

## WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM 27<sup>th</sup> April 2016

### REPORT OF THE DIRECTOR OF CHILDREN'S SERVICES

#### School Budgets and indicative deficits balances

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#### 1. EXECUTIVE SUMMARY

The latest financial projections indicate that a quarter of schools may need to set a deficit budget in 2016-17 as a result of increasing cost pressures. This report is one of a series that have been considered by the Forum. The latest position is a significant improvement to that previously reported.

#### 2. BACKGROUND

There are increasing cost pressures in schools arising from "flat cash" budgets. The additional costs arising from pay awards, pension increases and national insurance changes (adding about 5% to school pay bill in the 2016-17 financial year) will not be met from increased budget allocations, instead they will need to be found from efficiency savings. With the exception of Pupil Premium the funding available for schools has not increased since 2011. These cost pressures are causing significant difficulties for schools across the country and Wirral is no exception.

#### 3. Indicative Balances for Future Years

The position reported in January 2016 is shown below and is based on projections made at Period 6 Budget Monitoring. They showed that the expected school balances could reduce from a credit of £10.7m to an overall deficit of £2m by March 2017 if no action was taken.

Period 6	Actual Balances at Mar 2015	Expected Balance at 31 <sup>st</sup> Mar 2016	Expected balances at 31 <sup>st</sup> Mar 2017
Nursery	676,607	532,703	-55,620
Primary	6,268,671	4,533,759	-51,787
Secondary	2,208,899	1,030,347	-1,434,444
Special	1,570,256	1,099,340	-476,754
	<b>10,724,434</b>	<b>7,196,149</b>	<b>-2,018,606</b>

At Period 9 the projections have been updated. These revised estimates indicate school balances would reduce by £8m to an overall credit of £3.5m in 2017. This is a much improved position as a number of schools have taken corrective action and other schools have revised their projected spend for the 2016-17 financial year.

#### Expected position at 31<sup>st</sup> March 2017

Period 9	Actual Balances at Mar 2015	Expected Balance at 31 <sup>st</sup> Mar 2016	Expected balances at 31 <sup>st</sup> Mar 2017
Nursery	676,607	560,255	66,394
Primary	6,268,671	6,045,988	3,411,408
Secondary	2,208,899	-1,391,691	-266,627
Special	1,570,256	1,559,869	317,176
	<b>10,724,434</b>	<b>9,557,802</b>	<b>3,528,350</b>

All tables exclude academy schools.

#### 4. Schools indicating they would have a Deficit budget

The number of schools who may have a deficit budget as at March 2017 are shown below:

	Number of schools	Expected number of schools with a deficit	% schools with a deficit
Nursery	3	2	67%
Primary	88	15	17%
Secondary	6	3	50%
Special	12	5	42%
	<b>109</b>	<b>25</b>	<b>23%</b>

Within these schools there are 3 secondary and 1 special schools with deficits exceeding £100,000. The highest deficit is projected at £600,000.

#### 5. Action to date

This includes:

- LMS and HR working with schools to reduce budget deficits, this includes planning for the reduction of hours or staff redundancies.
- Briefings and discussions with headteachers and school finance staff.
- School Bursar support working with Headteacher and governors to provide more detailed projections for future years, including discussions on savings if budgets do not balance.
- Schools have reduced their spend plans in year, which has protected balances for future years.

#### 6. Future Action

The position will be updated again as schools set their budget for 2016-17 and indicate the position over the next 3 years. This work is likely to confirm there are further difficulties and cost pressures facing schools in 2017-18 and beyond.

Future work will include:

- The examination of financial plans to ensure that the budget being set for 2016-17 is sustainable in future years.
- All schools requesting a licenced deficit will be required to demonstrate how the budget will balance by March 2019 or in exceptional circumstances 12 months later.
- There will be discussions with schools who have a balanced budget but are projecting future deficits.
- Where agreement cannot be reached a "Notice of Concern" may be issued. This will require an immediate action plan to be agreed by governors.
- Both teaching and support costs are being reviewed. Schools are encouraged to share costs where possible and to work across clusters.
- Nationally there will be assistance with procurement decisions although details are still to be confirmed.

#### RECOMMENDATIONS

1. The report is noted and there is a further report to the next meeting.

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