

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2022/23 FOR THREE MAINTAINED SCHOOLS IN THE BOROUGH

Cabinet Member(s)	Councillor Susan O'Brien Councillor Martin Goddard
Cabinet Portfolio(s)	Cabinet Member for Children, Families & Education Cabinet Member for Finance
Officer Contact(s)	Terry Shaw – Resources Directorate
Papers with report	None.

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 2022/23.
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 the 'Our People' Theme in the Council's Vision.
Financial Cost	<p>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.</p> <p>It should be noted that schools cannot borrow money unless they have written permission of the Secretary of State.</p>
Relevant Select Committee	Children, Families & Education
Relevant Ward(s)	Ruislip, Northwood and Hillingdon East

RECOMMENDATIONS

That Cabinet:

1. Approves the application for a licensed deficit from Bishop Winnington-Ingram CE Primary School for 2022/23.
2. Approves the application for a licensed deficit from Holy Trinity CE Primary School for 2022/23.
3. Approves the application for a licensed deficit from Oak Wood School for 2022/23.

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 2022/23, 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 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 2019/20 financial 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 and ended the financial year with a cumulative revenue deficit of £304k. The position deteriorated further during 2021/22 financial year with a cumulative deficit of £534k being carried forward into 2022/23.

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.

The biggest challenge that BWI is experiencing in setting a balanced budget relates to low pupil numbers.

The budgetary review in August 2022 showed a projected in-year deficit of £527k against a budgeted deficit of £538k. This is an improvement on the July 2022 projected deficit of £555k due to the Executive Headteacher role being split across BWI and an Ealing school which will lead to an in-year saving of £33k.

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 £670k.

Local Authority 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 2019/20 financial year with a £41k deficit and was unable to set a budget which recovered the deficit in 2020/21, although the cumulative deficit did reduce to £31k at the end of 2020/21. A slight surplus of £1k was achieved in 2021/22 thus further reducing the cumulative deficit to £30k to be carried forward into 2022/23. There is a projected in-year surplus of £1k, thus reducing the projected deficit to £29k.

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, which is evident in producing minor in-year surpluses for 2020/21 and 2021/22.

The school is currently reviewing the budget and projections and is due to submit a revised budget plan. 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 £100k in 2020/21. The school is considered unlikely to need a further advance to cover expenditure for the remainder of this 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 financial year 2021/22 produced an in-year surplus of £839k reducing the cumulative deficit to £2,549k. 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 behind the current financial position at Oak Wood School, relates to low pupil numbers in previous years extending back to before the school rebuild. 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.

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 School has been advanced £3,008k to date. The school is unlikely to need a further advance to cover expenditure for the remainder of this financial year.

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.

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 the three 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. The UK inflation rate measured by the Consumer Prices Index (CPI) is currently 9.9%. This presents an additional risk to the three schools throughout 2022/23 – as well as the wider schools sector - and will be incorporated into budget updates with any increases to projected deficits reported as they are realised.

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. Where licenced deficits are supported by cash loans from the Council, these represent an opportunity cost to the General Fund which is reflected within budgets held for interest and investment income.

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