

York Schools Forum

19 October 2023

Report of the Head of Children & Education Finance

MAINTAINED SCHOOL START BUDGETS 2023/24

Purpose of Report

- 1 This report provides members of the Schools Forum with a summary of the formal revenue start budgets submitted by local authority (LA) maintained schools for 2023/24, and their associated three year financial plans. The report identifies those schools requesting a licensed deficit budget for 2023/24, the LA's response and gives a brief summary of future year financial plans.

Background

- 2 The LA has a statutory role in assessing the budget plans of its maintained schools under the Local Management of Schools (LMS) Scheme. In particular, any school that feels that it needs to plan for a cumulative year end deficit budget can only do so with the written consent of the LA. The LMS Scheme requires all maintained schools to submit annually, in May, a start budget for the current financial year and a future forecast covering at least the following two financial years.
- 3 In order to have a deficit approved the school will need to show why they are in deficit, when they are intending returning to a balanced budget position and how they intend to manage the school in order to achieve this. If a school is unable to manage its finances to return to a balanced position within 3 years, the DfE's advice is that the LA should consider removing financial delegation from the school.
- 4 The LA also has a duty to ensure that the LMS Scheme is being adhered to. In accordance with the LMS Scheme the Corporate Director of Children & Education can approve revenue deficits up to a maximum of 10% of the school's core income. Higher percentage deficits can be agreed in exceptional circumstances but would also require the approval of the LA's Chief Finance Officer (Section 151 Officer). Deficits can be agreed for any period up to a maximum of 3 years. Once the school has submitted a recovery plan, and it has been agreed, this plan can only be changed in exceptional circumstances.
- 5 As part of its annual review of the financial plans, the LA may also write to other schools where they can see that potential problems may be looming, with the aim of encouraging early action to help mitigate against more significant interventions being required in the future.

2023/24 Start Budgets

- 6 The table at Annex 1 shows that all but two schools are planning for in-year revenue deficits in 2023/24 resulting in a total net deficit of £1.7m, equivalent to 3.2% of schools' total income for the year. For the majority of these schools the planned in-year deficit can be funded from surpluses brought forward from 2022/23, so still leaving them with a positive cumulative revenue balance at the 31 March 2024.

- 7 Seven schools have submitted Start Budgets that propose ending 2023/24 with a cumulative revenue deficit. It should also be noted that one school has yet to submit its Start Budget to the LA. Under the school funding regulations and the LMS Scheme, the LA is able to agree to a licensed cumulative deficit if the school has also produced a robust plan setting out how they will return to a balanced position within three years.

Future Year Financial Plans

- 8 The table at Annex 1 also sets out schools' planned revenue expenditure, income and balances over the following two financial years to 31 March 2026. The table shows that the majority of schools are currently planning for in-year revenue deficits in 2024/25 and 2025/26, resulting in a total net cumulative deficit of £1.9m at 31 March 2026.
- 9 While considering the Start Budgets, the LA understands the difficulties that schools are having in planning for future years given the uncertainty around funding levels and potential cost increases, particularly teachers' pay rises and any additional government support that might be provided. In light of this we do provide as much guidance as we are able to for schools at budget setting time to help in making informed planning decisions. In addition, the Schools Finance Service holds regular meetings that all school finance and business managers are invited to to keep schools as updated as possible.
- 10 The LA will also continue to lobby government individually and, more effectively, as part of the f40 group of the lowest funded LAs. This has already resulted in some positive changes. Particularly in funding for SEND and a change to the National Funding Formula sparsity factor for small schools which has benefited some of York's smallest rural schools. Although it is recognised that this will not have directly benefited every school in York.
- 11 Despite this, it is still important for every school to properly consider their budget and develop a robust financial plan. And to ensure that their financial plan demonstrates how the school will maintain a balanced budget position over the three-year planning period. It is accepted that some schools will need to consider making difficult decisions, and it is the governing body's responsibility to manage their school's budget within the available resources.
- 12 The final column of Annex 1 shows the LA's response to each maintained school's Start Budget submission and three year financial plan.

Recommendations

- 13 Members of the forum are asked to note and comment on the report.

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Annex 1 – Summary of Maintained Schools 2023/24 Revenue Start Budgets and Three Year Financial Plans