

# Report of the Strategic Director, Childrens Services to the meeting of the Corporate Overview and Scrutiny Committee to be held on 16 January 2020

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## **Subject:**

**Hanson School's Financial Position**

## **Summary statement:**

The Committee previously requested a report on the financial circumstances relating to Hanson School's overspend. A report was presented to the Committee on 10 October 2019. This is a follow up report.

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### **Portfolio:**

**Corporate**

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### **Overview & Scrutiny Area:**

**Corporate**

## 1. SUMMARY

- 1.1 At the meeting held on 11 April 2019, the Committee requested a report on the financial circumstances relating to Hanson School's overspend. The report was presented to the Committee on 10 October and the Committee resolved:

*(1) An update on the School's financial position be presented to the Committee early in the new calendar year.*

*(2) That this Committee asks the Portfolio holder for Education, Employment and Skills to ensure the views expressed by this Committee are communicated to the Minister.*

- 1.2 A proportion of the Committee's discussion on 10 October took place following the exclusion of the public. Should the Committee wish to continue discussion on these matters the public will again need to be excluded.

## 2. BACKGROUND

- 2.1 The following key points of information were reported to the Committee on 10 October regarding Hanson School's current financial circumstances:

- Hanson School is a foundation school maintained by the Local Authority. The Governing Board has financial powers / responsibilities as delegated under the Scheme for Financing Schools.
- Hanson School is a 10 form of entry school (intake of 300) with post 16 provision. Pupil numbers significantly reduced in October 2015 and again in October 2016 but are now rising.
- The School recorded a cumulative revenue and capital overspending of £3.503m at 31 March 2019 (at the end of the 2018/19 financial year). This is 31% of the school's 2019/20 forecasted in year income.
- Hanson's Governing Board on 30 April 2019 formally agreed the School's 2019/20 budget, which overspends by £0.654m, meaning that the School's deficit at March 2020 is forecasted on this basis to be £4.16m.
- The School's formal 3 year budget indicates that the School will continue to significantly overspend in future years.
- Following the end of the The Gorse Academy Trust's (TGAT) SLA supported the School between March 2017 and July 2019 via an SLA agreed with the Regional Schools Commissioner), since the beginning of September 2019, the Local Authority has been working with the School to better understand the detail of the managed staffing restructures that have already taken place, to assess their material impact and the timescale for the delivery of savings. Work is also taking place to identify further savings that can be made with the aim of bringing the in year spending position of the School into balance as quickly as possible.

- In support of this work, a DfE Advisor is scheduled to audit the School. The purpose of the Advisor is to help identify key areas of efficiency and saving.
- Bradford Council's internal audit has been asked to carry out an audit of the School's financial management, processes and procedures.
- Hanson School is part of the Building Schools for the Future (PFI) programme (Bradford's phase 2) and is required to pay annually £934k (in 2019/20) under this contract for premises related costs as well as a proportion of contractual repayment capital liabilities.
- The Governing Board has a contractual responsibility relating to the provision of sports facilities on site. The Council is not party to that contract and therefore, due to commercial confidentiality is not able to discuss in detail. Should the Committee need to discuss this matter further it will need to do so having excluded the public from the meeting.

### **3. OTHER CONSIDERATIONS**

- 3.1 It has not been possible during the pre-election period for the Portfolio holder to communicate to the Minister the views expressed by the Committee on 10 October. The Portfolio holder is now taking forward this resolution.
- 3.2 Bradford Council's internal audit has completed its audit of the School's financial processes and procedures. This audit has made recommendations, which are agreed and are now being taking forward by the School.
- 3.3 The DfE Advisor (School Resource Management Advisor) has not yet visited the School. Unfortunately, the Advisor originally scheduled withdrew and the DfE's alternate has not yet confirmed their timescale. The Authority continues to chase this with the DfE.
- 3.4 Hanson recorded 57 more pupils in years 7 to 11 in the census taken in October 2019 (1,388 October 2019 vs. 1,331 October 2018). The School's confirmed year 7 number on census day was 289, which was lower than the 300 anticipated, compared against 284 in October 2018. The School's post 16 numbers are reduced from 290 in October 2018 to 254 in October 2019. The total number on roll at October 2019 is 1,642 compared against 1,621 at October 2018 (+21 overall).
- 3.5 Combining the overall increase in pupil numbers with the additional funding per pupil that is anticipated to be allocated to the School from the 2020/21 National Funding Formula settlement, we currently estimate that Hanson's main formula funding budget, excluding additional grants such as Teacher Pay and Pensions Grants and Pupil Premium Grant, will increase by £0.57m in cash terms in 2020/21, from £10.04m in 2019/20 to £10.61m. This is an increase of 5.7% in cash terms and 4.4% per pupil. Please note that these figures are estimated and are not yet based on the final calculation of 2020/21 allocations that will take place in January using the full October 2019 Census dataset.

The true impact of this funding increase in real terms, and in helping to reduce the School's projected in year over spending, will depend especially on the confirmation

of the pay awards for teachers and associate staff in 2020. These are currently not certain. However, the School is estimated to receive a substantial cash funding increase in 2020/21 and this puts the School in a different position from that faced in recent years.

- 3.6 From our work since September, the Authority has initially assessed that the School's current (2019/20 in year) position is likely to be in the region of £0.25m worse than the £0.654m over spend forecasted by the Governing Board in the formal budget submitted to the Authority in April 2019.

Our assessment work is continuing, but we currently forecast that the cumulative revenue deficit held at 31 March 2020 will be in the region of £4.5m.

The Committee is asked to note however, that the Authority within this forecast is estimating the impact of certain key matters, for example, the cost to the School of the final settlement of PFI BSF utilities costs.

- 3.7 Although the Authority does not yet have complete sight of this, our initial assessment is that the most of the savings planned from the managed staffing restructures that have taken place between 2017 and 2019 have already materially impacted on the School's budget. This means that further substantial savings will not come from these re-structure (through the release of protections) to substantially reduce the School's in year overspending in 2020/21 onwards.
- 3.8 Work is continuing to assess the options for how the School can balance its in year spending to budget. Alongside this, the School is currently actively progressing the re-procurement of certain key services, with the aim of securing savings, and is also exploring capital solutions that could release pressure on the revenue budget.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

As set out within the report.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

As set out within the report.

#### **6. LEGAL APPRAISAL**

- 6.1 Hanson School is a Foundation school, which does not have a foundation or trust body. Foundation schools were set up under the [School Standards and Framework Act 1998](#) to replace [grant-maintained schools](#), which were funded directly by central government.
- 6.2 Foundation schools are maintained schools meaning that they are funded by central government via the [local authority](#). Like [voluntary aided schools](#), the governing board of foundation schools not the Council employs the staff and has responsibility for admissions to the school. The land and buildings are also owned by the governing board in foundation schools. At Hanson this is subject to the PFI

contracts.

- 6.3 The School and Early Years Finance (England) Regulations 2018 requires local authorities to prepare a financial scheme to deal with the matters connected with the financing of schools maintained by the authority.
- 6.4 When a maintained school becomes an academy, the Academies Act 2010 and the Academy Conversions (Transfer of School Surpluses) Regulations 2013 set out a process for the transfer of any surplus the school may have at the point of conversion. The Act requires local authorities to transfer a maintained school's surplus balances when the school converts to an academy. The Academy Conversions (Transfer of School Surpluses) Regulations 2013 sets out the procedure that the local authority must follow in determining and paying the amount.
- 6.5 Department for Education (DfE) guidance sets out what happens to any surplus balance when a school ceases to be maintained by a local authority (LA) and becomes an academy under the Academies Act 2010. It also sets out what happens to any deficit a converting school may have. LAs have to ensure that any deficit or surplus balances are transferred within the statutory timescales.
- 6.6 Converter academies are those that convert (whether as a standalone academy or as part of a multi academy trust) by means of an academy order (AO) made after an application by the governing board of the school. Schools which are eligible for intervention, under the Education and Inspections Act 2006, and schools that have applied to become an academy but where the Regional Schools Commissioner (RSC), on behalf of Secretary of State (SoS), does not consider the school strong enough to convert without the additional support of a sponsor are treated as sponsored academies, even where their route to becoming an academy is through an application for an AO by the governing board
- 6.7 DfE Guidance provides that where a school with a deficit is to open as a sponsored academy, the deficit remains with the LA, to be funded from its core budget. School deficits are generally not an allowable charge on the LA's schools budget 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.
- 6.8 The Guidance further provides that LAs should work closely with schools becoming an academy to ensure that they manage the risk of an increasing deficit, and if a school is not managing its expenditure in a satisfactory manner, the LA may withdraw delegation of the school's budget share in order to limit the potential cost to the LA's budget. LA finance officers should also work closely with school improvement officers to provide additional financial monitoring prior to them becoming an academy.
- 6.9 The Council's Constitution, Part 3B Access to Information Procedure Rules provides that the public and the press may be excluded for all or part of an item of business before a committee meeting , where exempt information, as defined by Schedule 12A of the Local Government Act 1972 would be disclosed . Information relating to the financial or business affairs of any particular person (including the

authority holding that information) is exempt information. This would include information regarding any contract or business affairs of the School's Governing Board.

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

None

### **7.2 SUSTAINABILITY IMPLICATIONS**

None

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **7.4 COMMUNITY SAFETY IMPLICATIONS**

None

### **7.5 HUMAN RIGHTS ACT**

None

### **7.6 TRADE UNION**

None

### **7.7 WARD IMPLICATIONS**

None

### **7.8 IMPLICATIONS FOR CORPORATE PARENTING**

None

### **7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

## **8. NOT FOR PUBLICATION DOCUMENTS**

None

## **9. OPTIONS**

None – this is a report for information.

**10. RECOMMENDATIONS**

**10.1 The Committee is asked to consider and to note the information provided in the report.**

**10.2 An update on the School's financial position be presented to the Committee at a future meeting.**

**11. APPENDICES**

None

**12. BACKGROUND DOCUMENTS**

None