

**READING BOROUGH COUNCIL**  
**REPORT BY FINANCIAL SERVICES**

<b>TO:</b>	<b>READING SCHOOLS FORUM</b>		
<b>DATE:</b>	<b>19 MARCH 2015</b>	<b>AGENDA ITEM:</b>	<b>5</b>
<b>TITLE:</b>	<b>SCHOOLS IN FINANCIAL DIFFICULTY</b>		
<b>SERVICE:</b>	<b>EDUCATION</b>	<b>WARDS:</b>	<b>All</b>
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**1. PURPOSE AND SUMMARY OF REPORT**

- 1.1 This report outlines the proposed criteria for the schools in financial difficulty scheme and the procedure for operating the scheme. A bid for the scheme is also considered.

**2. RECOMMENDED ACTION FOR SCHOOLS FORUM**

**2.1 TO APPROVE THE CRITERIA FOR THE SCHEME AND THE MECHANISM FOR APPROVAL.**

**2.2 TO CONSIDER A BID FOR FUNDING FROM A SCHOOL FOR APPROVAL AND THE RECOMMENDATIONS OF THE AUTHORITY.**

**3 POLICY CONTEXT**

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

**4 BACKGROUND**

- 4.1 At the January meeting of Schools Forum we agreed a new de-delegation for Schools in Financial Difficulty of £50k for the 2015/16 financial year. When the local authority has issued a formal warning notice, removed delegated powers or replaced a governing body it is often the case that the school is already in a parlous state. The interim measures that have to be taken often

incur further, one off costs to correct position for the future. These one-off exceptional costs (not including debts amassed prior to intervention) then add additional burden to the school. Therefore this funding is set aside to assist those schools in managing their financial position.

4.2 The local authority has two main options to support a school in financial difficulty. Firstly where a school has medium term issues that can be managed over time and the school returned to a surplus position, a licensed deficit can be agreed which allows the school to temporarily overspend with the deficit being repaid over time. The details for such a scheme are part of the Scheme of Finance and must be supported by a recovery plan which needs to be agreed by the Council.

4.3 The second option are where significant budget issues exist, but where it would be unreasonable to expect a school to solve these through the management of their normal budget allocations, or where a school is in one of the OFSTED categories of causing concern, additional funding can be provided. This would be the £50k fund referred to above.

## **5 CRITERIA FOR APPLICATIONS**

5.1 The proposed criteria for the allocation of the schools in financial difficulty fund are:

- Firstly a licensed deficit should be considered
- Where a school cannot produce a recovery plan within the licensed deficit criteria and falls into one of the categories below then additional assistance will be considered
- Issued a Formal Warning Notice
- Removed a Governing Body
- OFSTED judgement - Requires Improvement or Satisfactory (grade 3)

5.2 Schools Forum is asked to approve the criteria above for the Schools in Financial Difficulty Scheme.

## **6 PROCESS FOR APPROVAL**

6.1 The allocations will be based on bids provided by schools. Where allocations are £25k or more Schools Forum approval will be required.

6.2 Where schools do not meet the above criteria and the Local Authority support the case for additional funding then Schools Forum approval will be required.

6.3 Schools Forum is asked to approve the process for approval outline above for the Schools in financial difficulty scheme.

## **7 APPLICATION FOR FUNDS**

- 7.1 We have received an application in advance from St Anne's RC Primary for funding under this scheme for £50k for financial year 2015/16. This is attached as Appendix 1 to the report.
- 7.2 At present the School, which is in Special Measures, is forecasting a £276k deficit by the end of the 2014/15 financial year which is very large for a primary school. The year expenditure has included severance costs of £60k.
- 7.3 We would recommend to Schools Forum approving the £50k requested but suggest it is funded as follows:
- £25k from the 2014/15 DSG redundancy budget head
  - £25k from next year's schools in financial difficulty provision for 2015/16 - this would allow £25k to be left for any other potential claims in 2015/16

## Appendix 1: Letter Received in Application for Schools in Difficulty Fund

St Anne's Catholic Primary School  
Washington Road, Reading

12 March 2015

### Claim for a School in Financial Difficulty

St Anne's is a small one-form entry Primary School which built up a substantial financial deficit, first reported to the Local Authority during the 2013-14 financial year, and went into special measures in November 2013. An Interim Executive Board (IEB) was established in February 2014. At the time when the IEB took over it discovered that the school was continuing to spend more than its income, reaching a declared deficit of £180k by year end 31<sup>st</sup> March 2014.

A number of teaching staff were leaving by the end of the school year, not all of whom needed to be replaced. However in trying to set a budget for 2014-15 the best that could be achieved with the staffing structure as it was at that time and taking account of these resignations and other savings that could be made still left a further in-year deficit of £88k for the year.

The IEB in consultation with the Borough Council embarked on a restructuring of support staff in order to reduce its long term commitments and balance expenditure against projected income. The restructuring was proposed to save £100,000 from the annual cost base. This was to be achieved primarily by reducing support staff hours. Most staff accepted the revised contracts but a small number were unable or unwilling to and were entitled to redundancy payments which incurred an additional £60,000 in one-off redundancy costs. The restructuring reduced costs from September 2015 so making savings on the in-year deficit of £88k but incurring the additional restructuring costs. Careful control over spending over the recent months has resulted in a forecast deficit of £276k.

The school has a new experienced Executive Head in place since September 2014, shared with St Martin's Catholic Primary School, and is making steady progress to bring the school out of special measures. The financial liabilities pose a continuing serious strain on the school, representing a substantial proportion of its annual budget. The deficit without the restructuring costs can be cleared over a number of years with a full school role, which is expected to be achieved when the school emerges from special measures, however the restructuring costs add significantly to this burden and the school is requesting support in the form of £50,000 towards these one-off costs.

Peter Kayes  
Chair Interim Executive Board of Governors