

**Chief Officer Confirmation of Report Submission
Cabinet Member Confirmation of Briefing**

| | | |
|--------------------|--------------------------------------|---|
| Report for: | Mayor | <input type="checkbox"/> |
| | Mayor and Cabinet | <input checked="" type="checkbox"/> |
| | Mayor and Cabinet (Contracts) | <input type="checkbox"/> |
| | Executive Director | <input type="checkbox"/> |
| Information | <input type="checkbox"/> | Part 1 <input checked="" type="checkbox"/> |
| | <input type="checkbox"/> | Part 2 <input type="checkbox"/> |
| | | Key Decision <input checked="" type="checkbox"/> |

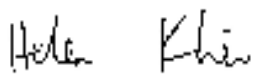
| | |
|------------------------|-------------------------------|
| Date of Meeting | 1 st December 2010 |
|------------------------|-------------------------------|

| | |
|------------------------|--|
| Title of Report | Forest Hill School deficit budget |
|------------------------|--|

| | | |
|-----------------------------|--------------|-------------------|
| Originator of Report | Alan Docksey | Ext. 48490 |
|-----------------------------|--------------|-------------------|

At the time of submission for the Agenda, I confirm that the report has:

| Category | Yes | No |
|---|-------------------------------------|-------------------------------------|
| Financial Comments from Exec Director for Resources | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Legal Comments from the Head of Law | <input type="checkbox"/> | <input type="checkbox"/> |
| Crime & Disorder Implications | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Environmental Implications | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Equality Implications/Impact Assessment (as appropriate) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Confirmed Adherence to Budget & Policy Framework | <input type="checkbox"/> | <input type="checkbox"/> |
| Risk Assessment Comments (as appropriate) | <input type="checkbox"/> | <input type="checkbox"/> |
| Reason for Urgency (as appropriate) | <input type="checkbox"/> | <input type="checkbox"/> |

Signed:  Executive Member

Date: 19 November 2010

Signed:  Director/Head of Service

Date 19 November 2010

Control Record by Committee Support

| Action | Date |
|---|------|
| Listed on Schedule of Business/Forward Plan (if appropriate) | |
| Draft Report Cleared at Agenda Planning Meeting (not delegated decisions) | |
| Submitted Report from CO Received by Committee Support | |
| Scheduled Date for Call-in (if appropriate) | |
| To be Referred to Full Council | |

| MAYOR AND CABINET | | |
|--------------------------|--|-----------------------|
| Report Title | Forest Hill School Deficit Budget | |
| Key Decision | Yes | Item No.7 |
| Ward | All | |
| Contributors | Executive Director for Children and Young People | |
| Class | Part 1 | Date: 1 December 2010 |

1. Summary

- 1.1 This report seeks approval for Forest Hill School to have a licensed deficit budget for the 2010/11 financial year and to approve their recovery plan.

2. Purpose

- 2.1 This report sets out the details of the school's budget and the action that the school plans to take. It provides an officers' assessment of the recovery plan's likely impact on the curriculum.

3. Recommendations

- 3.1 That the Mayor agrees that Forest Hill School should have a licensed deficit budget of £557,000
- 3.2 The Mayor agrees in accordance with the Scheme of Delegation that the school brings the budget back into a surplus position, this to be achieved within a three year period.

4. Policy Context

- 4.1 "Shaping our future" 2008- 2010 is a summary of Lewisham's Sustainable Community Strategy. There are six priority outcomes which say what our communities should look and feel like in the future. One is "ambitious and achieving" where people are inspired and supported to fulfil their potential by removing the barriers to learning and to encourage and facilitate access to education, training and employment opportunities for all our citizens.
- 4.2 One of the Council's corporate priorities is for young people's achievement and involvement; raising educational attainment and improving facilities for young people through partnership working. This report looks at ensuring that the school can provide these in the longer term.

5. Background

- 5.1 Under the terms of the School Standards and Framework Act 1998, Local Authorities (LA) are required to draw up a scheme for financing schools (The Scheme). This scheme sets out the financial relationship between the LA and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the LA and on the schools. Any proposed revisions to the scheme will be the subject of consultation of Schools Forum for approval pursuant to paragraph 27 of The School Finance (England) Regulations 2008.
- 5.2 The Scheme as far as is possible gives schools freedom to exercise choice over their spending plans. Lewisham seeks only to impose regulations which are consistent with the need for accountability and control over expenditure of public funds. The Scheme expects all schools to set a balanced budget and live within the resources available.
- 5.3 The Scheme provides that in exceptional circumstances a school may have a licensed deficit. Under this provision the school is able to apply to the LA for permission to end a financial year with a deficit, which will be eliminated in subsequent years. A licensed deficit is usually granted where a school has found itself in a deficit position due to changes in circumstances e.g. significant fall in pupil numbers. The licensed deficit will be granted to reflect that cost reductions may not be possible immediately without a detrimental impact on the curriculum.
- 5.4 Before a planned deficit is approved, the school must be able to demonstrate that through its recovery plan they will be able to eliminate the deficit over the agreed timescale.
- 5.5 The scheme is predicated on the basis that there will be significant balances accumulated by schools in any particular year and that it is not likely that all the schools which have surpluses will spend them in the same financial year. The LA can use up to a maximum of 40% of the collective balances of all schools to fund the scheme. The LA will be responsible for monitoring the overall level of school balances and will not authorise deficits if the 40% limit would be exceeded. If approved the percentage balances applied in this way would be 8%.
- 5.6 The maximum period allowed for a school to be in deficit is 5 years for Secondary schools and 3 years for Primary schools. The amount of the deficit can be no higher than 10% of the school's budget.
- 5.7 Under the scheme any deficit that is in excess of £500k must be approved by the Mayor and Cabinet. The agreement of lesser amounts are delegated to the Executive Director for Children and Young People for agreement.
- 5.8 Both the school and the LA must continually monitor the schools budget to ensure the agreed amount of deficit is not exceeded.

6 Forest Hill School

- 6.1 During the 2009/10 financial year it became apparent that the school budget would significantly overspend. The school had overestimated the income they were likely to receive. It had assumed that level of reimbursements in the first year of the FM contract would be repeated in the following year. The school was also managing the shared playing fields on behalf of the Local Authority and found this arrangement unsustainable. The Council has now resumed responsibility for the management of the playing fields and is examining how these might be most efficiently managed in the future.
- 6.2 The budget plan now shows the following end of year position

| Financial Year | £'000 | |
|----------------|-------|---------|
| 2009/10 | 615 | Deficit |
| 2010/11 | 557 | Deficit |
| 2011/12 | 279 | Deficit |
| 2012/13 | 17 | Surplus |

- 6.3 Savings have been made by reducing
- The Senior Leadership Team by one post
 - The teaching staff by 1.4 FTE
 - 2.6 FTE Learning Support Assistants
 - A Learning Mentor has been identified for redundancy.
 - Several experienced teachers have been replaced with teachers on lower points, while Recruitment and Retention Incentives have been withdrawn
 - Lunchtime Supervisors have been reduced in number by 4.
 - Following a resignation, two posts have been amalgamated while one administrative post (0.6) has been identified for redundancy.
- 6.4 Further reductions in future years will reduce the number of periods to 25 per week to reduce staffing by a further two full time equivalents, and a curriculum review will be required to determine which curriculum areas will be reduced.
- 6.5 There will be an impact on curriculum provision. These changes place a great burden on the senior leadership team to ensure that there is minimal impact on support for raising attainment and Every Child Matters outcomes of vulnerable groups.
- 6.6 The school has worked with Local Authority on the recovery plan and while this occurs and the deficit is managed as planned, there is no reason to withdraw delegation from the school.

7. Legal Implications

These are contained in the body of the report.

8. Financial Implications

The school budget forms part of the Dedicated Schools Grant and no costs will fall upon the General Fund of the Council.

9. Crime and Disorder Implications

There are no direct or indirect Crime and Disorder implications..

10. Equalities Implications

There are none arising from this report

11. Environmental Implications

There are none arising from this report.

12. Background Documents

| Short Title | Date | File Location | Contact Officer |
|--|----------------|---|-----------------|
| Lewisham Fair Funding Scheme for Schools | September 2009 | 3rd Floor Laurence House, CYP Resources | Floyd Roberts |

If you have any questions on this paper, please contact Dave Richards – Group Finance Manager, Children and Young People Finance Team, 3rd Floor, Laurence House, SE6 4RU (telephone 0208 314 9442 or email Dave.Richards@lewisham.gov.uk).