

# Sefton Schools Forum Report

Date of Meeting:	11 March 2019
<b>Title of Report:</b>	<b>Report on the state of Maintained Schools balances</b>
Presenting Officer:	Kevin McBlain
Reason for Submission to Forum:	(4) ITEM FOR INFORMATION
Executive Summary:	To provide members with a summary of schools where balance levels are giving cause for concern over the next 12 to 24 months; and schools which are already in a licenced deficit position.
Budget/Risk Implications:	None
Recommendations:	1. Forum is asked to note the report
Appendices (to be attached)	
Background Papers (available on request)	Quarter 2 Cabinet Member report on the state of maintained schools balances.
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## SCHOOLS' FORUM POWERS & RESPONSIBILITIES

- 1 ITEMS FOR APPROVAL (DfE can adjudicate where Forum does not agree LA proposal)
- 2 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but LA decides)
- 3 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but DfE decides)
- 4 ITEMS FOR INFORMATION (No formal view of the Forum is sought)

## **1. Background**

- 1.1 Since last Financial year, Cabinet Member for Schools and Families has received a quarterly report on the state of the maintained schools' balances with a forecast for the next two years. This was requested to raise awareness of schools causing concern over their financial viability, and to ensure that all necessary actions are being taken by these schools to plan for cost reductions or efficiencies to maintain at least a break-even position or remain in balance to avoid going into a licenced deficit.
- 1.2 With little funding growth in real terms over the last 10 years of austerity, many schools have found it tough to manage increasing cost pressures, whilst maintaining standards. Remaining financially viable is particularly difficult when pupil numbers are falling and costs are rising. If a school fails to act and plan in advance to address its financial situation it is always very difficult to avoid the ratcheting effect of getting into a deficit position.
- 1.3 Managing cost reduction often requires finding staff cost savings leading to staff awareness and restructuring, which can undermine morale and cause much turbulence that's difficult to come out of. The earliest sight of financial difficulty or warning of falling balances needs further investigation and actions put in place through clear governance to avoid going into a licensed deficit. The Schools finance team will always advise and discuss with Headteachers and bursars where there are financial issues. It is for headteachers and governors to take the necessary action to control their school spending.

## **2. Synopsis of the key Quarter 2 forecasts causing concern**

- 2.1 To protect confidentiality, the information below is anonymised and given in a summary form. Those schools in a licensed deficit position with the Authority's permission, do have plans in place and are constantly monitored to ensure actions are being implemented and all efforts are made to come out of deficit over a three-year period. This is the standard period allowed for a school to recover its financial viability. Where this is not possible higher-level discussions over future actions need to be considered with the governing bodies of those schools.
- 2.2 As at quarter 2 2018/19 there are 6 Schools who are operating under a Notice of Concern as they are projected to be in a deficit balance situation in 2018/19 or have an agreed licensed deficit agreement with the Council. These include 2 Nursery schools, one of which is due to close in August 2019; 1 Primary school and 3 Secondary schools. Most of these deficits are due to falling pupil numbers, whether through parental choice, or because they are in areas where there are more school places available than pupils. The size of the deficits vary, with the lowest under £10k and the highest in 18/19 at £709k. Plans are in place to reduce these deficits over time.

- 2.3 There are 8 Primary schools currently with surplus balances but look forecast to go into deficit in 2019/20. These are under risk but their position may change by the year end. Then there are 4 schools (1 Secondary and 3 Primary schools) where over 50% of their balances are likely to be used up in the next 12 months, which could be planned, or is giving them time to reduce expenditure and get to a balanced position.
- 2.4 There are 28 schools including: 2 Nursery schools; 7 Special / AP schools; and 19 Primary schools where balances are forecast to reduce significantly over the next two years, and in some instances, fall into deficit by 2020/21 based on current spending levels. These require further attention and understanding as to why balances are reducing so rapidly and what actions can be taken to avoid a deficit position. These forecasts can change over time, either through revised funding as a result of changes to pupil numbers, or other circumstances and where decisions are taken in good time to bring spending under control.
- 2.5 This is a synopsis of the position of maintained schools as at the end of September 2018. Schools are monitored throughout the year and issues are flagged up at the earliest opportunity.
- 2.6 Maintained schools are reminded of the fact that there should be a request to the Head of Finance in order to go into a licensed deficit position and they must agree a defined plan of action to come out of it as soon as possible in conjunction with the Local Authority.

### **3. Recommendations**

- 3.1 Schools Forum are asked to note the report.

