



DERBY CITY COUNCIL

COUNCIL CABINET 6 JUNE 2006

Cabinet Members for Children's and Young People and Corporate Policy

Licensed deficits

SUMMARY

- 1.1 The report sets out applications for licensed deficits from schools.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations

RECOMMENDATIONS

- 2.1 To approve licensed deficits for St Alban's Catholic Primary School, Derby Moor Community School and Saint Benedict Catholic School and Performing Arts College.
- 2.2 To agree an extension of the licensed deficit for Lees Brook Community Sports College.

REASONS FOR RECOMMENDATIONS

3. Under the Council's scheme for funding schools, schools usually have to set a balanced budget. However, schools may apply to set a deficit budget as long as there are good reasons for doing so, and they can demonstrate that the budget will come back into balance no later than the end of the third financial year. Where staffing reductions are necessary, these can usually only take place from September, so any savings are not fully effective until the second financial year.



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Report of the Corporate Director for Children and Young People and
Corporate Director for Resources

Licensed deficits

SUPPORTING INFORMATION

- 1.1 St Alban's Catholic Primary School has had a reduction in its pupil numbers from 328 318, but it wishes to maintain staffing levels to avoid large classes at Key Stage Two. applying for a licensed deficit of £1684 (0.2% of its budget) at the end of 2006/07, £65 (0.8%) at the end of 2007/08, with the budget coming back into balance by the end of 2008/09.
- 1.2 Derby Moor Community School has experienced a fall in pupil numbers, particularly at post-16. It also has high levels of staffing relative to non-staffing budgets and a large number of Teaching and Learning points in its new staffing structure. It needs to increase spending in areas such as health and safety. It wishes to apply for a licensed deficit of £153,000 (3.2% of its budget) at the end of 2006/07 and £134,000 (2.8%) at the end of 2007/08, coming back into balance by the end of 2008/09. This includes any redundancy costs arising from staffing reductions.
- 1.3 Saint Benedict Catholic School and Performing Arts College had an unapproved deficit of £270,058 in 2005/06. This arose mainly because of higher than expected supply costs due to sickness, and an expensive class and timetable organisation. The school is applying for a licensed deficit of £279,409 (4.8% of its budget) at the end of 2006/07, a deficit of £75,139 (1.3%) at the end of 2007/08, with the budget coming back into balance by the end of 2008/09. This assumes that expenditure already incurred in relation to the land sale will be funded from the capital receipt.
- 1.4 Lees Brook Community Sports College had approval for a licensed deficit of £50,000 in 2005/06, coming back into balance by the end of 2006/07. Its actual deficit was £73,586, mainly because of budget deductions relating to exclusions. It now wishes to have approval for a licensed deficit of £60,367 (1.5% of its budget) in 2006/07, coming back into balance by the end of 2007/08.

OTHER OPTIONS CONSIDERED

2. It would be possible to insist that the schools set balanced budgets in 2006/07. However, that would result in unnecessary staffing reductions which could damage the schools' ability to deliver the curriculum. Significant growth above inflation in school budgets is now making it easier for schools to recover deficits without an adverse effect on standards.

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Background papers:	Requests from schools
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 Schools are normally expected to set a balanced budget. In particular circumstances a governing body can apply for a licensed deficit, provided that this would not exceed 5% of the school's budget and that the school can demonstrate that it is able to return to a balanced budget no later than the end of the third financial year. The other schools with licensed deficits approved in previous years are being monitored and are on course to balance their budget within the agreed timescales
- 1.2 The Council's current policy is to pay interest on school balances by passing on interest earned on its wider investment portfolio. No charges are made to schools in deficit, so the cost of interest foregone for these schools falls on the Treasury Management budget, which in turn may impact on the budgets of service departments. In view of the rather imbalanced nature of this treatment, it is intended to review the policy and to consult the Schools Forum on options for an alternative approach for 2007/08.
- 1.3 The school budget plans are based on their projections of future pupil number trends and also on assumptions about the overall budget in the short and medium-term. If these turn out differently, then the schools would need to adjust their plans accordingly

Legal

2. The procedures for approving licensed deficits are set out in the Council's scheme for funding schools, which has been approved by the Department for Education and Skills, following consultation with schools.

Personnel

3. School governing bodies are responsible for making staffing decisions. Where staffing reductions are necessary, the Council will make every effort in consultation with trade unions to find suitable alternative employment for staff. This can only be achieved with the co-operation of other governing bodies.

Equalities impact

4. None.

Corporate objectives and priorities for change

5. The proposals seek to further the Council's objective of providing "a stimulating and high quality learning environment" and address the priorities of "raising educational achievement" and ensuring that there are "no schools in the 'causing concern' category