

General Health of Hertfordshire Schools

The preliminary medium term financial forecast for the Schools Budget over the next few years indicates that schools will experience a significant budget reduction in real terms. The forecast assumes that the Schools Block DSG is based on flat cash per pupil in this period and the Early Years and High Needs blocks increase at 1% per year. The main budget pressures are inflation, pensions, national insurance and demography.

Year	2016-17	2017-18	2018-19	2019-20
Cumulative reduction	-2.3%	-3.6%	-5.0%	-6.2%

The 2014/15 year end returns and 2015/16 forecasts for maintained schools evidence that budget pressures are already being felt by many schools, particularly those in the secondary phase. The initial global picture is yet to be qualified by discussion with the schools concerned but indicates by phase:

Nursery

- 13% (two of fifteen) of nursery schools are causing financial concern because they are planning to spend more than 75% of carry forward reserves in 2015/16

Primary

- 12% (45 of 370) of schools are causing financial concern, two finished 2014/15 with a negative balance and plan to recover this in 2015/16. 31(8%) are planning to spend more than 75% of their carry forward reserves in 2015/16. 12 are causing concern for other reasons.

Secondary

- 68% (15 of 22) schools are causing financial concern. Seven (32% of community secondary schools) are forecasting negative year ends- two already have licence deficits and five will be applying. Eight are planning to spend more than 75% of carry forward reserves

It is evident that the impact of budget pressures is greatest in secondary sector; this is primarily because of cuts to sixth form funding. The pre-election pledge from the Conservatives was for flat cash per pupil for the schools block, with no specific commitments regarding post 16. It could be therefore that the sixth form funding pressures increases further going forward further increasing pressures. There are of course, further additional pressures in secondary school budgets such as a shortage of teachers in some areas inflating salaries, which is a pressure shared in the primary phase but combined with cuts to sixth form funding is being felt more acutely in the secondary phase.

It should of course be noted that there are now very few maintained secondary schools in Hertfordshire and the data presented in this paper may not therefore be entirely representative of the secondary phase.

In the primary sector, it had been assumed that small rural primary schools would feel budget pressures more acutely first than larger primary schools. From the initial data gathered from financial returns this does not appear to have been the case yet. This is likely to be in part due to the level of funding per pupil received by small rural primary schools; the 50 highest funded schools (per pupil) are funded at more than 65% greater than the level of the bottom 50. However, smaller schools have far less flexibility in staffing structures and are more susceptible to financial shocks given that whilst they may hold reasonable balances, such balances are often insufficient to meet one-off contingent items.

Given that schools have not yet had an opportunity to provide more detail around their financial performance it would seem that those that are in deficit or causing concern in the primary sector are so because of one off contingent shocks incurred in the year such as long-term staff sickness.

The Schools Finance and Coordination team will be conducting a more detailed Financial Health Check of schools over the summer and patterns will begin to be identified. It is however assumed at this stage that secondary schools will begin to run down any budget balances rapidly over the next year and many are forecasting deficit budgets in 2016/17 and beyond. In primary schools budget balances will begin to run down at a slower rate meaning that without any changes to structures and contracts they are forecasting deficit budgets in the main from 2017/18 and beyond.