

Appendix 4

The Cherry Trees School - Financial Position as of January 2021

Introduction.

1. Special School funding is through the high needs block. The funding is based on a fixed place allocation per pupil and then a “top -up” from the high needs block reflective of the actual costs of the pupil.

School Budget Share.

2. The School Budget Share is the primary source of funding for Cherry Trees, covering all pupils in reception to Year 6. It is predominantly pupil led; in 2020-21 the budget share was £783,423 of which £775,145 (99%) was pupil led. Changes in place and 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 (Exc Capital)	Pupil Led	Pupil Numbers Years R-6 ⁽¹⁾
2020-21	783,149	775,145	19
2019-20	954,335	953,193	19
2018-19	1,036,691	1,035,422	21

(1) October census preceding the financial year.

4. The projected roll of 16 for September 2021 indicates a school budget share of £632,094 for 2021-22. This would fall significantly in future years as larger year groups leave the school and if the fall in applications is not reversed.
5. In addition to the budget share the school receives various grants and other contributions; the majority of these funding sources are determined by pupil numbers and will fall as the roll decreases. Total income for preceding years is shown in the next table.

Financial Position – Prior Years.

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

	Income ⁽¹⁾	Expenditure	Net ⁽²⁾	Cumulative ⁽²⁾
2020-21	788,064	1,100,740	(312,676)	(309,924)
2019-20	964,784	1,056,074	(91,290)	2,751
2018-19	1,046,812	1,051,714	(4,902)	94,041

(1) Includes £200K LA cash advance to September 2020

(2) Figures in brackets represent a deficit.

- The in-year deficit in 2019/20 was £91,290, and subsequently is forecast to be £312,676 in 2020/21. 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 forecast deficit budget balance at 1 April 2021 of £309,924.

Financial Position - Future Years.

- The Scheme for Financing Schools requires the governing body 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 £103K (on a straight line recovery of the cumulative deficit).
- The school has produced a financial projection covering the financial years to 2023-24. The cumulative projected deficits increase year on year to reach a collective deficit of £1,881,071 by 2023-24.

Cherry Trees - BP	20/21	21/22	22/23	23/24
Opening Balance	2,751	-309,924	-822,057	-1,345,726
In year Deficit	-312,676	-512,133	-523,669	-535,344
Cumulative YE Bal	-309,924	-822,057	-1,345,726	-1,881,071

Previous LA Financial Support.

- To enable the school to function, the LA has made cash advances totalling £200K to the end of Sept 2020.
- 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 Deficits¹. To date loan repayments have not been scheduled.
- 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.

- A new Licensed Deficit Agreement is required with the governing body 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.

¹ 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.