
SUBJECT: SCHOOLS IN FINANCIAL DIFFICULTY GRANT
DATE: 25 September 2024
RECIPIENT: School's Forum – For Information

1. Fourteen schools have carried forward a deficit into the new financial year. The total deficit being £4.90M.

	Deficit £M	Number
Primary	3.47	12
Special	1.43	2
Total	4.90	14

2. The local authority has been allocated additional funding (£559,332) to support maintained schools which find themselves in financial difficulty. Local Authorities have been given flexibility regarding the use of the grant. The following guidelines have been provided:
 - a) Section 6.7 of the guidance on the DFE schemes for financing schools allows for local authorities to pay cash sums towards elimination of a deficit balance. This is designed for circumstances where it is not reasonable to expect the school to eliminate the whole of the deficit from its own future resources. Such cash sums can be charged to the dedicated schools grant (DSG) only where they form part of a contingency fund approved by maintained school members of the schools forum under Regulation 11(5) of, and paragraph 51 of Schedule 2 to, the School and Early Years Finance (England) Regulations 2023.
 - b) The DFE expect funding to be allocated on a case-by-case basis, taking into account the severity of the school's position and prioritising those in greatest need. Local authorities should report to their schools forum on how they are using the money.
 - c) Local authorities may wish to associate such conditions with the payment of money out of the sum that it may receive from the £20 million of additional funding. This could include mandating the use of some of the department's resource management tools and services, such as a School Resource Management Adviser (SRMA).
 - d) This funding can be used to support maintained primary, middle, secondary and all-through schools, maintained special schools, pupil referral units, and maintained nursery schools.
3. There are 7 schools with a deficit balance greater than £0.3M, where their combined deficits represent over 80% of the total. Given the size of the deficits it is recommended

that the funding is used to target these schools, pro-rated by the deficit balance, subject to the following conditions.

- a. The school produces a Deficit Recovery Plan (DRP) and submits quarterly monitoring to schools finance. The DRP is refreshed with each budget update;
- b. Where necessary the school makes use of the DFE's SRMA

School	Deficit Balance £M	Compared to Core funding (%)
Compass Pupil referral unit	1.138	67%
Hardmoor Early Years Centre	0.705	70%
Valentine Primary School	0.550	17%
Mansbridge Primary	0.478	41%
Mason Moor Primary	0.469	37%
Shirley Warren Primary	0.421	19%
Townhill Junior	0.340	24%
Polygon	0.290	18%
St Marks School	0.267	5%
Fairisle Infant	0.064	5%
Bitterne Manor Primary	0.062	6%
Oakwood Primary	0.052	3%
St Mary's Primary	0.042	1%
Highfield Primary	0.022	1%

Compass School is located on a site with five other entities. The complexity to the site means that premises related costs have not been apportioned to relevant users appropriately. A proportion of the deficit relates to business rates (approx. £0.3M).

The deficit at **Hardmoor Early Years Centre** accumulated during Covid when the number of children was reduced. The nursery is reducing the deficit by c£0.1M annually.

There has been long standing financial difficulty at **Valentine Primary School**. The school has had a recent change in leadership and standards are now improving. This has resulted in the academy order being revoked. To note some additional costs have been incurred to improve standards in the school following an Ofsted inspection.

The deficits at **Mansbridge Primary** and **Shirley Warren Primary** have accumulated over the last 4 years. A DRP has been agreed with Shirley Warren.

Mason Moor Primary has incurred additional costs to improve standards, a DRP has been agreed.

Townhill Junior School has experienced reduced funding from a reduction in pupil numbers arising from the demolition of nearby flats.

4. An extract from the scheme for financing schools of the school balances policy is shown as appendix to this report.

5.8 School Balances

- 5.8.1 Schools will carry forward any overspending or underspending from one year to the next.
- 5.8.2 When a school closes, any balances held will revert to the Local Authority. However, the funding formula will allow additional payments to be made to new schools to reflect the balances held by preceding schools (where appropriate).
- 5.8.3 Where a school converts to academy status under section 4(1)(a) of the Academies Act 2010, the balance will transfer to the academy.
- 5.8.4 The Local Authority recognises that schools may wish to carry forward a surplus balance to allow for future variations in funding or unforeseen expenditure requirements. However, the Local Authority is committed to keeping the level of school balances to a minimum, in order to ensure that available resources are effectively targeted at the needs of pupils currently in Southampton schools.

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

Primary schools, Special schools and Pupil Referral units may carry forward up to 10% of the current year school budget share as general balances. Secondary schools can carry forward up to 8%. Anything above this is an “excess surplus” balance.

There are three allowable purposes for which excess surplus balances can be used:

- As a revenue contribution to capital projects within a time limited maximum two year period.
- To maintain a reserve to fund staffing levels in the short / medium term due to a verified dip in pupil numbers.
- To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum for multiple subject areas. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.

Schools may lose their excess surplus balances if:

- They do not inform the Local Authority of the governing body decision before 31 May that there are proposals to use any excess surplus balances and that those proposals have been approved and included in the minutes by the appropriate governing body or Sub-Committee by this time.
- The proposals do not relate to one of the allowable purposes for the use of surplus balances.
- The Utilisation of Balances Pro-forma is incomplete.
- The intended use of the balance was on a capital project, which has not materialised at the end of the time limited two year period.

Extensions to the deadline for submission of proposals for the use of the excess surplus balance will need to be agreed with the Local Authority.

Excess surplus balances removed from schools will be added to a schools surplus fund for redistribution.

5.8.5 The procedure to obtain approval to carry forward excess surplus balances is as follows:

- Schools should complete a proposal for utilisation of their surplus fund and return to the Schools Finance team by the 31 May for consideration and approval. This form must include detailed plans and objectives. Relevant minutes at the governing body or sub-committee meeting must be attached detailing the decisions agreeing to spend the surplus balances and retained for a period of two years. An example is attached at Annex C.
- The Schools Finance Team will monitor the balances and remove the excess as detailed above if the Utilisation of surplus fund does not comply with the revised principles of the scheme. The Schools Finance Team will ask for a breakdown and evidence of expenditure plans.
- It is the intention that excess surplus balances will be removed in the summer term of the following financial year if the spend does not materialise within the timescale detailed.

5.8.6 Funds deriving from sources other than the Local Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise. Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Local Authority.

5.9 Deficit Budget Policy

The Local Authority may not write off the deficit balance of a school.

Schools should not plan for a year end deficit budget when submitting budget plans at the start of the year i.e. expenditure exceeding funding and income for the year plus any balances brought forward from the previous year. Schools that submit deficit plans will be required to provide a deficit recovery plan to bring the budget back into balance within three years.

The authority may intervene if a school is unable to set a balanced budget, by identifying the action a school could take and ultimately by

suspending delegation. Any unplanned deficit incurred during the year would be a first call on the following year's budget; the school would need to include the deficit in its balanced budget plan for the following year. Schools that incur unplanned deficits in successive years would be treated the same as schools submitting deficit plans and the authority would need to intervene.

The deficit recovery plan When a school first becomes aware of a potential deficit it should follow the procedures in Annex D in order to obtain the Local Authority's approval for a licensed deficit. A summary of the steps are:

Step 1 Preparation

Step 2 Notify the Local Authority with supporting documentation

Step 3 Initial meetings with the Local Authority schools finance team.

Step 4 Submit a deficit recovery plan. This becomes the formal application for a licensed deficit.

Step 5 Monitoring. The requirements and monitoring which the school will need to follow.

Issue of a Notice of Concern The Local Authority may issue a Notice of Concern to the governing body of any school it maintains, where in the opinion of the Service lead for Education and Learning, the school has failed to comply with any provisions of the scheme, and / or where actions need to be taken to safeguard the financial position of the local authority or the school.