



North Northamptonshire Schools Forum: 20 October 2022

Agenda Item 4

2021/22 Maintained School Balances and Schools Facing Financial Difficulty in 2022/23

1. Background

1.1 This report seeks to inform Schools Forum of the final 2021/22 maintained school balances as at 31st March 2022 and to raise Schools Forum awareness of North Northamptonshire's maintained schools facing financial difficulty from 2022/23 onwards.

2. Maintained school balances as at 31st March 2022

2.1 The net total balances at the start of April 2021 for the 42 maintained schools were £7.388m and during the year, one primary school converted to academy status. By the end of March 2022, of the 41 maintained schools that remained, net balances totalled £6.420m. At the start of the year one schools was in deficit, at the end of the year there were three schools in deficit. Table 1 summarises the 2021/22 final position.

Table 1: Summary of maintained school balances at 31st March 2022

School Phase	Number of schools in surplus	Schools surplus balances in 2021/22	Number of schools with "excess" surplus	Schools "excess" surplus balances in 2021/22	Number of schools with deficits	Schools deficit balances in 2021/22	Total schools	Total outturn balances
		£'000		£'000		£'000		£'000
Nursery	2	349	0	0	2	-76	4	273
Primary	34	5,140	21	1,532	1	-58	35	5,082
Secondary	1	906	1	296	0	0	1	906
Special	1	159	0	0	0	0	1	159
TOTAL	38	6,553	22	1,828	3	-133	41	6,420

2.2 Historically the DFE has indicated that nursery, primary and special schools should be aiming to hold a balance around 8% of their income, with a lower figure of 5% for secondary schools. However, North Northamptonshire Scheme for Financing Schools has that figure set at 10% under paragraph 4: The treatment of surplus and deficit balances arising in relation to budget shares.

4.1 The right to carry forward surplus balances

Schools may carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

1. the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework
2. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance
3. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also consider any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned
4. if the result of steps (1) – (3) is a sum greater than 10% of the current year's budget share for primary, nursery and special schools, then the Authority shall deduct from the current year's budget share an amount equal to the excess

Funds deriving from sources other than the Authority will be considered in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be considered unless added to the budget share surplus by the school as permitted by the Authority.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.

Schools will be required to split these balances for the DfE Section 251 return and for Consistent Financial Reporting both of which are statutory returns.

2.3 Using the metric set out in Scheme for Financing School, 22 schools have surplus balances that would fall into what was once regarded as the "excess balances" category. Although schools with surpluses totalled £6.553m, £1.828m of that amount is beyond the 10% excess surplus threshold.

2.4 All maintained schools have classified their balances as uncommitted balances except for Pen Green in their 2021/22 CFR that was submitted to the DFE. Under such circumstances any uncommitted balances in excess of 10% is classed as

excess balances which would be clawed back under the NNC's Scheme for Financing Schools. This means the LA should be clawing back the excess balances of £1.828m. For 2021/22 only, the LA is asking school forum to waive the application of balance control mechanism policy for 2021/22 balances to remind maintained schools the importance of classifying carry forward balances correctly in their year end CFR submission. The Scheme for Financing Schools will be enforced for 2022/23 balances as at 31st March 2023.

2.5 **Appendix 1** sets out the position for each of the 41 maintained schools, showing the change between 2020/21 and 2021/22 and what school governing bodies have planned for their school's medium term financial plan.

2.6 The LA is not responsible for the financial position at North Northamptonshire academies and free schools. The ESFA's Schools Financial Benchmarking website recently refreshed its dataset with Consistent Financial Reporting (CFR) information for academies and free schools for the year ending 31st August 2021. The ESFA recognises that the financial position at individual academies can be affected by the way in which Multi-Academy Trusts treat shared costs.

3 Maintained Schools in Financial Difficulty in 2022/23

3.1 Based on the budget plans received to date from maintained schools, 2 schools have budgeted for in year deficit in 2022/23.

3.2 With the increase in teachers pay award in the summer and the steep rise of inflation, it is envisaged more schools will go further into deficit in 2022/23 as cost pressures mount on schools budgets.

3.3 Schools are not permitted to plan for a deficit under paragraph 4.5 Planning for deficit budgets in Scheme for Financing Schools. School budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year.

3.4 Where schools have reason to anticipate a deficit by 31st March of any year, NNC's Chief Finance Officer must be informed immediately.

3.5 Schools must submit a deficit recovery plan to NNC when their revenue deficit rises above 1% on 31 March of any year.

3.6 Schools applying for a licensed deficit may be allowed to plan for a deficit budget in exceptional circumstances with the agreement of the NNC Chief Finance Officer and subject to the following restrictions:

- a) The maximum length over which a school may repay the deficit is normally three years from the beginning of the next financial year in which the deficit arises, and the financial position will be subject to ongoing monitoring and annual review
- b) A deficit arrangement will only be allowed where the continuing existence of a school is deemed viable
- c) The minimum size of an agreed deficit is 1% of the budget share, and the maximum level is 15% of the budget share
- d) The maximum proportion of the collective school balances held by NNC which will be used to back the total of deficit arrangements is 10%.

- e) Arrangements for individual schools will be determined by the NNC Chief Finance Officer or their nominated officers, in agreement with the school Governing Body. The Governing Body must formally agree to abide by any requirements laid down as a pre-condition to accepting the deficit arrangement.

3.7 Table 2 lists the maintained schools facing financial difficulty in 2021/22 and their anticipated difficulties in the next three years.

Table 2 – Maintained Schools Facing Financial Difficulty in 2021/22 – 2024/25

School Name	Closing Revenue Balance 2021/22	2022/23 Forecast Balance	2023/24 Forecast Balance	2024/25 Forecast Balance
Croyland Early Years Centre	-£51,267			
Highfield Nursery School	-£24,487			
Broughton Primary				-£78,408
Corby Old Village Primary School				-£132,415
Mawsley Community Primary School			-£67,865	-£171,026
Great Doddington Primary				-£3,498
Higham Ferrers Junior School				-£96,465
Alfred Street Junior School	-£57,632	-£138,751	-£76,349	
South End Infant School				-£38,418
Tennyson Road Infant School			-£48,631	-£103,947
The Avenue Infant School			-£87,123	-£234,457
South End Junior School				-£18,981
Higham Ferrers Infant School				-£45,116
Meadowside Primary School			-£108,838	-£335,459
Earls Barton Primary School		-£2,421	-£10,932	-£55,676
Denfield Park Primary			-£49,001	-£124,569
Barton Seagrave County Primary				-£28,372
Croyland Primary School			-£194,615	-£451,700
Geddington C of E Primary			-£3,921	-£101,129

Brigstock Latham's CE Primary School				-£3,028
Kings Cliffe Endowed School				-£2,981
Wilby CE (VA) Primary			-£13,163	-£44,414
St Patricks RC Primary			-£3,450	-£58,628
Little Stanion Primary School			-£9,801	-£82,381
Millbrook Infant School				-£25,693
Thrapston Primary School				-£183,975
Stanion CE Primary School			-£5,268	-£77,082
Total Maintained Schools in Deficit	-£133,385	-£141,172	-£678,957	-£2,497,818
Number of Schools in Deficit	3	2	13	24

4 Recommendations for Schools Forum

4.1 This is an information paper which Schools Forum is invited to note and discuss the issues raised, noting the current difficult climate schools have to work within.

4.2 Schools Forum are asked:

- a) to make an exception in 2021/22 and not to apply clawback policy, as the requirements states in Scheme for Financing. This is remind maintained schools the importance of classifying their balances accurately as committed and uncommitted balances in their submitted CRF return. Maintained schools have a responsibility to ensure compliance to North Northamptonshire's Scheme for Financing Schools. As it stands the LA could potentially clawback £1.828m of excess balances as schools have failed to classify their balances correctly in their 2021/22 CFR submission.
- b) based on this paper to approve the updated balance mechanism control policy for 22/23 and updated surplus analysis form.

5 Next steps

5.1 This report sets the scene for Schools Forum to note that the LA intends to implement the School Balances Control Mechanism Policy in 2022/23 to balances as at 31st March 2023. With the substantial increase in maintained schools planning for a deficit budget in the next 3 years, Schools Forum may wish to consider ways of re-purposing any future clawed back excess surplus balances.

6 Financial implications

6.1 Appendix 1 highlights the storm that is currently brewing on the horizon for maintained schools. School governing bodies, Schools Forum and the LA need to work together to prepare for the difficult years ahead more so in the current difficult and challenging economic climate that schools have to operate within.

7 Legal implications

- 7.1 The DFE's statutory guidance on Schemes for Financing Schools allows local authorities to include a mechanism to claw back excess surplus balances. It states that the mechanism should be focused on only those schools which have built up significant excessive uncommitted balances or where some level of redistribution would support improved provision across a local area.
- 7.2 Paragraph 4.2 of North Northamptonshire's Scheme for Financing Schools sets out the mechanism for controls on surplus balances

8 Risks

- 8.1 There's the risk that the wrong financial decision is made by Schools Forum. There is also the risk that decisions made could be ultra vires.

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Appendix 1

Maintained school balances at 31st March 2022 and schools' year end forecast balances for the next three years as per 3 Year Budget Plan

School Name	Opening Revenue Balance 2021/22	2021/22 Total income (CFR I01 - I18D)	Closing Revenue Balance 2021/22	In Year Surplus (+ve) / Deficit (-ve)	Surplus as a % of income	10% of Income	"Excess" surplus beyond 10% of all School Income	2022-23 Forecast Balance	2023-24 Forecast Balance	2024-25 Forecast Balance
Ronald Tree Nursery School	£13,250	£447,961	£17,681	£4,431	3.95%	£44,796	£0	£63,560	£70,403	£76,417
Croyland Early Years Centre	£51,652	£826,517	-£51,267	-£102,919	-6.20%	£82,652	£0	£27,943	£42,531	£56,276
Highfield Nursery School	-£58,004	£397,464	-£24,487	£33,517	-6.16%	£39,746	£0	£65,129	£99,768	£126,880
Pen Green Childrens Centre	£354,027	£2,555,861	£331,041	-£22,986	12.95%	£255,586	£0*	£1	Budget Plan Not Completed	Budget Plan Not Completed
Total Maintained Nursery Schools	£360,925	£4,227,803	£272,968	-£87,957		£422,780	£0	£156,633	£212,702	£259,573
Broughton Primary	£174,175	£990,821	£157,163	-£17,012	15.86%	£99,082	£58,081	£73,805	£7,345	-£78,408
Corby Old Village Primary School	£201,186	£1,055,355	£156,240	-£44,946	14.80%	£105,535	£50,704	£94,614	£5,856	-£132,415

School Name	Opening Revenue Balance 2021/22	2021/22 Total income (CFR I01 - I18D)	Closing Revenue Balance 2021/22	In Year Surplus (+ve) / Deficit (-ve)	Surplus as a % of income	10% of Income	"Excess" surplus beyond 10% of all School Income	2022-23 Forecast Balance	2023-24 Forecast Balance	2024-25 Forecast Balance
Mawsley Community Primary School	£177,320	£1,697,234	£115,592	-£61,728	6.81%	£169,723	£0	£30,269	-£67,865	-£171,026
Great Doddington Primary	£82,682	£733,881	£95,721	£13,039	13.04%	£73,388	£22,332	£78,378	£47,537	-£3,498
Higham Ferrers Junior School	£167,353	£1,614,258	£254,063	£86,710	15.74%	£161,426	£92,638	£184,258	£113,406	-£96,465
Nassington School	£94,329	£487,076	£152,012	£57,683	31.21%	£48,708	£103,304	£109,069	£82,108	£40,056
NCC Alfred Street Junior School	£42,616	£828,512	-£57,632	-£100,248	-6.96%	£82,851	£0	-£138,751	-£76,349	£5,886
South End Infant School	£146,962	£1,305,897	£68,935	-£78,027	5.28%	£130,590	£0	£78,009	£42,015	-£38,418
Tennyson Road Infant School	£110,589	£689,711	£53,212	-£57,377	7.72%	£68,971	£0	£91	-£48,631	-£103,947
Warmington School	£102,658	£539,214	£116,201	£13,543	21.55%	£53,921	£62,280	£83,544	£70,724	£44,304
NNC Park Junior School	£210,375	£1,421,864	£183,577	-£26,798	12.91%	£142,186	£41,390	£143,249	Academy	Academy

School Name	Opening Revenue Balance 2021/22	2021/22 Total income (CFR I01 - I18D)	Closing Revenue Balance 2021/22	In Year Surplus (+ve) / Deficit (-ve)	Surplus as a % of income	10% of Income	"Excess" surplus beyond 10% of all School Income	2022-23 Forecast Balance	2023-24 Forecast Balance	2024-25 Forecast Balance
The Avenue Infant School	£191,409	£1,024,752	£145,515	-£45,894	14.20%	£102,475	£43,039	£46,314	-£87,123	-£234,457
South End Junior School	£286,741	£1,677,672	£236,834	-£49,907	14.12%	£167,767	£69,067	£142,859	£65,121	-£18,981
Higham Ferrers Infant School	£237,767	£1,289,264	£138,780	-£98,987	10.76%	£128,926	£9,854	£168,111	£69,063	-£45,116
Meadowside Primary School	£176,759	£1,891,920	£84,275	-£92,484	4.45%	£189,192	£0	£8,699	-£108,838	-£335,459
Earls Barton Primary School	£162,121	£2,120,797	£49,055	-£113,066	2.31%	£212,080	£0	-£2,421	-£10,932	-£55,676
Whitefriars Primary School	£277,940	£1,928,795	£349,268	£71,328	18.11%	£192,879	£156,389	£291,730	£272,770	£208,799
Hayfield Cross School	£179,288	£1,463,475	£254,929	£75,641	17.42%	£146,348	£108,581	£243,222	£84,454	£150,614
NCC Denfield Park Primary	£81,766	£2,227,055	£37,620	-£44,146	1.69%	£222,706	£0	£4,384	-£49,001	-£124,569

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Barton Seagrave County Primary	£369,858	£2,725,886	£343,914	-£25,944	12.62%	£272,589	£71,325	£199,803	£135,161	-£28,372
Henry Chichele Primary School	£186,674	£1,691,806	£165,913	-£20,761	9.81%	£169,181	£0	£159,285	£179,176	£154,163
Croyland Primary School	£142,753	£2,482,104	£49,115	-£93,638	1.98%	£248,210	£0	£1	-£194,615	-£451,700
Geddington C of E Primary	£103,141	£949,081	£117,377	£14,236	12.37%	£94,908	£22,469	£60,970	-£3,921	-£101,129
Grendon CE Primary	£41,141	£592,207	£49,648	£8,507	8.38%	£59,221	£0	£49,648	£35,649	£5,413
Titchmarch C of E Primary	£114,163	£586,512	£127,903	£13,740	21.81%	£58,651	£69,252	£78,735	£66,877	£39,858
All Saints CE Primary School	£98,237	£1,201,059	£218,683	£120,446	18.21%	£120,106	£98,577	£188,771	£149,252	£121,288
Brigstock Latham's CE Primary School	£16,412	£570,281	£84,171	£67,759	14.76%	£57,028	£27,143	£39,433	£18,737	-£3,028

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Kings Cliffe Endowed School	£143,657	£974,251	£223,642	£79,985	22.96%	£97,425	£126,217	£151,917	£92,679	-£2,981
Wilby CE (VA) Primary	£39,675	£528,203	£25,611	-£14,064	4.85%	£52,820	£0	£141	-£13,163	-£44,414
St Patricks RC Primary	£55,218	£1,101,570	£61,089	£5,871	5.55%	£110,157	£0	£28,208	-£3,450	-£58,628
Little Stanion Primary School	£86,918	£1,154,544	£97,133	£10,215	8.41%	£115,454	£0	£53,941	-£9,801	-£82,381
Millbrook Infant School	£291,918	£1,468,376	£250,241	-£41,677	17.04%	£146,838	£103,403	£74,671	£34,549	-£25,693
Millbrook Junior School	£310,302	£2,103,546	£390,220	£79,918	18.55%	£210,355	£179,866	£190,410	£208,535	£305,450
Thrapston Primary School	£214,775	£2,254,584	£216,452	£1,677	9.60%	£225,458	£0	£177,344	£34,224	-£183,975
Stanion CE Primary School	£111,802	£541,470	£69,844	-£41,958	12.90%	£54,147	£15,697	£43,656	-£5,268	-£77,082
Total Maintained Primary Schools	£5,430,680	£45,913,032	£5,082,311	-£348,369		£4,591,303	£1,531,608	£3,136,367	£1,136,281	-£1,421,987

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The Latimer Arts College	£1,070,148	£6,098,374	£905,835	-£164,313	14.85%	£609,837	£295,997	£990,852	£809,020	£418,225
Total Maintained Secondary School	£1,070,148	£6,098,374	£905,835	-£164,313		£609,837	£295,997	£990,852	£809,020	£418,225
Rowan Gate Primary School	£143,672	£4,374,476	£158,607	£14,935	3.63%	£437,448	£0	Budget Plan Not Received	Budget Plan Not Received	Budget Plan Not Received
Total Maintained Special School	£143,672	£4,374,476	£158,607	£14,935		£437,448	£0	£0	£0	£0
Total Maintained Schools	£7,005,425	£60,613,685	£6,419,721	-£585,704		£6,061,369	£1,827,605	£4,283,852	£2,158,003	-£744,189

* Pen Green Children's Centre doesn't have an excess surplus as they have committed their balance.