

Shapla Primary School – Current Financial Position as of January 2021

Introduction.

1. School funding is allocated on a formula basis known as the National Funding Formula (NFF).
2. The majority of funding that goes through the schools NFF is 'pupil-led'. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.
3. Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.
4. Absolute levels of funding per pupil are calculated using both pupil-led and school-led funding - the total funding for both pupils and the school.
5. Changes in funding per pupil are calculated using changes in pupil-led funding only - the funding that changes from year to year with pupil numbers.

School Budget Share.

6. The School Budget Share is the primary source of funding for Shapla, covering all pupils in reception to Year 6. It is predominantly pupil led; in 2020-21 the budget share was £1,502,478 of which £1,480,539 (98.5%) was pupil led. Changes in pupil numbers therefore have a significant impact on the funding available.
7. 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	1,502,478	1,480,539	154
2019-20	1,574,310	1,561,962	157
2018-19	1,488,353	1,462,706	174
2017-18	1,664,942	1,651,441	179
2016-17	1,762,981	1,750,366	195

(1) October census preceding the financial year.

8. The projected roll of 154 (years R to 6) for September 2021 indicates a school budget share of £1,327,234 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.
9. The Tower Hamlets average budget share for a maintained primary school (excluding Shapla) is £1,961k in a range from £859k to £3,654k. If Shapla had full cohorts in years R to 6 at its planned admissions number its budget share would be £1,735,113.
10. In addition to the budget share the school receives early years funding (£68,825), 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.

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

	Income ⁽¹⁾	Expenditure	Net ⁽²⁾	Cumulative ⁽²⁾
	£000	£000	£000	£000
2019-20	1,581,355	1,730,079	(148,724)	(423,069)
2018-19	1,488,353	1,640,459	(152,016)	(274,345)
2017-18	1,664,942	1,781,571	(116,629)	(122,239)

(1) Excludes LA advance of 100k in 2019/20

(2) Figures in brackets represent a deficit.

12. The in-year deficit in 2019/20 was £148,724. 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 2020 of £423,069.

Financial Position - Future Years.

13. 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 £167 (on a straight line recovery of the cumulative deficit).
14. The school has produced a financial projection covering the financial years to 2023-24. The projected in-year deficit for 2020-21 is £81,271, but projected deficits increase year on year to reach an *in-year* deficit of £852,770 by 2023-24.

Shapla - BP	20/21	21/22	22/23	23/24
Opening Balance	-423,069	-385,348	-524,336	-679,939
In year Surplus/Deficit	37,721	-138,988	-155,603	-172,831
Cumulative YE Bal	-385,348	-524,336	-679,939	-852,770

Previous LA Financial Support.

15. To enable the school to function, the LA has made loans totalling £300K to the end of Sep 2020
16. 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. Documentation indicates that loan repayments were scheduled to be:
- 2019-20 £100K
 - 2020-21 £200K
17. 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.

18. 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.