

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	READING SCHOOLS FORUM		
DATE:	13 July 2017	AGENDA ITEM:	5
TITLE:	SCHOOLS IN FINANCIAL DIFFICULTY		
SERVICE:	EDUCATION	WARDS:	All
AUTHOR:	STEVEN DAVIES	TEL:	0118 937461
JOB TITLE:	EDUCATION & SCHOOLS ACCOUNTANT	E-MAIL:	Steven.Davies@reading.gov.uk

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 CONSIDER A BID FOR FUNDING FROM A SCHOOL FOR APPROVAL

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 de-delegation for schools in Financial Difficulty of £50k for the 2017/18 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 agreed 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 approved the criteria above for the Schools in Financial Difficulty Scheme in March 2015.

6 PROCESS FOR APPROVAL

6.1 The allocations will be based on bids provided by schools to Schools Forum. All allocations need Schools Forum approval. The Local Authority will also provide its view on the application but the final say will be based on Schools Forum. Schools Forum can also make exceptions if the above criteria are not met.

7 APPLICATION FOR FUNDS

7.1 We have received an application in advance from Reading Girls for funding under this scheme for £50k for financial year 2017/18. This is attached as Appendix 1 to the report.

7.2 At present the school, which is in Special Measures, is forecasting a £541k in year deficit by the end of the 2017/18 financial. The majority of this deficit is relating to falling rolls from Oct 15 to Oct 16 that on this basis alone has caused 560k income gap. The year expenditure has included severance costs of £72k.

7.3 We would recommend to Schools Forum approving the £50k requested.

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

Reading Girls' School
Northumberland Avenue, Reading

25 May 2017
Claim for a School in Financial Difficulty

Reading Girls' School has seen a significant cut in its budget in 2017-18, losing £560k compared to 2016-17. This has necessitated a restructuring programme to reduce staff costs. The restructuring has been completed with reductions in staff numbers for September 2017 which are designed to reduce staff costs by the £560k in a full year. Some savings are being achieved by not renewing contracts for agency staff and a not all the teaching staff leaving by the end of the school year are being replaced. The savings necessary cannot be achieved without further reductions and some staff redundancies are taking place. The full savings needed will not be achieved in the current year as excess costs will be incurred in the period April-August. In addition the school will incur £72k in redundancy costs. The projected deficit for the full year is £236k. The school is in special measures and being converted to an academy wef 1st September.

The school has historically struggled with its budget but over the past three years has recovered from a £290k cumulative deficit at the end of 2013-14 to a position of a surplus in March 2016 and an increased surplus of £236k carried forward from March 2017. The loss of income in 2017-18 leaves the school with the projected deficit despite the savings being made and the carry forward being exhausted. We are therefore asking if Schools Forum will provide a contribution towards the restructuring cost from the Schools in Financial Difficult Fund of £50k towards the one off redundancy costs, to reduce the extend of any deficit going forward.

The school is making steady progress to bring the school out of special measures. The financial liabilities pose a continuing serious strain which from September will be the responsibility of the sponsoring MAT.

Peter Kayes
Chair of Governors