

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER FOR CHILDREN'S SERVICES**

**11 October 2016**

**Report of the Strategic Director for Children's Services**

**SCHOOL BUDGETS: DEFICIT BALANCES AND RECOVERY PLANS BRINGING BUDGETS INTO BALANCE OVER MORE THAN ONE FINANCIAL YEAR**

- 1. Purpose of Report** – To seek approval to requests from governing bodies of schools with budget deficits to implement budget plans to repay the deficit over more than one year and to report on the schools which have still to agree a deficit recovery plan.
- 2. Information and Analysis** – Section 4.9 of "The Derbyshire Scheme for Financing Schools" provides that a governing body unable to prepare a balanced budget may make a formal request to the Cabinet Member for Children's Services to implement a plan to bring a school's budget into balance over more than one year. Cabinet Member approval is required where a school plans to operate a deficit exceeding:
  - Nursery/primary/special schools  
**BOTH 3% of the budget share AND £10,000**
  - Secondary schools  
**EITHER 3% of the budget share OR £150,000**

Before making such a request, the school must demonstrate to the Authority that all other options have been exhausted. Approval to repay a deficit over three years or more may only be given in exceptional circumstances where the Cabinet Member is satisfied that the school's ability to deliver the national curriculum would otherwise be seriously jeopardised and that no other reasonable course of action is available.

The balances and pupil numbers of the schools included in this report are included in Appendices 1 & 2.

**2.1 Requests to balance the budget over more than one year (Appendix 1)**

There are three schools in this group, Blackwell Primary School (two-year plan), Highfields School (two-year plan) and William Levick Primary School (four-year plan.) The schools on two year plans are making staffing reductions; the full financial savings from which won't be delivered until 2017-18. The third school, William Levick Primary, is seeking to retain its current staffing levels pending an

expected increase in pupil numbers and thus budgets. The higher pupil numbers are already beginning to feed through and the school is confident that this will continue.

## **2.2 Schools without agreed budget plans (Appendix 2)**

There are three schools which so far have been unable to agree a plan to address their deficits. The three schools are:

Matlock St Joseph's RC Primary School  
New Mills Secondary School  
Anthony Gell Secondary School

St Joseph's RC Primary School is set to become an academy in the autumn and it is likely that it will convert leaving a deficit which the Authority will have to meet. The other two schools are supported by the Authority's "Team Around the School" (TATS) processes which involve officers from the LA's School Improvement, Finance and HR services working with the schools' senior leadership to agree a financial recovery plan.

New Mills School has significant financial difficulties and the school's Governing Body has recently asked the Authority to undertake the formal processes necessary to close the school's sixth form provision. This matter was considered by the Authority's Cabinet on 26<sup>th</sup> July and it was agreed to defer a decision pending further submissions and a petition presented by local residents. Subsequently, Cabinet, at its meeting on 20<sup>th</sup> September, agreed to undertake a statutory consultation on the publication notice to close the sixth form provision.

Irrespective of the final decision on the sixth form, the school is likely to require a licenced deficit covering an extended period of time before its budget can be brought back into balance. The Authority will continue to support and challenge the school to agree and implement a long-term recovery plan over the coming months.

In 2015-16, Anthony Gell School set a balanced budget but this was underpinned with over £100,000 of one-off income from the School's Private School Fund. A new Head teacher and School Business Manager both started in September 2015 and were immediately faced with an in-year overspend and a potentially large deficit for future years. The deficit was largely due to small class sizes especially in post-16 and reducing sixth form pupil numbers.

The school has made significant improvements by cutting uneconomic class sizes, wherever possible not replacing staff who leave, and are in the process of restructuring their support staff and teaching and management levels. The figures in Appendix 2 do not show the savings from the restructures which will undoubtedly improve the financial position. The Head teacher, Business Manager and Governors are working closely with the Local Authority to find further ways to reduce expenditure levels.

### **3. Financial Considerations**

The problems faced by the small number of schools above have to be seen in context. At 1st April 2016, the Authority was responsible for 389 schools of which only 17 reported a deficit at the end of 2015-16, ~4.3% of the total.

Against this broadly positive picture, the current school funding arrangements now present a greater financial risk to the Authority. If a school with a deficit converts to academy status then that deficit is likely to remain with the Authority. Extensive work takes place to help schools to avoid getting into deficit. However, where a school does have financial difficulties, the need to manage these problems, and the associated risks to the LA, have to be balanced against the needs of the children currently in the school and the impact on teaching and learning of potential savings strategies.

### **4. Other Considerations**

In preparing this report, the relevance of the following factors has been considered; prevention of crime and disorder, equality and diversity, legal and human rights, human resources, health, environmental, property, social value and transport considerations.

### **5. Background Papers**

Held in School Support Finance.

### **6. Key Decision?**

No

### **7. Strategic Director's Recommendations**

- (i) To allow the schools detailed in section 2.1 of this report to recover their budget deficits over two or four financial years;
- (ii) To note the position in respect of the three schools in section 2.2 which are currently unable to submit a budget recovery plan;
- (iii) To note St Joseph's proposed conversion to academy status and the potential risk of a deficit remaining with the Authority; and
- (iv) Require officers to continue to work with the governing bodies of Anthony Gell and New Mills schools on their respective financial recovery plans.

**Jane Parfremment - Strategic Director for Children's Services**

## Requests to balance the budget over 2 years

## Appendix 1

	Pupil Numbers		Balances						Staffing Reductions included			
			2015-16		2016-17		2017-18		Sep-16		Sep-17	
School	Oct 15	Oct 16	£m	%	£m	%	£m	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
Blackwell Primary	98	109	0.018	3.71	-0.022	-4.43	0.017	3.23	-0.8	0	0	0
Highfields School	1,248	1,229	-0.113	-1.92	-0.089	-1.49	0.009	0.16	-1.87	-14.02	-6.92	-75

## Requests to balance the budget over 4 years

	Pupil Numbers				Balances									
					2015-16		2016-17		2017-18		2018-19		2019-20	
School	Oct-15	Oct-16	Oct-17	Oct-18	£m	%	£m	%	£m	%	£m	%	£m	%
William Levick Primary	169	167	170	177	-0.045	-8.19	-0.045	-7.67	-0.037	-6.64	-0.027	-4.76	-	0.01

## Schools without agreed balanced budget plans

## Appendix 2

				Balances (* LA's latest estimates)								Staffing Reductions included			
Pupil Numbers				2015-16		* 2016-17		* 2017-18		* 2018-19		Sep-16		Sep-17	
School	Oct 15	Oct 16	Oct 17	£m	%	£m	%	£m	%	£m	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
Anthony Gell	648	677	694	0.155	5.01	-0.210	-6.79	-0.479	-15.1	-0.800	-24.99	46.02	1,054	44.16	1,054
St Joseph's RC Primary (Matlock)	177	174	167	-0.064	-9.85	-0.050	-7.76	-0.034	-5.40	-0.055	-9.00	6.80	361	6.80	341
New Mills	544	575	538	-0.512	-19.55	-0.843	-31.19	-0.987	-35.01	-1.134	-40.34	33.22	1,373	31.57	1,373