

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM 6th October 2022

REPORT OF THE DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION

School Budgets and Indicative Deficit Balances

1. EXECUTIVE SUMMARY

This report is a regular report presented to Schools Forum describing the current and projected financial position for schools together with action that is being taken. The position remains challenging due to increased costs during 2022-23, even with additional supplementary funding provided for 2022-23 financial year.

2. BACKGROUND

There are ongoing cost pressures in schools arising from pay awards, utilities, other inflationary pressures, changes in pupil numbers and the continuing effects of COVID. There has been additional funding through the Supplementary Grant for 2022-23, which for mainstream schools will be added to the formula budget for 2023-24. There will be further increases in DSG for 2023-24, but not at the same rate as current inflationary costs.

3. Indicative Balances

The final cumulative school balances as at 31st March 2022 were £16.3m, which was an increase from the previous year of £2.8m.

When schools set their budget for 2022-23 they also review their financial position for future years. The table below summarises this position and indicates that balances may reduce by £3.46m in March 2023 and a further £7.7m in March 2024. Due to the unexpected increase in balances in March 2021 and again in March 2022 this prolongs the time in which school budgets will be an overall negative balance.

At budget setting income targets for such areas as meals, nursery provision and hire of rooms/grounds remain conservative until it is clear that these areas will bounce back to 2019 levels.

Table 1

	Actual Balances at Mar 2022 £	Expected Balances at Mar 2023 £	Expected balances at Mar 2024 £
Nursery	336,203	101,186	-151,502
Primary	12,596,338	10,757,114	5,239,191
Secondary	1,142,929	1,385,139	1,393,269
Special	2,231,930	599,971	-1,322,509
Total	16,307,400	12,843,410	5,158,449

These figures do not take into consideration updated pay award estimates since budget setting:-

- Support staff salaries were increased by 3% at budget setting, but a flat rate offer of £1,925 is still being discussed – this amounts to pay awards between 10.3% for lowest paid to 3.1% for highest paid support staff.
- At budget setting Teacher salaries from September 2022 were increased for M1 – M6 between 8.9% & 4% respectively with all other grades at 3%. The new offer has not

changed for M1 -M5 grades, but grade M6 upwards have been offered 5%. This means an additional 1% for M6, with 2% for all other grades above this.

These salary offers have not yet been agreed so may increase further, but the current offers will be built into period 6 monitoring reports.

For all schools who purchase their utilities through the LA (Crown Commercial) the contract remains in place until 31st March 2023, the wholesale rates purchased through this contract are lower than the cap the government have recently announced for businesses. There is no information for future financial years currently.

Additional costs highlighted above will be built into period 6 monitoring reports.

4. Individual School Deficits

There are currently 3 schools with licenced deficits and agreed budget plans, with 3 schools who have moved back into a credit position this year. In addition, there are 4 schools who will be issued with a Notice of Concern.

On the basis of table 1 the number of schools who may have a deficit budget as at March 2024 would increase to 24 (12 in March 2022), each school with an average deficit of £138k.

Table 2 – expected deficits in March 2024

	Number of schools	Expected number of schools with a deficit	% schools with a deficit
Nursery	3	2	67%
Primary	77	15	19%
Secondary	4	1	25%
Special	11	6	55%
	95	24	25%

The position remains static for all phases, except for Special Schools where budget challenges remain. However, those schools with small credit carry forward balances into 2022-23 may move into a deficit position with the additional salary costs identified above, increasing the number of schools in deficit in future years.

5. Action Taken to Date

- Licenced deficit plan is in the process of being agreed for one school that cannot set a balanced budget in 2022-23, with the other 2 schools still working through already agreed plans.
- The Notice of Concern process is currently being reviewed and it is expected that 4 will be managed within this process.
- LMS and HR continue to work with schools to balance budgets and plan any reduction in staff numbers or hours. Where schools are reviewing staffing levels this is in a number of cases leading to a consideration of redundancies.
- There are continued discussions with Headteachers and school finance staff where budgets are not balancing in future years.
- School Bursars continue to support Headteachers and governors with more detailed projections.

6. Future Action

- To review the position of school balances after Period 6 monitoring, taking account of additional staffing costs already detailed and identify schools who will move into a deficit position.
- Contact schools with large projected deficits in future years to discuss ways to reduce in year deficits going forward.
- Schools requesting a licenced deficit are required to demonstrate how the budget will come back into balance within 3 years (4 years in exceptional circumstances).
- Where agreement cannot be reached a Notice of Concern will be issued, requiring an immediate action plan to be agreed by governors.

RECOMMENDATIONS

1. That Forum notes the report
2. That school budgets continue to be monitored.

Simone White
Director of Children, Families and Education