

## Summary of schools in financial difficulty

The DSG and the Council are currently facing greater financial risk due to the increasing number of schools falling into financial difficulty. This is largely due to :

- School closures, any balances (whether surplus or deficit) revert to the Local Authority (LA).
- Sponsored Academy conversions, when a school with a deficit becomes a sponsored academy, the deficit remains with the LA, to be funded from its core budget. If it converts with a surplus this goes to the new trust.

School deficits are not an allowable charge on the LA's schools budget (funded by its allocation of Dedicated Schools Grant); however, if the schools forum has agreed to de-delegate a contingency provision, then the deficit may be funded from that contingency, depending on the criteria agreed for its use.

### Current situation

All schools are required to submit a balanced budget that has been agreed with Governors by 1st May each year. Those schools that are unable to balance their budgets can submit a licensed deficit application by the same date that will be considered in line with the scheme guidance. This has to be agreed by the Chief Executive of the LA.

The table below summarises the current schools budget position for Northumberland

	Balanced budget received	Licensed Deficit approved	Budget outstanding	Total no. of schools
<b>First/Primary</b>	109	4	3	<b>116</b>
<b>Middle</b>	19		2	<b>21</b>
<b>High/Secondary</b>	5	1	3	<b>9</b>
<b>Special</b>	8			<b>8</b>
<b>PRU</b>			1	<b>1</b>
<b>Total no. of schools</b>	<b>141</b>	<b>5</b>	<b>9</b>	<b>155</b>

### Outstanding School Budgets

The following schools are yet to submit budgets that are either balanced at the end of the financial year or meet the scheme guidelines for a Licensed deficit application.

**Greenhead and Henshaw C of E Primary Schools** - The schools have been in regular communication regarding the licensed deficit applications they plan to submit, however both schools are currently still exceeding the 5% limit allowed by the scheme and so are yet to be approved. Negotiations will continue to see if there is anything further that can be done to reduce the deficits. The current budget recovery plans have both schools coming back into a balanced budget position in 2018-19.

**Whitfield C of E V A Primary** - The school has been in regular communication regarding the licensed deficit application they plan to submit, however they are currently still exceeding the 5% limit allowed by the scheme and so the application is yet to be approved. Negotiations will continue to see if there is anything further that can be done to reduce the deficit. The current budget recovery plan has the school coming back into a balanced budget position in 2018-19.

**Alnwick Lindisfarne Middle School** - A budget has been received from the school which shows an increasing deficit position which is likely to be in the region of £381k by the time the school closes in 2017-18.

**Alnwick The Dukes Middle School** - A budget has been received from the school which shows an increasing deficit position which is likely to be in the region of £183k by the time the school closes in 2017-18.

**Bedlingtonshire Community High School** - The school has submitted several budgets, all of which are in deficit until at least 2019-20 and exceed the 5% limit for an approved licensed deficit. If the school was to convert on 1st December 2016 then a forecast deficit of £300k is expected.

**Haydon Bridge High School** - The school were unable to set a balanced budget for 2015-16 and the situation has continued to worsen in 2016-17 as the academy conversion is delayed further. The school are predicting a deficit budget of £618k by the end of 2016-17, however they are also overspending against this budget by £80k at present. It is proposed that the local authority uses its powers to withdraw delegation of the school's budget share in order to limit the potential cost to the budget.

**The Duchess's Community High School** - The school has been in regular communication regarding the licensed deficit application it has proposed and is now close to submitting a budget plan which is in line with the requirements of the scheme (the deficit in 2016-17 must be 5% or less). Providing the school do not overspend against their planned budget, they will be able to balance the budget by the end of 2017-18.

### **Additional cost pressures**

**Herdley Bank Primary School** - This closed on 30th April 2016 with a deficit of £48k.

**Schools falling into deficit in year** - At the end of 2015-16 there were 26 schools with a deficit budget and only 3 of these deficits had been formally approved by the Chief Executive.. Business Support are working more closely with schools to reduce the number of unlicensed year end deficits for 2016-17 and to highlight those schools that are genuinely falling into financial difficulty. A co-ordinated response between finance and school improvement officers can then work with the school to prevent the financial situation deteriorating where possible.