

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2018/19 FOR TWO SCHOOLS IN THE BOROUGH

Cabinet Member(s)	Councillor David Simmonds CBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Deputy Leader of the Council & Cabinet Member for Education & Children's Services Cabinet Member for Finance, Property and Business Services
Officer Contact(s)	Peter Malewicz - Finance
Papers with report	<ol style="list-style-type: none">1. Written request from Holy Trinity CE Primary School to set a deficit budget for 2018/19 + 3 Year Budget Plan 2018/19-2020/212. Written request from Oak Wood School to set a deficit budget for 2018/19 +3 Year Budget Plan 2018/19-2020/21

HEADLINES

Summary	This report seeks Cabinet's approval for Holy Trinity CE Primary School and Oak Wood School to set a licensed deficit budget in 2018/19.
Putting our Residents First	Schools are a key frontline service in the Borough and are the largest service providing investment in residents' children's and young people's future life chances and delivering on Our People Theme in the Council's Vision.
Financial Cost	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, although the Council will need to provide the schools with sufficient cashflow by means of paying the schools DSG Budget in advance of receipt of the grant. It should be noted that schools cannot borrow money unless they have written permission of the Secretary of State.
Relevant Policy Overview Committee	Residents, Education and Environmental Services
Relevant Ward(s)	Northwood & Hillingdon East

RECOMMENDATIONS

That Cabinet:

1. Approves the application for a licensed deficit from Holy Trinity CE Primary School for 2018/19.
2. Approves the application for a licensed deficit from Oak Wood School for 2018/19.

Reasons for recommendation

Cabinet is the decision making body for school funding issues. By agreeing for these two schools to set a licensed deficit budget will enable the schools to function with the certainty of funding, whilst the schools take reasonable steps to manage their costs.

Alternative options considered / risk management

Cabinet could decide to take the following alternative action:

- (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 budgets 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

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 31st 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. In particularly exceptional circumstances, however, school governing bodies may agree with the Local Authority to manage a deficit over/up to three financial years.

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 income and 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.

Holy Trinity CE Primary School

Holy Trinity has been receiving additional support from the Schools Finance team and is subject to monthly budget monitoring. 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.

Holy Trinity set a balanced budget for 2017/18 but actually ended the year with a £54k deficit. Holy Trinity is a small, oversubscribed school, but one of the lowest funded in Hillingdon, which has made it more and more challenging to set a balanced budget in recent years in light of increasing costs but limited increases in funding. Following a further increase in planned expenditure as a consequence of pay awards for both teaching and non-teaching staff, the school has been unable to set a balanced budget for 2018/19. The projected deficit is £54k in the first year of the three year budget, and the school at this stage, appears unable to reverse this deficit during the three year period. The following table provides a summary of the schools three year budget plan:

Holy Trinity CE Primary School - Three Year Budget Plan

	2018/19 £000	2019/20 £000	2020/21 £000
Balance Brought Forward	(54)	(54)	(94)
In Year Position	0	(40)	(60)
Balance Carried Forward	(54)	(94)	(154)

The school has already made cost reductions by reducing the senior leadership team, using unqualified teachers to cover teacher planning and preparation time and reducing the number of support staff and admin staff in order to try and recover the deficit. The school is also identifying ways of generating additional income, including increasing lettings and increasing parental fees for school clubs.

The Schools Finance team will continue to work closely with the school to monitor the financial position and identify further possible areas of cost reduction to address the deficit position, though this will prove challenging given the schools circumstances.

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 2017/18 financial year with a revenue deficit of £2,656k. The 2018/19 budget plan provided by the school shows an in-year projected deficit of £1,100k, which together with the brought forward balance, results in a cumulative deficit for 2017/18 of £3,756k. Whilst the cumulative deficit position at Oak Wood continues to increase it should be noted that the projected in-year deficit in 2018/19 is lower than the in-year deficit incurred in 2017/18.

The main reason for the current financial position at Oak Wood School, relates to low pupil numbers over a number of years. However, following completion of the new school building along with the move to co-education and increases in the secondary school age pupil population, the pupil numbers began to increase significantly from September 2017 and this increase is projected to continue as detailed in the table below. Whilst these additional pupils will result in additional funding at Oak Wood, 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. This 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 until the growth has been achieved in all year groups.

Year Group	Oct 2017	Oct 2018	Oct 2019	Oct 2020	Oct 2021
Year 7	182	200	230	270	270
Year 8	114	200	200	230	270
Year 9	71	117	200	200	230
Year 10	70	72	117	200	200
Year 11	51	73	72	117	200
Year 12	49	45	55	55	70
Year 13	42	49	45	55	55
Total	579	756	919	1,127	1,295

To assist the school with avoiding cash-flow problems arising from the deficit position, the local authority has re-profiled the school budget share payments and to date Oak Wood has been advanced an additional £3,129k. It is expected that the school will need a further advance of approximately £800k to cover expenditure for the remainder of the 2018/19 financial year.

In setting the 2018/19 budget the school and members of the Interim Executive Board (IEB) have undertaken a detailed review of all areas of expenditure and have taken the following measures to improve the financial position;

- A review of the Senior Leadership team and taking the decision not to replace an Assistant Headteacher leaving in August 2018,
- A reorganisation of the Administration team,
- A freeze on all recruitment across the school,
- A review of all contracts with particular focus on those due for renewal in the current year,
- A review of the curriculum model,
- A review of income with a view to increasing funds generated from letting the school premises and provision of meals to local primary schools.

The schools three year budget plan for 2018/19 to 2020/21 indicates that the in-year deficit will reduce in 2019/20 as the projected increase in pupil numbers impacts on the schools funding. It is hoped that the school will be in a position to set an in-year balanced budget in at least 2020/21. It will however take time for the cumulative deficit to be repaid and therefore it can be expected that the school will be applying for a licensed deficit for the next few years.

Financial Implications

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, although the Council will need to provide the schools with sufficient cashflow by means of paying the schools DSG Budget in advance of receipt of the grant.

The three year budget plans for these schools indicate that it will be very unlikely that they will be in a position to set a balanced budget with no deficit carry forward for the foreseeable future

RESIDENT BENEFIT & CONSULTATION

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

By 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.

Consultation carried out or required

None

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed this report and associated financial implications, noting that there is no direct financial impact to the Council's General Fund from granting of licenced deficits for local authority schools.

Legal

The Borough Solicitor confirms that the Council's Scheme for Financing Schools as required by 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