

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2019/20 FOR THREE 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)	Dan Kennedy – Residents Services Peter Malewicz - Finance
Papers with report	<ol style="list-style-type: none"> 1. Written request from Bishop Winnington-Ingram CE Primary School to set a deficit budget for 2019/20 + 3 Year Budget Plan 2019/20-2021/22. 2. Written request from Holy Trinity CE Primary School to set a deficit budget for 2019/20 + 3 Year Budget Plan 2019/20-2021/22. 3. Written request from Oak Wood School to set a deficit budget for 2019/20 +3 Year Budget Plan 2019/20-2021/22

HEADLINES

Summary	This report seeks Cabinet's approval for Bishop Winnington-Ingram CE Primary School, Holy Trinity CE Primary School and Oak Wood School to set a licensed deficit budget in 2019/20.
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 cash-flow 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)	West Ruislip, Northwood & Hillingdon East

RECOMMENDATIONS

That the Cabinet:

1. Approves the application for a licensed deficit of £118k from Bishop Winnington-Ingram CE Primary School for 2019/20.
2. Approves the application for a licensed deficit of £41k from Holy Trinity CE Primary School for 2019/20.
3. Approves the application for a licensed deficit of £4,145k from Oak Wood School for 2019/20.

Reasons for recommendation

Cabinet is the decision making body for school funding issues. By agreeing for these three schools to set a licensed deficit budget in 2019/20 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 deficits, 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 school 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 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.

Bishop Winnington-Ingram CE Primary School (BWI)

BWI ended the 2017/18 financial year with a £19k deficit, but was able to set a balanced budget for 2018/19 ending the year with a £16.5k surplus. However, following a further reduction in pupil numbers, the school has been unable to set a balanced budget for 2019/20 and has a projected revenue deficit of £118k. The school is a two form entry primary school but numbers in the last few years have reduced significantly resulting in the school running just one Reception class from September 2018. It should be noted that the Governing Body of the school determined to reduce their Published Admission Number for Reception from 60 places to 30 places, effective from September 2019. Projected pupil numbers are indicated in the table below.

Year Group	Oct 2018	Oct 2019	Oct 2020	Oct 2021	Oct 2022
Reception	30	30	30	30	30
Year 1	38	30	30	30	30
Year 2	38	38	30	30	30
Year 3	52	38	38	30	30
Year 4	45	52	38	38	30
Year 5	49	45	52	38	38
Year 6	48	49	45	52	38
Total	300	282	263	248	226

The difficulty that BWI is experiencing in setting a balanced budget relates to low pupil numbers throughout the school. As can be seen in the table above, no year group above Year 1 will be full from September 2019, with a total shortfall of 78 pupils across all year groups in the 2019/20 academic year. The impact of this is significant with 78 primary pupils generating a minimum of £249k additional funding, which demonstrates why the school is struggling financially.

To assist the school with avoiding cash-flow problems arising from the deficit position, the local authority has re-profiled future school budget share payments and to date BWI has been advanced an additional £55k. Given the budgeted deficit, this is expected to increase in the current financial year.

The Schools Finance team will work with the school over the coming months in order to address the financial position and where possible identify areas that can be reviewed further, in order to reduce future costs and achieve financial sustainability.

Holy Trinity CE Primary School

Holy Trinity ended the 2017/18 financial year with a £54k deficit and was unable to set a budget which recovered the deficit in 2018/19. The 2018/19 budget projected a £54k deficit, however, the school ended the year in an improved position with the deficit reduced to £13k.

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 2019/20. The projected deficit is £41k 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

	2019/20 £000	2020/21 £000	2021/22 £000
Balance Brought Forward	(13)	(41)	(94)
In Year Position	(28)	(53)	(70)
Balance Carried Forward	(41)	(94)	(164)

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

To assist the school with avoiding cash-flow problems arising from the deficit position, the local authority has re-profiled future school budget share payments and to date Holy Trinity has been advanced an additional £60k. It is not expected that the school will need any further advance to cover expenditure for the remainder of the 2019/20 financial year.

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 ended the 2018/19 financial year with a revenue deficit of £3,387k. This was a £369k improvement on the position indicated in the 2018/19 budget plan. The 2019/20 budget provided by the school shows an in-year projected deficit of £379k, which together with the brought forward balance, results in a cumulative deficit of £3,766k. Whilst the cumulative deficit

position at Oak Wood has increased further it should be noted that the projected in-year deficit in 2019/20 is significantly lower than the in-year deficit incurred in previous years.

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.

Year Group	Oct 2018	Oct 2019	Oct 2020	Oct 2021	Oct 2022
Year 7	204	270	270	270	270
Year 8	190	204	270	270	270
Year 9	116	190	204	270	270
Year 10	73	116	190	204	270
Year 11	75	73	116	190	204
Total	658	853	1,050	1,204	1,284

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. In addition, the growth in pupil numbers has resulted in a significant increase in the number of pupils with additional needs (20% of the current Y7 cohort have SEN, 5% with an EHCP and 49% are eligible for Pupil Premium).

To assist the school with avoiding cash-flow problems arising from the deficit position, the local authority has re-profiled future school budget share payments and to date Oak Wood has been advanced an additional £3,541k. It is expected that the school will need a further advance of approximately £400k to cover expenditure for the remainder of the 2019/20 financial year.

In setting the 2019/20 budget, the school and members of the Interim Executive Board (IEB) have undertaken a detailed review of all areas of income and expenditure and have taken the following measures to improve the financial position;

- A further review of the curriculum model to ensure that the offer is as financially efficient as possible,
- A review of the current 6th form provision including the vocational offer,
- A review of all contracts with particular focus on those due for renewal in the current year,
- A review of income with a view to increasing funds generated from letting the school premises and provision of meals to local primary schools,
- Exploring options for the sale of the vacant Caretaker house.

The schools three year budget plan for 2019/20 to 2021/22 indicates that the in-year deficit will slightly increase in 2020/21, though it is hoped that this will be managed following further review. As the projected increase in pupil numbers continues to impact on the schools funding, it is hoped that the school will be in a position to set an in-year balanced budget by at least

2021/22. It will, however, take a long 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 foreseeable future.

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 cash-flow 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

No consultation is required as this relates to individual schools and the decision to set a licensed deficit and its approval is governed by the Scheme for Financing Schools.

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