

## APPROVAL TO SET A LICENSED DEFICIT BUDGET FOR 2017/18 FOR OAK WOOD SCHOOL (FORMERLY KNOWN AS ABBOTSFIELD SCHOOL) AND BISHOP WINNINGTON-INGRAM CE PRIMARY SCHOOL

<b>Cabinet Member(s)</b>	Councillor David Simmonds Councillor Jonathan Bianco
<b>Cabinet Portfolio(s)</b>	Education and Children's Services Finance, Property and Business Services
<b>Officer Contact(s)</b>	Dan Kennedy - Residents Services Peter Malewicz - Finance
<b>Papers with report</b>	Written request from Schools to set a deficit budget for 2017/18

### HEADLINES

<b>Summary</b>	The purpose of this report is to seek Cabinet's approval for the application for a licensed deficit from Oak Wood School and from Bishop Winnington-Ingram CE Primary School.
<b>Putting our Residents First</b>	This report supports the following Council objectives of: <i>Our People; financial management.</i>  Schools are a key frontline service in the Borough providing investment in residents', children's and young people's future life chances and delivering.
<b>Financial Cost</b>	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement. Schools cannot borrow money unless they have written permission of the Secretary of State.  Oak Wood School School has been in deficit for several years, due to historically lower numbers of pupils on roll and has, therefore, been reliant on cash loans from the Local Authority.  The cumulative loan to Oakwood School as at 30 June 2017 totals £2.01m. Bishop Winnington-Ingram Primary School currently has a cash loan from the Local Authority of £55,000.

**Relevant Policy  
Overview Committee**

Children, Young People and Learning Services Policy Overview  
Committee

**Relevant Ward(s)**

Brunel / West Ruislip

## RECOMMENDATIONS

**That Cabinet:**

1. Approves the application for a licensed deficit from Oak Wood School (formerly known as Abbotsfield School) for 2017/18.
2. Approves the application for a licensed deficit from Bishop Winnington-Ingram CE Primary School for 2017/18.

**Reasons for recommendation**

Cabinet is the decision making body for school funding issues.

**Alternative options considered / risk management**

- (a) Write off the deficit which would need to be agreed by the Schools Forum, if the expectation is for the DSG to fund any school deficit.
- (b) Withdraw the governor delegated powers over the schools budget if it is felt that the school has been given advice and support by the Local Authority but has not taken adequate action to address the financial position.

**Policy Overview Committee comments**

None at this stage.

## SUPPORTING INFORMATION

**Supporting Information**

The Scheme for Financing Schools determines that maintained schools are required to submit a balanced three year budget plan approved by the full Governing Body by the 31<sup>st</sup> May each financial year. In exceptional circumstances, where a governing body has explored all

alternatives to the satisfaction of the Local Authority, it may be appropriate for the Local Authority to agree to licence a deficit for a specific period. It would be expected that the vast majority of deficits should be for one financial year, however in particularly exceptional circumstances school governing bodies may agree with the Local Authority to manage a deficit over a longer period.

It is becoming increasingly evident that a number of schools are facing significant financial issues in the medium term. Schools funding remains cash-flat and as costs rise, school balances are forecasted to reduce at a significant rate. Schools Forum have been updated with the concerns regarding the future of schools budgets and officers continue to engage with Schools Forum members in order to encourage that they consider ways that the situation could be addressed.

Additionally, the Local Authority Schools Finance team continue to work with schools to closely monitor and support those that are a cause for concern in relation to their financial position.

In the event that a school is unable to set a balanced budget the school is moved to a process of formal monthly monitoring in order that a more regular review of expenditure against budget can be carried out. In some instances the Local Authority may also be required to attend regular financial monitoring meetings with the Headteacher and Governors in order to review progress against the financial recovery plan. If a school fails to take action to safeguard the financial position then the Local Authority has the option to withdraw full delegation.

### **Oak Wood School**

Oak Wood School has been receiving significant additional support from the Schools Finance team and is subject to monthly budget monitoring by Schools Finance officers. This additional support has been put in place in order to assist the school with closer monitoring and to ensure that they continue to make progress towards improving the financial position.

Oak Wood School ended the 2016/17 financial year with a revenue deficit of £1,554k. The 2017/18 budget plan provided by the school shows an in-year projected deficit of £1,185k, which together with the brought forward balance, results in a cumulative deficit for 2017/18 of £2,739k.

The main reason for the current financial position at Oak Wood School, relates to a reduction in pupil numbers over a number of years, followed by a significant increase in pupil numbers from September 2017, where funding will be time lagged. The projected pupil numbers are shown in the table below and show pupil numbers increasing from September 2016. This increase is as a result of pupil population growth moving into the secondary sector. It is expected that this increase in pupil numbers will continue as a consequence of the opening of the new school building and the move to co-education from September 2017. However, it should be noted that where a school does experience pupil growth, the funding will only be provided for those children in the following financial year, which effectively places a financial burden on the school

as they incur additional costs through having to employ more teachers and support staff from September each year as the pupil numbers continue to grow (this has been addressed within the constraints of the Dedicated Schools Grant Budget in 2017/18, where additional funds will be provided to schools that find themselves in this position, although these will not be sufficient to cover the full costs).

Year Group	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19
Year 7	77	124	207	230	270
Year 8	75	79	124	207	230
Year 9	56	73	79	124	207
Year 10	63	49	73	79	124
Year 11	87	58	49	73	79
Year 12	58	60	60	60	60
Year 13	54	40	40	40	40
<b>Total</b>	<b>470</b>	<b>483</b>	<b>632</b>	<b>813</b>	<b>1,004</b>

The school currently has existing cash loans totalling £2,010k (£270k relates to 2013/14, £235k to 2014/15, £350k to 2015/16, £895k to 2016/17 and £260k to date relating to 2017/18). The school will need approximately £750k of further cash loan to cover expenditure for the remainder of the 2017/18 financial year.

The school's three year budget plan for 2017/18 to 2019/20 indicates that the in-year deficit will reduce in 2018/19 as the projected increase in pupil numbers impacts on the schools funding. However, the school will not be in a position to set an in-year balanced budget until at least 2019/20 and, therefore, it can be expected that the school will be applying for a licensed deficit and requesting further cash loans for at least the next two years. It is anticipated that the school will not be in a position to start making repayments against the loan until at least 2020/21 and in the first few years it is likely to be in small increments, until such time as the school is near to full occupancy. It should be noted that without the provision of secondary school places at this school, there would be a shortage of school places in the Borough.

### **Bishop Winnington-Ingram CE Primary School**

Bishop Winnington-Ingram CE Primary School (BWI) has been receiving significant additional support from the Schools Finance team and is subject to monthly budget monitoring and additional visits by Schools Finance officers. This additional support has been put in place in

order to assist the school with closer monitoring and to ensure that they continue to make progress towards improving their financial position.

BWI had to set a deficit budget for 2016/17 but actually ended the year with a surplus balance of £10k. However, due to a further reduction in pupil numbers (27 fewer pupils in October 2016 than at the same time the previous year), the school has seen another significant reduction in funding. This funding reduction has meant the school has been unable to set a balanced budget for 2017/18 and has therefore budgeted to end the year in deficit. The projected deficit is £77k in the first year of the three year budget and the submitted recovery plan, from the school at this stage, appears unable to reverse this deficit during the three year period.

The school is reviewing all possible areas of cost reduction in order to identify how the deficit can be recovered. This includes the outsourcing of the school catering, which is currently making a loss, from September 2017. The school restructured its support staff last financial year in order to address the deficit and therefore it is expected that it will be difficult to identify further savings within staffing costs. The September 2017 in-take for the Reception year group is higher than the previous year and therefore the financial position of the school is likely to be stronger with higher pupil numbers on roll. The Schools Finance team are working closely with the school to monitor the financial position and identify possible areas of cost reduction to present a revised and balanced 3 year budget plan to the Local Authority.

## RESIDENT BENEFIT & CONSULTATION

### **The benefit or impact upon Hillingdon residents, service users and communities?**

Allowing the school to set a licensed deficit will enable it to function with certainty of funding, whilst the school takes reasonable steps to manage its costs. This is a critical year for the school, as it is moving into its new premises and has converted to a co-educational establishment for pupils.

### **Consultation carried out or required**

Consultations have taken place and continue with the schools involve.

## CORPORATE CONSIDERATIONS

### **Corporate Finance**

Corporate Finance has reviewed this report, noting that the recommendation that Cabinet approve a licenced deficit for Oak Wood School will enable the Council to continue to support the school's financial position through cash loans during 2017/18. As noted within the body of this report, the current deficit is linked to a decline in pupil numbers over recent years, a trend

which is expected to reverse following substantial investment in the school and ultimately see the school return to a financial sustainable position. The recommendation that Cabinet approve a licenced deficit for Bishop Winnington-Ingram CE Primary School will enable the Council to continue to support the school's financial position through cash loans during 2017/18. There are no direct financial impacts upon the Council's General Fund as arising from the recommendations to grant these schools a deficit licence.

## **Legal**

The Borough Solicitor confirms that the Council's Scheme for Financing Schools under section 48 of the School Standards and Framework Act 1998 authorises Cabinet to licence a deficit in respect of a School. There are no legal impediments to Cabinet agreeing the recommendations set out in the report.

## **BACKGROUND PAPERS**

NIL



# ABBOTSFIELD SCHOOL

Headteacher: Mark Bland BSc (Hons) PGCE MA NPQH

18<sup>th</sup> May 2017

Mr P Malewicz  
London Borough of Hillingdon  
Civic Centre 2S/05  
High Street  
Uxbridge  
Middx  
UB8 1UW

Dear Mr Malewicz,

## ABBOTSFIELD SCHOOL 2017/18 – REQUEST FOR LICENCE TO RUN IN DEFICIT

1. The Governors of Abbotsfield School need to request a licence from LBH to run in deficit for the 2017/18 financial year. The CFR report for the 2017/18 budget is attached.
2. The school asked for a licence to run at a deficit of £808,134 in 2016/17 the actual outturn was £787,806, down by £24,807 of the cumulative deficit position partly due to a combination of income generation and a reduction in expenditure. The school is forecasting a deficit of £1,066,759; up by £278,953 compared to previous year. The reasons being an increase in teaching posts, curriculum, admin, marketing and one-off moving costs coupled with unfunded increases in salary costs. The 2016/17 outturn shows that the school is not just relying on increased numbers to reduce the deficit but also keeping a tight rein on costs where possible.
3. The school is currently financially dependent on receiving funding from LBH but continues to take steps to ensure strict financial prudence, allowing for low pupil numbers, the current school structure and preparation for the opening of a much larger school in the spring of 2018. The communications strategy embarked on in the previous year seeking to raise the profile of the school, promote the new build and maximise recruitment has resulted in a significantly increased Year 7 intake with

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Specialist School in Mathematics and Computing  
and Applied Learning

191 confirmed places compared to 59 Year 11 boys leaving and a further 16 offered admission by the Local Authority on behalf of the school.

This is a significant rise in pupil numbers that will create extra costs including recruitment for extra staff. Obviously the school will not get funding for these students until the next financial year. In addition to this the school will not move into the new school until January 2018. This will mean that the school has to make interim arrangements for its first Co-ed intake. These arrangements will include a temporary block of toilets and a temporary block of changing rooms. There will also be a need to alter signage which will be an extra expenditure.

4. As part of our efforts to review the schools' expenditure line by line we have managed to continue to increase income by using a lettings company to rent out the school buildings out of hours and by allowing the school's catering provider to transport meals to local primary schools. The 2017/18 budget includes an estimated £56.7k to be raised from these activities.
5. Also attached is a projection of the deficit position up to and including 2019/20. The school has come in lower than the originally forecast cumulative deficit position and it is anticipated that the new school and increasing pupil numbers, will provide the opportunity to significantly start reducing the deficit budget.
6. While we do know that in the long term the school role will increase significantly and we currently predict that the school will be financially sustainable from 2020, the Headteacher and the Governing Body feel that in order for us to continue, the deficit will be a significant issue that will hamper the development of the school.

We would welcome a discussion on how to resolve this issue.

Yours Sincerely,

Ransford Stewart

Abbotsfield School Governing Body



## Bishop Winnington-Ingram C.E. Primary School

Southcote Rise, Ruislip, Middlesex, HA4 7LW  
Tel: 01895 633520 Fax: 01895 623806

Headteacher: Mrs G M Westbrook

3<sup>rd</sup> July 2017

Mr Graham Young  
Schools Finance Business Partner (Schools/DSG)  
London Borough of Hillingdon  
Civic Centre 25/05  
High Street  
Uxbridge  
Middlesex  
UB8 1UW

Dear Mr Young

### **Budget 2017-18**

The Governors of Bishop Winnington-Ingram CofE Primary School request a deficit licence for the financial year 2017-18.

Our 3 year budget plan indicates an in year deficit of £86,485 at the end of 2017-18 and following the implementation of our deficit recovery plan attached, the 2018-19 forecast is a deficit of £2,768 with a predicted surplus in 2019/20 of £1,141.

We would like to continue with the existing loan arrangement at the present time.

Yours sincerely

Mrs G.M. Westbrook  
Headteacher

Mrs S Ripley  
Chair of Governors

LONDON BOROUGH OF HILLINGDON

**BWI - CFR Report - Budget 2017/18 - NO CATERING AFTER 31.3.18**

Income						
CFR	Details	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
I01	Funds Delegated by the LA	1,455,149	1,525,028	1,574,068	1,626,501	1,651,176
I02	Funding for Sixth Form Students	0	0	0	0	0
I03	SEN Funding	48,600	40,100	40,100	40,100	40,100
I04	Funding for Minority Ethnic Pupils	0	0	0	0	0
I05	Pupil Premium	103,240	103,240	103,240	103,240	103,240
I06	Other Government Grants	0	0	0	0	0
I07	Other Grants and Payments	7,284	0	0	0	0
I08	Income from Facilities & Services	121,745	98,904	89,160	88,560	88,560
I09	Income from Catering	44,401	0	0	0	0
I10	Supply Teacher Insurance Claims	0	0	0	0	0
I11	Other Insurance Claims	0	0	0	0	0
I12	Contributions to Educational Visits	30,000	30,000	30,000	30,000	30,000
I13	Donations and/or Voluntary Funds	2,850	2,850	2,850	2,850	2,850
I15	Pupil Ext Sch Funding and/or Grants	0	0	0	0	0
I16	Community Focused Funding and/or Grants	0	0	0	0	0
I17	Community Focused Facilities Income	0	0	0	0	0
I18	Additional Grant for Schools	45,853	45,853	45,853	45,853	45,853
I19	New Income Code	0	0	0	0	0
<b>Total Income Revenue</b>		<b>1,859,122</b>	<b>1,845,975</b>	<b>1,885,271</b>	<b>1,937,104</b>	<b>1,961,779</b>

Expenditure						
CFR	Details	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
E01	Teaching Staff	852,043	856,069	872,712	886,036	895,112
E02	Supply Teaching Staff	0	0	0	0	0
E03	Education Support Staff	478,796	490,362	501,107	506,392	511,746
E04	Premises Staff	44,762	45,434	46,394	47,029	47,515
E05	Administrative Staff	96,333	86,820	88,230	89,099	89,975
E06	Catering Staff	79,729	0	0	0	0
E07	Other Staff	93,469	93,489	95,181	96,168	97,167
E08	Indirect Employee Expenses	5,618	783	803	823	844
E09	Development and Training	19,700	10,000	10,000	10,000	10,000
E10	Supply Teacher Insurance	9,417	9,676	9,918	10,166	10,420
E11	Other Staff Related Insurance	0	0	0	0	0
E12	Building Maintenance and Improvement	10,000	10,275	10,532	10,795	11,065
E13	Grounds Maintenance and Improvement	5,000	5,138	5,266	5,398	5,532
E14	Cleaning and Caretaking	24,208	24,874	25,496	26,133	26,786
E15	Water and Sewerage	6,000	6,165	6,319	6,477	6,639
E16	Energy	20,200	20,200	20,200	20,200	20,200
E17	Rates	4,125	4,125	4,125	4,125	4,125
E18	Other Occupation Costs	3,656	3,757	3,850	3,947	4,045
E19	Learning Resources (not ICT)	50,000	49,501	49,801	50,109	50,424
E20	ICT Learning Resources	27,472	28,227	28,933	29,656	30,397
E21	Exam Fees	0	0	0	0	0
E22	Administrative Supplies	18,083	18,508	18,904	19,311	19,727
E23	Other Insurance Costs	8,840	9,031	9,210	9,393	9,581
E24	Special Facilities	5,476	5,627	5,768	5,912	6,059
E25	Catering Supplies	40,323	32,880	32,880	32,880	32,880
E26	Agency Supply Teaching Staff	0	0	0	0	0
E27	Bought in Prof Services - Curric	14,926	9,622	9,622	9,622	9,622
E28	Bought in Prof Services - Other	27,231	27,980	28,679	29,396	30,131
E29	Loan Interest	200	200	200	200	200
E30	Revenue Contributions to Capital	0	0	0	0	0
E31	Community Focused School Staff	0	0	0	0	0
E32	Community Focused School Costs	0	0	0	0	0
<b>Total Expenditure Revenue</b>		<b>1,945,607</b>	<b>1,848,743</b>	<b>1,884,130</b>	<b>1,909,267</b>	<b>1,930,192</b>

<b>In Year Surplus / (Deficit)</b>	<b>(86,485)</b>	<b>(2,768)</b>	<b>1,141</b>	<b>27,837</b>	<b>31,587</b>
<b>Surplus / (Deficit) Brought Fwd</b>	<b>9,737</b>	<b>(76,748)</b>	<b>(79,516)</b>	<b>(78,375)</b>	<b>(50,538)</b>
<b>Cumulative Surplus / (Deficit) C/Fwd</b>	<b>(76,748)</b>	<b>(79,516)</b>	<b>(78,375)</b>	<b>(50,538)</b>	<b>(18,951)</b>

Capital Income						
CFR	Details	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
CI01	Capital Income	0	0	0	0	0
CI03	Voluntary or Private income	0	0	0	0	0
CI04	Direct revenue financing (revenue contributi	0	0	0	0	0
<b>Total Capital Income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Capital Expenditure						
CFR	Details	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
CE01	Acquisition of Land and Existing Buildings	0	0	0	0	0
CE02	New Construction Conversion and Renovate	0	0	0	0	0
CE03	Vehicles, Plant, Equipment and Machinery	0	0	0	0	0
CE04	Information and Communication Technology	0	0	0	0	0
<b>Total Capital Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>In Year Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus / (Deficit) Brought Fwd</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cumulative Surplus / (Deficit) C/Fwd</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

DECLARATIONS

This budget was considered by the Governing  
Body at their meeting on

Date: 23rd May 2017

Head Teacher: \_\_\_\_\_

Date: 24th May 2017

Chair of Governors:

Date: 24th May 2017