

DECISION-MAKER:	CABINET MEMBER FOR CHILDREN'S SERVICES AND LEARNING
SUBJECT:	SCHOOLS DEFICIT BUDGETS 2011/12
DATE OF DECISION:	4 JULY 2011
REPORT OF:	ASSISTANT DIRECTOR CHILDREN'S SERVICES AND LEARNING
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF SUMMARY

The Southampton Scheme for Financing schools, made in accordance with the Schools Standards and Framework Act 1998, allows for schools to set deficit budgets in accordance with Department for Education rules. As part of the Southampton scheme, schools can request a deficit budget for which Cabinet Member approval must be given. Four schools have requested to set a deficit budget in 2011/12.

RECOMMENDATIONS:

- (i) That the deficit budgets for the following schools for 2011/12 be approved:

	Years in Deficit	Deficit
Ludlow Junior School	1	£19,000
Chamberlayne College of the Arts	3	£57,000
St George Catholic VA College	5	£37,000
Vermont School	9	£42,000
Total Requested		£155,000

- (ii) That unless the school can demonstrate at a meeting in September that their recovery plan is achievable, notice will be given that a deficit application in 2012/13 will not be supported.
- (iii) To note that the approval of the above deficits does not confirm the Council's acceptance of the management of the overall financial position in relation to the schools in question, or in any way limit or remove the Council's power to undertake intervention action in schools in accordance with the Scheme for Financing Schools or otherwise, as provided for under the Education Acts.
- (iv) To delegate Authority to the Director of Children's Services and Learning, following consultation with the Head of Finance and the Cabinet Member for Children's Services, to take any intervention action necessary under the Scheme for Financing Schools or otherwise as provided for in the Education Acts, to secure to good management and governance of Southampton schools or to

otherwise address the financial or performance management of maintained schools in Southampton.

REASONS FOR REPORT RECOMMENDATIONS

1. Approval of the recommendation will allow schools to adjust to changes in pupil numbers without making significant cuts in staffing or other costs and without detrimentally affecting standards.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The alternative is not to allow any deficit budgets. This would have a detrimental effect on school standards and would not allow some schools time to adjust to changes in pupil numbers or make the required changes to staffing structures.

DETAIL (Including consultation carried out)

3. The Dedicated Schools Grant (DSG) funds the majority of education provision and is based on the number of pupils in schools in January each year. Overall pupil numbers in January 2011 had increased by 1.8% over the previous year, mainly in the early years and primary sectors due to rising birth rates. Numbers in the secondary sector continue to decline but at a slower rate compared to previous years, a fall of 1.8% year on year. This directly affects the level of funding that individual schools receive in their budget share.
4. Southampton City Council's Scheme for Financing Schools (approved May 2010) gives the responsible Cabinet Member the power to approve applications by schools to set a deficit budget. There are a number of conditions which have to be met:
 - the deficit for any one school should not exceed £150,000;
 - the total of the deficits approved should not exceed the value of 40% of the aggregate of surplus schools balances;
 - a deficit should not last beyond five years; and
 - the school should have a plan for moving out of deficit.
5. A strategic discussion has taken place between the head teacher of each school requesting a deficit, a representative of the governing body and the Head of Standards, Children's Services and Learning. Finance officers were in attendance to advise both parties.
6. A deficit is only recommended for approval by officers where it is clear that a school needs time to adjust its staffing structure without jeopardising standards. The school must have a robust three year plan for repayment. All schools with deficit budgets receive regular monitoring visits and support from the Children Services and Learning Schools Finance Team.
7. Meetings will be held at the start of the next academic year with the schools who are seeking approval to set a deficit budget for 2011/12. They will be required to demonstrate that they are still on target to return to a balanced financial position as set out in their three year recovery plan. If progress is not being achieved, then formal notice will be given that a deficit application in 2012/13 will not be supported.

Ludlow Junior School – Deficit requested £19,000

8. Last year the school restructured its teaching staff. During this process there was an exceptionally high level of absence. As a consequence, expenditure on supply cover was significantly more than budgeted, such that the school ended the financial year 2010/11 with an unapproved deficit of £28,000. Staff are now more settled and turnover is expected to reduce. The governing body considered remodelling year groups rather than set a deficit but felt this would compromise standards and attainment. The school has asked to set a deficit budget of £19,000 in 2011/12, returning to a balanced financial position in 2012/13. Over the coming months the Children's Services and Learning Schools Finance Team will work with the school on improving financial monitoring procedures and challenge by governors.

Chamberlayne College for the Arts – Deficit requested £57,000

9. The school was given approval to set a deficit budget in 2010/11 of £65,000 but ended the year with a deficit of £136,000. This overspend was mainly due to unexpected staff sickness and staff not moving on as anticipated. Other areas of expenditure were managed well. Pupil numbers have fallen in recent years and the school has taken advantage of natural wastage to reduce the number of teaching and support staff wherever possible. The school expects to move back to a balanced budget in 2012/13.
10. In order to give adequate assurance that the school will remain within the deficit now requested, the school has been asked to provide copies of the financial monitoring reports presented termly to governors, along with the minutes from those meetings, to set up monthly finance meetings with the Chair of the Strategy Committee and to undertake a full revision of the budget at the start of the academic year in September, which will then be shared with the Children's Services and Learning Schools Finance Team.

St Georges Catholic VA College – Deficit requested £37,000

11. The college has worked hard over the past year to address the deficit. Although originally budgeting for a deficit of £90,000 in 2010/11, they ended the financial year with a surplus of £57,100. This was due to savings in employee costs caused by vacancies and maternity leave and from unexpected additional income. The college has recently completed a full staffing restructure which will take effect from September. The financial impact of this restructure will be noticeable in 2012/13 although some pay safeguarding arrangements will continue into 2014/15. The college expects to be back in a balanced position by the end of the financial year 2013/14. Approval of this deficit will allow the school to continue to improve attainment which is being reflected in increasing pupil numbers, rising from 423 in January 2009 to an anticipated 481 in September 2011.

Vermont School – Deficit requested £42,000

12. At the end of 2010/11, the school had a deficit of £102,000 compared to an approved deficit of £72,000. This was due to higher staffing costs and less income than expected. Other areas of expenditure were managed well in the last year. The school now have a staffing structure that is considered

appropriate for the needs of the pupils and has presented a budget which includes more realistic estimates of income. The school's Finance Committee meets monthly to monitor the financial position of the school. The school has been asked to submit copies of the financial monitoring reports and the minutes from those meetings so that the local authority is assured that the budget is achieved. The school plans to return to a balanced position in 2012/13.

RESOURCE IMPLICATIONS

Capital/Revenue

13. The financial implications for the individual schools are as shown in the table above. The deficits overall are funded by the total level of schools' revenue balances, £5.3m as at the end of 2010/11.

Property/Other

14. No immediate property implications have been identified as a result of this report. It is possible that deficit budgets may impact on the schools' ability to meet the cost of repairs. As part of contingency planning a clear policy needs developing, in consultation with relevant parties, to meet this possibility and ensure stable financial management.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

15. The Scheme for Financing Schools, made in accordance with the Schools Standards and Frameworks Act 1998, makes provision for schools setting deficit budgets in accordance with Department for Education rules.

Other Legal Implications:

16. None

POLICY FRAMEWORK IMPLICATIONS

17. The proposals set out in the report are consistent with the strategies and policy objectives set out in the Children and Young People's Plan (CYPP). The targets for improvement in school performance set out in the CYPP would be harder for schools to meet if they were not permitted to set deficit budgets as they would have to make significant cuts to expenditure in the current year, which would inevitably entail the reduction of teaching staff.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	None
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Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	Southampton City Council's Scheme for Financing Schools	
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