

## Appendix 4

### St Matthias 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 St Matthias, covering all pupils in reception to Year 6. It is predominantly pupil led; in 2019-20 the budget share was £1,357,082 of which £1,269,612 (94%) 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	Pupil Led	Pupil Numbers Years R-6 <sup>(1)</sup>
2020-21	1,188,630	1,147,624	128
2019-20	1,357,082	1,269,612	154
2018-19	1,089,694	1,092,989	163
2017-18	1,195,130	1,170,496	181
2016-17	1,271,922	1,270,854	196

(1) October census preceding the financial year.

8. The projected roll of 128 (years R to 6) for September 2021 indicates a school budget share of £1,131,828 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 St Matthias) is £1,961k in a range from £859k to £3,654k. If St Matthias had full cohorts in years R to 6 at its planned admissions number its budget share would be £1,676,929.
10. In addition to the budget share the school receives early years funding (£96,401), 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.
11. The table below shows the broadscale cumulative budget position, taking into account pupil numbers and intelligence held by the Local Authority:

St Matthias - BP	20/21	21/22	22/23	23/24
Opening Balance	47,349	-38,301	-160,985	-344,222
In year Deficit	85,650	122,684	-183,237	-171,936
Cumulative YE Bal	38,301	160,985	-344,222	<b>-516,158</b>

#### Financial Position – Prior Years.

12. 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>
2020-21 (Forecast)	1,188,630	1,274,280	(85,650)	(38,301)
2019-20	1,357,082	1,313,164	43,918	47,349
2018-19	1,400,785	1,388,978	11,806	3,431

(1) Figures in brackets represent a deficit.

13. The forecast in-year deficit for 2020/21 is £85,650. 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 forecast cumulative budget deficit at 1 April 2021 of £38,301.

#### Financial Position - Future Years.

14. 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.

15. The school had produced a short term financial projection in Sep19 covering the financial years to 2021-22. The projected in-year deficit for 2021-22 of £5,190. The actual realised position has since worsened overtime, and with the current projection topping 85K, its hard to see how this will be stemmed given the forecast drop in pupil numbers.

**Licensed Deficit Agreement.**

16. 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.