

## SCHOOLS FORUM – 25 FEBRUARY 2016

<b>Title of paper:</b>	Deficit funding for Hadden Park High School
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<b>Summary</b> This report seeks Schools Forum’s approval to fund the closing deficit balance of -£0.031m from the Statutory Schools Reserve for Hadden Park High School. Hadden Park High School converted to an academy, sponsored by Bluecoat Academy, on 1 <sup>st</sup> April 2014 and closed their balance in deficit.	
<b>Recommendation(s):</b>	
1	To approve the allocation of £0.031m from the Statutory School Reserve (SSR) to fund the closing deficit balance of -£0.031m from the Statutory Schools Reserve for Hadden Park High School, which converted to an academy, sponsored by Bluecoat Academy, on 1 <sup>st</sup> April 2014.

### **1 REASONS FOR RECOMMENDATIONS**

- 1.1 Hadden Park High School had a £0.126m school funding reduction in 2013-14 as a result of the reduction in pupil numbers. In 2013/14 the school set a balance budget but showed a deficit year-end balance of -£0.013m.
- 1.2 Following the closure of the school on 31<sup>st</sup> March 2014, the school received a late water bill for £0.018m covering the period March 2013 to April 2014 that had not been included in the school’s projections.

### **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 In 2011, there were 509 pupils on roll at Hadden Park. This fell to 425 in October 2013 which resulted in a significant reduction in funding. However, staffing levels remained much the same and this resulted in a deficit budget of -£0.013m.
- 2.2 Water is shared on the Hadden campus between Bluecoat Beechdale, Glenbrook and Glenbrook Management Centre. When Glenbrook and Hadden became academies, an ongoing billing issue was identified where the different buildings had not been billed correctly which led to an outstanding bill of £80,000 in total.
- 2.3 In the summer of 2014, sub-meters were installed at the site to assess how much water was being used by each party. Following this investigation, it was determined

that Hadden Park's share of the bill totalled £0.018m. As the school converted to an academy with a deficit, there are no available funds to pay this bill. The settlement was not completed until 31/03/2015 and resulted in an overdrawn bank account.

- 2.4 There were some direct debt charges incorrectly made to the old school account, Schools Finance Support had to liaise with Bluecoat Academy to resolve this issue.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 None. There is no available funding within the Council's core budget to fund the deficit balance.

### **4 OUTCOMES/DELIVERABLES**

- 4.1 To balance Hadden park High School's deficit.

### **5 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 5.1 According to the DfE guidance on **Treatment of surplus and deficit balances when maintained schools become academies**, "where a school with a deficit is to join the Academy Trust of an external sponsor and open as a sponsored academy, the deficit remains with the LA, to be funded from its core budget. Schools 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".
- 5.2 Due to budgetary pressures in the Authority, there is no available funding within the Council's core budget to fund the deficit balances.
- 5.3 It is not a viable option to fund the deficit from the de-delegated contingency either, because to generate this deficit funding from maintained schools, this would require a specific rate per pupil to be included in the Age Weighted Pupil Unit and would be given to both maintained schools and academies in the current financial year and then to be removed in the following financial year by making an application to the DfE to exclude this from the mfg (minimum funding guarantee) calculation. It is not guaranteed that the application would be approved.
- 5.4 It is proposed that the £0.031m to be funded from the SSR – Statutory Schools Reserve. Contained within the SSR is a balance of £0.819m which is the balance on the old SSR before the introduction of the ring-fenced DSG.

### **6 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

#### **Legal Implications**

- 6.1 The budgetary framework for the financing of maintained schools is contained in Chapter IV of Part II of the School Standards and Framework Act 1998 ("SSFA").

This chapter of the SSFA includes sections 45A (determination of specified budgets of a local authority) and 47A (the duty on a local authority to establish a schools forum for its area).

6.2 Section 45A(2) of the SSFA states that for the purposes of Part II of the SSFA, a local authority's "schools budget" for a funding period is the amount appropriated by the authority for meeting all education expenditure by the authority in that period of a class or description prescribed for the purposes of this subsection (which may include expenditure incurred otherwise than in respect of schools). Section 45A(2A) of the SSFA states the amount referred to in subsection (2) includes the amount of any grant which is appropriated, for meeting the expenditure mentioned in that subsection, in accordance with a condition which –

(a) is imposed under section 16 of the Education Act 2002 (terms on which assistance under section 14 of that Act is given) or any other enactment, and

(b) requires that the grant be applied as part of the authority's schools budget for the funding period.

6.3 This means that the designated schools grant ("DSG"), which is paid to local authorities under section 14 of the Education Act 2002 ("EA2002") essentially on condition imposed by the Secretary of State under section 16 of the EA2002 that it is applied as part of an authority's schools budget for the funding period, is part of the schools budget. Indeed, the DSG is the main source of income for the schools budget (Education Funding Agency ("EFA") guidance *Dedicated schools grant Conditions of grant 2015 to 2016* (December 2014), paragraph 2). Local authorities can add to the schools budget from local sources of income (*ibid*, paragraph 4).

6.4 The detail is prescribed by regulations. The regulations that are in force and apply in the current financial year are the School and Early Years Finance (England) Regulations 2014, SI 2014/3352 ("SEYFR").

6.5 Amongst other things, regulation 1 of SEYFR states the following:-

(4) In these Regulations—

...

"central expenditure" means, in respect of the funding period, the total amount deducted by a local authority from its schools budget in accordance with regulation 8 or, in respect of the previous funding period, the total amount deducted by a local authority from its schools budget in accordance with regulation 8 of the 2013 Regulations;

"expenditure on the schools specific contingency" is central expenditure deducted for the purpose of ensuring that monies are available to enable an increase in a school's budget share after it has been allocated and where it subsequently becomes apparent that a governing body has incurred expenditure which it would be unreasonable to expect it to meet from the school's budget share, which may include expenditure in relation to—

(iii) schools in financial difficulty;

- (iv) the writing off of deficits of schools which are discontinued, excluding any associated costs and overheads;
- (v) new, amalgamating or closing schools; or
- (vi) circumstances which were unforeseen when the school's budget share was initially determined;

“funding period” means the financial year beginning on 1st April 2015;

...

“previous funding period” means the financial year beginning on 1st April 2014 and “previous funding periods” means such funding periods as the context specifies more particularly;

6.6 As the Finance Comments in this report state, there are three ways to fund the closing deficit balance of Hadden Park High School. The first is for Nottingham City Council (“NCC”) to fund the closing deficit balance of Hadden Park High School from NCC’s core funds, but owing to budgetary pressures this is not viable. The second is expenditure on the schools specific contingency (essentially, central expenditure derived from NCC’s schools budget via ‘de-delegation’), but this is not a viable option because of its wider impact on education finance, including the necessity ultimately to make an application to the Department for Education which may not be successful. The third is to fund the closing deficit balance of Hadden Park High School from the statutory school reserve within the DSG, which is considered to be the only viable option.

6.7 The legal avenue for this third option is relatively straightforward. Amongst other things, regulation 8 of SEYFR states the following:-

(6) Where a local authority carries forward a deficit from the previous funding period to the funding period which reduces the amount of the schools budget available, the funding of this deficit from the schools budget must be authorised by its schools forum under regulation 12(1), or by the Secretary of State under regulation 12(3).

6.8 Amongst other things, regulation 12 of SEYFR states the following:-

(1) On the application of a local authority, its schools forum may authorise—

...

(c) the funding of any deficit from the schools budget under regulation 8(6)

6.9 Therefore, if the third option is to be taken to fund the closing deficit balance of Hadden Park High School from the statutory school reserve within the DSG, this is potentially expenditure to be made from the schools budget for NCC and NCC’s DSG at that. It follows that regulation 8(6) of SEYFR requires NCC to seek the approval of Nottingham City Schools Forum under regulation 12(1)(c) of SEYFR for the expenditure referred to in this report, hence this report.

**7 HR ISSUES**

7.1 None.

**8 EQUALITY IMPACT ASSESSMENT**

8.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

Hadden Park High School converted to an Academy on 1<sup>st</sup> April 2014 and became Bluecoat Beechdale Academy. As the proposal is to fund a closing deficit balance, there is no relevant equalities impact to assess.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

**9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

9.1

**10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

10.1