

# CONSIDERATION OF SETTING A LICENSED DEFICIT BUDGET IN FY2025-26 FOR CERTAIN SCHOOLS IN THE BOROUGH

<b>Cabinet Member &amp; Portfolio</b>	Cllr Susan O'Brien - Cabinet Member for Children, Families & Education Cllr Eddie Lavery - Cabinet Member for Finance & Transformation
<b>Responsible Officer</b>	Julie Kelly – Corporate Director of Children's Services Steve Muldoon – Corporate Director of Finance
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<b>Papers with report</b>	Appendix 1 – Schools Requiring Deficit Budgets in FY2025-26

## HEADLINES

<b>Summary</b>	This report seeks Cabinet's approval for schools in Appendix 1 to set deficit budgets for FY2025-26
<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: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents  This report supports our commitments to residents of: Thriving, Healthy Households
<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
<b>Ward(s)</b>	All

## RECOMMENDATION

**That the Cabinet approves the application for a licensed deficit for all schools listed in Appendix 1 for 2025/26.**

## **Reasons for recommendation**

Cabinet is the decision-making body for school funding issues. By agreeing for these schools to set a licensed deficit budget, it will enable the schools to function with the certainty of funding whilst the schools take reasonable steps to manage their costs and return to a balanced budget position.

## **Alternative Options Considered**

Cabinet could decide to take the following alternative action:

- (a) Write off the deficits, which would need to be agreed by Schools Forum, for the Schools Block funding of 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 31<sup>st</sup> May of the applicable 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 license 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. A local authority policy on schools in financial difficulties supports this process.

Council officers continue to implement a more rigorous and stringent monitoring process for schools that are in financial difficulty. This will include all the schools applying for a licensed deficit as well as any schools showing early signs of financial difficulty.

Council officers from education improvement, finance and place planning teams, where appropriate, will meet with these schools' headteachers, chair 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.

### **Bishop Winnington-Ingram CE Primary School**

The school closed the year with a £412k deficit, supported by a cash advance reprofile currently standing at £370k. This is a historical deficit that the school are working to reduce over the years, the deficit has reduced from £515k at March 2024. The FY2025–26 budget forecasts a deficit of £422k. Interest accrued on the cash advance reprofile remains unpaid to the Local Authority.

### **Oak Wood**

The school has suffered from low pupil numbers making the budget setting challenging. The FY25-26 budget projects a deficit of £2.32m by year end. There is a £2.507m cash advance reprofile awarded to the school to support the deficit balance position.

There are significant overspends in a number of areas around staffing, which has increased the pressure on the school to be able to balance its budget.

### **Field End Infant**

It is concerning that the balance of the school was wiped out in one year with the school posting a deficit balance position at the end of FY24-25 after carrying a surplus of £120k at the end of FY23-24. The overspends at the school are as a result of high staffing ratios particularly with support staff.

The LA has engaged with the school following the submission of a £29k deficit budget for FY25-26 and is actively working with the school to review expenditure.

### **Harlyn**

Seeing a large year on year drop in pupil numbers has caused severe financial problems. This is particularly so as the drop in pupil numbers has not been matched by adjustments to the establishment. The school is setting a deficit budget for FY25-26 with a projection of a £248k balance by the end of March 2026.

### **St Swithun Wells**

The budgeted deficit of £160k has arisen mainly from the school having to deal with staffing challenges over the last few years with significant legal costs. There are encouraging signs that the school is making good progress in addressing their position with better than expected third party income generation as well as targeted approaches to reducing overall cost. The school also benefits from a £192k cash advance reprofile to help with managing the deficit.

### **Oak Farm Primary School**

The school plans to convert to academy status in April 2026 by joining Vanguard Learning Trust. The projected £74k deficit represents an optimistic outlook, given the significant costs anticipated from the planned restructuring of the staffing establishment. The primary financial challenges for the school stem from staffing pressures.

### **Grange Park Infant**

School was projecting a deficit of -£84,07, however they have now merged with the Junior School to become Grange Park School. The LA is currently working to establish a new budget position of the newly amalgamated school.

### **Coteford Infant School**

The school has faced declining pupil numbers for several years and, from September 2024, its PAN has reduced to 60 following a transition from three-form entry to two-form entry. It has already undergone two restructuring phases and is now entering a third.

### **Frithwood Primary School**

The school's deficit position is as a result of a number of issues:

- The increased staffing cost
- Higher than expected energy cost due to terms in old energy contracts the school is still bound by
- A loss of income from extended school activities following changes in habits post COVID lockdown

### **Harmondsworth Primary School**

The school had a fall in numbers when the previous Heathrow Airport expansion plans were announced and have not really recovered despite careful monitoring of their budget early implementation of cost-saving efforts. There are some unavoidable factors, such as:

- Experienced long serving teaching staff, that is 83% on M6 and above
- Energy cost increases
- Drop in pupil numbers

### **Lady Bankes Primary School**

The school was formed in September 2021 with the amalgamation of Lady Bankes Infant & Junior Schools.

The school also has an increased numbers of pupils with complex medical needs and SEND. The school is now working in partnership with the Diabetic Team and a Clinical Officer to try and obtain funding directly from the NHS to help fund some of the support these pupils need.

## **Sacred Heart Catholic Primary School**

School is facing significant pressures in its budget and struggling to meet its staffing cost obligations. Cost of staffing stands at 89% of its overall Budget. This school is also top heavy with a higher than average SLT costs as well as a high proportion of teachers paid upper scales levels as well as TLRs.

## **Whitehall Infant School**

Whitehall Infant school remains a popular school, rated Good by Ofsted (2024). For many years, it had an excellent reputation and made a positive contribution to the local community.

Since the expansion from 3FE to 4FE, the school has not been at full capacity, and this has had a financial impact on the school. The school has faced significant financial pressure from having to cover for long term sickness and maternity leave absences from two members of the team.

## **Whiteheath Junior School**

The School has experienced a drop in pupil numbers in recent years, combined with additional demand for SEND provision. The School is currently working with the Schools Improvement Team to review the staffing model and combine a more dynamic approach to SEND delivery. It is anticipated that the school will return to a balanced budget position in the medium term.

## **Heathrow Primary School**

Following the appointment of an experienced School Business Manager, the school modelled a detailed budget based on current income and expenditure. Upon review, the school is reacting to its falling roll and strengthening the financial controls by scrutinising staffing costs, reducing headcount through attrition and eradicating agency costs, and further imposing strict financial discipline to manage cash flow. Other external factors aside i.e. Asylum Seeking Children housed locally and a third Heathrow Runway, the school expects to be in a more stable financial position in the medium term.

## **Financial Implications**

Funding for schools and school related expenditure is provided mainly through the Dedicated Schools Grant (DSG) and as such there is currently no direct impact on the council's general fund budget requirement.

Currently, these deficit budgets are supported by cash advances paid to the schools. The interest cost of these advances is expected to be covered by the schools. The interest charges levied on these schools who are already facing challenges meeting their obligations increase the risk of default and therefore the authority's bad debt risk.

## RESIDENT BENEFIT & CONSULTATION

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

By allowing the school to set a licensed deficit budget, it will enable the school to function with certainty of funding whilst the school takes reasonable steps to manage its costs back to a balanced budget position.

### **Consultation & Engagement carried out (or required)**

No consultation is needed for this report.

## CORPORATE CONSIDERATIONS

### **Corporate Finance**

Corporate Finance have reviewed this report and concur with the Financial Implications set out above, noting that that granting licensed deficits for Local Authority Schools does not have direct financial impact to the Council's General Fund, noting the Statutory Override protects the General Fund from any deficits within the DSG.

Furthermore, it is noted 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, required by section 48 of the School Standards and Framework Act 1998, authorises the Council to licence a deficit in respect of a maintained school where the governors have provided a satisfactory business plan for putting the school's financial position back into balance (see sections 4.5 & 4.9 of the Scheme). Provided the deficits to be licensed are within the parameters set out in the Scheme, there are no legal impediments to Cabinet agreeing the recommendation set out in the report.

## BACKGROUND PAPERS

NIL.

## Appendix 1 – Schools Requiring Deficit Budgets in FY2025-26

			FY2023-24			FY2024-25			FY2025-26			
			Actual			Actual			Budget			
LAESTAB	School Name	Phase	Closing Balance	Closing Balance as % of Income	R a g	Closing Balance	Closing Balance as % of Income	R a g	Budget Income	Budget In-year Movement	Budget Closing Balance	R a g
3123300	Bishop Winnington-Ingram CofE Primary School	Primary	-328,208.93	-15.75%		-411,549.37	-19.42%		1,864,935.16	-11,267.62	-422,816.99	
3122012	Coteford Infant School	Primary	-86,716.02	-4.59%		-176,354.17	-9.24%		1,850,986.45	16,188.58	-160,165.59	
3122019	Field End Infant School	Primary	120,311.10	5.07%		-186.23	-0.01%		2,321,392.10	-29,099.89	-29,286.12	
3122076	Frithwood Primary School	Primary	-46,009.06	-1.74%		-45,062.40	-1.64%		2,741,884.46	-131,653.63	-176,716.03	
3125203	Grange Park Infant and Nursery School	Primary	124,862.28	5.66%		34,742.63	1.53%		2,251,342.31	-118,814.60	-84,071.97	
3122025	Harlyn Primary School	Primary	302,360.09	10.24%		196,091.70	6.44%		2,810,860.83	-444,455.19	-248,363.49	
3122026	Harmondsworth Primary School	Primary	2,345.99	0.14%		-60,353.59	-3.62%		1,620,907.15	-119,182.51	-179,536.10	
3122029	Heathrow Primary School	Primary	209,318.98	7.20%		-48,513.34	-1.64%		2,982,867.81	-127,926.41	-176,439.75	
3122032	Lady Bankes Primary School	Primary	-16,689.24	-0.45%		-108,989.88	-2.77%		4,034,053.18	-78,881.04	-187,870.92	
3125200	Oak Farm Primary School	Primary	-142,428.27	-3.65%		-138,242.28	-3.45%		3,862,083.98	63,883.15	-74,359.13	
3123405	Sacred Heart Catholic Primary School	Primary	147,694.78	4.04%		75,113.26	1.91%		3,921,450.96	-173,719.85	-98,606.59	
3123400	St Swithun Wells Catholic Primary School	Primary	-92,981.31	-6.16%		-154,833.97	-9.49%		1,582,253.74	-5,228.22	-160,062.19	
3122069	Whitehall Infant School	Primary	86,756.97	3.58%		-160,346.11	-6.42%		2,487,546.62	1,328.30	-159,017.81	
3122054	Whiteheath Junior School	Primary	57,439.90	2.79%		-87,957.77	-4.23%		2,037,647.94	-77,598.65	-165,556.42	
3125409	Oak Wood School	Secondary	-1,939,675.49	-18.24%		-2,267,355.57	-20.59%		11,584,474.30	-55,136.00	-2,322,491.57	
			-1,601,618.23			-3,353,797.09			47,954,686.97	-1,291,563.58	-4,645,360.67	

## FY2025-26

LAESTAB	School Name	Opening Balance	Budget Income	Budget In-year Movement	In-Year as % of Income	Budget Closing Balance	Cumulative Deficit as % of Income
3123300	Bishop Winnington-Ingram CofE Primary School	-411,549.37	1,864,935.16	-11,267.62	0.60%	-422,816.99	22.67%
3122012	Coteford Infant School	-176,354.17	1,850,986.45	16,188.58	0.87%	-160,165.59	8.65%
3122019	Field End Infant School	-186.23	2,321,392.10	-29,099.89	1.25%	-29,286.12	1.26%
3122076	Frithwood Primary School	-45,062.40	2,741,884.46	-131,653.63	4.80%	-176,716.03	6.45%
3125203	Grange Park Infant and Nursery School	34,742.63	2,251,342.31	-118,814.60	5.28%	-84,071.97	3.73%
3122025	Harlyn Primary School	196,091.70	2,810,860.83	-444,455.19	15.81%	-248,363.49	8.84%
3122026	Harmondsworth Primary School	-60,353.59	1,620,907.15	-119,182.51	7.35%	-179,536.10	11.08%
3122029	Heathrow Primary School	-48,513.34	2,982,867.81	-127,926.41	4.29%	-176,439.75	5.92%
3122032	Lady Bankes Primary School	-108,989.88	4,034,053.18	-78,881.04	1.96%	-187,870.92	4.66%
3125200	Oak Farm Primary School	-138,242.28	3,862,083.98	63,883.15	1.65%	-74,359.13	1.93%
3123405	Sacred Heart Catholic Primary School	75,113.26	3,921,450.96	-173,719.85	4.43%	-98,606.59	2.51%
3123400	St Swithun Wells Catholic Primary School	-154,833.97	1,582,253.74	-5,228.22	0.33%	-160,062.19	10.12%
3122069	Whitehall Infant School	-160,346.11	2,487,546.62	1,328.30	0.05%	-159,017.81	6.39%
3122054	Whiteheath Junior School	-87,957.77	2,037,647.94	-77,598.65	3.81%	-165,556.42	8.12%
3125409	Oak Wood School	-2,267,355.57	11,584,474.30	-55,136.00	0.48%	-2,322,491.57	20.05%