

Committee:	School Forum
Meeting Date:	13 January 2015
Title:	Summary of Monitoring by the Schools Accountancy Team during Autumn 2014
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Decision making / consultative / information:	Information

What is the Forum being asked to decide?

1. The Forum is being asked to note the monitoring summary provided by the Schools Accountancy Team during autumn 2014.

Reason for recommendation

2. The DfE places certain responsibilities on local authorities with regard to financial assurance of maintained schools. These responsibilities include high level monitoring of all school budgets and intervention in schools causing financial concern.
3. This paper sets out a summary of the current situation with maintained schools and PRUs in Suffolk, as assessed by the Schools' Accountancy Team during autumn 2014.

Alternative options

4. There is no alternative option

Who will be affected by this decision?

5. This paper is for information only

Main body of the Report

1. The DfE places certain responsibilities on local authorities with regard to financial assurance of maintained schools. These responsibilities include:
 - Reviewing the schools' budget plans as submitted
 - Agreeing a deficit recovery programme with schools that fall into deficit
 - Carrying out high level monitoring of schools' budgets
 - Challenging excess surplus balances, held by schools without good reason
 - Intervene in schools causing financial concern, through issuing notices of concern or the withdrawal of delegation

6. Schools Forum has been provided with updates on the Schools' Accountancy Team's monitoring of strategic financial plans at the previous two meetings. This paper will not repeat the information already provided within those two papers ([2014-07-15 School Balances.pdf](#); [2014-10-13 Monitoring update.pdf](#)).

Schools Currently Subject to Additional Financial Monitoring

Balances held by primary schools considered high risk by LIS

7. During the autumn an analysis was made of the unspent funds carried forward to 2014-15 as a percentage of 2013-14 funding for maintained school deemed red under the Learning and Improvement Team's Autumn term RAG rating assessment and/or issued with a warning letter:
8. 9 of the 15 primary schools sent warning letters during Autumn '14 had unspent funds in excess of 10% of their 2013-14 funding.
9. 19 of the remaining 35 red RAG primaries also had unspent funds in excess of 10% of their 2013-14 funding
10. The average level of unspent funds across all 49 high risk primaries was 10.9% last year even though five of these schools ended the year in deficit
11. Closing middle schools have traditionally held higher balances in the years immediately prior to closure; no middle school has closed in deficit since Group 2. Only 2 of the 6 red RAG rated middle schools carried forward unspent funds in excess of 10%, the average across this group was 9.6%
12. An examination of the 2014-15 Budget Plans for this group of primary schools indicates a possible fall in the level of reserves by March 2015; however historic data analysis has shown that, on average, schools have traditionally underestimated their reserves by approximately 50% in recent years.

Overview of schools considered high risk by SAT

13. On 01 December 2014 there were 269 maintained schools and PRUs, the risk scores for the autumn term were as follows:

SAT Risk Score	Number of Schools (July 2014)	Number of Schools (December 2014)	SAT RAG Rating
9	1	-	R
8	-	1	R
7	-	-	R
6	5	-	R
5	7	6	R
4	6	9	R
3	18	10	A
2	32	25	A
1	80	62	G
0	136	156	G
Total	285	269	

14. Highest risk school (8 risk points – Dec 14):

This school had a Licensed Deficit Agreement that it was unable to keep to and has been in discussions with the Authority. It was set two clear objectives by the Authority in November 2014 in order to ensure that the school's accumulated deficit does not exceed £3.6m, and that the repayment of the deficit starts by no later than 2016-17 with full recovery by March 2020.

The governing body has recently agreed a recovery plan that meets these criteria and is believed to be robust and credible by the Local Authority.

A Notice of Financial Concern is in place and the school is monitored closely.

15. Second highest risk school (5 risk points – Dec 14):

This school is a primary with an agreed Licensed Deficit. This school has, and continues to face, unique circumstances which have resulted in an accumulated deficit of £100k. The school have made good progress with the agreed deficit to-date and it was due to be repaid by March 2017. However, the Head and Chair raised concerns during the autumn term that they were unlikely to be able to keep within the agreed balances in 2015-16 and the governors are now preparing to submit a formal request to extend the Licensed Deficit with recovery by March 2019.

The school is in Special Measures with Ofsted and therefore expected to convert to Academy under a sponsor arrangement. The Dfe requires any deficit balance at conversion to remain with the Authority; it cannot be reclaimed from the DfE/EFA, the successor Academy or the Sponsor. Therefore it is possible that this school's circumstances may result in a call on the contingency agreed by the Forum for this type of situation.

A Notice of Financial Concern is in place and the school is monitored closely.

16. Interventions measures for schools where closing/convertng deficit balances remain with the Authority:

Interventions for middle schools closing in August 2015

- schools have produced closure balance forecasts
- schools will be required to address any potential deficit
- NOFC's were issued in Autumn 2014 and will be closely monitored until closure

Interventions for middle schools closing in August 2016

- schools will be required to produce detailed financial plan covering April 2015 until closure
- actual staffing changes for the first year of SOR transition will not be confirmed until after May 2015, schools will need to revisit financial plans once actual costs known
- school will be required to address any potential deficit
- A NOFC will be issued in Autumn 2015 (earlier if there is a risk of deficit on closure) and will be closely monitored.

Interventions for schools converting to Academy under sponsor arrangements

- schools are required to produce conversion balance forecasts
- schools are instructed that no transfer of funds may be made to the Academy Sponsor or other schools prior to conversion without the express consent of the Authority
- A NOFC is issued as soon as the Academy Order is announced (earlier if there is a risk of deficit on conversion) and are closely monitored until conversion

17. Other schools scoring 5 risk points (Dec 14):

3 middle schools - one has been issued with a NOFC, the other 2 will be issued a NOFC next autumn. All 3 schools are expected to close with a surplus balance.

2 schools due to convert to academy under sponsor arrangements - both schools have been issued with a NOFC, both are expected to convert with a surplus.

18. Schools scoring 4 risk points (Dec 14):

5 middle schools – 3 have been issued with a NOFC, the other 2 NOFCs will be issued next autumn. All 3 schools are expected to close with a surplus balance.

2 schools due to convert to academy under sponsor arrangements – one is expected to convert with a surplus, the other school may convert with a small deficit as it is in its penultimate year of a Licensed Deficit agreement.

2 primary schools with particular risk factors – reviews of financial plans indicate both schools are aware of their particular issues

19. Schools with agreed Licensed Deficits:

There are currently 8 schools with formal Licensed Deficit Agreements in place, two of these schools have positive 2014-15 balances and may be discharged from deficit shortly.

The six schools with 2014-15 deficit balances ranging from minus £101k to minus £3k. 5 of the 6 schools are expecting deficits of £22k or less. The remaining school is the second highest risk school which is preparing an extension to their agreement as mentioned above.

The highest risk school does not yet have a revised Licensed Deficit Agreement in place. It is expecting a deficit of minus £3.5m for 2014-15 as mentioned above