

WESTMINSTER CITY COUNCIL
SCHOOLS' FORUM – 14th OCTOBER 2019
REPORT BY LEAD STRATEGIC FINANCE MANAGER – CHILDREN'S
SCHOOL BALANCES

Purpose of the report

This report sets out revised 2018/19 year-end school balances for two schools, following those originally reported to Schools Forum in June 2019.

FOR INFORMATION

1 Introduction

- 1.1 This report provides an update to Schools Forum on revised 2018/19 year-end school balances. It follows further communication to resolve schools' system issues that resulted in balances being inaccurately reported in two cases.
- 1.2 In accordance with statutory requirements 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 a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit.

2 Reporting of Year-End School Balances

- 2.1 Schools Forum considered a report in June 2019 setting out school balances and the RAG rating of those balances at the close of 2018/19.
- 2.2 The final deficit balances reported at two schools have since been reviewed, and schools' system issues that resulted in balances being inaccurately reported have now been resolved. Deficit balances across both schools were reduced by a total of £52,027.
- 2.3 As a result of this reducing deficit the total reserve balance in hand reported across all schools increased to £3,288,916. The revised closing 2018/19 balances in Table 1 are included in the appendix.

Table 1

School Name	Original Deficit	Revised Deficit	Decrease
Robinsfield	64,929	28,724	(36,205)
St Mary Bryanston Square	29,822	14,000	(15,822)
Total	94,751	42,724	(52,027)

- 2.4 The 2018/19 year-end school balances reported to the Forum in June were categorised using red, amber and green RAG ratings. Ratings were applied in accordance with criteria agreed by Schools Forum on 15th October 2018. The RAG rating is an internal risk rating re the financial position of schools. The criteria is set out below in Table 2.
- 2.5 The purpose of RAG rating school balances is to identify any schools that are at risk of going into deficit or are already in deficit and need a financial plan in order to avoid or recover from a deficit to stabilise to a sustainable position.
- 2.6 Schools classified as amber are deemed to be at risk and further work will be undertaken to address financial concerns. Assurances that plans are in place to manage ongoing commitments such as staffing, e.g. through restructuring – particularly where this expenditure is being funded from the use of one-off balances, will also be sought. Savings would need to be found to eliminate the dependency on reserves as this is neither prudent or sustainable.

Table 2

RAG Rating	Description
Red	Any school ending the preceding year with a negative cumulative balance or forecasting to end the current year with a negative cumulative balance will be given a status of RED. The Scheme for Financing Schools does not permit a school to plan for a deficit budget. Where in exceptional circumstances deficits cannot be avoided, such deficits need to operate under licence. This requires the school to agree a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit.
Amber	Any school ending the preceding year with a balance of less than £50,000 or projecting to end the current year with less than this amount. This is because there could be an unforeseen event, a change in legislation, or a change in operating pressures on the school during the course of a year which could quickly wipe out such a low level of reserve and put it in a deficit position. Any school ended the preceding year with a surplus reserve, but which made a deficit in the year which if continued at the same rate for 2 further financial years would take it into a negative reserve position will also be given a status of AMBER. This is because action may need to be taken now to reverse an underlying trend that is leading it to a deficit reserve.
Green	Schools that are not classified as Red or Amber. This will be kept under review as actual in year expenditure may indicate

	a deterioration in the year end position.
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- 2.7 As a result of feedback received on the publication of RAG ratings, which are an internal risk rating and do not get reported to the Department for Education (DfE) or any other external body, it has been decided the RAG ratings for individual schools will be used internally only and not shared in the public domain.
- 2.8 Additionally, sufficient time will be allowed for consultation with schools on final balances in advance of publication for Schools Forum going forwards. (The time period will be largely determined by the borough's year-end timetable and dates of subsequent Schools Forum meetings.)

3 **NEXT STEPS**

- 3.1 As agreed by at the October 2018 Schools Forum a multi-stage review process takes place involving:
- a) High-level desk review and assessment at year-end – based on closing reserve balances, in year outturn position and budget for the coming year.
 - b) Closer review and discussion with schools identified in the high-level review as being in deficit or at risk of going into deficit. Those in deficit will be prioritised.
 - c) Further follow up with those schools still deemed to be at risk on a plan of action.
 - d) Ongoing monitoring through the year to ensure schools remain on track in line with their projections and the action plans agreed are being put in place.
- 3.2 The aim is to work with schools to provide support and advice rather than to be directive. Where a deficit recovery plan is not completed or not being delivered meetings may be necessary with the school headteacher and governors to understand the issues and support the school in resolving these. If after escalation adequate plans for managing a deficit are not put in place, it may be necessary (in line with the Scheme for Financing Schools) for the Council to issue a notice of concern to ensure the necessary actions are taken to resolve the financial issues. The notice of concern is a way of making a governing body aware of the Authority's concerns short of withdrawing delegation and identifies the actions a governing body should take in order to improve their financial management to avoid withdrawal of delegation.
- 3.3 The last resort when dealing with schools where financial management is of significant concern and the school continues to demonstrate an unwillingness to comply with financial requirements or cooperate with the council is the withdrawal of financial delegation. The Council would work with any school as necessary to avoid this action as far as possible.

4 Recommendations

4.1 Schools Forum is asked to:

- a) note the revised closing balances set out in table 1 above;
- b) note that the RAG ratings for individual schools will be used internally only; and
- c) note the intention to allow sufficient time for consultation with schools on final balances in advance of publication (taking account of key dates at year-end).

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Background Papers

None

Appendix

Appendix – Revised 2018/19 School Balances.