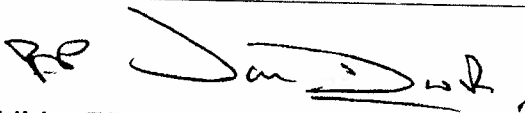




Haringey Council

Report for:	Corporate Committee	Item Number:	
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Title:	Update from The Children's Service on how the recommendations from the Financial Resilience report are being progressed.
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Report Authorised by:	 Libby Blake (Director of Children and Young People's Service)
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Lead Officer:	Neville Murton – Head of Finance (Children and Young People's Service)
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Ward(s) affected: All	Report for Non- Key Decision
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1 Describe the issue under consideration

1.1 The Corporate Committee on the 28 June 2012 considered the 'Review of the Council's Arrangements for Securing Financial Resilience' prepared by the council's external auditor (Grant Thornton)

1.2 Minute CC11 set out agreement for a report to be prepared by the Director of the Children and Young People's Service setting out how the recommendations in that report were being taken forward by the Service. This report satisfies that request.

2 Cabinet Member introduction

2.1 N/A

3 Recommendations

3.1 The Committee is asked to note the actions being taken.

4 Other options considered

4.1 None



5 Background information

5.1 The Council's external auditor, Grant Thornton, carry out an annual review of the Council's arrangements for securing financial resilience as part of their assessment of value for money. They reach their opinion by considering four key areas:

- Key Indicators of Financial Performance;
- The Council's approach to strategic financial planning;
- The Council's approach to financial governance; and
- The Council's approach to financial control.

5.2 Their review of the Council's position concluded, in a report presented to the Corporate Committee on 28 June 2012, that:

"... whilst the Council faces some significant risks and challenges during 2012/13 and beyond, its current arrangements for achieving financial resilience are adequate."

5.3 Within their report two Key Points for Consideration were highlighted for action by the Director of CYPS. These issues, together with the Council's management response are reproduced as Appendix A. This report sets out the action that the Director of the Children and Young People's Service (CYPS) intends to take, or has already taken, in order to address those issues.

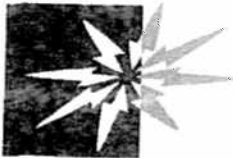
Level of the Dedicated Schools Grant (DSG)

5.4 The auditors report identifies that there has been a steady decrease in the level of schools' balances as a ratio of the Council's DSG allocation over the period from 2007-08. It also highlights that Haringey has the lowest ratio of the benchmark group used.

5.5 However, it also notes that the (un-audited) position in 2011-12 reverses this trend with an increase of £2.5m in that year, taking balances in schools to £5.1m. Until all of the comparator authorities in the benchmark grouping publish their Section 251 outturn statements (October 2012) it is not possible to comment on whether this trend is also being seen elsewhere.

5.6 The concern about school balances is twofold: the imperative to ensure that resources intended for pupils now is used effectively to improve their educational achievement; and the need to ensure that schools live within the resources allocated and do not accrue an unsustainable deficit position.

5.7 Previous governments have included within the statutory Scheme for Financing Schools a requirement for a balance control mechanism which considers 'reasonable' levels of un-committed school balances based on audit commission guidelines and provides for the removal (clawback) of excessive balances. The latest guidance however, no longer includes this requirement but proposes that School Fora consider whether to continue to include such a provision.

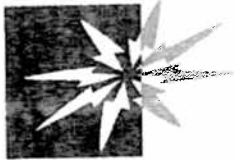


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- 5.8 Previously relatively small amounts have been 'removed' from Haringey schools under the balance clawback provision, where they have been unable to establish the existence of an approved plan to spend surplus resources.
- 5.9 The Haringey School Forum considered a report at their meeting held on 12 July 2012 on a revised Scheme which took account of the latest guidance and regulations; the Forum were asked to indicate whether a balance control mechanism should be included in the consultation draft for schools and concluded that such a mechanism should remain at this time. In addition they also asked that guidance should be developed alongside a Forum working party to assist schools on this issue.
- 5.10 As a consequence a process for evaluating and challenging schools that accumulate balances will continue to exist and be applied in Haringey.

Management of Deficit Budgets

- 5.11 Schools are not permitted to operate a deficit budget without the express permission of the Council and such agreement requires the production of a deficit recovery plan setting out how a return to balance will be achieved over an agreed period that cannot exceed the maximum timeframe set out in the Scheme. This period is currently set out to be 'normally 3 years but in exceptional cases 5 years' however, under the latest scheme guidance we will be consulting on a change to restrict the maximum period for a school to be in deficit to 3 years.
- 5.12 Sixteen schools ended the 2011-12 year with a deficit position (Appendix B). Of those, six are budgeting to return to surplus in the current, 2012-13, financial year. Two of the schools are becoming sponsored Academies from September 2012 at which time the deficit will revert as a charge against the Dedicated Schools Grant (DSG) – financial provision has been set aside for this as part of the 2011-12 closure of accounts process.
- 5.13 Three schools are working to agreed Licensed Deficit Plans two of which are scheduled to extinguish in 2013-14 and the other in 2014-15; these are being closely monitored to give confidence that the agreed actions underpinning the plans are being adhered to.
- 5.14 The deficit recovery plans of four schools are currently under evaluation.
- 5.15 In order to strengthen the challenge that is able to be given to schools working with deficit recovery plans the finance service has commissioned short focussed evaluation reports of progress on schools from a recently retired headteacher with financial experience in Haringey. Three schools received this service in the early part of 2011-12 and have all shown signs of benefiting from the additional support and challenge; it is intended to repeat this exercise with a further cohort of schools.
- 5.16 The finance service also now operates a traded financial support service which is available to assist and advise schools with their financial management. The position



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on schools in financial difficulty is also reviewed regularly at budget monitoring meetings with the Director of the Children and Young People's Service and the Chief Financial Officer.

5.17 Taking all of these things together we are confident that schools requiring support and challenge in dealing with deficit budget situations can be supported and that the overall levels of deficits in schools is being managed.

Business Planning Support

5.18 The Director has commissioned a transformational change programme within the service – Haringey 54,000 – through which it is intended to shift the focus to universal and outstanding early help that will sustain families, ensuring that services are delivered at the right time from the right settings to improve outcomes for our children and young people.

5.19 This programme will shape the direction of the service over the short to medium term and as such will drive forward the re-balancing of the budget from high cost interventions to more efficient and effective preventative services, in line with comparator authorities and best practice.

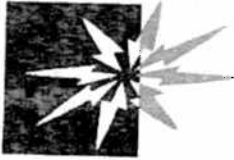
5.20 A Programme Manager has been appointed and programme support is also now in place to provide analytical and business planning capacity within the service over the course of the next year. This team will review the service offer and staffing skills needed in order to deliver it, providing the links between the service transformation programme and the council's 'service and financial planning processes'. They will propose future structures that are fit for purpose and incorporate the issues raised in the external auditor's report in doing so. In particular they will assure the Director that for the future the service is able to robustly address the budget setting process and the Council's Medium Term Financial Plan (MTFP).

6 Comments of the Chief Finance Officer and financial implications

6.1 The Chief Financial Officer has been involved in the drafting of this report and has no additional comments to make.

7 Head of Legal Services and legal implications

7.1 The Head of Legal Services has been consulted on this report, which is for noting, and therefore has no specific legal comment to make save that the steps proposed will assist the authority in complying with its various statutory duties and statutory requirements including, for example, under the School Finance (England) Regulations 2012 in relation to budget issues and the preparation of a scheme for financing its maintained schools.



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8 Equalities and Community Cohesion Comments

8.1 There are no equality implications deriving from this report, and therefore there is no need for an equality impact assessment or any further analysis of equality data.

9 Head of Procurement Comments

9.1 Not Applicable

10 Policy Implication

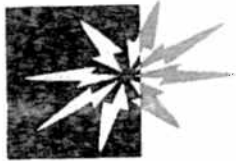
10.1 Following consultation with all schools, a revised Scheme for Financing Schools will be considered by the School Forum and proposed for agreement by the Council's Cabinet; the Scheme sets out the relationship between the Council and maintained schools in its area.

10.2 In addition the work of the Haringey 54,000 programme is intended to result in changes to the way services are delivered which are likely to result in proposals which both deliver savings and ask Cabinet to consider and make decisions on future policy.

11 Use of Appendices

Appendix A – Summary of external audit financial resilience recommendations attributable to the Director (CYPS)

12 Local Government (Access to Information) Act 1985



Area of review	Key Points for Consideration	Management Response
Key Indicators of Performance	The Council should ensure that schools balances, in particular agreed deficits and surpluses continue to be carefully monitored, to ensure DSG balances remain at an appropriate level and the trend is effectively managed.	The Council will work with and challenge schools within the boundaries of delegated financial management, to ensure that balances are at an adequate level and that any deficits have robust recovery plans that are adhered to.
Strategic Financial Planning	The Council should ensure there is appropriate resource for business analysis to support the annual service and financial (business) planning process, in particular within Children's Services.	The Director will, in consultation with Corporate Finance, ensure that the appropriate level of resource is allocated and utilised effectively.



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Appendix B

2011/12

School	Revenue Balance 31/3/12
<u>Primary Schools</u>	
Campsbourne School	-£362.20
Coleridge Primary	-£398,398.14
Crowland Primary	-£233,157.33
Ferry Lane	-£32,025.49
The Green CE Primary	-£106,426.59
Nightingale Primary	-£64,699.06
Noel Park Primary	-£363,011.04
St Gilda's RC Junior	-£39,595.87
St Martin of Porres	-£34,147.43
St Mary's CE Junior	-£87,194.69
St Michael's N22	-£103,431.41
South Harringay Junior	-£114,793.38
<u>Secondary Schools</u>	
Highgate Wood School	-£90,079.06
John Loughborough	-£52,098.47
Northumberland Park	-£245,139.80
St Thomas More	-£911,162.92

