

Children and Young People Overview and Scrutiny Committee

October 2020

Deficit Budgets in Warwickshire Schools as at the end of the Summer Term 2020

Recommendation

That the Children and Young People Overview and Scrutiny Committee note the deficit school budget situation at the end of the summer term and the potential risks to Warwickshire. Members are asked to note the figures are only accurate at the time of the WES finance visit to the school and there may be disparity with the current situation.

1.0 Background

The paper sets out to share the current financial position of schools with deficit budgets or projected deficit budgets at the end of the summer term 2020 particularly noting those with deficits of above 5%.

To share the high-risk schools/situations where the deficit may need to be resolved by WCC.

To showcase examples of where savings have been made and recovery plans put in place in schools following interventions/investments by WCC.

To identify risks and amendments to school budgets including government changes, COVID-19 and WCC decisions.

2.0 Summary

- 2.1 At the end of the Summer Term there were 139 Local Authority maintained schools across Warwickshire, covering all phases of education including Nursery, Infant, Junior, Primary, Secondary and Special Schools. 34 (24.46%) schools are projecting a deficit budget situation at the end of the 2020/21 financial year. This is an increase in the number of schools overall. However, 12 schools predict a deficit in excess of 5% which is a reduction from 14 reported as reported at the end of the Spring Term 2020.
- 2.2 It should be noted that school visits took place during the summer term and the data presented reflects the position from these visits.

- 2.3 The table below shows the current projected total deficit and the split between Primary, Secondary and Nursery education over two years and the trends. This position for the maintained Nursery Schools remains a significant concern.

Year	Number of schools	Total/reported projected deficit	Primary	Secondary	Nursery	Special
2020/21	34	-£2,295,795	-£939,526	-£1,039,274	-£279,7453	-£37,250
2021/22	31	-£3,208,015	-£1,583,851	-£1,010,227	-£613,937	£0

- 2.4 The current deficit budget positions for individual schools at the end of the Summer Term 2020 have been identified - note this can change on a daily basis, therefore it is only current at the time of the summer term visit. There have been additional challenges in ensuring the accuracy of budget positions in the current COVID situation.

3.0 Sustainability Action Group (SAG)

- 3.1 The challenge and support through SAGs enables closer monitoring of school budgets and interventions being actioned early on. The expenditure made through this system is enabling greater longer-term savings as identified through the progress reports.
- 3.2 An application to draw down money from the Schools in Deficit Reserve was agreed by the Strategic Sustainability Action Group on 30 April 2020. This has enabled a collaborative response to the deployment of 'specialist leaders' within areas of expertise including Business Management/Finance, SEN, Governance, HR and Leadership. Their role is to support schools to ensure they have robust recovery plans in place.
- 3.3 Corporate Board are aware of any current risks to the Local Authority and progress that has been made on recovery plans. Following interventions through SAG meetings several schools have either eradicated their deficit positions or significantly reduced them.

4.0 COVID-19

- 4.1 The impact of the COVID-19 pandemic is still yet to be quantified, and a better picture will be available in the autumn term 2020 report.
- 4.2 The DfE have announced £650 million COVID-19 Catch Up Premium Funding for 2020-21 for all state funded mainstream (primary and secondary) schools and special schools. This will mean an increase of £80 per pupil in years reception through to year 11. For special schools the amount is £240 per school place. The funding will be provided in 3 tranches. Part payments will be made in Autumn 2020 with a 2nd grant early in 2021 and the final payment

in the summer term 2021. This means a typical primary school of 200 pupils will receive £16,000 while a typical secondary school of 1,000 pupils will receive £80,000.

- 4.3 Although funding has been calculated on a per pupil or per place basis, it is proposed schools should use the sum available to them as a single total from which to prioritise support for pupils according to their need. As the catch-up premium has been designed to mitigate the effects of the unique disruption caused by coronavirus (COVID-19), the grant will only be available for the 2020 to 2021 academic year. It will not be added to schools' baselines in calculating future years' funding allocations.
- 4.4 Governors will be expected to scrutinise the spending of this money. It is recommended that schools have a separate budget code for this funding which is monitored through WES finance. Whilst this is not likely to decrease the numbers of schools with a deficit budget it may go some way to ensuring the impact of the pandemic has not increased the number of schools with a deficit.

5.0 'Smaller' Schools

- 5.1 For 2020-21 we have recognised the challenges for small rural schools, and we have allocated sparsity funding to 14 eligible schools.
- 5.2 Small rural schools are defined as those schools with less than an average of 21.4 pupils per year group and the next nearest compatible school is more than 2 miles away, as the crow flies. The maximum sparsity funding is £26,000 for primary schools and £67,600 for secondary schools. The ESFA has already announced that sparsity funding for primary schools in 2021-22 will rise to a maximum of £45,000 and £70,000 for secondary schools.
- 5.3 Whilst the allocation of sparsity funding has been helpful for 14 small rural schools the definition and application of the funding has not benefitted 19 other 'smaller' schools. These 19 are not deemed to be rural by EFSA criteria due to the distance of their next nearest compatible school, but they do meet the class size criteria. A 'smaller' school's strategy is to be developed.

6.0 Pay Awards

- 6.1 2021-22 Funding Announcement
In July 2020 the government announced changes to the National Funding Formula for 2021-22. The main changes were an increase in funding factors and the minimum funding per pupil guarantee so as the cost of the teacher pay award increases for 2018 and 2019 along with the teachers' employers pension increase for 2019 are now included in the base formula for 2021-22. These changes in formula funding will only address additional historic costs to schools and will not any future additional costs, most notably, proposed admin staff pay award for April 2020 teachers pay award from September 2020.

The government is currently consulting on the teachers' pay award for September 2020. The proposal is that the lowest qualified teacher band will receive an increase of 5.50% which is gradually tapered through the next 5 pay points until the increase is 2.75% for band 6. All other pay bands for newly qualified teachers, leadership teams and headteacher will also increase by 2.75%. Overall, the government has calculated that this will add 3.10% to the overall teachers' pay bill for Warwickshire schools. Our own initial estimates suggest that the real increase for our maintained schools is slightly higher at an average of 3.2%. In any event both these estimates are above the 2.00% schools had previously been advised to use in forecasting future budget plans. Further work is currently taking place to assess the impact of the teachers' pay award on individual schools and the impact will be discussed during finance visits during the autumn term.

Current admin pay negotiations suggest that pay for this group will increase by 2.75% from April 2020. This is above the 2% schools have been advised about when estimating budget positions for 2021-22.

7.0 Maintained Nursery Schools

- 7.1 The financial future of our 6 Maintained Nursery Schools are a concern. Two maintained nursery schools were in financial deficit at the end of 2019-20 with another three forecasting a deficit position by the end of 2020-21. The Maintained Nursery Schools are seeing funding cut both through the reduction in their supplementary funding which is only guaranteed until March 2021 and moving to the Early Years National Funding Formula in line with all other early year's providers.
- 7.2 Whilst the government announced its proposals for 3 of the 4 DSG funding allocations it has not set out its plans for the funding for Early Years providers in 2021-22.
- 7.3 Our 6 Maintained Nursery Schools receive an average of £110,000 (£138,000 in 2018-19) per school in supplementary funding and is in recognition that these 6 schools are 'maintained' schools and have additional costs, for example, they must have a Headteacher and qualified teaching staff.
- 7.4 Without this ongoing funding support the financial viability of these schools may not be sustainable much beyond 2021-22.

8.0 Priorities

- 8.1 Identification of any impact of the COVID -19 pandemic through Autumn Term school visits.
- 8.2 The impact of the pay award on schools' budgets must be explored in the autumn term visits as these are not being funded through the changes to the National Funding Formula for 2021-22.

- 8.3 The on-going support and challenge for schools that are projecting deficit budgets to ensure they are addressing the situation early on. This is through SAG meetings and the collaborative Strategic Sustainability group to ensure Recovery Plans are in place.
- 8.4 A smaller school's strategy to ensure schools are sustainable even with smaller pupil numbers.
- 8.5 Addressing the Maintained Nursery School situation.

Supporting Documents

- Current Deficit Protocol

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