

**Haringey** Council

Report for:	Corporate Committee	Item Number:	
Title:	Update from Children's Service on progress to address recommendations from the Financial Resilience report		
Report Authorised by:	<i>Libby Blake</i> Libby Blake, Director of Children and Young People's Service		
Lead Officer:	Jan Doust		
Ward(s) affected: All	Report for Non- Key Decision		

## 1 Describe the issue under consideration

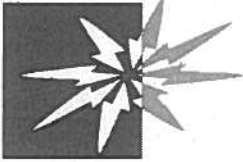
- 1.1 The Corporate Committee on 28 June 2012 considered the 'Review of the Council's Arrangements for Securing Financial Resilience' prepared by the Council's external auditor (Grant Thornton).
- 1.2 The Director of the Children and Young People's Service (CYPS) reported to Corporate Committee on 27 September 2012 setting out how the recommendations in that report were being taken forward by the Service.
- 1.3 The Corporate Committee requested an update on progress. 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 reached 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."*

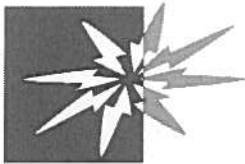
5.3 Within their report two Key Points for Consideration were highlighted for action by the Director of CYPS. These issues, together with the Council's original management response, are reproduced as Appendix A. This report updates Members on the action that the Director intends to take, or has already taken, in order to address these 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 The final audited position in 2011-12 reversed this trend with an increase of £2.5m in that year, taking balances held by schools to £5.1m. This increase was double the percentage increase in school balances across London in 2011-12. By 31 March 2013, nine primary schools and two secondary schools had converted to Academy status. The opening balance position at 1 April 2012 for maintained schools was a net surplus balance of £5.6m.

5.6 The (unaudited) position in 2012-13 shows that overall maintained school balances have increased by a further £1.3m, taking balances at 31 March 2013 to £6.9m. Until all of the comparator authorities in the benchmark grouping publish their Section 251 outturn statements (October 2013) it is not possible to comment on whether this trend is also being seen elsewhere.



5.7 Haringey Schools Forum has approved the continued inclusion of a balance control mechanism in the Scheme for Financing Schools. As a consequence a process for continuing to evaluate and challenge schools that accumulate balances will continue to exist and be applied in Haringey.

***Management of Deficit Budgets***

5.8 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 three years (the maximum timeframe set out in the Scheme).

5.9 Although at the end of the 2012-13 financial year, there are still 11 maintained schools with a deficit position (Appendix B) there have been significant movement in respect of the cohort which includes 16 schools over the two year period. Of the maintained schools with deficits at 31 March 2013, six schools were in a deficit position in both financial years, five schools moved into a deficit position during 2012-13 and five schools moved into a surplus position during 2012-13.

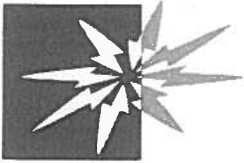
5.10 Of those schools in a deficit position as at 31 March 2013, five are budgeting to return to surplus in the current, 2013-14, financial year and a further three schools are budgeting to return to surplus in 2014-15, the following financial year. Cabinet has approved the closure of a further school and subject to the approval of the closure by the Schools Adjudicator, 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 2012-13 closure of accounts process.

5.11 Stroud Green has submitted a revised Licensed Deficit application which is currently being reviewed. Officers are concerned that the deficit has arisen from Children's Centre activities which, if not addressed, could put at risk the education of statutory school age pupils.

5.12 The licensed deficit application approved for The Brook during 2012-13 will need to be updated following closure of the accounts. Officers are working closely with The Brook to address financial, operational and management issues .

5.13 A recently retired headteacher with financial experience in Haringey continues to provide targeted support to schools, including The Brook.

5.14 We remain confident that schools requiring support and challenge in dealing with deficit budget situations are being supported and that the overall levels of deficits in schools is being managed.



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***Business Planning Support***

5.15 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. 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.

5.16 As part of developing a business case for transformation, which is due to be considered at Cabinet on 15<sup>th</sup> October 2013, the programme is in the process of concluding a detailed analysis of the service, the workforce and budget allocation. The derived data will form the inputs in a zero-based financial model that incorporates cost/benefit forecasting over 10 years. The model will provide the financial underpinnings for both the business case, as well as, for the commissioning and financial planning of the transformed service. Early modelling data suggest that visible shift of resource from high-cost services to early intervention and prevention will be evident from quarter 2 of financial year 2014/15.

5.17 At the same time as developing the transformation programme and business case, the directorate has responded with increased operational focus to improve business process planning and financial management, that has included the use of the re-launched business planning framework for the local authority.

**6 Comments of the Chief Finance Officer and financial implications**

6.1 Until the model and business case are available, it is not possible to add any further comments on the financial implications of Haringey 54,000.

**7 Head of Legal Services and legal implications**

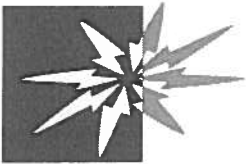
7.1 The Head of Legal Services has been consulted on the contents of this report, which is for noting, and therefore has no specific legal comment to make save that the steps being taken will assist the authority in complying with its various statutory duties and statutory requirements including, for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

**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



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## **10 Policy Implication**

10.1 The continuing implementation of the Academy programme reduces the number of maintained schools for which the Council retains statutory responsibilities.

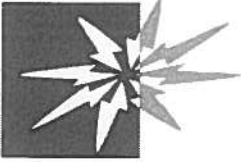
10.2 The work of the Haringey 54,000 programme is intended to result in changes to the way services are delivered which are likely to result in proposals which both deliver savings and ask Cabinet to consider and make decisions on future policy.

## **11 Use of Appendices**

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

**Appendix B – List of Maintained Schools with deficits as at 31 March 2013**

## **12 Local Government (Access to Information) Act 1985**



<b>Area of review</b>	<b>Key Points for Consideration</b>	<b>Management Response</b>
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.

	Deficit Revenue Balance			Licensed
	31.3.12	31.3.13		Deficit
	£	£		Y/N
<u>Primary Schools</u>				
Bruce Grove	-	6,889	Plan to recover deficit 2013-14	N
Campsbourne	362	-	Surplus balance as at 31.3.13	
Coleridge	398,398	319,267	Plan to recover deficit 2014-15	Y
Crowland	233,157	131,220	Plan to recover deficit 2014-15	Y
Ferry Lane	32,025	-	Surplus balance as at 31.3.13	
St Gilda's RC Junior	39,596	67,786	Plan to recover deficit 2014-15	Y
St Martin of Porres	34,147	53,308	Plan to recover deficit 2013-14	Y
St Mary's CE Junior	87,195	22,009	Plan to recover deficit 2013-14	Y
Seven Sisters	-	70,391	Plan to recover deficit 2013-14	N
South Haringey Junior	114,793	-	Surplus balance as at 31.3.13	
Stroud Green	-	81,854		N
<b>Total Maintained Primary</b>	<b>939,673</b>	<b>745,835</b>		
<u>Secondary Schools</u>				
Highgate Wood School	90,079	-	Surplus balance as at 31.3.13	
John Loughborough	52,098	54,441	Final decision on clause awaited	N
Northumberland Park	245,140	-	Surplus balance as at 31.3.13	
Park View	-	12,380	Plan to recover deficit 2013-14	N
<b>Total Maintained Secondary</b>	<b>387,317</b>	<b>66,821</b>		
<u>Special Schools</u>				
The Brook	-	217,931		Y
<b>Total Maintained Deficits</b>	<b>1,326,990</b>	<b>1,030,587</b>		
<u>Academies (as at 31.3.13)</u>				
The Green CE	-	106,427		
Nightingale	-	64,699		
Noel park	-	363,011		
St Michael's N22	-	103,431		
St Thomas More	-	900,163		
<b>Total Academies</b>	<b>-</b>	<b>1,537,731</b>		

