

**Schools Forum 23rd September 2014**

**Report of the Interim Director of Children's Services**

**Schools With Licensed Deficit Arrangements**

**Purpose of Report**

1. To inform Schools Forum of the latest financial monitoring arrangements in place for the Coseley School.

**Budget Working Group Discussed**

2. Yes – 12th September 2014.

**Schools Forum Role and Responsibilities**

3. From 1st April 2006, the Schools Budget has been funded by a direct Department for Education (DfE) grant: the Dedicated School Grant (DSG).
4. Schools Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.
5. Schools Forum approved the latest Dudley's Scheme for Financing Schools on 21<sup>st</sup> January 2014. This document includes Planning for Deficit Budgets at paragraph 4.5 and the process to be followed by a Dudley school when applying for a Licensed Deficit is detailed at paragraph 4.9.2.

**Action for Schools Forum**

6. To note the latest financial position in respect of the Coseley School who have a licensed deficit arrangement in place for the 2014/15 financial year.

**Attachments to Report**

7. None

Karen Cocker  
Children's Services Finance Manager  
8th September 2014

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**Purpose of Report**

1. To inform Schools Forum of the latest financial monitoring arrangements in place for the Coseley School.

**Background**

2. The Coseley secondary school has foundation school status and is part of the Coseley Co-operative Learning Trust. In 2012 the School was placed into a special measures Ofsted category at which time the local authority put in place an Interim Executive Board to replace the existing Governing Body. The School were moved from a special measures category to requiring improvement in the spring term 2014.
3. From September 2014, the School have an Acting Head, Mrs K Westwood-Jones, who was formally a deputy headteacher at the School.
4. The School, not unlike many Dudley secondary schools, is facing a decline in pupil numbers which are forecast to plateau in 2016/17.

**Licensed Deficit Application**

5. A maintained Dudley school cannot plan for a budget deficit but may in certain circumstances manage a budget shortfall by means of a licensed deficit the conditions for which are set out in section 4.9.2 of Dudley's Scheme for Financing Schools. The Scheme for Financing Schools can only be amended after consultation with all schools and approval by the Schools Forum.
6. The criteria and conditions for a licensed deficit are set out in the schools' Standard Operating Procedure (SOP) for the Licensed Deficit Scheme for Maintained Schools. This was created in 2004 and is reviewed biennially by the Directorate of Children's Services with support from the Treasurer's Accountancy Division.
7. A licensed deficit is funded against the collective surplus of school balances held by the local authority on behalf of all maintained schools. A school may submit a licensed deficit application to borrow from the collective surplus of school balances in order to set a balanced delegated budget. The following conditions will apply:

- The maximum length of a loan will normally be 3 years unless a longer period is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the School's Forum;
- The maximum amount borrowed will normally be 3% of the school's budget share unless a greater amount is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the School's Forum;
- No more than 10% of the collective surplus of school balances will normally be available for loan, unless a greater proportion is agreed with the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the School's Forum;
- A school wishing to borrow under this scheme must submit a detailed application in the form required by the LA, stating clearly how the deficit has arisen, what action is being taken to reduce the deficit and how the school will be able to set a balanced budget by the end of the loan term;
- It is expected that other than in exceptional circumstances applications for licensed deficits will be received in the appropriate format by 1st May of the year for which the licensed deficit is required.

### **Coseley School Licensed Deficit Application**

8. At the 2013/14 financial year end, the Coseley School reported an unplanned deficit budget position of £59,064 against a delegated budget of £4.094m; this information was reported to Schools Forum at the June meeting together with Dudley school's outturn position.
9. At the December 2013 quarterly financial monitoring stage, the School reported an in year deficit of £87,666, but after the use of accumulated reserves a balanced budget was forecast.
10. However, between January and March 2014 the School's expenditure, particularly in respect of teaching supply, building works and expenditure related to their Ofsted category of special measures, was in excess of their budget thus resulting in a year end unplanned deficit of £59,064.
11. In accordance with the SOP for Schools with Anticipated In Year Deficit, which is a notification from a school to the local authority advising the Director of Children's Services of an in year deficit budget position, the relevant notification was received from the School on 29<sup>th</sup> April 2014 which was two days before the 2014/15 budget creation form was due to be submitted to the local authority.
12. The Dudley Scheme for Fair Funding outlines that unplanned deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share; thus the £59,064 was technically a deduction from Coseley's

2014/15 delegated budget.

13. Local authority discussions with the School identified that they would not be in a position to balance their 2014/15 delegated budget and therefore the School was advised to submit a licensed deficit application. This was received on 8th July 2014 with a very brief discussion held at Schools Forum on that evening due to the requirement for the application to be signed by the Chair of Schools Forum.
14. The licensed deficit application for 2014/15 is for £283,480. This will be repayable over a five year period. The School have recently undertaken a staffing restructure in order to address the budget issues and dependant upon pupil numbers and their budget allocation for future years, then additional restructure plans maybe necessary.
15. Coseley's licensed deficit application has been approved by the local authority.
16. Mrs Cocker, the Children's Services Finance Manager and Mrs Coates, the Senior Principal Accountant Schools are working closely with the School in respect of the financial planning arrangements necessary to satisfy the local authority and the Treasurer.
17. Mr Powell, the Acting Assistant Director for Education Services, is working with the School to support leadership and management and the Interim Director of Children's Services is considering options for the School in the longer term.

### **2014/15 Monitoring**

18. With the approval of the licensed deficit, the School are now in a position to set a balanced budget for 2014/15.
19. In line with the licensed deficit application, the School will need to provide monthly income and expenditure budget monitoring information to the local authority in addition to the standard quarterly financial monitoring returns. To date the School is forecasting the 2014/15 budget position to be on target. Regular monitoring updates will be presented to Schools Forum to provide reassurances that the School are proceeding according to their financial plan.

### **Finance**

20. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2013.
21. Schools Forums are regulated by the regulated by the Schools Forums (England) Regulations 2012.
22. From 1<sup>st</sup> April 2006, the Schools Budget has been funded by a direct grant; Dedicated School Grant (DSG).

## **Law**

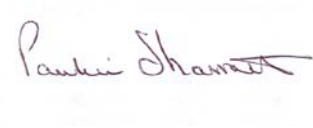
23. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

## **Equality Impact**

24. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

## **Recommendation**

25. Schools Forum to note that the Coseley School's licensed deficit application has been approved for 2014/15 and that the latest financial monitoring position is in accordance with the plan agreed with the local authority. Regular updates will be presented to Schools Forum.



**Pauline Sharratt**  
**Interim Director of Children's Services**

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