

LICENSED DEFICITS

Report of the Director of Education.

SUMMARY OF REPORT

- 1.1 Four schools have requested licensed deficits for the 2002/03 financial year in accordance with the Council's scheme for funding schools. Three have arisen because of falls in pupil numbers and the other because of particular problems with covering staff absence (paragraphs 4.4 to 4.7).
- 1.2 Licensed deficits approved in previous years are continuing to be monitored (Appendix 1).

RECOMMENDATION

- 2.1 To agree the licensed deficits requested by Boulton Primary, Merrill College, Nightingale Infants and Nightingale Junior.
- 2.2 To note progress on the existing two and three-year licensed deficits listed in Appendix 1.

REASONS FOR RECOMMENDATION

- 3. Under the Council's scheme for funding schools, the Executive must approve applications from schools which wish to budget for a deficit.

MATTER FOR CONSIDERATION

- 4.1 The Council's scheme for funding schools states that schools are normally required to set a balanced budget for each financial year but that, in exceptional circumstances, the Executive may approve a licensed deficit.
- 4.2 Schools would normally be expected to remove the deficit by the end of the second financial year, though the maximum period allowable is three years. The Executive would be asked to consider removing delegated powers from a school if it has failed to remove the deficit by the end of the third financial year.

- 4.3 The maximum permitted deficit is 5% of a school's budget share, while the maximum proportion of the collective school balances held by the Council which can be used to back the scheme is 20%. The accounts for 2001/02 are still being closed and it is not yet clear the extent to which school balances relate to carry forwards on Standards Fund rather than the main school budget. However, the balances on formula budgets held in the Council's bank account are likely to be at least £4m; this means that deficits could be approved up to a total of at least £800,000.
- 4.4 Four schools have requested licensed deficits this year. Boulton Primary has had a significant reduction in pupil numbers this year, from 467 in 2001 to 427 in 2002. This has been added to by an overestimate in last year's budget of current nursery and reception numbers, resulting in a large deduction from their budget. The school is reducing by 2 teachers and is reducing a number of temporary contracts for education care officers from September 2002. It wishes to have a deficit of £35,118 (4.4% of its budget) at the end of 2002/03, coming back into balance by the end of 2003/04.
- 4.5 Merrill College has incurred high expenditure in 2001/02 because it has had 5 teachers on long-term sickness absence and who have now been given ill-health retirement. In addition, insurance costs have increased significantly. This has eliminated the balances of £173,000 brought forward from 2000/01. The school is reducing its budgets for non-teaching staff and resources and wishes to apply for a deficit of £49904 (1.4% of its budget) at the end of 2002/03. The deficit would reduce to £34378 (1.0%) by the end of 2003/04 with the budget coming back into balance by the end of 2004/05.
- 4.6 Nightingale Infants has had a large reduction in pupil numbers, which have fallen from 328 in 2001 to 284 in 2002. The school is reducing by 2 teaching staff and 3 classroom assistants from September 2002. It will also be operating the nursery with 39 places rather than 52 to save a teaching salary. It wishes to apply for a deficit of £25575 (4.9% of its budget) at the end of 2002/03, with the budget coming back into balance by the end of 2003/04.
- 4.7 Nightingale Junior has also faced large reductions in pupil numbers, from 329 in 2001 to 295 in 2002. It is reducing by 2 teaching posts currently filled by agency supply staff, from September 2002. The school wishes to apply for a deficit of £29,343 (4.3% of its budget) at the end of 2002/03, reducing to £5256 (0.8%) at the end of 2003/04 and coming back into balance by the end of 2004/05. The school has recently emerged from special measures and has had to incur extra expenditure to deliver its action plan. Phasing the deficit will enable it to maintain its recent curriculum improvements.

- 4.8 At the time of writing the report, there are still unresolved issues relating to the funding of potential early retirement and redundancy costs at Boulton Primary and Nightingale Infants. If the schools are liable for these, then they will need to adjust their budget plans accordingly to remain within the approved limits.
- 4.9 We are continuing to monitor schools with licensed deficits approved in previous years. Appendix 1 notes the progress they are making. The accounts for 2001/02 are still being completed, so the figures are provisional.
- 4.10 The option of a licensed deficit should only be taken up in exceptional circumstances and should always be the subject of thorough discussion between the school and the Council. It would not be feasible or necessarily appropriate to list all those factors – and their inter-relationship – which might constitute “exceptional circumstances”, since the intention is to provide flexibility of support with prudent management of resources. In that respect, each request will be considered on its own merits and within the context of the individual school and its local community. It is considered that the requests from the schools are entirely justifiable.

FINANCIAL IMPLICATIONS

- 5.1 The Council pays interest on school balances. 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.
- 5.2 The financial considerations for the schools are outlined within the report.
- 5.3 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 IMPLICATIONS

- 6. Provisions for licensed deficits are contained within the Council’s scheme for funding schools. This took legal effect from 1 April 1999 and applies to all schools with delegated budgets maintained by the Council.

PERSONNEL IMPLICATIONS

- 7. These will arise from the action taken by the school governing body to balance its budget.

ENVIRONMENTAL IMPLICATIONS

8. None directly arising.

EQUALITIES IMPLICATIONS

9. None directly arising.

Background Papers: Correspondence from schools

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SCHOOLS WITH PREVIOUSLY APPROVED DEFICITS

THREE-YEAR LICENSED DEFICIT APPROVED FOR 1999/2000

Murray Park Community School was in the final year of its agreed plan and has come back into balance as expected.

TWO-YEAR LICENSED DEFICITS APPROVED FOR 1999/2000

Grampian Primary was in the final year of its agreed plan and has come back into balance as expected

TWO-YEAR LICENSED DEFICITS APPROVED FOR 2000/01

Bemrose Community School was in the final year of its agreed plan and should have come back into balance by the end of 2001/02. It will in fact have a deficit of £85,000 (3.6% of its budget). This is entirely due to the continuing provision of education on site for the year 11 pupils formerly attending Village Community School but who are now on the Bemrose roll. As the costs of provision exceed the formula allocation and this resulted from a Council decision, Bemrose will be reimbursed at the end of the 2001/02 academic year for these additional costs. Provision has been made in the 2002/03 budget to fund this from a contingency. The final figures are still being determined but are expected to be around £200,000.

Village Community School originally had approval for a deficit of £34,293 at the end of the 2000/01 financial year, coming back into balance at the end of 2001/02. The deficit at its closure in August 2001 was in fact £130,000. This has had to be written off against the contingency set aside from the formula savings resulting from the closure.

THREE-YEAR LICENSED DEFICIT APPROVED FOR 2001/02

Littleover Community School had approval for a deficit of £170,000 at the end of 2001/02, reducing to a deficit of £85,000 at the end of 2002/03 with the budget coming back into balance by the end of 2003/04, to fund the purchase of a new library block. The school will in fact still be in balance at the end of 2001/02 because of the timing of the invoices, but the 2002/03 budget has been set in line with the previously agreed plan.