

TITLE OF REPORT: Schools in Financial Difficulty

Purpose of the Report

1. The purpose of this report is to bring to update Schools Forum on the further work undertaken for schools in financial difficulty.

Background

2. This report builds on the report brought to Schools Forum in November 2021. Officers were requested to review further options for schools in financial difficulty and review the guidance for the use of dedicated schools grant (DSG) reserves.
3. No formal guidance could be found online from the Department for Education (DfE) (only about deficit reserves) and therefore a request for guidance from the DfE has been actioned. A response has been received from the DfE which was to signpost to the DSG funding page for 2021/22 which contains the DSG Conditions of Grant document.
4. On investigation both into the use of DSG reserves by Gateshead and other local authorities, DSG reserves has been used for many different purposes. In Gateshead has been with the approval of Schools Forum that schools DSG reserves have been used, and from reading Schools Forum reports from other local authorities this seems to be the case also.
5. The forecast deficit budgets for maintained schools at the end of the financial year 2021/22 is estimated at £1.246m for 13 schools and without intervention could rise to £3.645m for 29 schools at the end of 2022/23. These estimates do not take into account anticipated increased funding for 2022/23.
6. An alternative to providing funds for schools in financial difficulty has been received from a member of Schools Forum. This approach would see additional funds from reserves allocated to all mainstream schools with maintained schools then agreeing to de-delegate this funding to form a contingency for schools in financial difficulty. This process would be open for academy schools join if they so wished.
7. This proposal would fit in with the Schools Operational Guidance, but this process does not include special and nursery schools and both sectors may need financial difficulty funding now and in the future.
8. If this process was to provide sufficient funding to enable the current estimated deficit balances to be cleared in all maintained schools using 2020 October census information, it would need to allocate and de-delegate approximately £104 per pupil. If all primary schools were part of this process this would use £1.533m, if this was to include all mainstream schools it would use £2.498m of DSG reserves.

9. There is also an issue with allocating reserves via the funding formula as MFG is capped at +2%.
10. If funding was allocated as an additional payment to schools outside of the mainstream school funding formula it is unclear if local authorities have the authority to put conditions on any DSG allocated to schools.

Proposal

11. It is proposed that Schools Forum notes the contents of the report and discusses the possible way forward to support schools in financial difficulty.

Recommendations

12. It is recommended that Schools Forum notes the contents of the report and discusses the possible way forward to support schools in financial difficulty.

For the following reasons:

- To support Gateshead Schools in financial difficulty

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