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**WESTMINSTER CITY COUNCIL**

**SCHOOLS’ FORUM 1st JUNE 2020**

**STRATEGIC REVIEW OF SCHOOLS FINANCES AND PUPIL PROJECTIONS**

1. **Background**

1.1 The function of Place Planning is essential to ensure sufficiency of places to allow for parental choice and movement across schools. Westminster, and the majority of London boroughs, subscribe to the Greater London Authority’s (GLA) School Roll Projections (SRP) GLA for its pupil projections. Projections are based on current school rolls, historical trends, cross border mobility, birth rates and approved housing developments. Whilst projections provide a technical indication for the future, when looking beyond four to five years, there will be unforeseen elements to school place planning that cannot be predicted or factored in. These could be changes in popularity of schools in and out of borough, and/or changes in central government policy that that may impact on import/export of local population, e.g. Universal Credit and Brexit.

1.2 Further action is needed to not only further reduce overall primary capacity, but also to address the financial viability of schools that are either in deficit or soon will be. Careful thought and consideration must however be applied before permanently removing any education provision that cannot be re-instated if demand then materialises as a result of affordable/social housing developments.

1.3 The table shows the decline in pupil numbers of 331 since 2017, however the impact on primary schools has seen a reduction of 1,040 offset by an increase in the secondary sector of 709.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Years** | **2017** | **2018** | **2019** | **2020** | **Increase/(Reduction)** |
| Primary | 10,472 | 10,179 | 9,721 | 9,432 | (1,040) |
| Secondary | 8,259 | 8,579 | 8,732 | 8,968 | 709 |
| **Total** | **18,731** | **18,758** | **18,453** | **18,400** | **331** |

1.4 Since September 2018, almost 6 forms of entry have been removed from primary provision to address the increasing surplus. Population trends suggest further reductions to pupil admission numbers in primary school and longer term impact on secondary schools.

1.5 Westminster schools receive the 7th highest primary pupil funding nationally and the 9th highest secondary pupil funding.  Schools are funded via the locally agreed formula and all Westminster schools are funded above the minimum per pupil funding levels in 2020/21. Westminster schools will receive an average of £5,537 per primary pupil and £7,422 per secondary pupil.

1.6 After funds are set aside for schools with falling rolls the amount to be distributed in total to schools is £115.381m, which is an additional £3.557m (3.5% per pupils) compared to 2019/20. The Minimum Funding Guarantee (MFG) is the per pupil protection and this has been set to ensure that all schools will gain at least +1.84% per pupil for the 2020/21 financial year.

1.7 Twelve schools ended 2018/19 in deficit, compared with eight schools at the end of 2017/18. Collectively, these schools had an aggregate deficit of £1.128m at 31st March 2019.

1.8 There are now 14 schools with deficit balances at 31st March 2020 compared to 12 at 31 March 2019. Of the 12 in deficit at 31 March 2019, only two schools have delivered an underspend in the year to get back to an overall surplus this year. The level of financial expertise contributing to effective financial management at each school particularly those in financial difficulty is variable, as is each school’s willingness to engage sufficiently with Finance. This is demonstrated through the significant variations between the in- year and year end financial monitoring positions.

1.9 The table below shows the downward movement in balances since 2017.

|  |  |  |  |
| --- | --- | --- | --- |
| 2017/18 Outturn | 2018/19 Outturn | 2019/20 – Forecast *P10* | 2019/20 Outturn |
| (5.315m) | (3.289m) | (1.052m) | (1.846m) |

1.10Full details of the individual schools balances are included in the separate paper on the agenda. The paper is titled the “*Dedicated Schools Grant Outturn and Schools Balances as at 31st March 2020”.*

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#### 1.11 Westminster’s annual statement of accounts reported an aggregate total of School Balances of £1.839m at 31st March 2020, based on the best information available (including an element of estimates) at the time of closing the accounts. Following this, further work to refine the balances and verify the final position shown on the financial systems shows the final schools balances to be higher by £0.008m at £1.846m.

#### 1.12 Overall, of the 40 maintained schools, 24 reported have reported a net deficit on budget for the year, thereby reducing their surplus balance or increasing their deficit balance. The Council’s Scheme for Financing Schools does not permit a school to plan for a deficit budget. Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under licence. This requires the school to agree a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit.

1. **Current Position and Challenges**

2.1 The school role projections produced by the GLA have not resulted in the projected number of pupils within Westminster schools. There has been a decline of 1,040 pupils within the primary sector since 2017.

2.2 There is an increasing anxiety across the system surrounding falling pupil admission numbers, financial allocations and budget deficits. In addition, schools are facing increasing costs in both staffing and non-staffing budgets.

2.3 Headteachers have asked the Local Authority for support in the development of a clear future vision for the school’s estate. In addition, how to address the continued financial viability of schools resulting from the decline in pupil numbers.

2.4 It is also acknowledged that schools are requiring additional support for both Headteachers and Governing bodies in strategic budget planning and financial modelling.

2.4 Forecasts for the 2020/21 financial year indicate a continued pressure on school’s budgets, with more schools having to set a deficit budget

1. **Strategic Review of Schools Finances and Pupil projections**

3.1 The aim of the strategic review would be achieving the following, working in partnership with schools to:

* To use external analysists working in conjunction with officers to develop a robust school placement planning model
* To create uniformed budgetary principles to promote accuracy and consistency across the system; to use this to inform pupil admission planning – together with schools.
* Improve financial planning/ admissions planning across the school’s system. Seek agreement to use DSG money to finance external auditing program to clarify issues across system and develop response.
* Development of standardised budget management, reporting and forecasting to be implemented in all schools as part of the Local Authorities scheme for financing schools.
* A future options appraisal for consideration by officers, members and schools.

**3.2 Proposed steps and key activities**

* Review relevant documentation and literature that has already been produced on the bi-borough pressures and future forecasts.
* Reviewing more detailed information on a school-by-school basis, with a focus on the schools experiencing, or forecast to experience a budget deficit. Carrying out individual visits to schools, targeting those who have been most affected.
* Working with analysts and officers in the council to address any gaps in the existing knowledge base. (Finance, Business Intelligence, School Standards and Pupil planning)
* Engaging with the headteachers and governors to understand the factors impacting on budget pressures (e.g. Pupil Numbers, Staff Analysis, Expenditure and Income analysis)
* Interviews or planning workshops with key council officers, lead members and stakeholders to build the evidence base, understand the range of different perspectives and priorities and test possible ways of addressing the issues going forwards.
* A final workshop with schools and partners to present back issues and options and generate discussion about the way forward.

1. **Proposal**
   1. To create and embed budgeting framework, supported by agreed principles, that allow for transparent, whole system planning for the future.
   2. Use the school’s forum as a lever for challenge and change with the objective of improving financial planning/ admissions planning across the school’s system.

4.3 These additional resources will supplement existing resources drawn from Finance, Business Intelligence and Pupil planning.

* 1. The development of a full options appraisal for future options for consideration by officers, members and schools.

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