

School Balances 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 2023-24, even with additional funding provided for 2023-24 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 Mainstream Additional Grant (MSAG) Grant for 2023-24, which will be added to the formula budget for 2024-25 (Additional funding for Special schools) and Teachers Pay Additional Grant (TPAG) from September 2023 to cover the additional cost of Teachers Pay awards. There will be further increases in DSG for 2024-25 financial year but at a much lower rate than 2023-24.

3. Indicative Balances

The final cumulative school balances as at 31st March 2023 were £13.5m, which was a reduction from the previous year of £2.5m after the 2021-22 balance was adjusted for 3 academy conversion during 2022-23.

The table below summarises the estimated balance position after period 6 monitoring, which indicates that balances may reduce by £6.53m in March 2024 with a further reduction of £9.8m in March 2025. If no action is taken school balances will be in a negative position at this time

The 2022-23 outturn has been adjusted for schools that have converted to academy during the 2023-24 financial year, so that the balances can be compared like for like.

Table 1

School Phase	Actual Balances at Mar 2023 £	Expected Balances at Mar 2024 £	Expected balances at Mar 2025 £
Nursery	132,411	-196,452	-460,293
Primary	9,595,668	6,040,100	436,941
Secondary	2,123,946	1,817,810	792,939
Special	1,008,493	-1,328,802	-4,239,807
Total	12,860,518	6,332,656	-3,470,221
Academy Conversions (9)	656,219		
Total	13,516,737		

However, this position tends to be more pessimistic, or cautious, than the final outturn due to higher than expected income received towards the end of the year along with closer monitoring of spend by the school if the budget is moving towards a deficit position.

4. Individual School Deficits

There are currently 9 schools with licenced deficits and agreed budget plans or working with the LA to put one in place. In addition, there are 7 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 2025 would increase to 57 (24 in March 2023), each school with an average deficit of £74k.

Table 2 – expected deficits in March 2025 if no action is taken

	Number of schools	Expected number of schools with a deficit	% schools with a deficit
Nursery	3	2	67%
Primary	65	36	55%
Secondary	4	2	50%
Special	11	7	64%
	83	47	57%

The deficit position is now increasing for all phases but remains particularly difficult for Special Schools. Those schools with small credit carry forward balances March 24 are most likely moving into a deficit by March 2025. As stated earlier figures at period are more cautious, so although an increase in deficit budgets is likely, some schools will be able to make savings to stay in credit.

5. Action Taken to Date

- Licenced deficit plan is in the process of being agreed for 2 schools that cannot set a balanced budget in 2023-24, with the other schools still working through already agreed plans.
- The Notice of Concern process is currently being reviewed and it is expected that 7 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