

Agenda Item



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 27th February 2020

Report Title: Schools in Financial Difficulty Support Programme

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Purpose: To update the Schools Forum on Schools in Financial Difficulty Budget

Recommendations:

1. Schools Forum to agree Schools in Financial Difficulty Budget to support schools with Deficit and cash flow problems

1. Background and Introduction

1.1. Schools have delegated authority to manage their budget on behalf of the Council. The Local Authority is not responsible for academies' financial management as they are governed by the central government and academy legislation.

1.2. A Contingency Fund for Schools in Financial Difficulty has been de-delegated by maintained Primary and Secondary schools from their school budget share every year for helping schools in financial difficulty when faced with exceptional circumstances.

1.3. Under the present service model, schools manage their own finances, and do so in a variety of ways:

- **Directly employed staff**

The current cohort of school business managers require support in day to day management of their school's finance and due to identifiable skills gaps, they are not able to provide an appropriate and robust financial forecast or support their school's senior leadership team.

- **Contracted external advisors**

Schools use several external providers, who may or may not be a suitably qualified accountant. The services they provide are limited to day to day operational level which should be dealt and performed by the school's business manager. There is no strategic support provided to business managers or to the school's senior leadership team.

1.4. However, quality assurance issues identified by the school finance with the present arrangements in our schools include:

- Inaccurate budget forecast forcing school in financial difficulty.
- Missing cash flow forecast or not enough skills to calculate working capital requirement for schools.
- No key performance indicator set to monitor schools' financial performance.

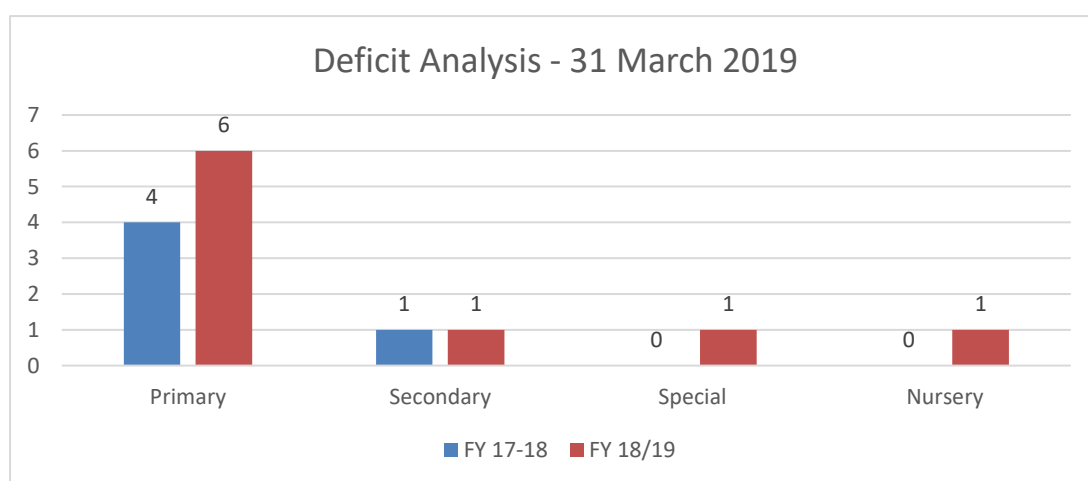
1.5. In light of the above issues, we have recently started a new in-house finance management consultancy services to provide strategic advisory support to our schools in Haringey at cost. The new team will operate in a professional manner and will consist of suitably qualified accountants with school business management experience. The new team will be managed and run by the school finance team.

1.6. This paper sets out the 2019-20 programmes that were developed and established to support school's in financial difficulty following approval from school forum in October 2019: It is a brief of the actions and achievements

of the newly introduced Traded Element of the School’s Finance Team and details the proposals for the need for further funding to sensibly sustain and grow the service to implement greater financial resilience in Haringey Schools. Whilst concentrating on school that pose a risk of entering into a deficit position, we will encourage sustainable and proactive financial good practice to any other schools that require support. This proposal explores in greater detail our business plan, including potential risks, milestones, and how the service could be structured and its financial implications.

2. Schools in Financial Difficulty Updates

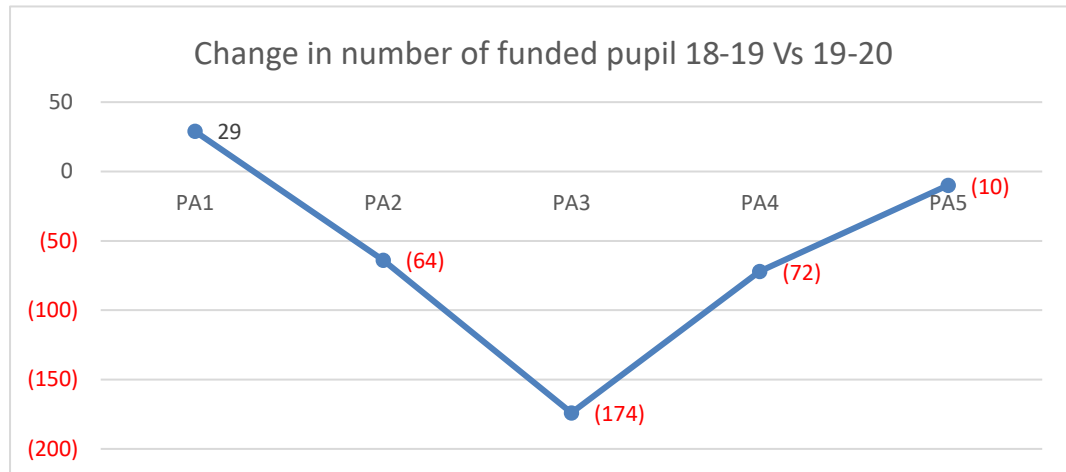
2.1. The following analysis shows that 9 schools reported a commutative deficit as at year ended 31 March 2019.



2.2. The graph shows the number of schools in deficit as at 31 March 2019 as compared to last year. The analysis shows that the numbers of schools in deficit have increased at primary level as compared to last year.

2.3. The latest Greater London Authority (GLA) school roll projections project that demand for reception places will continue to reduce for the next ten years. The pattern of reducing primary demand in Haringey is consistent with many other London boroughs. The place planning projections show the reduction in the birth rate for each planning area for Haringey Council. The data in the graph will help schools and the Council to project patterns of demand for school places up to 2028 and, in turn, the impact on schools’ funding over the next 10 years. A more detailed analysis of demand for school places can be found in our annual School Place Planning Report at www.haringey.gov.uk/schoolplaceplanning.

2.4. The following graph represents changes in pupil number from 2018-19 to 2019-20 by planning area (PA). The graph represents PA 2, 3, 4 & 5 experiencing a reduction in pupil numbers which has a financial implication on schools’ budget.



2.5. We will need to work with the school to ensure schools are ready for the change and produce a robust financial planning for the next 5 years to ensure that correct staffing ratio has been adopted to deal with the financial risk associated with the reduction in pupil numbers

2.6. The Department for Education says that the overall financial picture across the state school sector is more positive. "The report itself shows 94% of academy trusts and almost 90% of local authority maintained schools are reporting a cumulative surplus or breaking even - and, 45% of maintained schools have even been able to increase the level of their cumulative surplus in 2017-18," source: <https://www.bbc.co.uk/news/education-46826990>

2.7. The analysis shows for Haringey Council that 86% of all our Haringey schools are reporting a cumulative surplus or breaking even and 44% of our schools reported an in-year deficit in 2018-19.

3. Updates for 2019-20

3.1. Currently three schools have requested an application form to apply for the schools in financial difficulty fund. However, the panel has not received any formal applications for funding from schools

3.2. In October 2019, we asked School Forum to agree to use part of the schools in financial difficulty budget to fund additional resources within the LA to support schools who are experiencing financial difficulty or challenge. This was agreed in principle in October 2019 School Forum.

3.3. We are working with six schools in financial difficulty without applying any additional charges to those schools for this financial support. We will continue to work with schools to ensure that we provide strategic and timely support to school headteachers and business managers in the financial management of their schools.

4. Proposal for 2020-21

- 4.1. The proposal below is to undertake a strategic programme of work with schools in financial difficulty without those schools incurring additional costs by procuring resources externally, some of which we have found to be of low quality.
- 4.2. The school in financial difficulty will be assigned with a specialist finance officer to work closely with headteachers and SMBs in developing medium- and long-term financial strategies including recovery plans. The scope of work will be determined with the headteacher and SBM before the assignment has been taken place.
- 4.3. We envisage to allocate maximum of 10 on site visits (10 full working days) per school per year. Any additional resources required by the school will be subject to a chargeable SLA agreed in advance with the headteacher.
- 4.4. There is a need for a 'break-even' analysis for schools in financial difficulty and benchmarked schools' performance with other similar schools to highlight redundant costs which help to reduce the deficit. This work will also help schools to identify the minimum pupil numbers required to run a school without going into deficit. A model will then be developed which can be used as a guide for schools' leaders and schools' governors, and which supports them through a period of falling rolls in primary and rising rolls in secondary.
- 4.5. Where the school submits a deficit budget, the Chair of Governors and Headteacher will formally notify the Council of their application to apply for a Licensed Deficit. A meeting will be arranged with the school to review the school's deficit with the school required to submit a deficit recovery plan to ensure that measures will be taken to reduce the deficit and repay the loan to the Local Authority over a period of three years.
- 4.6. Schools with deficits are recorded on the Council's risk register and also discussed as part of a termly Schools Management Intelligence Group (SIMG) which brings together officers from all services and helps to ensure that there is an appropriate level of support being given to schools in relevant areas by the Council.
- 4.7. Strategy for supporting schools

Below is a list of programmes and processes we will establish to secure and retain sound financial management where it isn't currently evidenced within the schools.

- Integrated curriculum led financial planning for schools
- Develop and Implement Management Information System
- School with deficit required to submit a deficit recovery plan
- Submission of quarterly budget monitoring reports along with full set of accounts
- Cash flow forecasts

- Indicative Budget templates and training for schools leaders and school governors
- Supporting schools with financial difficulty progress tracker

4.8. LA financial procedure and scheme of financing school states:

“Where schools are unable to manage their finances by way of a deficit reduction plan with the support and guidance provided, Haringey may be required to exercise its responsibility to intervene and remove financial delegation.”

This action would only be considered as a last resort.

4.9. Haringey’s intention is to provide a more proactive approach to schools in providing support and guidance on financial management as and where it is required and in a timely manner.

4.10. A recent communication from the DfE states that maintained schools will be required to provide enhanced financial reporting on the following key issues:

- Issue 1: Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections
- Issue 2: Strengthening DSG annual assurance returns
- Issue 3: Maintained schools are not required to provide local authorities with 3-year budget forecasts
- Issue 4: Strengthening Related Party Transaction arrangements in maintained schools
- Issue 5: Maintained Schools internal audit is too infrequent
- Issue 6: Strengthening arrangements to help schools that are in financial difficulty
- Issue 7: There is not enough transparency when it comes to reporting teachers’ pay scales

It should be noted that this will require funding to facilitate this support.

4.11. Please also see attached a presentation on schools traded services offer for school.

5. Haringey Schools Data Collection portal

5.1. We are currently in an initial development phase of data collection portal which will roll out in 2 phases:

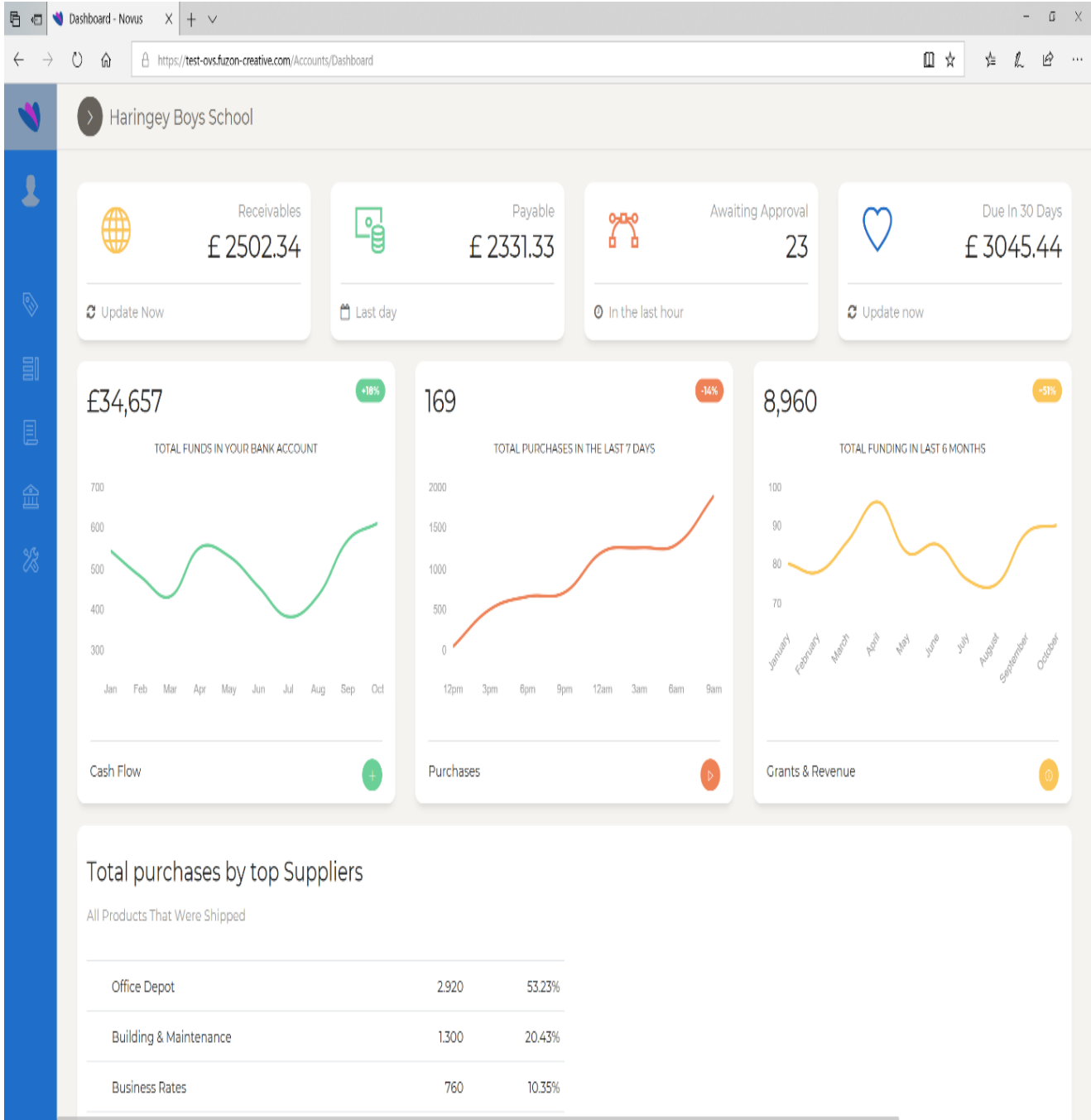
- **Phase 1:** March 2020 – all schools required to submit their year-end financial statements using our web-based data collection portal. This efficiency measure will save time for SBMs because the portal has a data validation function. That will support reconciliation processes before schools submit their financial statements to the Council.

- **Phase 2: April 2020 – June 2020 – extending data collection portal functionality to replace schools existing accounting system. The new system will provide following advancements:**
 - Dashboard reporting for schools' leaders and council (see note 5.4)
 - Cloud base system with interface to Haringey data collection portal.
 - Accrual accounting system help SBMs reconcile period ends accounts
 - Income statement and balance sheet production from the system helps with the reconciliation and cash flow forecasts.
 - Auto Invoice feed - Invoices entered into the system via emails without manual inputs
 - Auto bank reconciliation using bank feed and bank upload make bank reconciliation quicker through automation
 - Online purchase orders, Invoicing and payment approval
 - All accounting returns submitted to the council via the portal provides a paperless audit trail.
 - Link DfE benchmarking tool to analyse school data over the last 5 years

23 schools have signed up with the new system for implementation from April – June 2020.

- 5.2. The Council has already funded phase 1 of the project from its general funds.
- 5.3. We recommend that Phase 2 of the project should be funded from the schools in financial difficulty fund. Please see proposal in section 8 financial implication.
- 5.4. On average a school spend around £1,500-£1,800 per year on existing providers on multiple applications. Our proposal recommends a single system for all our schools. We recommend the cost of Phase 2 is funded by the schools in financial difficulty budget which will achieve estimated savings of £96,000 (£1,500 x 64 Schools) per year for schools for the next 2 years.
- 5.5. Schools will be responsible for procuring the system via Haringey Schools Finance from year 3 onwards at an annual cost of £750-£950.

5.6. A screenshot below represents Schools KPI Dashboard for schools headteachers, governor and council. The dashboard is developed by Haringey Schools Finance, will be in place by September 2020 for schools included in the first pilot programme and April 2021 for the rest of the schools in Haringey.



6. Potential Risks

6.1. The following table highlight key the risks associated with the delivery model:

Risks	Description	Response	Risk Rating
Service performance and quality	Ensuring the high level of performance and outputs are maintained.	Services Level Agreement (SLA) with schools in financial difficulties. Half yearly reports on performance to the Schools Forum. Qualified accountants with strong technical accounting knowledge.	Low
Financial Implications	Financial Implications to maintain services post 21-22.	Standards SLA will be cost neutral for schools in financial difficulty. Schools contribution will be required post 21-22 should school still require the services from the council.	Low
Succession planning	Succession planning to maintain consistency of services	Agile working practices to be adopted, shared knowledge and skills practised throughout the team. Focus on recruitment of local apprentices working towards professional qualification who will be able to cover gaps by any leavers to the organisation.	Low
Redundancy	Potential redundancy costs for staff	Any additional costs will be met by additional services provided to schools under the SLA.	Medium

7. Financial Implications

7.1. The following section sets out the total funding required for the development of service for the next two years. It is anticipated that with the introduction of the new service, along with the intelligent financial system, will help

schools be more efficient in delivery of their school's budgets, reduce schools' deficit and licence deficits in future.

- 7.2. School forum of October 2019 has approved £100,000 each year for two years to support this programme.
- 7.3. The table below shows the sources of funding from the current financial year 2019-20 and 2020-21.

Funding Sources	2019-20	2020-21
Business Rates Refund	£100,00	£100,000
Schools In financial Difficulty	£120,00	£120,000
Total funding required	£220,000	£220,000

- 7.4. Table below shows planned expenditures for 2019-20, 2020-21 & 2021-22.

Description	2019-20 Projection	2020-21 Budget	2021-22 Budget
Staffing	35,000	£196,000	£196,000
Schools Financial Systems	-	£24,000	£24,000
Total expected expenditure	£35,000	£220,000	£220,000

- 7.5. The staffing profile being considered for the programme is given below:

1. Recent School Business manager experience
2. Headship experience
3. Professional Qualification or working toward qualification (CCAB)
4. Apprentices (AAT, Accounting & Math)

As part of our succession planning, we priorities recruiting local apprentices to our new team. We will work with our sixth form colleges in Haringey to offer an apprentice programme to young people to join our team from September 2020. We will also use the Apprentice levy fund for qualification and training purposes for all new apprentices.

8. Key Milestones





Description	2020-21	2021-22
Design scope of work	November 19	
Allocation of staff	March 20	
Launch of Finance SLA offer	April 2020	
System implementation	April 20 – June 20	From April 2021
Recruitment of apprentice	September 2020	

9. Recommendation

- 9.1. The School Forum is asked to agree to use £120,000 from schools in financial difficulty contingency budget to develop Local Authority support programme for schools in financial difficulty and to support schools in meeting their enhanced reporting requirements by the Department of Education. This includes the following:
- School Business Manager training
 - Head Teacher Training and new Head teacher induction days as required
 - Governor Training programme
 - Implement Risk registers for all our schools
 - Implement Integrated curriculum led financial planning
 - Assist school to develop and implement a robust 3-5 years budget forecast in line with place planning analysis
 - Develop deficit recovery plans for schools in financial difficulty
- 9.2. The Local Authority finance officers have already delivered various training sessions to the School Business Managers and have received positive feedback from SBMs and Headteachers. Please see Appendix A of this report for more information to support this.
- 9.3. In view of the emerging financial modelling figures of the proposed National Funding Formula, we will work with schools and governing bodies to review their respective school's budgets and organisation structures on a termly basis to ensure that the school is able to continue as a financially viable entity, particularly given the challenges ahead with falling rolls (which we expect to reach the secondary schools phase around 2025).

Appendix A

Response from School Business Managers to finance training from the LA.

 To:  Ali Muhammad
Cc:  Bugnosen Kristian
Retention Policy: Haringey Global Retention (7 years)
 You forwarded this message on 23/01/2020 13:50.

Expires 21/01/2027

Hi Ali and Kristian

Just a brief note to thank you very much for the presentation today - it was very informative and useful. Everyone there agreed that the changes in Haringey Finance Team have been very positive for schools. We look forward to hearing more on February 7th.

I am interested in Traded Services offering BTW!

Thanks

Sent: 16 October 2019 09:49
To: Schools Returns <s-SchoolsReturns@haringey.gov.uk>
Subject: Re: Haringey School's Finance - School Business Manager's Termly Update - October 2019-20

Thank you for your email. I have found the breakfast meetings very useful and the website looks very good. It will make our work a lot easier in the future.

Do you know when we will be getting our log in and password details for this?

Many thanks
Kind regards

Response from a Head teacher to finance advice from the LA

Dear Ali and Yayah,

Thank you both for making the time to meet with us yesterday. We found your input and suggestions of how to move forward very helpful and the meeting very supportive. We are looking forward to working in partnership with you to resolve the school's financial issues and to achieving the very best for the children at ~~St. Mary's~~.

Best wishes,