

Leicester
City Council

WARDS AFFECTED All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

14th November 2005

New College Leicester Deficit Repayment

Report of the Deputy Chief Executive

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval to meet the 'parked' New College deficit of £730,000, using powers given to the LEA by the DfES and using £730,000 of funding from uncommitted Secondary Review balances.
- 1.2 This would be a full settlement of the deficit without requiring the school to contribute, as the Director considers that any carry forward the school has is better used for school improvement. A condition of the repayment is that the school provides a monthly budget monitoring report to the LEA and Interim Executive Board.

2. Summary

- 2.1 New College has a 'parked' budget of £730,000. This was the accumulated deficit at the end of 2002/03 and the deficit has been 'parked' in that the Director did not require the school to plan to repay the deficit until it is out of Special Measures. Given the school's current situation, it is unlikely that they will be able to repay any significant amount of the deficit before becoming an Academy.
- 2.2 The LEA currently has powers to allocate additional resources to schools in financial difficulty. These powers would allow the LEA to meet the New College deficit. If the deficit is not met in this way, the only other way of paying for it would be to top slice the resources for all schools. This would represent a cut of £6,400 per school or approximately £20 per pupil.
- 2.3 The LEA has worked closely with the school in relation to financial management over the last two years and during that period the school has balanced its budget in year. For funding purposes, the school lost 165 pupils between 2004/05 and 2005/06, equal to around £360,000, and has taken action to set a balanced budget in 2005/06.

3. Recommendations

3.1 Cabinet is recommended to:

- a) Agree to meet the 'parked' New College accumulated deficit of £730,000 by a virement of £730,000 from unallocated Secondary Review monies into the Schools in Financial Difficulty Scheme.
- b) Agree that the settlement is conditional upon the school providing a monthly budget monitoring report to the LEA and Interim Executive Board.

4. Headline Financial and Legal Implications

4.1 The report is solely about financial issues.

(David Wilkin, Head of Education Finance)

4.2 The proposal to meet the accumulated deficit out of the uncommitted secondary review monies seems to be consistent with "The LEA Budget, Schools Budget and Individual Schools Budget (England) Regulations 2004" Schedule 3 para 33. The proposal at 3.1 b) is a requirement of those statutory regulations, which require that the LEA must "make provision to monitor the use of the increase and the governing body's progress towards a balanced budget".

(Kamal Adatia, Barrister, ext 7044)"

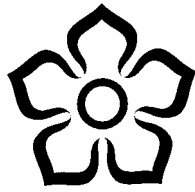
5. Report Author

5.1 Barrie Woodcock
Interim Head of Education Finance
252 7750

Andrew Cozens
Deputy Chief Executive

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet):



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SUPPORTING INFORMATION

1. Report

- 1.1 New College has a 'parked' budget of £730,000. This was the accumulated deficit at the end of 2002/03 and the deficit has been 'parked' in that the Director has not required the school to plan to repay the deficit until it is out of Special Measures.
- 1.2 New College is a very challenging school and given the ongoing special measures, the size of the deficit, continuing budget difficulties caused by falling rolls and the move to become an Academy in the future, it is unlikely that the school will be able to repay any significant amount of the deficit.
- 1.3 The LEA currently has powers to allocate additional resources to schools in financial difficulty. These powers would legally allow the LEA to meet the New College deficit. However, this would require an additional allocation of resources to use in the Schools in Financial Difficulty Scheme as currently the funding is £200,000. A mechanism needs to be found in order to find additional resources to meet the New College deficit without reducing the funding available to other schools.
- 1.4 Over the last two years the medium term financial plan for the Secondary Review budget has ensured that the deficit could be covered as an amount of £730,000 has been earmarked for this purpose. Therefore, it is now possible to vire £730,000 from the secondary review reserve into the Schools in Financial Difficulty Scheme. In the future, secondary review monies are committed to supporting the BSF programme.

- 1.5 If Secondary Review is not used to repay the deficit, the only other way of paying for it would be to top slice the resources for all schools. This would represent a cut of £6,400 per school or approximately £20 per pupil.
- 1.6 If the school becomes an Academy, any deficit would revert to the LEA – so in practice, the LEA would have to meet the cost anyway.
- 1.7 The Schools in Financial Difficulty Scheme is overseen by the Schools Forum. The Forum has been consulted upon this proposal and their views are given in paragraph 5.
- 1.8 It is important to consider the potential impact on the overall level of school balances. Currently the New College deficit helps to reduce the total of school balances. Repaying the £730,000 is going to have a noticeable effect.
- 1.9 It must be recognised that repaying the deficit is contrary to the LEA's policy on schools in deficit. Schools are required to take action to recover deficits and a number of schools in the City have worked hard to achieve this. Any settlement must be viewed as an exception due to the unique circumstances at New College.
- 1.10 The LEA has worked closely with the school in relation to financial management over the last two years and during that period the school has balanced its budget in year. For funding purposes, the school lost 165 pupils between 2004/05 and 2005/06 and has taken action to set a balanced budget in 2005/06.
- 1.11 To set a balanced budget in 2005/06, the school had to use in year underspends from 2003/04 and 2004/05. This was part of a planned medium term financial forecast agreed with the LEA. If the school were now required to contribute those underspends to repaying the deficit instead it would mean further reductions in teaching staff would be necessary in 2005/06 and 2006/07.
- 1.12 The LEA continues to work closely with the school and the Interim Executive Board. A balanced 3 year budget plan has been agreed that is designed to ensure the school does not incur a deficit in the future. It is recommended that a condition of the settlement be that the school provides a monthly budget monitoring report to the LEA and Interim Executive Board.

2. Financial, Legal and Other Implications

Financial Implications

- 2.1 See covering report.

Legal Implications

- 2.2 See covering report.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	No	
Policy	Yes	1.9
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	

4. Background Papers – Local Government Act 1972

4.1

5. Consultations

5.1 The Schools Forum, which is an advisory body to the LEA, has been consulted on this proposal and they expressed their anger and upset that the situation at New College had been allowed to develop vis-a-vis the budget, but reluctantly, and without supporting the proposal, understand that the proposal has been put forward to safeguard the funding for all children in the City, not to bail out New College.

5.2 The Forum expressed the view that if the school has a positive carry forward at the end of 2004/05 some of this amount is used to contribute to the deficit repayment.

6. Report Author

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Interim Head of Education Finance
252 7750