

REP 561

Agenda Item No 5b

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CHILDREN & YOUNG PEOPLE

3rd December 2013

Report of the Strategic Director for Children & Younger Adults

SCHOOL BUDGETS: DEFICIT BALANCES AND RECOVERY PLANS

1. **Purpose of Report** – To seek approval to requests from governing bodies for a licenced deficit to balance their budget over more than one financial year and to inform the Cabinet Member of schools for which a plan has still to be agreed.
2. **Information and Analysis** – Section 4.9 of "The Derbyshire Scheme for Financing Schools" provides that Governing Bodies unable to prepare a balanced budget may make formal requests to the Cabinet Member for Children & Young People to implement a plan to bring a school's budget into balance over a two or three year period. 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's officers that all alternatives have been exhausted. Approval to repay a deficit over a three year period may only be given in exceptional circumstances where the Cabinet Member for Children and Young People is satisfied that the school's ability to deliver the national curriculum would otherwise be seriously jeopardised and that no other course of action is available.

2.1 Requests to balance the budget over more than one year

Ashbrook Infant and Nursery School

In recent years Ashbrook Infant and Nursery School has seen a decline in pupil numbers which resulted in the school having a deficit of £11,451 at 31st March 2012 which increased to £15,182 by 31st March 2013.

However, the school's pupil numbers have increased from 111 in January 2012, to 132 in October 2013 and are set to increase again in September 2014.

Due to the increase in pupil numbers, the governors of Ashbrook Infant and Nursery School have been able to submit a plan to bring the budget back into balance by the end the 2014-15 financial year.

Barrow Hill Primary School

The governors of Barrow Hill Primary School previously submitted a budget plan for the 2012-13 financial year with a balance of £3,162. However, in September 2012 the school's pupil numbers increased from 44 to 50 and additional staffing and resources costs were incurred against the school's budget as a result. The school also had several staffing issues during the 2012-13 financial year with various employees being absent from school for long periods due to sickness. These factors all had a negative impact on the school's budget resulting in a deficit of £23,974 at the end of the 2012-13 financial year.

Due to carrying forward this deficit from the 2012-13 financial year, the school was unable to produce a balanced budget plan for the 2013-14 financial year. However, as the school's pupil numbers are again set to increase in September 2013, the governors of Barrow Hill Primary School have now been able to agree a 2-year budget plan which projects a surplus balance of £34,945 at the end of the 2014-15 financial year.

Holbrook Centre for Autism

Unforeseen costs during the 2012-13 financial year led to the school carrying forward a deficit balance of £41,466 at 31st March 2012. Due to this the governors of Holbrook Centre for Autism were unable to produce a balanced budget plan for the 2013-14 financial year. As a result the school has subsequently submitted a 3-year budget plan, which will bring the budget back into balance by the end of the 2015-16 financial year. Since this budget plan was agreed the school has admitted additional out-of-county pupils and is now confident that, as a result of the additional funding attached to these pupils, it will bring the budget back into balance at the end of the 2014-15 financial year.

St Joseph's RC Primary School (Matlock)

After suffering a significant drop in pupil numbers in previous years the governors at St Josephs RC Primary School originally agreed a 3-year budget plan from the 2011-12 financial year, to bring the budget back into balance by the end of the 2013-14 financial year. In order to achieve this it was anticipated that various staffing reductions would have to take place, which were subsequently factored into the budget plan.

However, the school's reception pupil numbers for September 2012 were substantially higher than expected. In fact, due to the increase in KS1 pupil numbers an additional KS1 class was required. In light of this, the planned

staffing reduction did not take place, which contributed to the schools 2012-13 year-end deficit balance of £45,843.

The schools pupil numbers have continued to rise and as a result the governors have been able to submit a 2-year budget plan without staffing reductions, which will achieve a surplus balance of £19,817 at the end of the 2014-15 financial year.

2.2 Schools without agreed budget plans

The schools detailed below have not yet been able to produce plans to bring their budgets back into balance. These schools' positions, which were already challenging, have been adversely affected by reductions in pupil numbers and the impact of recent pay awards for teaching and support staff. The Authority is continuing to work closely with the schools' governing bodies and senior leadership teams to ensure that budgets are ultimately balanced whilst, at the same time, endeavouring to minimise the impact on students' learning.

The latest balances and pupil numbers of the schools included in this section are included in Appendix 1.

Aldercar Community Language College

Following a significant decline in pupil numbers in recent years, the governors of the school are currently unable to produce a balanced budget plan. The school's number on roll at the time of writing this report is 733 (October 2013) which compares with 909 on roll only 4 years earlier, a reduction of 19.4%.

Despite carrying forward a balance of £233,343 from the 2012-13 financial year, the school is currently predicted to finish the 2013-14 financial year with a deficit balance in the region of £75k. This effectively means that the school has overspent its 2013-14 budget by over £300k as spending has fallen at a lower level than the reduction in budget.

Staffing reductions have taken place from September 2013 and plans are already in place to reduce by approximately 7fte teachers and 168 support staff hours per week from September 2014. Despite these reductions it is estimated that the school could have a deficit in the region of £274k at the end of the 2014-15 financial year unless further measures are taken.

Work is on-going with the school's senior leadership team and governors to identify further savings and agree a financial plan to bring the school's budget back into balance as soon as is practicable.

Mill Hill School

The school has had a deficit balance for a number of years, peaking at £845k at 31st March 2010. Since that time the school has worked hard to reduce the

shortfall and at 31st March 2012 the deficit was £261k. The school had originally planned to achieve a balanced budget by the end of 2014-15. This was already a challenge as the school was expecting its numbers to fall from 924 in October 2012 to 849 in October 2013. In the event the October 2013 NOR was even lower than expected at only 817 which will have a significant impact on the school's funding for 2014-15.

The school is continuing to work with the Authority to address its deficit with a view to balancing its budget by the close of 2015-16, a year later than originally planned.

New Mills Secondary

New Mills Secondary School has seen a substantial reduction in its pupil numbers over the last few years. A 3-year plan was previously agreed by the governors in summer 2012 to bring the budget back into balance at the end of the 2014-15 financial year. However, due to the school's pupil numbers being lower than previously anticipated, this budget plan is looking increasingly unviable.

The school has recently appointed a new bursar and the school and the Authority is working on revising the budget plans with a view to achieving a balanced position by the end of 2015-16.

Glossop St Philip Howard

Due to staffing issues at the school, over the last few months the school has struggled to provide the Authority with updates regarding its financial projections. An Acting Headteacher has now been appointed and finance officers from the Authority will be meeting with the Acting Head and lead governors to work on updating the financial plan.

3. Financial Considerations

As contained in the report.

4. Other Considerations

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

5. Background Papers

Individual papers held in School Support Finance.

6. Key Decision?

Yes

7. Recommendations of the Strategic Director for Children & Younger Adults

- (i) To allow the schools detailed in section 2.1 of this report to recover their budget deficits over two or three financial years; and
- (ii) To note the position of those other schools yet to agree a plan and require the Strategic Director to continue to work with these schools to agree long term financial recovery plans.

Ian Thomas
Strategic Director for Children & Younger Adults

Appendix 1

			Balances						Staffing Reductions included from September 2014	
	Pupil Numbers		2012-13		2013-14 (LA's est)		2014-15 (LA's est)			
School	Oct-12	Oct-13	£	%	£	%	£	%	Teachers (FTE)	Support Staff Hours
Aldercar Community Language College	788	733	£233,343	5.99%	-£75,000	-1.92%	-£350,000	-7.06%	7	168
Mill Hill	924	858	-£260,628	-6.05%	-£160,682	-3.73%	-£284,238	-6.60%	6.2	161
New Mills School	576	569	-£294,790	-10.89%	-£253,959	-9.38%	-£224,310	-8.28%	0	0
St Philip Howard RC	509	498	-£268,472	-10.83%	-£195,949	-7.91%	-£175,998	-7.10%	0.7	38

Please note that due to the changes in the funding arrangements for schools, in order to make the % of balance figures comparable, the school's 2013-14 budget share has been used for the % calculations in all of the three financial years.