

Appendix U - Financial Considerations

The quantification of the financial impact of costs related to closure/amalgamation of a school/schools are complex to model and will be influenced by the timing of the closure, HR/redundancy costs and the future plans for any sites vacated (including site security and reuse options). In addition, the financial treatment of any deficit balances will also have an impact along with other incidental costs or potential liabilities.

1. Pre-closure costs which would fall on the Council

1.1. Redundancy

High-level modelling has been carried out in relation to redundancy costs for the six schools proposed in this report as of February 2023. The modelling is based on a number of assumptions and is indicative of potential redundancy and severance costs only. As a guide the estimated cost of redundancy and severance for the six schools outlined for amalgamation/closure is circa £1.6m.

It is to be noted that this is a broad estimate. The modelling assumes all staff in a school to be closed in August 2024 would receive redundancy and severance payments. In reality this process and the resulting cost will be subject to HR change management procedures and could be higher or lower than the estimate. The estimate is a snapshot based on the current staffing establishment only.

We will work closely with Hackney Human Resources, to implement a package of support for all the affected school based staff. Where possible, redeployment will be offered as well as the opportunity to upskill through working with agencies such as Hackney Works. As a last resort, redundancy or early retirement will be offered.

1.2. Write-off of school balances

When a maintained school closes, any outstanding deficit falls to the council to be written off. As of 31st March 2023 Colvestone has a deficit balance of £562k. The other schools have a surplus balance, however this could change up to the point of closure. The revenue balances brought forward into financial year 2021/22 and the closing 2022/23 year end position are listed for each of the schools in the table below:

Table 1

School	2021/22 Closing revenue balance brought forward surplus/(deficit) (£)	2022/23 Closing revenue balance carried forward surplus/(deficit) (£)
Baden Powell	111,747	31,768
De Beauvoir	82,566	140,418
Colvestone	(589,966) Deficit	(561,646) Deficit
Princess May	24,947	29,630
Nightingale	257,507	138,116
Randal Cremer	179,035	310,032

The trend suggests that, by the date of a potential closure/amalgamation, further schools could also reach a deficit position. There is a significant risk that school deficit balances could increase at a greater rate once proposals are known as some parents may elect to

move their children sooner, this could have an impact on school funding and cause greater pressure on in-year budgets up to the point of closure/merger. We will support schools during this period.

2. Post closure costs / risks

2.1. Site Security and maintenance

There may be a need to secure and maintain the school sites on an interim basis following closure pending future use. These costs are estimated and will be refined if the proposals in this report are implemented. We want to avoid this situation if at all possible as we work through options for the sites.

2.2. Cost of contracts or other liabilities

Contracts entered into by the governing bodies for each of the schools could represent a significant cost if they are not concluded by the school before closure. It is advised that full contract registers and liabilities relating to termination of contracts are settled by working with the schools concerned. Any liabilities that remain post closure would fall to the Council, working with the school would mitigate this risk and limit future potential costs.

2.3. Other incidental costs and programme management costs

There may be additional incidental costs which materialise and may need to be contributed to by the Council as a result of closure, an example of this could be uniform costs for pupils transferring to another school. The full costs of closure will need to be refined, including incidental costs which may materialise during the course of the closure/amalgamation programme.

Additional staff resources required from both, within the Council and externally, will also need to be factored into current estimates, costs are estimated at circa £300k including on-costs for the length of the programme, however this value needs to be refined.

3. Summary of financial implications

Table 6 - A summary of the costs including those which need to be confirmed/refined are contained in the table below:

Description	Potential cost (£'000)	One-off / recurring
Redundancy	1,600	One-off
Potential write-off costs	562	One-off
Contracts / transferred liabilities	TBC	One-off
Incidental costs	TBC	One-off
Programme management	Approx 300	One-off
Site Security and maintenance	Approx 1,000	Recurring per annum if sites remain vacant
Total	3,462	

These are only potential costs, which carry significant risks of being higher than the current calculations, particularly for redundancy (where early retirement decisions are more

expensive) and also for the write-off of school balances, which will be subject to further movement between now and a potential future closure date.