

CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2023/24 FOR CERTAIN 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)	Sheilender Pathak – Resources
Papers with report	None.

HEADLINES

Summary	This report seeks Cabinet's approval for Bishop Winnington-Ingram CE Primary School, Holy Trinity CE Primary School, Oak Wood School, St Bernadette Catholic Primary School and St Swithun Wells Catholic Primary School to set a licensed deficit budget in 2023/24.
Putting our Residents First Delivering on the Council Strategy 2022-2026	This report supports our ambition for residents / the Council of: Have opportunities to earn an income that supports their families This report supports our commitments to residents of: A Thriving Economy
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	Finance and Corporate Services Select Committee
Relevant Ward(s)	Ruislip, Northwood, Hillingdon East, South Ruislip

RECOMMENDATIONS

That the Cabinet:

- 1) Approves the application for a licensed deficit from Bishop Winnington-Ingram CE Primary School for 2023/24.**
- 2) Approves the application for a licensed deficit from Holy Trinity CE Primary School for 2023/24.**
- 3) Approves the application for a licensed deficit from Oak Wood School for 2023/24.**
- 4) Approves the application for a licensed deficit from St Bernadette Catholic Primary School for 2023/24.**
- 5) Approves the application for a licensed deficit from St Swithun Wells Catholic Primary School for 2023/24.**

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.

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 most 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 several schools are facing significant financial issues in the medium term. 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.

Council officers are implementing a more rigorous monitoring process for schools that are in financial difficulty (i.e., if there are indications through the regular budget monitoring process that they are planning to set a budget that shows a year end cumulative deficit). This will include the five schools included in this report as well as other schools showing signs of financial stress.

Council officers from Schools Improvement, Finance, and Place Planning teams (where appropriate) will meet with these schools (Headteachers, Chairs of Governors and business managers etc, to create an action plan with the school, monitor the position of these budgets termly and challenge their spending to close the gap as soon as possible on the budget).

The Council will also ask these schools to submit a provisional budget for 2024/25 financial year by March 2024. If this provisional budget shows a cumulative deficit balance at end of 2024/25 the Council will engage with the school to discuss ways of bringing the budget back into a surplus year position. If such a budget is not achieved by the end of June 2024 the Council will need decide whether to licence a deficit budget for 2024/25 with an agreement that the school will come back into surplus by the end of 2025/26 or within 3 years (in extreme circumstances). Alternatively, the Council could refuse to licence the deficit and ask the school to work on revised 2024/25 budget that shows a surplus at end of 2024/25.

Bishop Winnington-Ingram CE Primary School (BWI)

BWI ended the 2019/20 financial year with a £126k deficit. The position then worsened, as a result of a continuing drop in roll numbers leading to a cumulative deficit position of £304k at the end of financial year 2020/21. This deterioration continued up until financial year 2021/22 with a final deficit position at the end of March 2022 of £534k. The school has since restructured its services and has begun benefiting from better improved financial controls. There was a reduction in the deficit in financial year 2022/23 to £520k and a budgeted position to further reduce this deficit position to £515k at the end of March 2024.

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 of setting a balance budget from low pupil numbers is ongoing. 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, 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 financial year 2019/20 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 that was carried forward into 2022/23. The school had an in year deficit in financial year 2022/23 resulting in their cumulative balance at the end of the year rising to £55k again. A balanced budget has been set for FY2023-24.

Holy Trinity is a small, oversubscribed school, but one of the lowest funded in Hillingdon, which has made it increasingly 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.

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 the 2020/21 financial year.

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. The deficit position was further reduced in financial year 2022/23 to £2,350k. However the school has set a budget for financial year 2023-24 which will increase the deficit again by £93k to £2,444k.

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 increased 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 £3,612k. The school is unlikely to need a further advance to cover expenditure for the remainder of this financial year.

St Bernadette Catholic Primary School

St Bernadette ended the financial year 2022/23 with a surplus balance of £34k. However, the budget set for financial year 2023/24 is for a deficit position at the end of March 2024 of £147k. The school used £138k of their reserves in financial year 2022/23 and are budgeted to use an additional £188k of reserves in financial year 2023/24. There is clear indication that the school requires a comprehensive review of resource deployments to rebalance its budget position.

St Swithun Wells Catholic Primary School

The school had a deficit position at the end of March 2023 of £14k and this is expected to rise to a deficit of £49k at the end of March 2024.

St. Swithun Wells is currently dealing with a challenging tribunal case that is putting financial pressure on their budgets due to high legal costs. The school is working towards a speedy resolution of the case to provide some relief to the financial pressures.

The schools finance team are working closely with the school in assessing where support can be provided as the school navigates these challenges. The school has received cash advances totalling £100k as at September 2023.

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 direct impact on the Council's general fund 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 current three-year budget plans for the five schools included in this report indicate that it will be very unlikely that they will be in a position to set balanced budgets with no deficit carry forward for the foreseeable future. Current inflationary pressures present an additional risk to the five schools throughout 2023-24, as well as the wider schools' sector.

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

N/A

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

[Previous Cabinet reports](#)