

**Agenda Item
9**



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 25th June 2020

Report Title: School's Finance Support Offer- Update on Schools in Financial Difficulty

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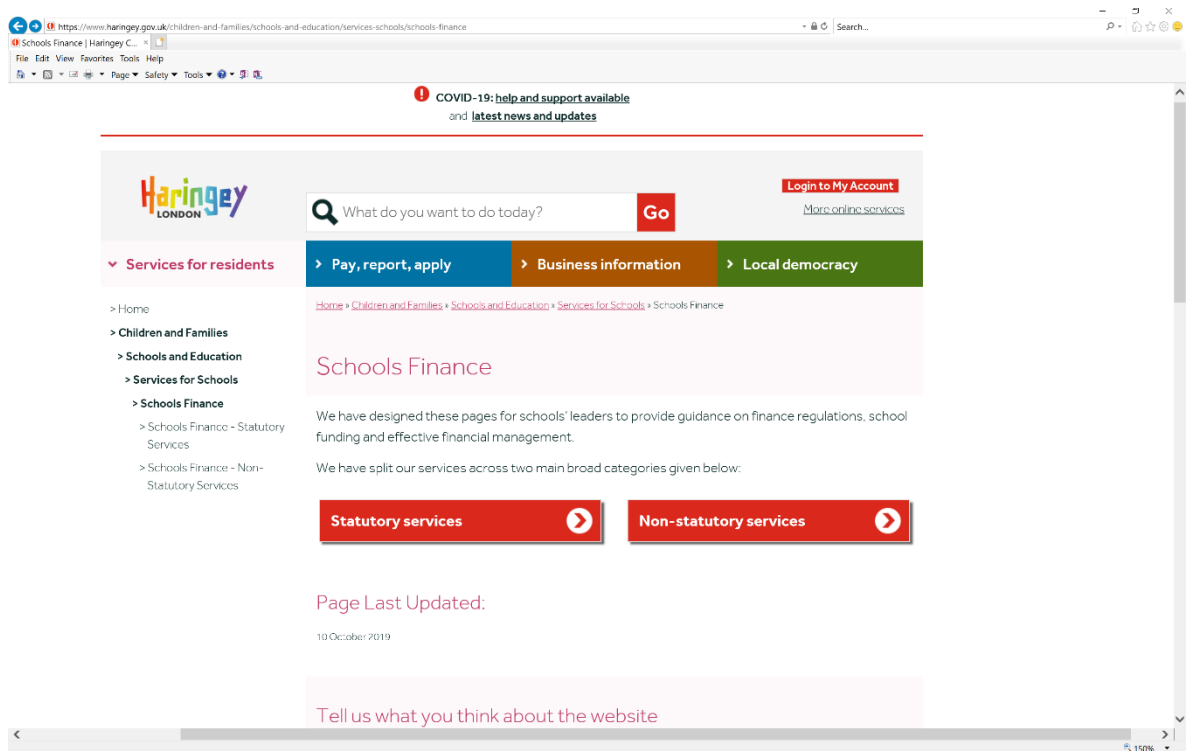
Purpose: To re-affirm to Schools Forum the LA's School's Finance Team roles for the year and the support available for schools in financial difficulty.

Updates:

1. Schools in financial difficulty programme.

1. Background and Introduction

- 1.1. This paper is setting out the how School's Finance are supporting Schools Finance Management across Haringey with the emphasis on the School's in Financial Difficulty programme aimed at supporting existing schools in difficulty and those at risk of entering into further financial hardship. The paper will detail current arrangements and the process followed to support better financial management.
- 1.2. The School Finance Team's statutory function is to provide funding information to schools and to work with Schools Forum to agree funding allocations for schools.
- 1.3. We publish all funding information on our webpage (see 1.6 below) to enable schools to find information they need easily. We are continually working improve functionality of this webpage and its resources.
- 1.4. We provide a finance monitoring role to ensure that all accounts are compliant with the Consistent Financial Reporting (CFR) format and are compliant with the Council's Statement of Accounts.
- 1.5. We deliver workshops to ensure that all schools have been provided with information on changes in the funding allocations and reporting requirements.
- 1.6. We also intend to publish newsletters on our webpage to keep schools' leaders informed of important updates.



- 1.7. Website: <https://www.haringey.gov.uk/children-and-families/schools-and-education/services-schools/schools-finance/schools-finance-statutory-services>

2. **Schools Finance Structure:**

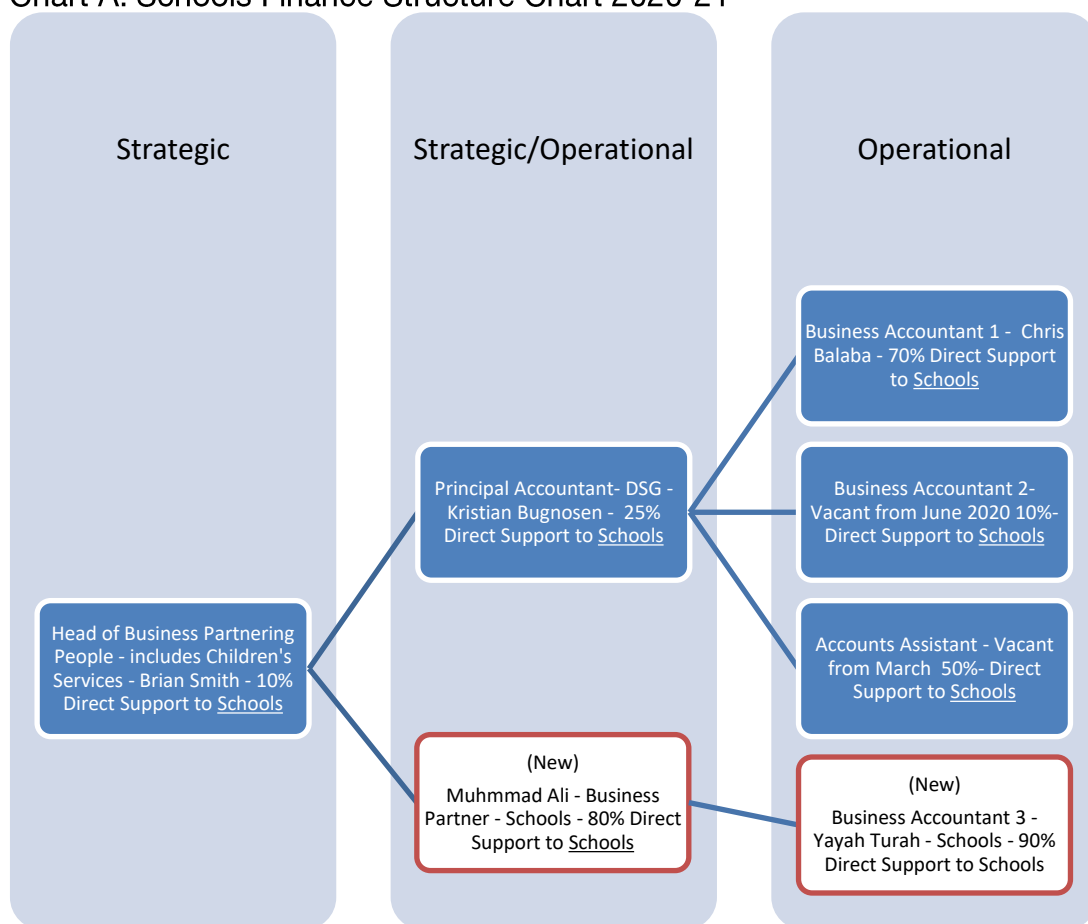
The direct support to Haringey Schools from the LA via the School's Finance Team has undergone massive changes in the last 3 years. Only 1 member of staff in the current structure has been in Haringey for a period of over 18 months. This structure is looking to building a qualified and stable support to Haringey Schools. The main roles and responsibilities are demonstrated in Table A:

Table A: Schools Finance Roles and Responsibilities

Role	Statutory	Non-Statutory (Value Added)
Budget Planning	School Budget (APT) Authority Performance Tool	Enhancing Schools Finance management.
	Schools Financial Procedure Manuals	
Cash Flow Management	Licensed Deficits	
	Schools Cashflow	
Budget Monitoring	Quarterly processing of Schools Return (CFR Returns)	Enhanced Analytical reviews of returns - for KPI building and benchmarking.
Year End/Accounts Closure	Collation of Income and Expenditure / Balance Sheet - Final Accounts.	
	Manage External Audit	
Risk Management	*Schools in Financial Difficulty - Identification.	*Schools in Financial Difficulty - Preventative Measures
	Maintain Risk Register / MTFS (Council)	SFiD: includes Business Plan, Cashflow Forecasting etc. See section 4 for further details.
Government Reporting	DfE Returns	
	Schools Returns – Section 251s	
Other		Specialised Training: including presentations to School Business Managers, Headteachers and Governors.
Other Business as Usual - Various Schools queries and investigations		

The Schools Finance Structure chart A below details the current structure and staffing levels that directly support Haringey Schools as at June 2020

Chart A: Schools Finance Structure Chart 2020-21



- 2.1. Schools Finance Team have operated with some vacancies throughout the 2019-20 financial year but have managed to fulfil their statutory duties and introduce a Schools in Financial Difficulty programme.
- 2.2. One of the Business Accountant posts has been filled by the former Accounts Assistant who earned a successful promotion. The other Business Accountant post was filled by a Graduate Trainee on rotation and has now rotated out. This post has been recruited to with the successful candidate poised to join in August.
- 2.3. The Schools Finance Team consists of 7 Full Time Equivalent posts. In terms of direct support to Haringey Schools. The actual support is the equivalent of 3.35 FTE, with the rest of the time supporting the other DSG Blocks or Council Services. *The percentage direct support to schools is the planned support of an individual post's time and capacity.

- 2.4. Table B below demonstrates the funding source and share of these individual posts:

Table B. Schools Finance Post Funding Splits.

Post Funding Sources	Funding Source LA	Funding Source External
Post	LA's GF	Schools Traded Services -including chargeable to SFID fund and any bought in services.
Head of Business Partnering People (Including Children's Services & Schools)	100%	
Business Partner Schools	20%	80%
Principal Accountant (DSG)	100%	
Business Accountant (DSG)	100%	
Business Accountant (DSG)	100%	
Business Accountant (Schools)	10%	90%
Accountants Assistant	100%	

- 2.5. Funding for the five posts – the Head of Business Partnering, Principal Accountant DSG, 2 Business Accountants and the Accounts Assistant - are predominantly sourced from the General Fund, with a small contribution from the CSSB. These are permanent posts in the LA structure and predominantly handle the Statutory Services of Schools Finance.
- 2.6. The Schools Traded Services offer support to schools with the non-statutory aspects of Schools Finance and provides 2 key functions:
- bought in support to Schools based on a Service Level Agreements as detailed in 'Schools Traded Service offer;
 - supporting Schools in Financial Difficulty.
- 2.7. The Traded Service arm of School's Finance is currently represented by the Business Partner and Business Accountant for Schools - and are funded from bought in business from Schools and the DSG through the Schools in Financial Difficulty allocation – as “start up”. These posts are Fixed Term and are considered “value added” as they provide outputs outside of the LA's statutory functions.
- 2.8. With a brief to provide preventative measures to stop schools slipping into financial difficulties and improve financial standard to customers, ²the posts were created in response to improvements in Budget Monitoring and Setting as identified and first raised at the School's Forum meeting on 11th July 2019 via the report “Dedicated Schools Budget Strategy 2019-20”.

¹ <https://www.minutes.haringey.gov.uk/documents/s115110/Appendix%20B%20-%20Presentation%20Support%20Pacakges.pdf>

² As highlighted in Item 4.10 of Dedicated Schools Budget Strategy Schools Forum 11-07-19 – The quality of reporting and information provided to School's Senior Leadership in some Schools was not adequate to aid in effective decision making.
<https://www.minutes.haringey.gov.uk/documents/s110355/item%208%20DSB.pdf>

- 2.9. The Business Partner for Schools post is currently held by Muhammad Ali – who was initially brought in as interim Principal Accountant DSG (a post now filled permanently by Kristian Bugnosen as of May 2019). The Business Partner post has been labelled Schools Finance Advisor in Schools Forum Minutes and ³£100k from “Rates Relief Fund” per year over two years supports the funding of this post through the SFiD programme. This was clarified in February 2019 Schools Forum.
- 2.10. Each individual post has a particular focus, with strategic roles focussing on addressing policy, strategy and implementation and the operational roles supporting Schools with matters “on the ground”.
- 2.11. The size of the team does mean that there are risks in capacity and quality of outputs if vacant posts remain unfilled for any significant period of time (the ability to operate efficiently during pressure periods) or significant outward movements in personal (talent drain). There is also a limitation to the number of schools that can be supported that: a) want to buy in LA Services and b) show signs of falling into financial difficulty.
- 2.12. To address these risks, we want to ensure that staff members are retained and settled for a long-term period. There is a need to produce a systemised way of working, including effective automation (the use of the web portal for example) and so thus allowing effective processes and procedures that have not existed before to be put in place. The team ethos at the core of staff operations is to promote sustainability and effective transition arrangements.⁴ This will allow greater transparency for all stakeholders to provide assurances of the LA’s ability to support Schools and build positive relationships.
- 2.13. Growth in the team will be based on sustainability of high standards and the demand from Haringey schools for buying LA non-statutory services, as well as the increase in risk of schools numbers heading towards financial difficulty and declaring licensed deficits, including falling rolls.
- 2.14. A proposed enhancement of this structure is referenced in the report Schools in Financial Difficulty Support Programme presented at Schools Forum on the 28th of February 2020.⁵ It recommended to utilise unspent funding on a School Finance Management activities covered by the “Value Added” (non-statutory) operations that Schools Finance provide to Schools.

³ As highlighted in 8.10 of Minutes of Schools Forum 17-10-2019

<https://www.minutes.haringey.gov.uk/documents/s113153/item%204%20mins%2017.10.19.pdf>

⁴ As highlighted in Item 8.8 of Inquorate Minutes School Forum 11-07-19 – “From Local Government Association peer review the need for LA’s to rebuild infrastructure to regain confidence and trust from Schools”. <https://www.minutes.haringey.gov.uk/documents/s111970/item%204%20Minutes11.07.19.pdf>

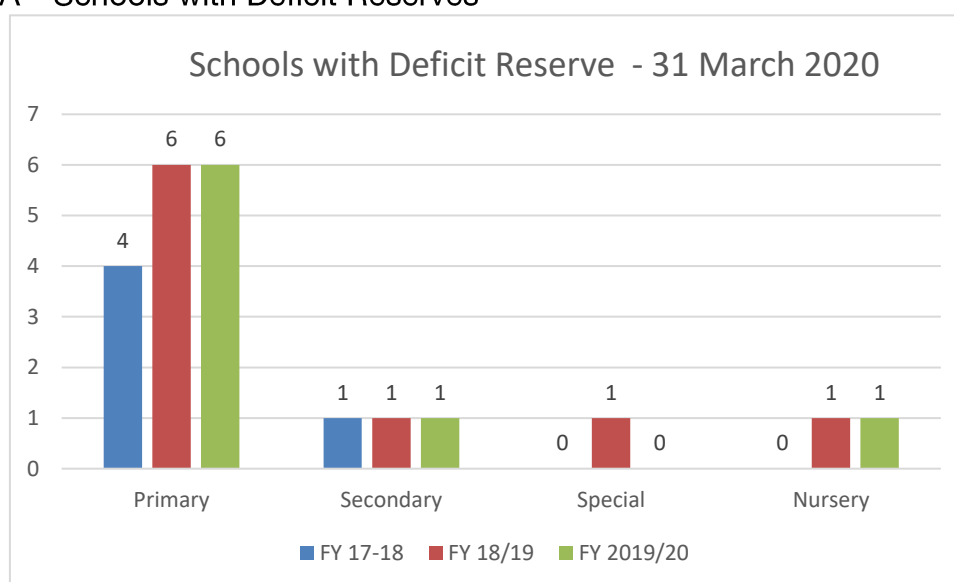
⁵ As highlighted in Item 9 of Schools in Financial Difficulty Support Programme 28-02-2020. Options were listed to utilise carry forward unspent School’s in Financial Difficulty funding.

<https://www.minutes.haringey.gov.uk/documents/s115109/Contingency%20for%20Schools%20in%20Financial%20Difficulty%202020-21-%20v6.pdf>

3. Schools Reserve Balances and Schools in Financial Difficulty Updates

3.1. Graph A below represents the current number of schools in deficit as at 31 March 2020 as compared to 2017-18 and 2018-09. The following analysis shows that 8 schools reported a commutative deficit as at year ended 31 March 2020. There is no longer any special School's in deficit, but the number of schools in primary, secondary and nursery remain at the 2018-19 levels.

Graph A – Schools with Deficit Reserves



3.2. Financial year overview represent movement in schools reserve balances from 2018-19 to 2019-20.

Table C – School Reserve Balances

Financial Year Overview	FY 18/19	In year Change	FY 19/20
Primary	7,836,837	-1,816,072	6,020,765
Secondary	1,311,834	23	1,311,857
Special	484,010	176,600	660,610
Nursery	41,653	95,474	137,127
Total	9,674,335	-1,543,976	8,130,359

3.3. Table C School Reserve Balances demonstrates that the 2019-20 deficits have reduced the overall Schools Balance Reserve.

3.4. 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 a reduction in the birth rate for each planning area for Haringey Council. The data in the graph helps schools and Haringey School Place Planners 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.

- 3.5. We worked with 5 school in the financial year 2019-20. We have identified 12-15 schools who showed an in-year deficit during the financial year 2019-20, meaning that these Schools had to utilise their reserves. We plan to engage with these schools for 2020-21 to support each school with managing their budgets. The process is described in Section 4 – Schools in Financial Difficulty Programme.
- 3.6. These schools are considered at risk because they meet the following factors:
 - Material changes - from a surplus balance to deficit balance from last year to this. e.g. 2018-19 declared 400k surplus. 2019-20 declared £158k deficit.
 - Utilising a significant percentage of the existing reserve. e.g. 40% was the largest identified.
 - Increased usage of Cash Flow Advances from LA.
 - Continued growth in deficit reserves.
- 3.7. To reaffirm, the School in Financial Difficulty (SiFD) Programme is open to all Schools; not just those already in financial difficulty or who require Finance's support. We aim to provide a financial health check to all our schools by way of using our data collection portal (Novus) – to promote production of timely KPI's for the headteacher and school governors. Novus will allow collation of information and produce reports for data analysis and benchmarking.
- 3.8. We will review Q2 returns and the financial history of schools in October of every year to monitor if any support is required for schools or if they require SiFD programme support from the Council.

4. Schools in Financial Difficulty Programme

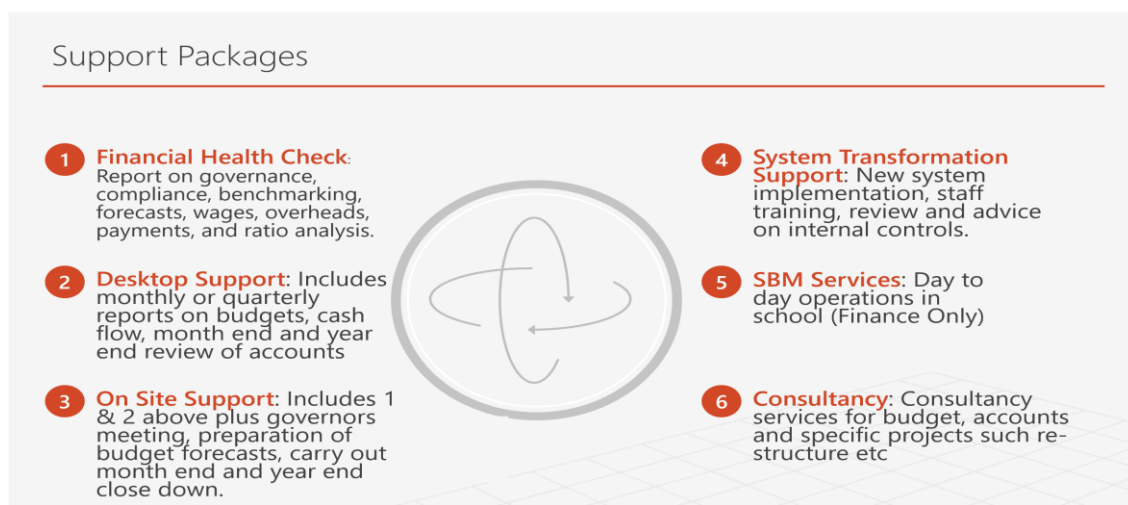
Whilst we hope that measures can be taken to avoid a School being deemed as being in “Financial Difficulty”, table D below details the criteria that confirm a schools status as a School in Financial Difficulty and the SLA outcomes Schools Finance will support the Schools with.
Table D Schools in Financial Difficulty SLA.

Schools in Financial Difficulty	
Risk Based Scoring Model (Oversight Role)	Service Level Agreement (Supportive Role)
1. Cash flow advance	• Short term MTFS
2. Deficit review over the last 3 years	• Monthly budget monitoring
3. Salaries cost above average threshold	• Integrated Curriculum led financial planning - 3 years
4. No SBM	• Cost of delivery model
5. Quality of Accounts submission	• Financial Benchmarking
6. Internal Audit report	• Procurement and contracts review
	• Back office function (VFM)

5. Support Packages to schools with financial difficulty

Table E details the core functions that Schools Finance will implement to support a school deemed as in Financial Difficulty. Not all packages will apply so a bespoke offer is offered to provide the right support to a School’s specific needs.

Table E Schools Finance Support Package



The levels of support to these packages are as follows:

1. Financial Health Check - 2 days per school
2. Desktop Support - 5 days or 12 days per year
3. On Site Support - 4 days or 6 days per year per schools
4. System Transformation – 5 days per school

6. Scope of work

The scope of the work includes:

1. Annual budget forecast preparation for:
 - a. School
 - b. Governors
 - c. Local Authority submission
2. Automation of schools accounting system with the spreadsheet for budget forecast and LA reporting
3. Development of budget forecast excel template for your school
4. Preparation of monthly and quarterly financial forecast in line with any changes in funding or staffing structure
5. Budget monitoring report including variance analysis along with action plan for any adjustment
6. Financial Health check to ensure your school is compliant with Internal Audit program
7. Preparation of 12-month Cash flow forecast to identify your school’s cash flow requirement over the next 12 months
8. Review of Consistent Financial reporting and reconciliation of your grant income to ensure your school is compliant with the LA reporting

9. Review of control accounts such as payroll reconciliation and VAT reconciliation
10. Advice and support with VAT, accounting for capital projects, financial systems, financial reports
11. Assistance with month end and year end submission of accounts to the LA
12. Assistance with the preparation of SFVS
13. Helpdesk support providing prompt response to all financial queries
14. Training
 - a. Headteacher
 - b. Finance
 - c. Governor

7. Our Planned Staffing profile

We propose the following staff members:

1. Professional Qualification or working toward qualification (CCAB)
2. Member from DSG working group with headship experience for complex staffing structure review
3. Apprentices (AAT, Accounting & Math)

As part of our succession planning, we will prioritise 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.

Schools Finance have met with Haringey Human Resources to start the process of advertising and contacting local 6th form Colleges. But Covid-19 has meant an overall recruitment freeze in the borough and presented other logistical problems. It is still hoped recruiting by September 2020 can progress.

8. Annual Budget Plan

As detailed in the paper, Schools in Financial Difficulty dating from February 2020 Schools Forum, a total of two years for this programme is detailed in the table below.

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

The table below demonstrates the proposed utilisation of funding:

Description	No. of schools	Cost	Total 2020-21
Standards SLA 8-10 days per year	20	£7,500 per year	150,000
Schools systems	64	Annual	£24,000
Consultancy fees to Headship	20	£750/day	£18,000
Apprenticeship*			£24,000
Total Expected Budget			216,000

* average cost of apprenticeship with AAT qualification

* utilise apprenticeship levy funds to support trainees for AAT or CCAB.

9. Closing Statement

This paper is presented to highlight the School's Finance support to Schools. Detailing out statutory obligations as well as the value-added arrangements in place to support School's Financial Management – whether they are at risk of entering into a Licensed Deficit or are already in financial difficulty. The paper highlighted the progress that has been made in supporting schools since the move to greater pro-active arrangements to support schools before their financial positions worsen. This reinforces the work that School's Finance have made to deliver a Schools in Financial Difficulty programme as detailed in the February Schools Forum.