

REP595

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CHILDREN & YOUNG PEOPLE

4 NOVEMBER 2014

Report of the Strategic Director for Children and Younger Adults

SCHOOL BUDGETS: DEFICIT BALANCES AND RECOVERY PLANS

- 1. Purpose of Report** – To seek approval to requests from governing bodies of schools 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 budget plan has still to be agreed.
- 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 and Young People to implement a plan to bring its budget into balance over a two or three year period. This recognises the legal conflict between the responsibility of governors to operate within their budget share in any given financial year and, at the same time, maintaining the integrity of their educational provision in an academic 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 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 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.

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

2.1 Requests to balance the budget over more than one year

Ashbrook Infant and Nursery School

In 2013-14 Ashbrook Infant and Nursery submitted a 2 year plan to bring the budget back into balance in the 2014-15 financial year. However, additional expenditure was incurred, mainly on staffing costs, which resulted in an increased deficit of £48,991 at the end of 2013-14 year. As a result of this increased deficit, and pupil numbers being lower than previously anticipated, the school are now unable to set a balanced budget for 2014-15.

As a result the school has worked alongside School Support Finance to put together a 2 year plan which will bring the budget back into balance in 2015-16. This is based on the school reducing their deficit to £34,822 in 2014-15 with a small surplus balance being achieved in 2015-16, mainly as a result of temporary contracts ending from September 2015 not being renewed.

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 submitted a 2 year budget plan in 2013-14 to bring the budget back into balance by the end of the 2014-15 financial year. However, following this the school took the decision to increase their staffing costs in 2013-14 which resulted in their planned deficit of £21,032 increasing to £46,230.

As a result of this higher deficit the governors were unable to set a balanced budget plan for 2014-15 without staffing reductions. As the projected pupil numbers for the school are set to increase over the next few years the governors have taken the decision to maintain staffing levels, the budget would now be balanced by the end of 2015-16 as a result of the increases in pupil numbers generating a higher level of funding for the school.

2.2 Schools without agreed budget plans

Despite the best efforts of the Authority's officers several schools have not been able to produce plans to bring their budgets back into balance. These schools have more acute difficulties due either to the previous year's deficit and/or the impact of data changes on their 2014-15 budget for example due to falling rolls. Brief details of these schools are set out below.

Aldercar Community Language College

Following a significant decline in pupil numbers in recent years, the governors of this school were unable to produce a balanced budget plan for 2013-14. However, various underspends in non-staffing budgets resulted in the school having a surplus balance of £54,471 at the end of 2013-14. As many of these

underspends were not expected to be repeated the school's 2013-14 year end position was significantly inflated.

At the time of writing this report a deficit of £74,000 is projected in 2014-15, which is set to increase to £0.454m in 2015-16. The school is continuing to suffer falling pupil numbers with 681 pupils currently expected on the October 2014 census compared to 732 in October 2013. As a consequence the school's budget allocation is set to continue to fall significantly, resulting in the governors being unable to produce a balanced budget plan.

The new Principal and governing body are continuing to work closely with School Support Finance to identify savings to bring the budget back into balance; this is almost certainly likely to require significant staffing reductions.

Mill Hill School

As a result of suffering a significant reduction in pupil numbers in previous years, the governors were unable to produce a plan to balance the budget in 2013-14. However, despite carrying forward a deficit of £0.260m from 2012-13, a small surplus was generated by the end of 2013-14.

No budget plan was submitted for the current financial year and the school have converted to an Academy from 1st September 2014 and is now known as The Ripley Academy. At the time of writing this report the school's actual balance at 31st August 2014 had yet to be finalised with any surplus or deficit expected to transfer to the Academy.

New Mills Secondary

As a result of carrying forward a deficit of £0.295m from 2012-13, this school was unable to produce a balanced budget plan for 2013-14. The school ended 2013-14 with a deficit of £0.174m and have again not been able to submit a balanced budget plan for 2014-15.

The school are continuing to work closely with officers from the Authority to identify ways to bring the budget back into the balance.

The Pingle School

This school is currently facing the huge challenge of addressing a significant budget deficit whilst at the same time trying to improve standards to remove the school from Special Measures. During 2013-14 the school appointed a new Headteacher and Business Manager who are working closely with the Local Authority to address these issues.

The school's pupil numbers are reducing significantly each year with 1,055 pupils (including 6th form) currently anticipated in October 2014, compared to 1,093 in September 2013 and 1,159 in September 2012. Based on the school's intake continuing to be around 163 pupils, the reduction in pupil numbers is set to continue at a similar rate over the next few years.

Whilst some staffing reductions are taking place in September 2014, under normal circumstances the school would be making redundancies during this financial year. However, due to the school being in Special Measures, the governors have taken the decision not to make the necessary staffing reductions until September 2015 in order to maintain staffing levels and thus help raise standards. The decision to delay these staffing reductions has resulted in the school's surplus balance reducing from £0.247m at the end of 2013-14 to a deficit of £0.416m in 2014-15, an in year over spend of £0.663m. This plan has been formally agreed by the school's governors and has been submitted to the Local Authority. Without factoring in any staffing reductions from September 2015, a deficit in the region of £1.043m is currently project by the end of 2015-16.

With the school's budget allocation continuing to be reduced as a result of falling rolls, the school will have to make a significant amount of redundancies from September 2015 and beyond to start reducing this deficit.

The school are currently working with officers on a long term plan to address the deficit.

St Philip Howard

As a result of carrying forward significant deficit balances, this school is again unable to submit a balanced budget plan.

The school's 2013-14 year end balance was a deficit of £0.268m, which is currently estimated to increase to £0.302m by the end of the 2014-15 financial year.

Officers are continuing to work with the school to address this deficit.

3. Financial Considerations

As contained in the report.

4. Legal Considerations

Local Authorities have a duty to maintain a financial scheme for schools pursuant to section 48 of the Schools Standard and Framework Act 1998. The recommendations set out in this report are in line with the requirements of the "Derbyshire Scheme for Financing Schools."

5. Other Considerations

In preparing webthis 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.

6. Background Papers

Held in School Support Finance.

7. Key Decision

Yes

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

- (i) To consider approval for the schools detailed in section 2.1 of this report to recover their budget deficits over two or three financial years; and
- (ii) To consider the position of those other schools in section 2.2 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

Requests to balance the budget over more than one year

			Balances						Staffing Reductions included			
Pupil Numbers			2013-14		2014-15 (LA's est)		2015-16 (LA's est)		September 2014		September 2015	
School	Oct-13	Oct-14	£	%	£	%	£	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
Ashbrook Infant and Nursery School	130	126	-£48,991	-8.92	-£30,382	-5.39	£15,161	2.69	0.1	2	1.5	38
St Joseph's RC Primary School (Matlock)	170	176	-£46,230	-7.54	-£30,247	-4.82	£3,936	0.63	0	3	0	0

Schools without agreed budget plans

			Balances						Staffing Reductions included			
	Pupil Numbers		2013-14		2014-15 (LA's est)		2015-16 (LA's est)		September 2014		September 2015	
School	Oct-13	Oct-14	£m	%	£m	%	£m	%	Teachers (FTE)	Support Staff (hours)	Teachers (FTE)	Support Staff (hours)
Aldercar Community Language College	732	681	£0.054	1.4	£0.074	-2.00	-£0.454	-12.29	2.63	139	0.46	0
New Mills School	569	549	-£0.174	-6.33	-£0.190	-6.91	-£0.350	-12.72	0	+128	0	0
The Pingle	1,093	1,055	£0.247	4.55	-£0.416	-7.67	-£1.043	-19.24	0.5	+187	1	0
St Philip Howard RC	497	506	-£0.268	-11.11	-£0.302	-12.54	-£0.365	-15.13	1	11	0	0

Please note that due to the changes in the funding arrangements for schools, in order to make the % of balance figures comparable, each school's 2014-15 budget allocation has been used for the % calculations in all of the three financial years. Due to their conversion to academy status, the figures for Mill Hill have been excluded.