

ITEM 34



DERBY CITY COUNCIL

COUNCIL CABINET
14 JUNE 2005

Report of the Director of Education and Director of Finance

Licensed Deficits

RECOMMENDATIONS

- 1.1 To approve a licensed deficit for Merrill College.
- 1.2 To transfer £67,000 from the Local Government Reorganisation education reserves to da Vinci Community College to fund the additional cost of staff seconded from Lees Brook Community Sports College not met by DfES grant.

REASON FOR RECOMMENDATIONS

2. 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.

SUPPORTING INFORMATION

- 3.1 Cabinet approved licensed deficits for two schools at its meeting on 17 May 2005. The report noted that there might be applications from other schools, and another has now been submitted.
- 3.2 Merrill College has had a fall in pupil numbers from 1107 in January 2004 to 1004 in January 2005. Together with the effect of an overestimate of numbers from the previous year, this has resulted in a reduction of 8.8% in its delegated budget even after protection through the government's minimum funding guarantee. The school has submitted a plan which would have a deficit of £175,945 (5.0% of the budget, the maximum allowable) at the end of the 2005/06 financial year, reducing to £13,309 at the end of 2006/07 and coming back into balance by the end of 2007/08. Savings will be made by natural wastage of teachers, reductions in support staff as the school moves on to one site and reductions in non-staffing budgets. The school will also be supported by a one-off allocation of £50,000 from the Schools in Financial Difficulties budget.

- 3.3 The DfES has provided grant support towards the collaborative restart at da Vinci Community College. However, the actual costs of staff seconded from Lees Brook Community Sports College to da Vinci will have exceeded the grant by £67,000 by the end of the 2005/06 financial year. If da Vinci had to bear these additional costs, then its budget would go into deficit. It is, therefore, proposed that £67,000 should be transferred to da Vinci from the Local Government Reorganisation reserves. This is consistent with the decision by Cabinet on 28 October 2003 to earmark these resources for school improvement and intervention purposes.

OTHER OPTIONS CONSIDERED

4. It would be possible to insist that the schools set balanced budgets in 2005/06. However, that would result in unnecessary staffing reductions which could damage the schools' ability to deliver the curriculum.

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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 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 pays interest on balances to schools using the Council's financial systems; Merrill has its own bank account and financial system. 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
- 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 and, in Merrill's case, the governing body is the employer because it is a foundation school. Where staffing reductions are necessary, the Education Service will make every effort to work with the governing body in consultation with trade unions to find suitable alternative employment for staff. This can realistically only be achieved with the co-operation of other governing bodies.

Equalities impact

4. None directly arising.

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."