

**Report for:** Overview and Scrutiny Committee 23rd January 2017

**Item number:**

**Title:** Financial Health of Haringey Schools

**Report  
authorised by :**

**Lead Officer:** Jon Abbey / Anne Woods

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:**

**1. Describe the issue under consideration**

The financial position of Haringey schools and the financial health of Haringey secondary schools.

**2. Cabinet Member Introduction**

**3. Recommendations**

For Information

**4. Reasons for decision**

For Information

**5. Alternative options considered**

Not applicable.

**6. Background information**

Maintained schools are funded through the locally agreed funding formula. Resources allocated through the formula are delegated to individual school governing bodies that are responsible for setting and managing school budgets.

The delegated resources are from the earmarked Dedicated Schools Budget (DSG). In general terms the DSG funding per pupil has remained virtually static since 2010-11; the limited and variable increase in school funding coming from grants such as the Pupil Premium. This is in effect a cut in real terms for most schools as rising costs must be contained within this funding.

The impact of costs on schools has been particularly significant in 2015-16 and 2016-17 with increases in employers' contributions to teachers' pensions and the removal of the contracted out rebate on employer National Insurance contributions.

The situation in Haringey is better than in most Local Authorities (LAs) as the successful conclusion of the 'Fair Deal for Haringey Children' saw an increase

of £7+m per year in Haringey's DSG Area Cost Adjustment (ACA) starting in 2013-14.

In most LAs there is a differential between funding per-pupil in primary and secondary schools. This is wider than the average in Haringey because of the unusually low Planned Admission Limits (PANs) in our secondary schools, 27 compared with 30 elsewhere. In 2013-14, when the Department for Education (DfE) revised the national regulations on funding formulas, Haringey's primary : secondary ratio was 1:1.42 compared with the national average of 1:1.29.

In local formula revisions since 2013-14 the ratio has fallen to 1:1.35, but the PAN for maintained secondary schools has not changed.

A national funding formula is expected to be introduced from 2018-19 with a primary:secondary funding differential close to the national average. In preparation for this consultation is underway on amending maintained secondary schools PANs.

The Department for Education is planning substantial changes to the Dedicated Schools Budget, school organisation and Local Authority (LA) responsibilities. These were set out in its stage one consultations on a national schools funding formula, funding high needs and an early years national funding formula. Plans for changes in school organisation and LA responsibilities were set out in the White Paper 'Education Excellence Everywhere'. In preparation for a National Schools Funding Formula (NSFF) the Education Funding Agency (EFA) carried out a 'rebasings' exercise to reset the three existing blocks of the Dedicated Schools Grant (DSG) and to create a new fourth block, the Central Block that would separate out the centrally retained items currently in the Schools Block. The original intention was to introduce a NSFF from April 2017 but the introduction has been postponed for a year until April 2018. Similarly the plan to begin moving to a formula led High Needs block has been postponed but the rebasing of the block will be reflected in the 2017/18 DSG.

All Haringey schools will need to adapt to a lower level of funding to that previously received. Smaller schools will be particularly hard hit and governing bodies will need to think about the most appropriate organisational structure for their school.

The net surplus revenue balances for maintained school for the period 2012 to 2016 are set out in the table and on a school by school basis for the last three years in Appendix 1.

Phase	2012-13	2013-14	2014-15	2015-16
	£000	£000	£000	£000
Primary	3,876	6,717	7,824	6,567
Secondary	2,477	3,895	2,784	2,643
Special	193	-167	-171	-31
Nursery	166	57	32	62
Tuition Centre			54	51
Total	6,712	10,502	10,523	9,292

In addition schools may hold capital balances from unspent Devolved Formula Capital Grant and Revenue Contributions to Capital. In most years capital balances are in the region of £1m.

The significant increase between 2012-13 and 2013-14 was largely due to the improved ACA, and increases in pupil numbers and the Pupil Premium. There was also a shift of funding to primary schools from secondary schools, as the primary/secondary ratio was rebalanced.

## **Secondary Schools.**

The financial balances of secondary schools are affected by the same pressures as primary schools. The primary/secondary ratio in Haringey has been historically high to reflect the smaller secondary PAN and has been falling since 2013-14 but without any change in the underlying PAN. This has added to the pressure on secondary school budgets and the latest projected year-end revenue balances (Second Quarter monitoring returns) are set out in the following table.

School	Projected Balance March 2017	Comments
Fortismere	Deficit £341K	Licensed Deficit Agreement (LDA) in place. Deficit within agreed level.
Gladesmore Community	Surplus £1,186k	Includes significant balances from fund raising
Highgate Wood School	Deficit £201K	Exceeds LDA, governing body will be asked to submit revised LDA
Hornsey School for Girls	Surplus £16k	Significant reduction in roll and restructure.
Northumberland Park	Surplus £239k	
Park View Academy	Deficit £150k	LDA request received.
Total	Surplus £749	

## **7. The role of internal audit**

7.1 Internal Audit undertakes an annual programme of school audit reviews to ensure that schools are complying with the requirements of the Schools Finance Manual and the risks associated with the key financial and non-financial processes are appropriately managed. The audit programme is determined by a combination of risk analysis and cyclical reviews, so that all schools are subject to audit at least every four years.

7.2 Internal audit provides each school with one of four assurance ratings (Full; Substantial; Limited; and Nil) following each visit. The rating is based on the assessment of how effective the school has been in managing financial and non-financial systems. The tests which Internal Audit undertake to base the

assurance rating on have been shared with all schools and cover the following areas:

- Management organisation;
- School improvement plan and OFSTED inspections;
- Staffing;
- Budget setting, monitoring and control;
- Disbursement accounting records;
- Asset management and inventory records
- Income and lettings;
- School unofficial fund; and
- School meals

7.3 The Internal audit team have run workshop sessions for school staff (finance staff, bursars, and head teachers) over the last three financial years to assist schools in identifying key risk areas and control processes. All schools with audits planned during the year are invited to the annual workshop session. A training session on audit and risk management, covering governor roles and responsibilities in relation to audit and risk management, as well as providing advice and guidance on key risk/control areas, is also part of the training programme for school governors and is also provided on an annual basis.

7.4 When the mandatory financial assessment required under the Financial Management Standards in Schools (FMSiS) process was stopped in 2011, the number of 'Limited' and 'Nil' assurance ratings increased across all schools. Additional training and support has been put in place and performance has improved over time, with more schools achieving 'substantial' assurance. The summary over the last three financial years is shown below:

**Table 1**

	<b>Number of audits planned</b>	<b>Substantial Rating assurance</b>	<b>Limited Assurance rating</b>	<b>Nil Assurance rating</b>
<b>2013/14</b>				
Primary Schools (incl. nursery/special)	15	8	6	1
Secondary Schools	3	1	2	0
<b>Sub-total</b>	<b>18</b>	<b>9</b>	<b>8</b>	<b>1</b>
<b>2014/15</b>				
Primary Schools (incl. nursery/special)	12	4	8	0
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>13</b>	<b>5</b>	<b>8</b>	<b>0</b>
<b>2015/16</b>				
Primary Schools (incl. nursery/special)	12	8	2	0
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>13</b>	<b>9</b>	<b>4</b>	<b>0</b>
<b>Total</b>	<b>44</b>	<b>23</b>	<b>20</b>	<b>1</b>

- 7.5 Internal Audit complete formal follow up audits of all school audits; these visits are arranged in advance with schools to confirm that recommendations have been implemented. Of the 145 original recommendations made in 2014/15, 97 (84%) had been implemented at the time of the follow up visit; 2 (11%) of the 18 high priority (Priority 1) recommendations originally made remained outstanding. This represents a substantial improvement compared with the results of previous years' follow up outcomes.
- 7.6 The results of the audit and follow up visits are reported to and picked up within the School Improvement Programme; this ensures that appropriate focus on areas of control weakness are addressed.
- 7.7 **Significant audit issues reported in 2016/17.** The internal audit programme has commenced and six school visits (out of a planned total of 21) have been completed to date. This year's audit programme focused on those schools which had received a 'limited' or lower assurance rating at their last audit and/or had not implemented all high priority recommendations at the time of the follow up visit, with fewer of the cyclical audit visits planned. Of the six audits completed to date:
- One school has received substantial assurance;
  - Four schools have received limited assurance; and
  - One school has received a nil assurance rating.
8. **Contribution to strategic outcomes**  
Priority One.
9. **Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**
- Finance and Procurement**  
The Chief Financial Officer was involved in the writing of this report.
- Legal**  
The report is for information only.
- Equality**  
Equality Impact Assessments were undertaken in 2012/13 and 2013/14 ahead of major changes to Haringey's Schools Funding Formula.
10. **Use of Appendices**  
Appendix 1 lists individual school balances and is incorporated into the report.
11. **Local Government (Access to Information) Act 1985**  
a. **The Schools Budget Outturn 2015-16 and Update on the Dedicated Schools Grant for 2016-17.**

<http://www.minutes.haringey.gov.uk/documents/g7519/Public%20reports%20pack%2030th-Jun-2016%2016.00%20Haringey%20Schools%20Forum.pdf?T=10>

**b. The Schools Budget Outturn 2014-15 and Update on the Dedicated Schools Grant for 2015-16.**

<http://www.minutes.haringey.gov.uk/documents/g7076/Agenda%20frontsheet%2008th-Jul-2015%2016.00%20Haringey%20Schools%20Forum.pdf?T=0>

## **Appendix 1 School Closing Revenue Balances**

<b>School</b>	<b>Revenue Balance 31/3/14 £</b>	<b>Revenue Balance 31/3/15 £</b>	<b>Revenue Balance 31/3/16 £</b>
<b><u>Primary Schools</u></b>			
Alexandra Primary	£114,669.19	£135,999.43	£167,010.91
Belmont Infants	£56,838.89	£97,271.83	£91,508.95
Belmont Junior	£125,257.27	£130,111.55	£77,631.22
Bounds Green Infants	£49,264.41	£105,508.78	£111,266.86
Bounds Green Junior	£83,298.04	£86,789.57	£78,497.34
Bruce Grove	£31,782.00	£54,940.96	£21,160.81
Campsbourne School	£288,555.87	£267,788.21	£210,326.84
Chestnuts	£75,540.00	£35,605.13	£16,098.63
Coldfall Primary	£285,525.20	£338,411.59	£413,152.30
Coleridge Primary	-£126,043.22	£125,428.81	£149,353.67
Crowland Primary	-£18,510.59	£235,501.26	£53,036.51
Devonshire Hill Primary	£279,959.89	£329,953.54	£153,178.99
Earlham Primary	£193,579.95	£150,961.61	-£22,348.54
Earlsmead	£513,975.71	£571,087.76	£427,675.68
Ferry Lane	£20,737.42	£132,734.82	£51,221.70
Highgate Primary	£74,572.78	£26,096.02	-£59,695.58
Lancasterian Primary	£263,015.69	£232,119.41	£156,873.13
Lea Valley Primary	£295,177.93	£418,017.68	£328,376.42
Lordship Lane Primary	£300,339.66	£166,301.46	£230.01
Mulberry	£241,387.81	£400,351.14	£405,209.41
Muswell Hill Primary School	£64,337.50	£83,152.98	£109,547.47
North Harringay Primary	£98,234.49	£182,333.18	£242,081.92
Our Lady of Muswell	£142,790.87	£98,382.08	£212,194.08
Rhodes Avenue Primary	£50,674.04	£103,937.45	£99,776.05
Risley Avenue Primary	£503,027.20	£251,268.28	£183,445.37
Rokesly Infant	£47,724.05	£35,418.39	£35,480.64
Rokesly Junior	£263,077.95	£198,985.80	£227,587.17
Seven Sisters	£111,373.93	£233,873.13	£132,139.04
South Harringay Infants	£97,559.16	£71,697.08	£143,636.49
South Harringay Junior	£68,653.24	£216,660.40	£341,486.75
St Aidan's	£40,938.52	£84,069.11	£69,420.59
St Francis de Sales Infant	£164,763.55	£145,825.80	£159,943.42
St Francis de Sales Junior	£212,597.48	£170,360.31	£151,381.16
St Gilda's RC Junior	-£17,347.60	£32,431.23	£11,140.61
St Ignatius	£128,373.08	£28,598.36	£50,704.33
St James CE Primary	£65,804.73	£56,978.38	£57,682.06
St John Vianney	£156,992.29	£147,384.45	£109,433.86
St Martin of Porres	£0.00	£60,750.57	-£8,649.55
St Mary's CE Primary	£54,205.56	£100,265.59	£166,493.14
St Mary's RC Infants	£72,115.69	£84,962.29	£116,231.04
St Mary's RC Junior	£91,320.79	£95,931.18	£162,575.62
St Michael's N6	£42,989.04	£66,117.09	£72,575.76
St Paul's RC Primary	£43,027.66	£104,343.06	£82,046.87
St Peter in Chains	£69,803.52	£153,575.15	£89,185.25

Stamford Hill	£28,217.51	-£19,855.85	-£185,734.17
Stroud Green	-£30,960.00	£100,691.73	£30,718.94
Tetherdown	£64,003.19	£76,873.31	£123,267.29
The Willow	£239,013.69	£182,093.87	£359,530.84
Tiverton Primary	£265,854.98	£295,428.10	£107,298.20
Welbourne Primary	£366,564.72	£239,092.13	£183,812.02
West Green	£35,399.22	£35,303.36	£4,542.86
Weston Park Primary	£27,335.92	£65,704.10	£96,479.34
<b>Primary Totals</b>	<b>£6,717,389.87</b>	<b>£7,823,612.65</b>	<b>£6,567,219.72</b>

#### **Secondary Totals**

Fortismere	£443,384.70	£343,609.96	£230,984.36
Gladesmore Community	£2,099,742.66	£1,483,805.06	£1,779,313.11
Highgate Wood School	£334,397.42	£97,877.53	-£169,914.00
Hornsey School for Girls	£309,257.72	£291,716.87	£222,439.34
Northumberland Park	£268,682.15	£174,602.93	£238,135.61
Park View Academy	£439,664.95	£392,339.60	£342,418.52
<b>Secondary Totals</b>	<b>£3,895,129.60</b>	<b>£2,783,951.95</b>	<b>£2,643,376.94</b>

#### **Special Schools**

Blanche Nevile	-£39,758.88	-£113,001.96	-£18,775.33
Riverside	£34,955.18	£84,903.74	-£7,366.64
The Brook	-£323,139.09	-£304,643.82	-£248,815.28
The Vale	£161,269.10	£161,351.42	£243,735.60
<b>Special Totals</b>	<b>-£166,673.69</b>	<b>-£171,390.62</b>	<b>-£31,221.65</b>

Pembury	£27,769.27	£817.71	£1,641.99
Rowland Hill	-£7,965.73	-£23,534.32	£7,949.40
Woodland Park	£37,240.68	£54,939.78	£52,596.83
<b>Nursery Totals</b>	<b>£57,044.22</b>	<b>£32,223.17</b>	<b>£62,188.22</b>

<b>Tuition Centre</b>	<b>£0.00</b>	<b>£54,497.00</b>	<b>£51,054.85</b>
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<b>Total</b>	<b>£10,502,890.00</b>	<b>£10,522,894.15</b>	<b>£9,292,618.08</b>
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<b>School Capital Balances</b>	<b>£1,215,662.51</b>	<b>£1,182,750.40</b>	<b>£1,150,909.28</b>
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<b>Total Balances</b>	<b>£11,718,552.51</b>	<b>£11,705,644.55</b>	<b>£10,443,527.36</b>
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