

**Agenda Item
9C**



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 14th July 2022

Report Title: Schools in Financial Difficulty Update

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Purpose:

1. Update on Schools in Financial Difficulty.
2. Updates on Haringey support to schools.

Recommendation:

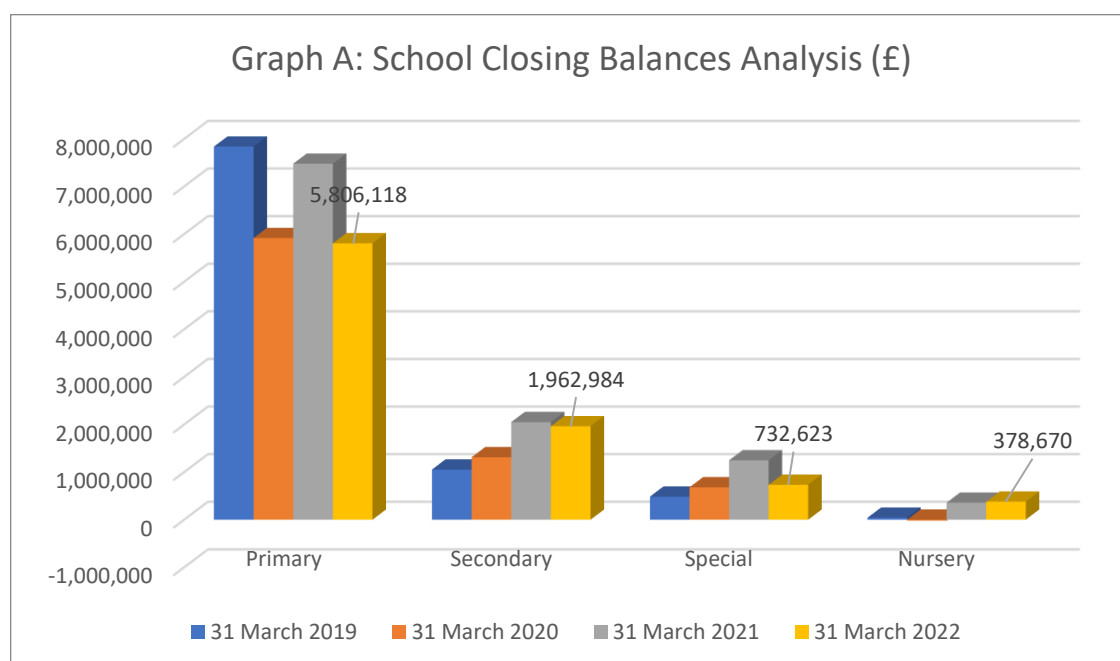
1. To note the latest number of schools and cashflow advanced to schools
2. To note the main contributory financial factors adversely affecting schools and to note the council responses

1 Introduction.

- 1.1 This report provides an update on the schools' year end balances over the last 4 years to 31st March 2022.
- 1.2 The report provides an update on number of schools with a licenced deficit and cash flow advances, with the movement of the total number of deficits funded by Haringey Council.
- 1.3 The report also provides an update on the main contributory factors adversely affecting schools' finances and their ability to set and maintain a balanced budget.

2 Analysis of Schools balances as of 31st March 2022

2.1 The Graph A represents school closing balances over the last 4 years. For all school settings balances have decreased by 6% (£0.5m) since 2019. During the same period primary school balances have decreased by 26% (£1.8m) and secondary school balances have increased by 87% (£0.9m). The overall balances do not show that more primary schools now have depleted balances and a few have gone into deficit.



2.2 The Table A represents number of schools in deficit over the last 4 years.

Table A: Number of Schools with Licenced Deficits from 2018/19 to 2021/22

No of Schools	2018-19	2019-20	2020-21	2021-22
Primary	6	8	15	15
Other	5	3	2	2
Total	11	11	17	17

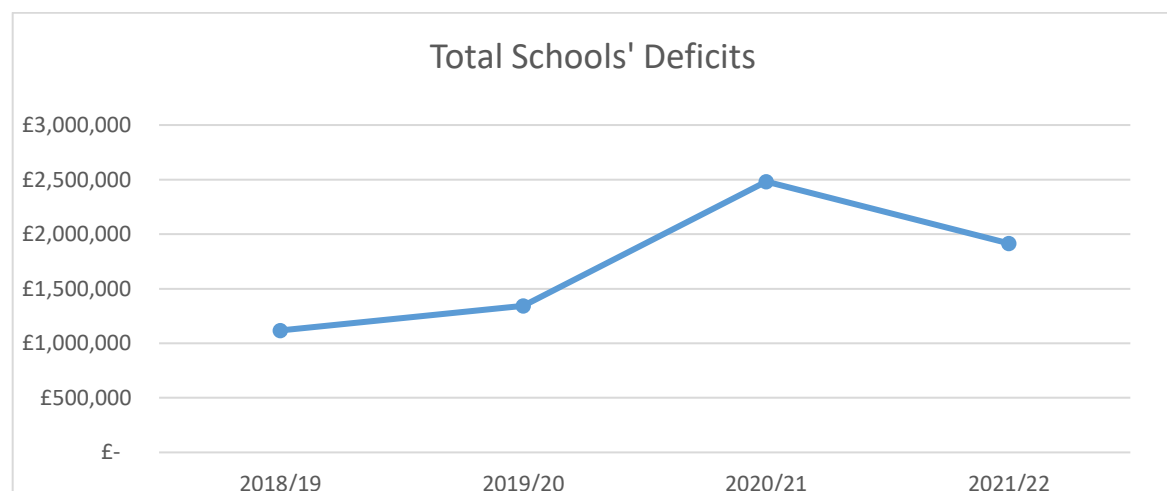
2.3 The following Table B represents the number of schools with a licenced deficit and the total amount of licenced deficits funded by the Haringey Council:

Table B: Number of Schools and the Amount of Licenced Deficits 2021/22

Licenced Deficit	No of Schools	Closing Balance as at 31 March 2022	Additional loans as at 31 May 2022
Primary	15	1,715,345	160,000
Other	2	198,531	-
Total	17	1,913,875	160,000

2.4 The following Graph B shows the total licenced deficits funded by the Haringey Council :

Graph B: Total amount of Licenced Deficits 2018/19 to 2021/22



- 2.5 Where the school submits a deficit budget, the chair of governors and schools headteachers will formally notify the council of their intention to apply for a Licensed Deficit. A meeting will be arranged with the schools to review the school's deficit with school required to submit a deficit recovery plan to ensure that measures are in place to reduce the deficit.
- 2.6 Schools with deficits are recorded on the Council's risk register and discussed as part of the Schools Improvement Management Group (SIMG) meeting to ensure that there is an appropriate level of support being given to school by the council.
- 2.7 Strategy for supporting schools
- Training Schools Business Managers on how to manage their budget effectively.
 - Schools with a deficit are required to submit a deficit recovery plan, which will be supported by the Council.
 - Submission of quarterly budget monitoring reports along with full set of accounts.
 - Cash flow forecasts.
 - Indicative Budget templates and training for schools and governors.
 - Development of a school's finance traded service to support schools in need of financial management support.
 - Schools in deficit to go through School Resource Management Advisor programme (SRMA) funded by the DfE or by the school.
 - Sign posting to procurement frameworks e.g. Crown Commercial Services
 - Future recruitment oversight by council Finance and HR teams for maintained schools
- 2.8 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 would be considered as a last resort.
- 2.9 However, it is Haringey's intention to provide more proactive approach to schools in providing support and guidance to financial management.

3 School Resource Management Advisory (SRMA) Programme

- 3.1 Haringey council working closely with the DfE on SRMA programme during the financial year 2020-21 and 2021-22. Seven Haringey schools have gone through the SRMA process. There are a further four schools signed up for the programme during the current financial year.
- 3.2 Schools supported by the programme would be able to achieve:
- Financial assurance in their annual budget.
 - Ensuring the LA and school are aware of their budget inefficiency and highlight areas for further investigation and analysis.
 - Supporting schools with the DfE approved procurement framework to help delivery the value for money.
- 3.3 The LA and schools found the SRMA programme effective, giving schools more insight into new ideas for further exploration as part of their overall financial

responsibilities. Our aim is that schools in financial difficulties will go through the programme and implement an Integrated Curriculum led financial planning process which will help schools in creating their own deficit recovery plan.

- 3.4 Schools applying for a licenced deficit will be required to go through SRMA programme which is funded by the DfE when they lead or can be procured independently and funded by the school budget.
- 3.5 DfE recognised the efforts made by the school's finance team in supporting schools with the SRMA work and Haringey have become part of a case study for the DfE.

4 Schools Finance Training Session

- 4.1 Haringey Schools finance team will continue to run regular workshops and training sessions for school business managers, headteachers and input to Governor training.

5 Financial pressures facing schools

- 5.1 There are several common factors affecting schools:
- 5.2 Falling pupil numbers – reduced birth rates and migration have affected not only reception intake but smaller class numbers across all year groups, particularly in primary schools. Reviews of staffing to pupil ratios is necessary to ensure a sustainable staffing structure is in place. Going through an SRMA review gives assurance to check the school's structure best suits forecasted pupil numbers.
- 5.3 Reduced income from school activities. It is recognised that reduced lettings and cost pressures on organised activities has impacted on the amount of income that schools receive compared to pre-Covid times.
- 5.4 Number of SEN/EHCP pupils can be a financial pressure for schools who have a disproportionately high number. This was recognised by Schools Forum and a 0.25% block transfer totalling £525k was made to supplement the £1.3m School SEND contingency in 2022/23.
- 5.5 Rising food and utility costs – these are the main inflationary factors facing schools. Ensuring that the best rates are obtained during the procurement process is essential for schools. The Council hosted a webinar with the ESFA for schools on procurement frameworks in February 2022. Further training sessions are planned for the 2022/23 academic year.
- 5.6 Senior Leadership Team (SLT) salary costs – It is recognised that some members of schools' SLT's are paid at higher rates than warranted by their school size, particularly where there has been a PAN reduction. This has impact on schools' salary costs.