

York Schools Forum

17 October 2024

Report of the Head of Children & Education Finance

MAINTAINED SCHOOL START BUDGETS 2024/25

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 2024/25, and their associated three year financial plans. The report identifies those schools requesting a licensed deficit budget for 2024/25 and the LA's response to each school's submission.

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 a reasonable period, 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 Director of Finance (Section 151 Officer). Deficits are normally agreed for any period up to 3 years (as per guidance from the DfE) however, longer periods may be agreed in exceptional circumstances. 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 developing, with the aim of encouraging early action to help mitigate against more significant interventions being required in the future.

2024/25 Start Budgets

- 6 The table at Annex 1 shows that all but five schools are planning for in-year revenue deficits in 2024/25 resulting in a total net deficit of £1.1m, equivalent to 2.2% of schools' core income for the year. Whilst this represents a modest improvement in the Start Budget position for 2023/24 (£1.4m), it is still of significant concern. For the majority of these schools the planned in-year deficit can be funded from surpluses brought forward from 2023/24, so still leaving them with a projected positive cumulative revenue balance at 31 March 2025.

- 7 Twelve (seven in 2023/24) schools have submitted Start Budgets that propose ending 2024/25 with a cumulative revenue deficit. 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 2027. The table shows that the majority of schools are currently planning for in-year revenue deficits in 2025/26 and 2026/27, resulting in a total net cumulative deficit of £1.7m at 31 March 2027.
- 9 While considering the Start Budgets, the LA understands the difficulties that many schools are having in planning for future years given falling pupil numbers, increased SEND demand, the uncertainty around funding levels and recent cost increases. 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. The LA will also continue to lobby government individually and, more effectively, as part of the f40 group of the lowest funded LAs.
- 10 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.
- 11 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

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

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Annex 1 – Summary of Maintained Schools 2024/25 Revenue Start Budgets and Three Year Financial Plans