



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR EDUCATION

28 JULY 2022

**Joint Report of the Executive Director for Children's Services
and the Director of Finance & ICT**

**School budgets: deficit balances and recovery plans bringing budgets
into balance over more than one financial year**

1. Divisions Affected

1.1 Not applicable

2. Key Decision

2.1 This is not a Key Decision

3. Purpose

3.1 To seek approval for two requests received from governing bodies of Local Authority maintained schools with budget deficits to implement budget plans in order to repay deficits over more than one year, and to report on the schools which have still to agree a deficit recovery plan.

4. Information and Analysis

4.1 Section 4.9 of "The Derbyshire Scheme for Financing Schools" made under the School Standards and Framework Act 1998 and the School and Early Years (Finance) Regulations 2021 (as amended from time to time) provides that a governing body unable to prepare a balanced budget may make a formal request to the Cabinet Member for Education to implement a plan to bring the school's budget into balance over more than one 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 Children's Services and Corporate Finance that all other options have been exhausted. Approval to repay a deficit is normally only allowed over a maximum of three years. However, additional years may be granted if, in the opinion of the Executive Director for Children's Services, the school's ability to deliver the national curriculum would otherwise be seriously jeopardised and that no other reasonable course of action is available.

The estimated balances and pupil numbers of the schools referenced in this report are included in Appendix 2.

4.2 Requests to balance the budget over more than one year

Two-year budget plans:

- None

Three-year budget plans:

- Calow C.E. Primary School
- New Mills Secondary School

4.3 Plans beyond three years

- None

5. Consultation

5.1 Not applicable

6. Alternative Options Considered

6.1 Not applicable, as schools are required by regulations of Derbyshire's Scheme for Financing Schools to balance their budgets over time.

7. Implications

- 7.1 The schools governing bodies listed in Appendix 2 will be required to identify savings and efficiencies within their delegated budgets in order to reduce their accumulated deficits.

8. Background Papers

- 8.1 Recovery plans from the relevant schools are held in School Support Finance, Finance & ICT Services, Commissioning, Communities & Policy.

9. Appendices

- 9.1 Appendix 1 - Implications.
- 9.2 Appendix 2 – Requests from schools to balance their budget over more than one financial year.

10. Recommendations

That the Cabinet Member considers the report and:

- a) Allows the two schools detailed in section 4.2 to recover their budget deficits over more than one financial year.

11. Reasons for Recommendation(s)

- 11.1 The recommendation relates only to two schools and therefore reflects the extensive work that takes place to help schools avoid getting into deficit.

Where a school does have financial difficulties, the need to manage these problems, and the associated risks to the LA, have to be balanced against the needs of the children currently in the school and the impact on teaching and learning of potential savings strategies. It is considered reasonable and proportionate to permit the two schools identified to recover the budget deficits identified which have been produced in conjunction with the Governing Body.

12. Is it necessary to waive the call in period?

- 12.1 No

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Implications

Financial

1.1 The problems faced by the small number of schools above must be seen in context. At 31st March 2022, the Authority was responsible for 277 schools of which 17 reported a deficit at the end of 2021-22, ~6.13% of the total, and all of these schools have an agreed recovery plan.

Against this broadly positive picture, the current school funding arrangements now present a greater financial risk to the Authority. If a school with a deficit is required to convert to academy status, then that deficit is likely to remain with the Authority.

Legal

2.1 Pursuant to section 48 of the School and Standards Framework Act 1998 and Part 4 and Schedule 5 of the School and Early Years (Finance) Regulations 2021 (as amended from time to time) local authorities must maintain a scheme which deals with financial matters of schools that are maintained by them. The scheme is required to deal with the carrying forward from one funding period to another of surpluses and deficits arising in relation to the schools' budget shares.

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 Contained within the body of the report

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Requests from schools to balance the budget over more than one financial year

Appendix 2

School	Pupil Numbers		2022-23		2023-24		2024-25	
	Oct 2021	Oct 2022 est	Estimated Balance £	% of budget	Estimated Balance £	% of budget	Estimated Balance £	% of budget
Calow C.E. Primary School	144	147	-39,927	-6.00	-6,389	-0.91	38,672	5.25
New Mills School	610	681	-542,337	-15.69	-205,612	-5.15	32,766	0.81