

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2021/22 FOR THREE MAINTAINED SCHOOLS IN THE BOROUGH

Cabinet Member(s)	Councillor Susan O'Brien Councillor Martin Goddard
Cabinet Portfolio(s)	Cabinet Member for Families, Education and Wellbeing Cabinet Member for Finance
Officer Contact(s)	Graham Young - Finance
Papers with report	1. Written request from Bishop Winnington-Ingram CE Primary School to set a deficit budget for 2021/22 2. Written request from Holy Trinity CE Primary School to set a deficit budget for 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 2021/22.
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 Select Committee	Families, Health & Wellbeing
Relevant Ward(s)	West Ruislip, Northwood and Hillingdon East

RECOMMENDATIONS

That Cabinet:

1. Approves the application for a licensed deficit from Bishop Winnington-Ingram CE Primary School for 2021/22.
2. Approves the application for a licensed deficit from Holy Trinity CE Primary School for 2021/22.
3. Approves the application for a licensed deficit from Oak Wood School for 2021/22.

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 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.

Select 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 2021/22, there remain some schools that are in financial difficulty with school balances forecasted to reduce overall.

Schools Forum have been updated with the concerns regarding the future of schools' budgets and officers continue to engage with Schools Forum members to encourage that they consider ways that the situation could be addressed. Additionally, the Council's 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 Council 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 Council 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 then worsened, following a further reduction in pupil numbers and the school was required to set a budget for 2020/21 with a cumulative revenue deficit of £338k. The position improved slightly during the year and the school ended the 2020/21 financial year with a cumulative deficit of £304k.

The school was previously a two-form entry primary school, but pupil numbers reduced significantly resulting in the governors changing the Published Admission Number (PAN) to 30 per year group with effect from 1st September 2019. The school has now taken significant action to address the financial position, with several restructures completed to ensure that the staffing structure reflects the needs of a one-form entry school. Additionally, all contracts have been reviewed with a new cleaning contract tendered at a reduced rate and the decision taken to close the kitchen which had been financially unviable for some time, given the low number of meals that were being produced.

However, the school has still not been able to set a balanced in-year budget for 2021/22 with a further £58k overspend projected taking the cumulative deficit to £362k. It should be noted that the submitted budget does not include the redundancy costs or pension liability costs of staff who have left because of restructuring to reduce overall staff costs. This is estimated to be approximately £350k and the school has requested that the Local Authority help to financially support the school to meet these one-off costs and prevent and increase to the cumulative deficit.

The biggest challenge that BWI is experiencing in setting a balanced budget relates to low pupil numbers. As can be seen in the table below a number of the year groups have pupil vacancies, with a total shortfall of 50 pupils across all year groups based on the October 2020 census data (whilst the school has reduced PAN, it is currently still running two classes in years 5 and 6). The financial impact of these low numbers is significant with 50 primary pupils generating a minimum of £187k additional funding which demonstrates why the school is struggling financially.

The school has now implemented a Marketing and Communication Strategy to increase interest in the school and attract additional pupils. It is hoped that the appointment of the new School Business Manager will support this strategy as well as having the potential to increase income generation through a growth in the letting of the school premises and facilities.

Year Group	Oct 2018 (actual)	Oct 2019 (actual)	Oct 2020 (actual)	Oct 2021 (projected)
Reception	30	28	20	20
Year 1	38	30	27	20
Year 2	38	39	27	27
Year 3	52	30	36	27
Year 4	45	45	30	36
Year 5	49	43	40	30
Year 6	48	48	40	40
Total	300	263	220	200

To assist the school with avoiding cash-flow problems arising from the deficit position and meeting redundancy costs, the Council has re-profiled future school budget share payments and, to-date, BWI has been advanced an additional £494k. Given the size of the budgeted deficit, and the further redundancy payments that still need to be made, this is expected to increase in the current financial year.

Council officers will continue to 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, monitor the progress against the budget plan 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. The 2020/21 budget projected an increase of £68k to the cumulative deficit but again the position improved slightly during the year and the school ended the 2020/21 financial year with a cumulative deficit of £32k.

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 considering increasing costs but limited increases in funding. Governors and leaders at the school have continued to work to address the financial position, however the school has been unable to set a balanced budget for 2021/22. The projected in-year overspend is £107k, taking the cumulative deficit to £139k and the school at this stage, appears unable to fully reverse this deficit in the short term.

Council officers met with governors and school leaders in June to discuss the financial position and the school indicated that a further review of some areas of the budget along with proposed changes from September had highlighted a potentially improved position. The school is finalising the figures and will submit a revised budget plan in September. Whilst the school will still be in deficit, the expectation is that the position will show an improvement in both the current and future years.

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 £100k. Given the size of the budgeted deficit in 2021/22, 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 Wood School

Oak Wood School ended the 2020/21 financial year with a revenue deficit of £3,388k. This was a £78k reduction in the cumulative deficit brought forward from the previous year. The 2021/22 budget provided by the school shows an in-year projected surplus of £541k, resulting in the cumulative deficit reducing to £2,847k. 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 further.

The main reason for the current financial position at Oak Wood School, relates to low pupil numbers over several 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 (actual)	Oct 2021 (projected)	Oct 2022 (projected)
Year 7	204	254	226	235	270
Year 8	190	198	238	237	235
Year 9	116	191	198	190	237
Year 10	73	112	181	177	190
Year 11	75	79	111	115	177
Total	658	834	954	954	1,109

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 at Oak Wood has resulted in a significant increase in the number of pupils with additional needs (a higher than average proportion of the total current cohort have SEND, and/or are eligible for Pupil Premium).

To assist the school with avoiding cash-flow problems arising from the deficit position, the Council has re-profiled future school budget share payments and to date Oak Wood has been advanced an additional £3,271k. 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. The school should be in the position to reduce the amount of funding advanced given the size of the budgeted in-year surplus in 2021/22.

In setting the 2021/22 budget the school and governors have undertaken a detailed review of all areas of income and expenditure. The schools three-year budget plan for 2021/22 to 2023/24 currently indicates that the in-year position in each year will improve, further reducing the cumulative deficit. Council officers met with the Headteacher in June to discuss the position and the formalisation of a repayment plan. The school is working on producing a recovery plan for the medium term and whilst the deficit is forecast to reduce it is recognised that, given the size of the deficit, it will take time for it to be repaid in full and therefore it can be expected that the school will be applying for a licensed deficit for the next few years.

The Schools Finance team will continue to work closely with Oak Wood to monitor the financial position and support the development of a realistic deficit repayment plan.

It should be noted that the school did not submit an additional letter [as part of this report] due to the cumulative deficit reducing in 2021/22.

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