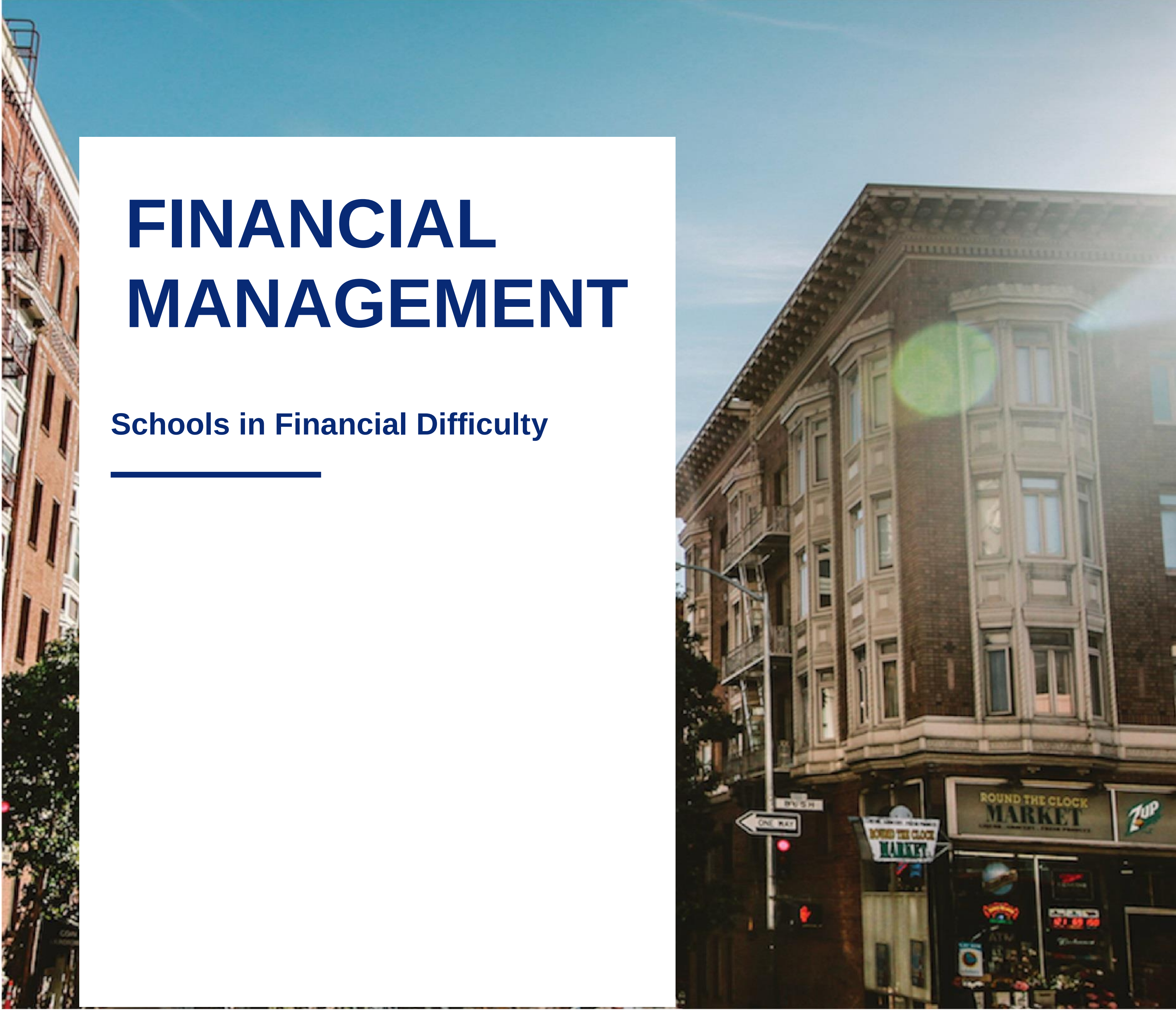

FINANCIAL MANAGEMENT

Schools in Financial Difficulty

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Schools in Financial Difficulty

***Financial difficulty is a condition in which schools cannot generate enough revenue or income and it is unable to meet or cannot pay its financial obligations*.**

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Notes:

ESFA – Education & Skills funding Agency
DfE – Department for Education
LA – Local Authority
VFM – Value for money

Contact us:
s-SchoolsReturns@haringey.gov.uk

INTRODUCTION

Schools Financial Regulations set out the internal controls and procedures to be followed by schools when school fall into deficit or predicting a deficit budget.

The manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

In any case where conflict is perceived between this manual and the schools' financial regulations then the regulations will apply.

If a school has difficulty in interpreting the regulations or this corresponding financial manual, they should contact Haringey Schools Finance Team.
Sections 45-53 of the School Standards and Framework Act 1998, the annual School Finance (England) Regulations and elements of the Haringey Scheme for Financing Schools also contain regulations supporting this section of the Schools Finance manual

SCHOOLS IN FINANCIAL DIFFICULTY

A school is considered to be in financial difficulty when either of the following conditions applies:

1. The school is planning to end the current financial year with a cumulative deficit.
2. The school is forecasting a cumulative deficit in the current or any future financial year.

While the Schools Financial Regulations require schools to maintain a balanced budget, they also acknowledge that exceptional circumstances may prevent this from being achieved.

Under the Scheme for Financing Schools, schools facing extreme financial challenges may apply for a Licensed Deficit for a maximum period of three years, subject to specific conditions and limitations. A Licensed Deficit is a formal agreement between the school and the Local Authority.

Schools seeking approval to set a Licensed Deficit Budget are required, in accordance with the Scheme for Financing Schools, to subscribe to the Council's Traded Services SLA for HR, Finance, and Payroll.

Identification of Schools in Financial Difficulty

Haringey maintained schools with a cumulative financial deficit exceeding the following thresholds will receive support from the ***Schools in Financial Difficulty*** Group:

- **Primary schools:** £100,000 or 5% of the school's budget
- **Secondary schools:** £200,000 or 3% of the school's budget

The Council has published a detailed **Terms of Reference (FMS7)** **Schools in Financial Difficulty Terms of Reference (ToR)**, which applies to all schools in financial difficulty. This document outlines the procedures schools must follow to report and manage the repayment of their cumulative deficits.

1. Schools formally notifying the Haringey School Finance team that it is planning or forecasting a cumulative deficit position.

2. Haringey Council has its own arrangements to monitor schools' budgets based on the reporting requirements in Schools Financial Regulations.

Haringey Council require all schools to manage and monitor their budget effectively and the key to successfully 'Recovering Your Balance' is early identification of potential financial difficulties in your schools. This should then be followed by a medium- and long-term strategy to reduce the deficit over the next financial year.

APPLICATION PROCEDURE

Schools can apply for a Licensed Deficit in writing to Schools Finance with the following documents:

1. A completed application for Licensed Deficit (Appendix A)
2. A 12-month Cash flow forecast (Appendix B)
3. A 3 Year Plan in full Consistent Financial Reporting (CFR) format, showing:
    a. The previous financial year actual
    b. The current financial year budget

c. Future years budget
4. A comprehensive deficit recovery plan
5. Benchmarking analysis or Income, expenditure, balances and workforce comparison
6. Integrated Curriculum Financial Planning (ICFP) Assessment of the School

If the projected deficit is less than £100k and the school anticipates that they will have a balanced budget within the same financial year, and a deficit recovery plan is not required but monthly financial returns are required.

Working with Schools in Financial Difficulty

The ultimate responsibility for formulating a recovery plan proposal lies with the Head Teacher and the Governing Body of the school. Haringey Council can support schools in financial difficulty. The Council will allocate Schools Consultant/Adviser to help with the recovery plan and identify strategies to reduce their deficit. It is it is vital that the school engages with the LA Finance Team at an early stage in the process.

The school and its advisers should cover the following range of issues.

Step 1: Obtain a clear understanding of why the budget problem has arisen. e.g. is it a result of a single event, or the result of some underlying ongoing situation.	**Step 2:** Are the forecasts of income and expenditure underlying the identified deficit robust?
Step 3: Review government funding and accuracy of your school's data to ensure schools have been allocated accurate funding	**Step 4:** The cost of the structure and implementation of integrated curriculum financial planning to identify surplus capacity
Step 5: Obtain Schools benchmarking data against other similar schools to identify where expenditure patterns differ significantly from others of similar size and profile of needs.	**Step 6:** Review of school's local income generation against targets set. Schools can also increase their income by bidding for various grant that may be available to the school for various activities.
Step 7: Review of pupil with EHCP plan and funding allocated to support children with EHCP plan.	**Step 8:** Review pupil forecast and accuracy of census data submission

The Governing Body should formally consider and endorse the recovery plan prior to submission to the Local Authority for approval.

REPORTING REQUIREMENT FOR SCHOOLS

The school will be required to provide a monthly return to the same standard as the quarterly returns demonstrating action and progress to recover the deficit position until the deficit is resolved.

1. Income and Expenditure report (CFR) format
2. Balance Sheet
3. Bank Reconciliation
4. List of Debtors and Creditors
5. 12 months cash flow forecast

Further reporting guidance for schools

The school will be required to submit following reports on a monthly basis demonstrating action and progress to recover the deficit position until the deficit is resolved.

Reports	Deficit <£25,000	Deficit > £25,000
Income and Expenditure report	**YES**	**YES**
Balance Sheet	**YES**	**YES**
12 Months Cash Flow Forecast	**YES**	**YES**
Bank Reconciliation	**YES**	**YES**
List of Debtors and Creditors	**NO**	**YES**
Control Account Reconciliation	**NO**	**YES**

Processing the application for a License Deficit

Haringey Council implemented procedures to manage and process each application submitted for a Licensed Deficit.

These procedures have been designed to ensure that:

- Applications are reviewed, and amendments agreed with schools, to ensure that only robust achievable recovery plans are approved and put into practice.
- The decision to approve an application is taken without undue delay.
- The process is managed and transparent.

The review process may involve a visit to the school by the LA Finance Team before the school is notified of the results or any further information required for the application.

Council Approval of Hierarchy

A completed application form along with the supporting documents should be submitted to Haringey Council School finance team for an assessment.

Scheme of Delegation	Amount
1. **Head of Finance** 2. **Director, Schools and Learning**	**Up to £500,000**
1. **Director, Schools and Learning,** 2. **Corporate Director of Children's & Services** 3. **Section 151 Officer**	**£500,000 & over**

Electronic versions of application should be emailed to shared inbox at s-SchoolsReturns@haringey.gov.uk

MONITORING AND ENGAGEMENT

Schools experiencing significant reductions in DSG funding and pupil numbers will be required to meet with the group at least twice a year. However, the frequency may increase at the discretion of the group if recovery progress is insufficient.

Council Approval Requirements

Schools that have:

- Requested a licensed deficit,
- Met the above thresholds, or
- Sought approval from the Structure and Scrutiny Panel for a restructuring business case.

School Must obtain Council approval for the following:

1. Changes to staffing structures, including recruitment of agency, fixed term, or permanent staff,
2. Procurement of any contract exceeding £25,000, and
3. Service Level Agreements (SLAs)

School Responsibilities

Schools are responsible for monitoring and reviewing their deficit position and recovery plan. It is a requirement that:

- The Finance Committee includes the recovery plan as a standing agenda item
- Minutes of all Finance Committee meetings are submitted to the LA Finance Team
- Schools adhere to all monitoring commitments made in their licensed deficit applications

Local Authority Oversight

The Local Authority will monitor monthly financial returns and recovery plans. If significant deviations from the recovery plan are identified, the Council may issue a formal Notice of Concern. Continued non-compliance could result in the Withdrawal of Delegation.