Senior Finance Business Partner) considers all business cases for school restructures and is now well established, operating virtually providing some challenge to issues such as redeployment and value for money on redundancies.
 - The Isle of Wight Council from April 2020 has expanded on the Payroll & HR functions for over 17 local schools (previously with external providers) increasing visibility and linkages to the councils HR policies to ensure the local authorities ultimate employer duties are met.
 - Changes in team members in the Financial Management team supporting Childrens Services have now been embedded, improving cover alongside building networks with SBMs and experience gaining from directly supporting All Saints Primary in recent months.

RECOMMENDATIONS

1. That Schools Forum notes the school balances position for the Isle of Wight local authority maintained schools

APPENDICES ATTACHED

Appendix A – School balances history & 2020/21 forecast

BACKGROUND PAPERS

[Isle of Wight Scheme for Financing Schools September 2018](#)

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ISLE OF WIGHT MAINTAINED SCHOOLS CUMULATIVE BALANCES

APPENDIX A

School	2017/18 (actual)	2018/19 (actual)	2019/20 (actual)	2020/21 (forecast)
All Saints Church of England Primary School, Freshwater	3,922	-81,802	-117,509	-123,045
Arreton St George's Church of England Controlled Primary School	1,145	-39,895	-2,631	48,345
Barton Primary School	-57,733	-72,172	2,436	21,065
Bembridge Church of England Primary School	45,903	22,670	8,090	11,815
Binstead Primary School	247,417	166,618	145,662	128,512
Brading Church of England Controlled Primary School	49,554	94,377	150,239	117,238
Brighstone Church of England Aided Primary School	119,296	98,414	42,350	6,297
Broadlea Primary School	-32,796	18,078	43,361	182
Carisbrooke Church of England Controlled Primary School	161,745	197,123	213,557	162,625
Chillerton and Rookley Primary School	-71,463	-91,226	-105,149	-104,999
Cowes Primary School	-45,324	-40,092	-60,640	-42,336
Dover Park Primary School	155,427	154,451	141,887	129,468
Gatten and Lake Primary School	220,209	247,500	212,944	213,796
Godshill Primary School	-112,508	-102,610	-152,088	-145,896
Greenmount Primary School	10,530	94,396	128,520	-13,292
Gurnard Primary School	108,525	91,155	-2,563	19,444
Haylands Primary School	27,513	72,322	135,516	82,133
Holy Cross Catholic Primary School	47,300	40,862	33,556	53,942
Hunnyhill Primary School	-72,063	-181,854	-156,749	44,855
Nettlestone Primary School	51,255	34,317	49,474	24,105
Newchurch Primary School	30,553	10,118	3,011	1,087
Newport Church of England Aided Primary School	102,287	116,522	166,393	158,250
Nine Acres Primary School	131,878	196,469	220,240	60,824
Niton Primary School	-47,779	6,010	10,567	43,820
Oakfield Church of England Aided Primary School, Ryde	104,028	156,476	85,121	111,507
Queensgate Foundation Primary	77,543	133,182	143,353	75,160
Shalfleet Church of England Primary School	7,328	6,970	11,295	17,194
St Helens Primary School	-21,827	-20,289	-15,748	17,094
St Mary's Catholic Primary School	-26,184	39,928	54,091	50,415
St Saviour's Catholic Primary School	40,733	50,374	32,904	26,224
St Thomas of Canterbury Catholic Primary School	39,979	72,010	59,775	38,721
Summerfields Primary School	29,366	-8,668	-19,603	-36,904
Wootton Community Primary School	-20,079	-54,388	-10,863	14,680
Wroxall Primary School	4,066	9,516	14,800	20,085
Yarmouth Church of England Aided Primary School	19,159	26,130	1,984	37,920
Primary	1,328,903	1,462,992	1,467,582	1,270,331
The Bay Church of England School	-75,284	-738,035	-1,487,504	-1,806,096
Christ The King College	-2,621,899	-2,105,622	-1,914,699	-1,603,991
Carisbrooke College	173,550	199,762	446,884	146,281
Medina College	362,107	508,447	557,304	384,361
Secondary & All-through	-2,161,525	-2,135,448	-2,398,015	-2,879,445
Medina House	460,150	513,478	505,622	473,848
St. Georges	460,736	409,520	178,434	74,924
Special	920,886	922,997	684,056	548,772
Island Learning Centre	101,240	206,160	-26,095	-291,522
Alternative	101,240	206,160	-26,095	-291,522
TOTAL ALL MAINTAINED SCHOOLS	189,505	456,701	-272,472	-1,351,864

ISLE OF WIGHT MAINTAINED SCHOOLS CUMULATIVE BALANCES

APPENDIX A

2017/18 (actual)	2018/19 (actual)	2019/20 (actual)	2020/21 (forecast)
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Numbers of Schools by position (excluding any historic academy conversions)				
Surplus:	30	30	29	33
Deficit:	12	12	13	9
TOTAL:	42	42	42	42

% of Schools by position (excluding any historic academy conversions)				
Surplus:	71%	71%	69%	79%
Deficit:	29%	29%	31%	21%

Value of position by Sector				
Primary	1,328,903	1,462,992	1,467,582	1,270,331
Secondary & All-through	-2,161,525	-2,135,448	-2,398,015	-2,879,445
Special	920,886	922,997	684,056	548,772
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