

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR YOUNG PEOPLE

3 October 2017

Joint Report of the Strategic Director of Children's Services and Director of Finance and ICT

School Budgets: Deficit Balances and Recovery Plans to Bring 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 which is unable to prepare a balanced budget may make a formal request to the Cabinet Member for Young People to implement a plan to bring the 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 Children's Services 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

Cavendish Junior – 2-year plan
Furness Vale Primary – 2-year plan
Heath Fields Primary – 2-year plan
William Levick Primary – 2-year plan

Blackwell Primary – 3-year plan
Charlesworth Primary – 3-year plan

2.2 Schools without agreed budget plans

Despite best efforts, there are two secondary schools, Anthony Gell and New Mills, that have been unable to produce plans to bring their budgets back into balance; Appendix 2 summarises the position. Anthony Gell incurred an in-year overspend of £0.285m in 2016-17 leaving an accumulated deficit at 31 March 2017 of £0.129m. The school has made reductions in its staffing and implemented other cost saving measures and, whilst the deficit is forecast to increase slightly to £0.22m by the end of this year, thereafter it is expected to reduce, not least as the school's pupil numbers increase. However, more work is required with the school through the Team Around The School (TATS) process to ensure the accumulated deficit is eliminated.

New Mills School has had significant financial difficulties for some time, and in 2016, the Authority agreed to a request from the School's governing body to close the sixth form. However, the closure will not take full effect until July 2018 when the current sixth form pupils have completed their studies; in the interim the school is continuing to subsidise the provision.

The school is fully participating in the TATS process and the Authority will continue to support and challenge the school to agree and implement a long-term recovery plan. The Authority's support is likely to include a significant financial contribution from the school contingency fund created from re-pooled monies deducted from LA maintained schools' budgets and which can be used to help individual schools in financial difficulty. However, the level of support has yet to be agreed and consequently has not been included in the figures in Appendix 1. Even with this financial support, it will take several years before the school's accumulated deficit is eliminated. In the interim, should the school convert to academy status, then an accumulated deficit would be a charge against the Authority's General Reserve.

3. Financial Considerations

The problems faced by the small number of schools above have to be seen in context. At 31st March 2017, the Authority was responsible for 380 schools of which only 24 reported a deficit at the end of 2016-17, ~6.3% of the total, and of these, only 2 do not have an agreed recovery plan.

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. The recent announcement by the Government to increase school funding by £1.3bn by 2019-20 should improve the position of all schools, including those covered by this report. However, until the Government's school funding proposals for 2018-19 and beyond have been clarified, it is not practical to include the impacts of the additional funding and the national funding formula on individual schools' figures at this stage.

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; legal and human rights, human resources considerations, equality and diversity considerations, health considerations, environmental considerations, transport considerations, property considerations and prevention of crime and disorder.

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 to four financial years;
- (ii) To ask the Cabinet Member to note the position of the two secondary schools in section 2.2 that are currently unable to submit a balanced budget recovery plan; and
- (iii) Require the governing bodies of the two secondary schools in 2.2 to agree and submit plans to the Authority by the end of the current financial year that eliminate the accumulated deficits within a timeframe acceptable to the Authority.

Jane Parfremment – Strategic Director for Children's Services

Requests to balance the budget over 2 or 3 years

Appendix 1

| School | Pupil Numbers | | Estimated Balances | | | | | | Staffing Reductions included | | | |
|------------------------|---------------|--------------|--------------------|-------|----------|-------|---------|------|------------------------------|-----------------------|----------------|-----------------------|
| | | | 2017-18 | | 2018-19 | | 2019-20 | | Sep-17 | | Sep-18 | |
| | Oct 16 | Oct 17 (est) | £ | % | £ | % | £ | % | Teachers (FTE) | Support Staff (hours) | Teachers (FTE) | Support Staff (hours) |
| Cavendish Junior | 94 | 107 | -£16,631 | -3.82 | £5,493 | 1.16 | - | - | 0.80 | 0 | 0.00 | 0 |
| Furness Vale Primary | 79 | 88 | -£15,943 | -4.46 | £777 | 0.20 | - | - | 0.00 | 3 | 0.00 | 0 |
| Heath Fields Primary | 237 | 240 | -£31,467 | -3.89 | £3,696 | 0.46 | - | - | 1.00 | 161 | 1.00 | 0 |
| William Levick Primary | 171 | 179 | -£25,123 | -4.31 | £2,347 | 0.39 | - | - | 1.00 | 0 | 0.00 | 0 |
| Blackwell Primary | 105 | 106 | -£12,867 | -2.74 | -£6,734 | -1.44 | £14,237 | 3.28 | 0.00 | 71 | 0.00 | 16 |
| Charlesworth Primary | 99 | 102 | -£17,483 | -3.88 | -£7,021 | -1.55 | £7,661 | 1.66 | 0.00 | 25.5 | 0.00 | 0 |
| Somercotes Infant | 144 | 124 | -£51,801 | -8.38 | -£18,638 | -3.39 | £37,415 | 7.10 | 0.05 | 75 | 1.00 | 71 |

Schools without agreed balanced budget plans

Appendix 2

| | | | | Balances (* LA's latest estimates) | | | | | | | | Staffing Reductions included | | | |
|---------------|--------|--------------|--------------|------------------------------------|--------|-----------|--------|-----------|--------|-----------|--------|------------------------------|-----------------------|----------------|-----------------------|
| Pupil Numbers | | | | 2016-17 | | * 2017-18 | | * 2018-19 | | * 2019-20 | | Sep-17 | | Sep-18 | |
| School | Oct 16 | Oct 17 (est) | Oct 18 (est) | £m | % | £m | % | £m | % | £m | % | Teachers (FTE) | Support Staff (hours) | Teachers (FTE) | Support Staff (hours) |
| Anthony Gell | 695 | 738 | 742 | -0.13 | -4.17 | -0.22 | -6.72 | -0.15 | -4.37 | -0.14 | -4.14 | 4.50 | 39 | 0.50 | 0 |
| New Mills | 550 | 501 | 489 | -0.82 | -30.40 | -0.94 | -33.70 | -1.40 | -56.20 | -1.74 | -71.00 | 3.34 | 68 | 1.80 | 63 |