

**Agenda Item
10**



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 9th February 2023

Report Title: Schools in Financial Difficulty Update

Authors:

Brian Smith
Interim Schools Finance Manager
Email: Brian.Smith@haringey.gov.uk

Muhammad Ali
Schools Finance Business Partner
Telephone: 020 8489 4491
Email: Muhammad.Ali@haringey.gov.uk

Report authorised by:

Neil Sinclair
Interim Head of Finance (People)
Email: Neil.Sincliar@haringey.gov.uk

Purpose:

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

Recommendation:

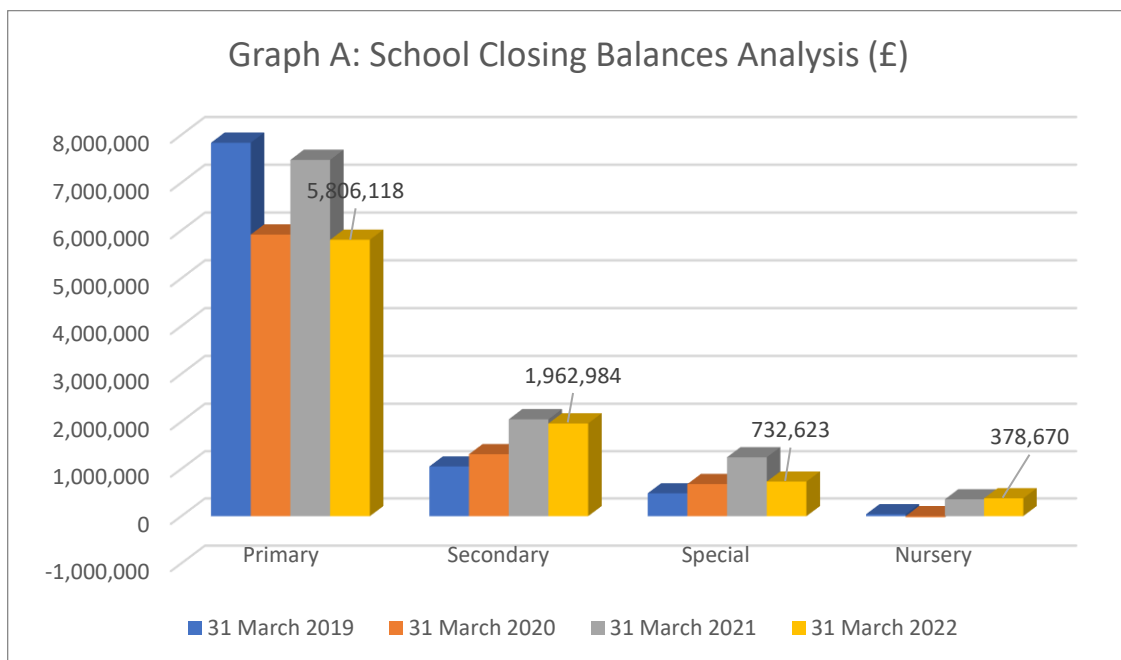
1. To note the latest number of schools with cashflow advances or licenced deficits.
2. To note the main contributory financial factors adversely affecting schools and to note the council responses.

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 15 have gone into deficit.



- 2.2 The Table A represents number of schools with cashflow advances or licenced deficits over the last 5 years.

Table A: Number of Schools with Loan/Licenced Deficits from 2018/19 to 2022/23

No of Schools	2018-19	2019-20	2020-21	2021-22	22-23 (Forecast)
Primary	6	8	15	15	14
Other	5	3	2	2	2
Total	11	11	17	17	16

2.3 For the year 2022-23, 3 schools are forecasted to finish paying off their loans; 2 new schools received loans; 3 schools had no changes to their repayment profile and 11 schools increased their borrowing.

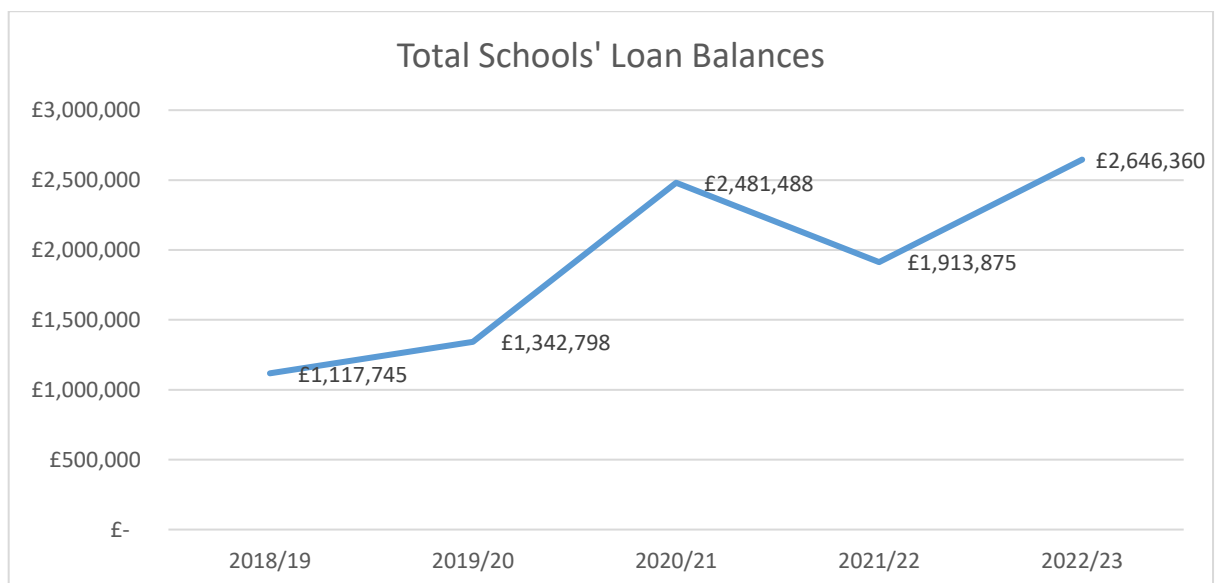
2.4 The following Table B represents the 2022-23 year end number of schools with cashflow advances or licenced deficits and the total amount of loans funded by Haringey Council:

Table B: Number of Schools and Loan/Licenced Deficits movements 2022/23

Licenced Deficit	No of Schools	Opening Balance 1 April 2022	Additional loans as at 31 December 22	Forecast Repayment	Forecast Loan Close Balance
Primary	14	1,536,794	1,438,693	-643,403	2,332,084
Other	2	377,081	225,000	-287,806	314,275
Total	16	1,913,875	1,663,693	-931,209	2,646,360

2.5 The following Graph B shows the total loans and licenced deficits funded by the Haringey Council:

Graph B: Total amount of Loan/Licenced Deficits 2018/19 to 2022/23



- 2.6 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.
- 2.7 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. The average deficit has increased from £100k in 2018-19 to £165k in 2022-23.
- 2.8 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
- 2.9 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.
- 2.10 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, 2021-22 and 2022-23. Nine Haringey schools have gone through the SRMA process. There are a further two 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 from 2023-24 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. Overall, Haringey has lost 62 pupils from the October census. This is made up of an overall increase in Secondary pupil numbers of 123 and a reduction in primary school numbers of 185. Hence, some primary schools are particularly badly affected and this has resulted in a drop in funding in excess of £100k. The council will work with the affected schools to help ensure they have plans in place to make the necessary changes to set balanced budgets. The council is working with schools and the DfE to reduce the number of PAN form entries.
- 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 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 will be hosting various webinars with the ESFA for schools on procurement from April 2023 onwards.
- 5.5 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, and the number of such schools will increase where there has been a PAN reduction. This has impact on schools' salary costs. For all the schools in Haringey excluding academies and free schools, the council facilitates a Restructure and Scrutiny panel which offers peer and council review of restructuring proposals. Where the restructure contributes to overall savings to address deficits, the council currently helps with redundancy costs (pension costs are met by the school).