



Oak Wood School

Paper to Schools' Forum regarding historic deficit

November 2022

The current situation

Oak Wood School finished the 2021/22 financial year with a deficit of £2.53m.

This deficit of £2.53m was a reduction of £1m from the peak of c£3.5m in 2018/19 and 2019/20. The reduction of £1m has been achieved at no cost to the Local Authority, including through:

- £533k from the sale of the former caretaker house;
- £347k from one-off financial benefits during the pandemic through additional funding and reduced expenditure and from effective management of the in-year budget during 2021/22.

Oak Wood School is now graded as 'Good' by Ofsted (May 2022) after 13 years and three Inspections judged as 'Requires Improvement' by Ofsted. Following the previous full inspection in November 2018 (under the previous Headteacher) had Oak Wood School received an 'Inadequate' judgement at that inspection, as arguably the school warranted, it would have been required to become an academy and the Local Authority would have been required to write off the deficit – which at that point was around £3.5m.

Since taking up post in April 2020, the Headteacher has therefore both improved standards and enabled repayment of £1m of the deficit.

The budget submitted for 2022/23 and two following years includes a £35k in-year surplus in 2022/23, a £130k in-year deficit in 2023/24, and a £150k in-year surplus in 2024/25. The variations between years reflects the need to staff for growth in pupil numbers in 2023/24 but with those pupils not being funded until 2024/25 (whereas in 2022/23 the school will receive £77k growth funding in-year to help offset this). In 2024/25 the school receives the increased income and requires relatively little additional staffing. The other assumptions about income and expenditure (such as inflation) are based on LA guidance.

Fully repaying a deficit that is equivalent to 30% of the school's income in 2022/23, while also maintaining a high-quality education and effective pupil progress/outcomes, is unrealistic. This is because:

- There are no further one-off "windfalls" like the sale of the former caretaker house.
- A 10-year repayment would require repayment of £250k of capital every year even if no interest were charged – which is 3% of the school's 2022/23 income (approximately equal to the annual learning resources budget). Currently the school is paying approximately £18-19k interest annually to the Local Authority.
- As a growing school, we face additional budget pressures due to lagged pupil funding – our 2022/23 budget only balances in-year as a result of one-off growth funding for our bulge class.

- The school continues to need maintenance and investment. As a maintained school we recognise that the Council's capital funding is extremely limited and therefore that the school should be seeking to rely on that only for areas clearly beyond the school's resources – to minimise our pressure on council resources we have allocated approximately £250k a year towards building and site works. This includes already necessary kitchen repairs and equipment replacing, roof repairs, improving the usability of the playing fields, and conversion of the VTC building to the Sixth Form Centre. If we divert this funding to repay the loan, we would increase the pressure on the Council's capital budgets while also delaying investment that would benefit our pupils.

Oak Wood School is one of only two secondary schools maintained by Hillingdon. The March 2022 White Paper states the Government's ambition for all schools to be part of strong multi-academy trusts by 2030 (or in the process of joining such a trust). This seems likely to involve some of the single academy trusts and small multi-academy trusts in Hillingdon and surrounding boroughs coalescing, and Oak Wood School would wish to be part of those discussions in order to secure its own future.

At this point, the deficit would prevent Oak Wood School joining a trust as it would fail financial due diligence. If the ambition expressed in the White Paper is to be realised, a way will have to be found to enable the deficit to be written-off.

Our shared ambitions

The school and the Local Authority share an ambition for the school to be successful, by which we mean that the school is popular with the community because it provides a high-quality education that enables all pupils to progress and achieve well.

Our five-year strategy to 2025 includes aiming for progress 8 and value-added scores that place us in the top 10% of schools in the country.

Our proposal

The deficit was the result of the actions of previous poor management at the school combined with a lack of oversight and intervention by the Council. The school was able to run up a £3.5m deficit while simultaneously failing to provide an acceptable quality of education.

Our proposal is that:

- The school repays £500k in five £100k per year payments from 2023/24 to 2027/28, plus continuing the interest payments of approximately £18-19k a year that already happen;
- The Council writes off the remaining £2m of the deficit.

While we recognise that this involves a significant liability for the Council, it is £1.5m less than the liability that the Council would have had to fund in 2018 if the school had received an 'Inadequate' judgement at the Ofsted inspection as it arguably should

have done. In that scenario the Council would have been required to write-off the entire deficit at the point of academy conversion.

We believe that this approach would enable the school to convert to academy status, with the outstanding part of the school's £500k payment being converted into a legal loan from the Council as part of the conversion process.

If the deficit is not written off, the Council will:

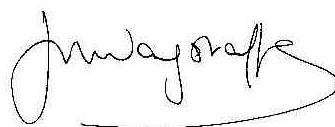
- Retain the liability for the deficit (just not a cash repayment to write it off) given that it is beyond the school's ability to repay; and
- Retain liability for future significant capital investment in the school (which would transfer to an academy trust at conversion).

Schools' Forum

We are asking for support from Schools' Forum to support Oak Wood School in seeking to ensure that Hillingdon Council write off the accumulated historic deficit as is the ability of Cabinet to do so.



Daniel Cowling
Headteacher



Joanna Wagstaffe
Chair of Governors