

DERBYSHIRE COUNTY COUNCIL**CABINET MEMBER FOR CHILDREN & YOUNG PEOPLE****13 October 2015****Joint Report of the Strategic Director for Children and Younger Adults and
the Director of Finance****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 Derbyshire's 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 and Young People to implement a plan to bring 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 officers from CAYA and Corporate Finance that all other options have been exhausted. Approval to repay a deficit over a three year period 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 Appendix 1.

2.1 Requests to balance the budget over more than one year**St Giles Primary (Killamarsh)**

The school has been unable to set a balanced budget for 2015-16, due mainly to carrying forward a deficit of £20,767 from 2014-15 and the need to maintain

staffing levels as a result of an increase in pupil numbers. The governors have, though, submitted a two year budget plan which will bring the school's budget back into balance in the 2016-17 financial year.

Whitecotes Primary

Due to the impact of the absences of the Head and Deputy throughout 2014-15, and the challenges the school is facing as a result of a recent OFSTED inspection, the governors have been unable to submit a balanced budget plan. They have, however, agreed a two year budget plan which is expected to result in a surplus balance for 2016-17 of £6,747.

William Levick Primary School

Pupil numbers are set to continue to increase over the next few years and the governors have submitted a four year budget plan which will result in the school being able to maintain staffing levels whilst bringing the budget back into balance in 2018-19.

2.2 Schools without agreed budget plans

Despite the best efforts to date of finance officers and the Authority's advisory service, a small number of schools have not produced plans to bring their budgets back into balance. Brief details of the position for each school are set out below.

Glossop St Philip Howard

As a result of carrying forward a modest deficit balance for a number of years, this school has again been unable to submit a balanced budget plan for 2015-16. However, the school converted to an Academy from 1st September 2015 with a deficit estimated to be ~£0.45 million. The treatment of this deficit is subject to an ongoing dialogue with the DfE. The Council's view is that as this is a voluntary conversion the deficit should transfer with the school.

The Pingle

This school continues to face the problems of dealing with the impact of falling rolls whilst at the same time trying to improve standards and address a significant budget shortfall. As a result the governors have been unable to agree a balanced budget plan for 2015-16. They have, however, submitted a budget plan to reduce the deficit from £0.233 million in 2015-16 to £0.044 million by 2018-19. However, as with all schools, this plan was submitted prior to factoring in the impact of the increased national insurance contributions from April 2016. As a result, the school now has a projected deficit of £0.264 million in 2018-19.

The school's plan already includes significant reductions in staffing from September 2015, including 9fte teachers. Further staffing reductions have also

been included from September 2016 (4fte teachers), September 2017 (3fte teachers) and September 2018 (2fte teachers).

The Head teacher, Business Manager and Governors continue to work closely with the Authority to resolve the residual deficit.

There are two further secondary schools with more challenging financial problems.

Highfields

Although pupil numbers have fallen in recent years the governors have chosen broadly to maintain staffing levels. This has had the effect of reducing their accumulated balances from £0.4 million in 2012-13, to just £0.066 million in 2014-15. The school has so far been unable to submit a balanced budget plan for 2015-16, with a deficit of £0.135 million currently projected at the end of 2015-16, rising to £0.550 million by the end of 2016-17.

The forecast accumulated overspend at 31st March 2016 is relatively modest representing ~2.3% of the school's annual budget; the greater concern is the projection for 31st March 2017 when the deficit would represent ~9.5% of annual resources.

The Authority is continuing to work with the school's governors to produce a balanced recovery plan and a further meeting with governors has been agreed for October 2015.

New Mills

The governors have submitted a budget plan for 2015-16 which will see the school's deficit increase from £0.242 million in 2014-15 to £0.541 million in 2015-16, these deficits represent 8.8% and 20.3% of the school's annual budget respectively.

The school has only recently emerged from being placed in special measures by OFSTED and currently is judged as requiring improvement. The school has made significant progress in a short period of time but being placed in a category has undoubtedly impacted on its ability to recruit and retain pupils. The latest (June 2015) judgement assessed the school's leadership and management as being good, the school is thus well placed to deal with the financial challenges. The school, with support from the LA, is reviewing its School Leadership Team, support staff structures, the subsidy provided to the school's 6th form provision and its use of the adjacent leisure centre.

A financial recovery plan has still to be agreed with the governors and, given the challenges past and present, it is likely be some time before a balanced position can be reached. A further meeting with the school's governors and head teacher to review progress and consider further options for savings will take place in October 2015.

3. Financial Considerations

It is a requirement of the Authority's Scheme for Financing Schools that schools balance their budgets either in year or, where necessary, via an approved licenced deficit. Most of the schools referred to in Section 2 have plans which will achieve a balanced position over time. For those schools for which this is not yet the case, further intensive support is being provided on an ongoing basis.

Ultimately, should the governing bodies of any school be unwilling or unable to agree a financial recovery plan, the Authority would have to consider its position, including whether or not delegated powers should be suspended.

Should this position be reached, then a further report to the Cabinet Member will be prepared setting out the options.

4. Other Considerations

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

5. Background Papers

Held in School Support Finance.

6. Key Decision?

No.

7. Officers' Recommendations

That the Cabinet Member:

- (i) Approves the schools detailed in section 2.1 to be allowed to balance their budgets over more than one financial year; and
- (ii) Notes the position of schools in section 2.2 and requires that work continue with the relevant governing bodies to agree long term financial recovery plans; and
- (iii) Agrees to receive a further report in respect of any school which, in the opinion of the Strategic Director for Children and Younger Adults and the Director of Finance, may require further direct intervention.

Ian Johnson
Strategic Director for Children & Younger Adults
Peter Handford
Director of Finance

Appendix 1

Requests to balance the budget over 2 years

	Pupil Numbers		Balances						Staffing Reductions included			
			2014-15		2015-16		2016-17		Sep-15		Sep-16	
School	Oct 14	Oct 15	£	%	£	%	£	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
St Giles Primary (Killamarsh)	298	325	-£20,767	-2.13	-£13,615	-1.35	£21,038	1.94	0	0	0	0
Whitecotes Primary	227	235	£633	0.74	-£9,448	-1.08	£6,747	0.78	-1.87	-14.02	0	0

Requests to balance the budget over 4 years

	Pupil Numbers				Balances									
					2014-15		2015-16		2016-17		2017-18		2018-19	
School	Oct 14	Oct 15	Oct 16	Oct 17	£	%	£	%	£	%	£	%	£	%
William Levick Primary	161	171	180	186	-£5,179	-0.91	-£26,039	-4.66	-£24,162	-4.19	-£15,334	-2.57	£10,125	1.70

No staffing reductions are included due to increasing pupil numbers.

Schools without agreed balanced budget plans

				Balances (* LA's latest estimates)								Staffing Reductions included			
Pupil Numbers				2014-15		* 2015-16		* 2016-17		* 2017-18		Sep-15		Sep-16	
School	Oct 14	Oct 15	Oct 16	£m	%	£m	%	£m	%	£m	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
Highfields	1252	1247	1236	£0.07	1.12	-£0.14	-2.30	-£0.55	-9.49	-£1.04	-17.89	2.9	83.5	1.1	37
New Mills	541	562	574	-£0.24	-8.79	-£0.54	-20.3	-£0.89	-32.77	-£1.22	-43.92	0	0	0	0
St Philip Howard	488	484	485	-£0.29	-11.9	-£0.40	-16.4								
The Pingle	1046	1036	1027	-£0.01	-0.18	£0.16	-3.01	-£0.19	-3.54	-£0.20	-3.70	6.7	0	4	0