

# CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN 2024/25 FOR CERTAIN SCHOOLS IN THE BOROUGH

<b>Cabinet Members &amp; Portfolios</b>	Councillor Susan O'Brien, Cabinet Member for Children, Families & Education / Councillor Martin Goddard, Cabinet Member for Finance & Transformation
<b>Responsible Officer</b>	Richard Ennis, Corporate Director of Finance
<b>Report Author &amp; Directorate</b>	Andrew Good, Deputy Head of Finance, Children & Young People Services
<b>Papers with report</b>	None

## HEADLINES

<b>Summary</b>	This report seeks Cabinet's approval to set Licensed Deficits for a number of Maintained Schools.
<b>Putting our Residents First</b> <b>Delivering on the Council Strategy 2022-2026</b>	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 Digital-Enabled, Modern, Well-Run Council
<b>Financial Cost</b>	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.
<b>Select Committee</b>	Children, Families & Education Select Committee
<b>Ward(s)</b>	All Wards

## RECOMMENDATION

**That the Cabinet approves the application for a licensed deficit for the schools outlined within this report.**

## Reasons for Recommendation

Cabinet is the decision-making body for setting a License Deficit for a school. By setting a License Deficit the school will be compliant with regulations and have certainty of funding whilst they bring their schools back into a balanced position.

## Alternative options considered / risk management

No alternative options have been considered as a Licensed Deficit is required for schools proposing to set an in-year deficit.

## SUPPORTING INFORMATION

It is evident that a number of the maintained 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.

Under the new 'Schools in Financial Difficulty' policy where a school is unable to set a balanced budget, the service works closely with the Board of Governors and Head Teacher to review the underlying pressures together with improvements and efficiencies to mitigate the costs.

Council officers from Education Improvement and Finance will meet with these schools (Headteachers, Chairs of Governors and business managers etc) to develop the Recovery Plan, agree an action plan and arrange for a termly meeting to monitor the Budget position against the Recovery Plan and challenge their spending to close the gap as soon as possible.

The Council will also ask these schools to submit a provisional budget for 2025/26 financial year by March 2025. If this provisional budget shows a cumulative deficit balance at end of 2025/26 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 2025, the Council will need to decide whether to licence a deficit budget for 2025/26 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 2025/26 budget that shows a surplus at end of 2025/26.

The list below summarises the current forecast deficit at the end of the financial year 2024/25 for those schools requiring a Licensed Deficit:

- Coteford Infants School - £122k: the school was visited on the 18<sup>th</sup> October and a number of actions are being developed which may yield additional savings;
- Bishop Winnington-Ingram CofE School - £343k: deficit relates to historic redundancy costs and progress on recovery will be closely monitored;

- Oak Farm Primary School - £283k: financial deficit meeting scheduled for the 30<sup>th</sup> November. School has been in challenging financial position primarily because of staffing pressures – work is required to focus on recovery activity;
- Oak Wood School - £2,080k: significant historical deficit, the school now has strong leadership and an improved financial management approach. Further work required to move the school progressively into balance;
- St Swithun Wells' Catholic - £136k: main contributor to the deficit has been ongoing high legal costs, which is expected to continue into 2025. Further focus required to see what savings opportunities exist;
- Whiteheath Junior School - £134k – a drop in pupil numbers in 2024/25, a capital contribution to roofing and Senior Leadership Team costs (which are reducing) has resulted in the deficit. A monitoring meeting is scheduled for December 2024.

### **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. 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.

Schools in Financial Deficit is likely to remain an ongoing issue for many of our schools moving forward and continued focus will be required to ensure schools continue to set or work towards eradicating financial deficits.

## **RESIDENT BENEFIT & CONSULTATION**

### **The benefit or impact upon Hillingdon residents, service users and communities?**

By approving the above licenced deficits, schools will have certainty of funding and it will ensure we are compliant with existing regulations.

### **Consultation carried out or required**

Council officers from Education Improvement and Finance are in ongoing engagement with these 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, noting the Statutory Override protects the General Fund from any deficits within the DSG. Where licenced deficits are supported by cash advances 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 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 and decisions](#)