

### Raine's Foundation Church of England School. Financial Position.

#### Introduction.

1. School funding is allocated on a formula basis with separate allocations for years 7 to 11 and years 12 to 13. Both formulae are mainly determined by numbers on roll; therefore a school with low or falling admissions is likely to experience financial difficulties.

#### School Budget Share.

2. The School Budget Share is the primary source of funding for Raine's, covering all pupils in years 7 to 11. It is predominantly pupil led; in 2019-20 the budget share was £3.158m of which £2.887m (91.4%) was pupil led. Changes in pupil numbers therefore have a significant impact on the funding available.
3. Recent changes in the budget share are set out in the following table.

Financial Year	Budget Share	Pupil Led	Pupil Numbers Years 7-11 <sup>(1)</sup>
	£m	£m	
2019-20	3.158	2.887	386
2018-19	3.474	3.249	430
2017-18	3.554	3.331	450
2016-17	4.037	3.782	518
2015-16	4.281	4.008	548

(1) October census preceding the financial year.

4. The current roll of 210 (years 7 to 11) for September (Paragraph 5.2) indicates a school budget share of £1.84m for 2020-21 (at 2019-20 funding levels). This would fall significantly in future years as larger year groups leave the school and if the fall in applications is not reversed.
5. The Tower Hamlets average budget share for a maintained secondary school (excluding Raines) is £7.197m in a range from £5.132m to £9.405m. If Raines had full cohorts in years 7 to 11 at its planned admissions number its budget share would be £5.880m
6. Larger schools can achieve economies of scale and are better able to offer a full curriculum that may be unsustainable on the budget of a small secondary school.
7. In addition to the budget share the school receives sixth form funding (£0.75m in 19-20 compared with £0.96m in 2015-16), various grants and other contributions; the majority of these funding sources are

determined by pupil and student numbers and will fall as the roll contracts. Total income for preceding years is shown in the next table.

### Financial Position – Prior Years.

8. The difference between the school’s income and expenditure is set out in the following table.

	Income <sup>(1)</sup>	Expenditure	Net <sup>(2)</sup>	Cumulative <sup>(2)</sup>
	£000	£000	£000	£000
2018-19	4,767	5,254	(487)	(910)
2017-18	4,758	5,347	(589)	(423)
2016-17	5,475	5,770	(295)	166
2015-16				461

(1) Excludes LA advances of £250k in 2016-17 and £750k in 2017-18.

(2) Figures in brackets represent a deficit.

9. The in-year deficit in 2018-19 and 2017-18 were both in the region of £0.5m. Regulations prevent a Local Authority (LA) from writing off school deficits so in-year balances are added to those brought forward from previous years giving a cumulative budget deficit at 1 April 2019 of £0.91m.

### Financial Position - Future Years.

10. The Scheme for Financing Schools requires the IEB to reduce the in-year expenditure so as not to exceed in-year income; in addition, further reductions are required so as to eliminate the cumulative deficit over no more than three years. This would indicate a year on year reduction in expenditure in the region of £0.5m (on a straight line recovery of the cumulative deficit and at current income levels). Further reductions in roll would require higher levels of saving.
11. The school has produced a financial projection covering the financial years to 2023-24. The latest projected (November 2019) in-year deficit for 2019-20 is £0.152m, but projected in-year deficits increase to over £1m in 2020-21 before falling to £0.7m by 2023-24.

### Previous LA Financial Support.

12. To enable the school to function, the LA has made loans, £250k in 2016-17 and £750k in 2017-18. These are repayable to the LA.
13. The Tower Hamlets Scheme for Financing Schools in force at the time of the advances allowed the LA to make loans to schools with Licensed Deficits<sup>1</sup>. Documentation indicates that loan repayments were scheduled to be:

- 2019-20      £180,000

<sup>1</sup> A Licensed Deficit is an agreement between the LA and a governing body that allows a school to set a deficit budget. It should only be allowed when the governing body can demonstrate, through an action plan, that it can bring in-year income and expenditure into balance **and** eliminate the cumulative deficit brought forward. National regulations now limit a permitted deficit to a maximum of three years.

- 2020-21 £220,000
- 2021-22 £275,000
- 2022-23 £325,000

14. A directed revision to schemes by the Secretary of State on 22 March 2018 removed the ability to make loans to schools with Licensed Deficits. The revision does not prevent cash advances being made to prevent overdrafts but does limit the period of a Licensed Deficit to three years.

#### **Licensed Deficit Agreement.**

15. A new Licensed Deficit Agreement is required with the IEB within the limits imposed by the Secretary of State and taking account of the likely future of the school. Careful monitoring of the action plan will be needed in order to safeguard the LA's financial position. If a decision is taken to close the school the action plan and monitoring arrangements will be an important element in controlling the final deficit to be met by Tower Hamlets' General Fund.