

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2020/21 FOR FIVE MAINTAINED SCHOOLS IN THE BOROUGH

Cabinet Member(s)	Councillor Susan O'Brien Councillor Jonathan Bianco
Cabinet Portfolio(s)	Cabinet Member for Education Children & Youth Services Deputy Leader of the Council & Cabinet Member for Finance, Property & Business Services
Officer Contact(s)	Graham Young - 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 2020/212. Written request from Holy Trinity CE Primary School to set a deficit budget for 2020/213. Written request from St Catherine's RC Primary School to set a deficit budget from 2020/21

HEADLINES

Summary	This report seeks Cabinet's approval for Bishop Winnington-Ingram CE Primary School, Holy Trinity CE Primary School, Oak Farm Junior School, St Catherine's RC Primary School and Oak Wood School to set a licensed deficit budget in 2020/21.
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 and West Drayton

RECOMMENDATIONS

That Cabinet:

1. Approves the application for a licensed deficit from Bishop Winnington-Ingram CE Primary School for 2020/21.
2. Approves the application for a licensed deficit from Holy Trinity CE Primary School for 2020/21.
3. Approves the application for a licensed deficit from Oak Farm Junior School for 2020/21.
4. Approves the application for a licensed deficit from St Catherine's RC Primary School for 2020/21.
5. Approves the application for a licensed deficit from Oak Wood School for 2020/21.

Reasons for recommendation

Cabinet is the decision making body for school funding issues. By agreeing for these five 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 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 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. Whilst schools per pupil funding has increased for all schools in 2020/21, there remain some schools that are in financial difficulty with school balances 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 2018/19 financial year with a £16k surplus, but was unable to set a balanced budget for 2019/20 and ended the year with a £126k deficit. The position is projected to worsen, following a further reduction in pupil numbers and the school has set a budget for 2020/21 with a cumulative revenue deficit of £338k. The school was a two form entry primary school but numbers in the last few years have reduced significantly resulting in the governors reducing its PAN to 30 per year group with effect from 1st September 2019. Projected pupil numbers are indicated in the table below.

Year Group	Oct 2018 (actual)	Oct 2019 (actual)	Oct 2020 (projected)
Reception	30	28	30
Year 1	38	30	28
Year 2	38	39	30
Year 3	52	30	39
Year 4	45	45	30
Year 5	49	43	45
Year 6	48	48	43
Total	300	263	245

The biggest challenge that BWI is experiencing in setting a balanced budget relates to low pupil numbers. As can be seen in the table above a number of the year groups have pupil vacancies, with a total shortfall of 46 pupils across all year groups based on the October 2019 census data (whilst the school has recently reduced PAN, it is currently still running two classes in years 4, 5 and 6). The financial impact of these low numbers is significant with 46 primary pupils generating a minimum of £158k 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 £200k. Given the size of the budgeted deficit, this is expected to increase in the current financial year.

The School has recently appointed a new Headteacher who will start in September. The Schools Finance team will work with the Headteacher and the governors, along with representatives from the London Diocesan Board for Schools, who are taking an interest in the financial position of 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 2018/19 financial year with a £13k deficit and was unable to set a budget which recovered the deficit in 2019/20. The 2019/20 budget projected a £41k deficit, however, the school ended the year in an improved position with the deficit reduced to £8k.

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 2020/21. The projected deficit is £68k, and the school at this stage, appears unable to reverse this deficit in the short term.

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, though this has been impacted by the current COVID-19 situation.

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. Given the size of the budgeted deficit in 2020/21, the school may need a further advance to cover expenditure for the remainder of the financial year.

The Schools Finance team will continue to work closely with Holy Trinity 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 Farm Junior School

Oak Farm Junior School budgeted to end the 2019/20 financial year with a surplus of £86k. However, due to some exceptional costs in-year, the school actually ended the year with revenue balances of just £10k. This has made it extremely challenging for the school to set a balanced budget in 2020/21 and the governors have therefore approved a budget with a deficit of £77k.

The school has recently had some changes in leadership and governance and the local authority is working closely with the new team in order to fully review the financial position and draft a realistic recovery plan.

Oak Farm Junior School has not yet required a re-profiling of its budget share payments in order to meet cash-flow requirements. However, given that the budget is projected to be in deficit by the end of the financial year, it is likely that the school will need an advance at some point during the current year.

St Catherine's RC Primary School

St Catherine's has over the last few years budgeted a very small surplus and then seen an improvement in the position by the end of the financial year. In 2020/21 the school has been unable to set a balanced budget with a projected deficit of £22k. The governors have challenged the budget and have indicated that there may be some areas where further savings could be made. However, given the potential for additional costs and reductions in income as a result of COVID-19, the view of the governors is that a deficit is unlikely to be avoided.

St Catherine's has not yet required a re-profiling of its budget share payments in order to meet cash-flow requirements. However, given that the budget is projected to be in deficit by the end of the financial year, it is likely that the school will need an advance at some point during the current year.

Oak Wood School

Oak Wood School ended the 2019/20 financial year with a revenue deficit of £3,466k. This was a £300k improvement on the position indicated in the 2019/20 budget plan. The 2020/21 budget provided by the school shows an in-year projected surplus of £200k, which means that the cumulative deficit is projected to reduce to £3,266k. Whilst the cumulative deficit position at Oak Wood is still significant, it should be noted that in the next few years this deficit is forecasted to reduce.

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 overleaf

Year Group	Oct 2018 (actual)	Oct 2019 (actual)	Oct 2020 (projected)	Oct 2021 (projected)	Oct 2022 (projected)
Year 7	204	254	270	270	270
Year 8	190	198	254	270	270
Year 9	116	191	198	254	270
Year 10	73	112	191	198	254
Year 11	75	79	112	191	198
Total	658	834	1,025	1,183	1,262

Whilst these additional pupils are resulting in additional funding at Oak Wood, it should be noted that where a school does experience pupil growth, the funding is lagged and is 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 (15% of the total current cohort have SEN, 4% with an EHCP and 44% 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 not expected that the school will need any further advances in the current financial year as the deficit is not budgeted to increase.

In setting the 2020/21 budget the school and members of the Interim Executive Board (IEB) have undertaken a detailed review of all areas of income and expenditure. The schools three year budget plan for 2020/21 to 2022/23 currently indicates that the in-year position in each year will improve, further reducing the cumulative deficit. 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 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

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