

 <b>Brent</b>	<p style="text-align: center;"><b>Schools Forum</b> <b>February 2015</b></p> <p style="text-align: center;"><b>Report from the Strategic Director of Children &amp; Young People</b></p>
For review and decision	
Update on the DSG Deficit Recovery Plan	

## 1.0 Background

- 1.1 This report sets out the overall forecast outturn for the Dedicated Schools Grant (DSG) for 2014/15. An update is included for both the central expenditure elements of the DSG and the current position in relation to the DSG deficit recovery plan.

## 2.0 Schools Budget Forecast Outturn 2014/15

- 2.1 The DSG deficit recovery plan was agreed by the Schools Forum in September 2011, and set out to eliminate the accumulated deficit by March 2015. The table below shows that repayment of the deficit has been ahead of the plan by £1.5m in 2011/12, £1.8m in 2012/13 and £2.7m in 2013/14. The cumulative deficit at the beginning of 2014/15 was £1.1m and is on track to be cleared by March 2015.

Cumulative Closing Balance	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Planned Balance	3.0	5.7	7.2	6.5	3.8	0.0
Actual Balance	3.0	5.7	5.7	4.7	1.1	0.0
<b>Variance to Planned</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>(1.8)</b>	<b>(2.7)</b>	<b>(0.0)</b>
In-Year Progress	3.0	2.7	0.0	(1.0)	(3.6)	(1.1)

*Progress of DSG recovery plan*

- 2.2 The need to reduce overall expenditure on the DSG in accordance with the deficit recovery plan has been (and continues to be) of paramount importance. The improvement ahead of the plan is primarily due to the following:
- A more sustainable level of expenditure on SEN, in part due to the SEN One Council Project which has now concluded.
  - Savings within the Alternative Education budget following a restructure in 2013/14.
- 2.3 As reported to the Schools Forum in December 2013, it was noted that while the deficit recovery plan had been progressing ahead of schedule there were a number of risks that (if materialised) could negate this improvement:
- A significant number of school's redundancies took place between 2013/14 and 2014/15, which incurred a total cost of £1.9m and £0.5m respectively. Most of these redundancies (made in accordance with the Council's redundancy policy) related to Copland School. This cost has been met within the existing DSG allocation and accounted for in the deficit recovery plan. A new policy for the funding of school's redundancies is in place from 2014/15 which will help contain costs in future (Agreed by Schools forum in June 2014).
  - Copland School had been running a significant budget deficit over the last few years, prior to academisation in September 2014. As reported in December 2013, this will have an impact on the deficit recovery plan.
- 2.4 In relation to Copland School, prior to academisation the Schools Finance team had been working closely with the school and the Interim Executive Board to reduce the deficit as much possible, largely by bringing staffing levels closer to the allocated budget which in turn contributed to the high redundancy costs. As at February 2015 the deficit has been calculated at £1.9m. The scale of the deficit was due to mismanagement of the budget over a number of years (primarily high staffing levels) and a number of financial irregularities, which has lead to a criminal conviction for the former head teacher for false accounting. In addition, the Council has pursued (and continues to pursue) financial restitution from the former head teacher.
- 2.5 Within Brent, Copland is the only school to date to convert to academy status with a budget deficit. In light of this (and other experience) we have updated our existing procedure for schools with deficits to ensure those schools are robustly challenged and that appropriate steps are taken to return to a balanced budget position (Agreed by School's forum in June 2014). Currently, 6 of the 65 maintained schools in Brent are in a deficit position. Schools in deficit are required to apply for a licensed deficit and abide by the terms of the licensed deficit policy. Currently five licensed deficits have been approved and one has been recently resubmitted following some concern. This is currently being reviewed to ensure that it is robust, prior to approval.

- 2.6 In summary, as at February 2015, it is currently forecast for the central elements of DSG to return a breakeven position. This takes account of funding the final instalment of the DSG deficit, which is inclusive of the Copland School deficit (including redundancies and all other associated costs as set out above). In repaying the deficit on time, the DSG that was previously set aside to make these repayments will be available to spend in 2015/16. An options appraisal paper will be brought to the next School's Forum to discuss suitable options for this budget.

### **3.0 Recommendations**

- 3.1 The Schools Forum is requested to:
- a. Note the forecast outturn on the DSG for 2014/15.
  - b. Note and agree payment of the final instalment of the deficit in accordance with the deficit recovery plan.

#### **Contact Officer**

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