

From: Roger Gough, Cabinet Member for Children, Young People and Education

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To: Children's, Young People and Education Cabinet Committee – 28th June 2019

Subject: **Kent Schools in Deficit 2018-19**

Classification: **Unrestricted**

Past Pathway of Paper: None

Future Pathway of Paper: None

Electoral Division: All

Summary:

The content of this report provides details of the number of Kent schools in deficit during the financial year April 2018 to March 2019. Information included provides a national comparison and the underlying reasons that cause a school to go into deficit.

Recommendation:

Members of the Children's, Young People and Education Cabinet Committee are asked to note and comment on the contents of report.

1. Introduction

1.1 The purpose of this report is to provide information on Local Authority (LA) Maintained Schools with deficit budgets during the financial year April 2018 to March 2019.

2. Number of Kent LA Maintained schools in deficit

2.1 Appendix 1 provides details of the number of schools in deficit during the 2018-19 financial year.

2.2 At the beginning of the 2018 financial year, there were 17 (4.3%) Kent Maintained schools in deficit. This reduced to 11 (2.9%) schools by the end of the financial year, an overall decrease of six schools. (1.4%).

2.3 This reduction was made up of four new schools that ended the year in deficit and 10 schools that managed to move to a surplus position within or by the end of financial year.

3. National picture – number of schools in deficit

3.1 The Education Policy Institution (EPI) produced a report in January 2019 on LA school revenue balances for 2017-18. The headlines from the report are:

- Almost one in three (30.3%) of local authority (LA) maintained secondary schools were in deficit in 2017-18 – almost four times that of 2014 (8.1%)
- The average secondary school deficit was nearly half a million pounds (£483,569)
- Significantly, there was a marked contrast between the proportion of secondary and primary schools in deficit with only 8% of primary schools being in deficit in 2017-18
- Some schools had very large deficits with one in every 10 LA secondary schools having a deficit of over 10% of their total income
- The proportion of special schools in deficit had nearly doubled since 2014 to 10.1% with an average deficit of nearly a quarter of a million pounds (£225,298)

4. School funding and number of schools in deficit.

4.1 The implementation of the Schools National Funding Formula from 2018-19 has seen Kent receive more funding for schools with an overall increase of 3.3% in 2018-19 and 2.6% in 2019-20. However, it is important to note that Kent's combined Pupil Unit of Funding ¹ and Secondary Unit of Funding ², average per pupil, is ranked 139th out of 149 LAs.

4.2 2.7% of Kent maintained primary schools ended 2017-18 in deficit. This compares favourably to the national average of 8%. 2018-19 has seen a further reduction of 1.2% reducing the percentage of deficit primary schools to 1.5%.

4.3 26.1% of Kent Maintained secondary schools ended 2017-18 in deficit and this rose to 27.3% in 2018-19. This compares to 30.3% nationally for 2017-18. No national figures for 2018-19 are available at present.

4.4 The number of Kent maintained schools that are in deficit is significantly below the national average. This has been achieved in an environment where schools in Kent receive a low level of funding in comparison to other LAs.

5. Underlying causes of deficit.

5.1 There are several areas which contribute to financial difficulties in schools.

The common areas are:

- An expectation of an increase in pupil numbers which does not materialise
- Delays in reacting to changes in the school's financial position, e.g. from an unexpected reduction in pupil numbers

¹ Primary Unit of Funding – Dedicated Schools Grant (DSG) for Primary Schools divided by number of primary school pupils.

² Secondary Unit of Funding - DSG for Secondary Schools divided by number of secondary school pupils.

- Low pupil numbers, due to expansion of neighbouring schools.
- Low cohorts in primary schools
- National Funding Formula (although there are winners and losers)
- Suspension/changes to High Needs Funding
- The cost of intervention from the Ofsted outcomes particularly when a change in leadership is required
- Difficulties in delivering staffing reductions for schools in need of School Improvement

6. Managing and containing the number of schools in deficit.

- 6.1 Schools Financial Services (SFS) provide an experienced support team to assist and challenge these schools with a view to bringing their budgets back to a balanced position (preferably within three years).
- 6.2 SFS have continued to strengthen their links with School Improvement Advisers both formally through categorisation meetings and informally as the need arises. They act collaboratively when schools need intervention which has financial consequences.
- 6.3 Any school that submits a deficit budget must obtain a licenced deficit formerly approved by the LA. In the first instance when a school submits a deficit budget, assurance is sought from the school that every effort has been made locally to balance their budget.
- 6.4 When this part of the process is exhausted, an officer from SFS is assigned to the school. The first action is to work with the school to achieve a balanced budget but where this is not possible a formal licenced deficit is agreed with the school.
- 6.5 The deficit plan is then monitored regularly by SFS to ensure that the school is taking the agreed management action recorded in its plan. This is regularly discussed at the Education Planning and Access Divisional Management Team.

7. Conclusions

- 7.1 The low level of funding Kent schools receive compared to other local authorities and the low percentage of Kent schools in deficit compared to the national average, demonstrates that Kent has a robust policy in supporting and containing schools in deficit and that schools and their governing bodies act efficiently in managing their budgets.

8. Recommendation:

Members of the Children's, Young People and Education Cabinet Committee are asked to note and comment on the contents of report.

9. Background Documents

Appendix 1 Analysis Schools in Deficit 2017-18

[Schools Revenue Balances 2017-18](#)

10. Contact details

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