

BRIEFING NOTE

SCHOOL BALANCES

Context

As at 31st March 2020, Birmingham had 198 maintained schools with a total of £60.8m in surplus surpluses; alongside 40 schools that had deficits totalling £8.8m. Whilst the number of schools in deficit has stayed the same as last year (at 40), the cumulative value of deficits has increased by £1.6m to £8.8m.

In terms of deficits, Birmingham's position is at odds with the national position:

- Nationally 30% of secondary schools are in deficit, whilst for Birmingham it's just 11%
- Conversely, nationally only 8% of primary schools are in deficit, whilst for Birmingham it's 13%
- For special schools, nationally 10% are in deficit, whilst for Birmingham, nearly 1/3rd of special schools are in deficit. This is the largest area of concern, although the Council has received substantial funding increases in this area (12% increase) for this year and next.

Deficits & Academies

It is important to note that not all school deficits fall to the Council when a school becomes an academy. The deficit remains with the Local Authority **only** where a sponsored academy has a deficit. Converter academies take any deficit with them.

Scrutiny of Maintained Schools With Deficits

Maintained schools that can't achieve a balanced budget have to apply for a Licensed Deficit. This does not attract any extra funding; it is simply permission to set a deficit budget. The school develops and implements a recovery plan within the conditions set out in the local Scheme for Financing Schools. Conditions include a maximum period for the Licensed Deficit (usually three years) and regular monitoring.

There are a number of other controls in place to promote good financial management in Birmingham Maintained Schools:

- All *school budgets plans* must be sent to the Local Authority and are reviewed by Schools Financial Services for reasonableness
- All schools are required to produce *termly financial monitoring returns* to the Council (and, in particular, these are used to monitor progress against budget or against the deficit recovery plan)
- There are also termly multi-disciplinary *Schools in Financial Deficit meetings* held by the Local Authority, to share intelligence (as financial deficits are often linked to schools with challenges in meeting Ofsted standards, or have systems controls issues identified by internal audit, and / or require HR support when considering staffing restructures to resolve financial deficits). This term the Schools in Financial Deficit group has set up sub groups to address specific issues facing the nursery school and special school sectors

- *School Audits* – internal audits are undertaken, of both individual schools as well as themed audits across schools, focussing on high risk schools. Monitoring and support follow up visits provided to those schools causing greater concern.
- *Interim Executive Boards* (IEBs) are implemented when there are concerns regarding school governance and this can include protecting the financial interests of the Local Authority

Other Processes & Scrutiny

Schools Financial Services (SFS) closely manages the budget position, particularly looking at indicators such as fluctuating pupil numbers, staff absence / sickness and Ofsted inspections

Deficit recovery plans are discussed with Headteachers / Governing Bodies and formalised. The deficit recovery plans are monitored termly by Area Finance Managers in Schools Financial Services. Where the deficit recovery requires staffing reductions, a business case is considered by HR, the Employee Relations Team, Schools Financial Services and the Education & Early Years Assistant Director sign off. If agreed, generally the Local Authority picks up the tab for redundancies and schools pick up early retirement costs – this approach is set out in legislation.

Schools not producing plans are escalated to the Assistant Director (Education & Early Years), which can lead to a Warning Notice being issued and / or delegation withdrawal, which results in the introduction of an Interim Executive Board.

All schools are RAG rated and considered termly at the multi-disciplinary *Schools in Financial Deficit meetings*. There is more work to do here, in terms of defining criteria for categories and then (possibly) publishing it, to ensure transparency with schools.

There is increased financial monitoring is monthly for schools in special measures and /or with a deficit and Direct Academy Order

There was agreement at the previous Schools Forum to set up a School Finance Governance Panel, (including school representation) to also review the recovery plans of schools. We need to be more robust about Notices of Concern and have put in place processes for greater monitoring and review.

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