

**Agenda Item
9**



Report Status

For information/note ☒
For consultation & views ☒
For decision ☒

Report to Haringey Schools Forum – 16th February 2017

Report Title: Contingency for Schools in Financial Difficulty

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Purpose: To update the Schools Forum of the last Contingency Panel for Schools in Financial Difficulty meeting and the proposal made by the Panel.

Recommendations:

1. Schools Forum to note that at the most recent meeting of the panel, no allocations were made because of insufficient evidence provided by schools
2. Schools Forum to agree that the panel may decide to use up to £80k of the available resources for specialist school finance support (ie budget management training and short-term support in setting realistic recovery plans) rather than provide the funding to the school directly. (NB this only affects maintained primary and secondary schools)

1. Contingency for Schools in Financial Difficulty

- 1.1. A Contingency Fund for Schools in Financial Difficulty have been de-delegated by maintained Primary and Secondary schools from their school budget share every year for helping schools in financial difficulty when faced with exceptional circumstances.
- 1.2. A Contingency Panel consisting of School Forum members meet to discuss and review all the applications received and make the allocation decisions on behalf of the Schools Forum based on the criteria below.
- 2. **Criteria for assistance from the Contingency for Schools in Financial Difficulties; consideration will be given to the specific circumstances of each school applying in determining whether or not assistance will be given.**

2.1 Admission of Primary and Secondary Pupils in excess of Funded Numbers

Schools are funded for the number of pupils recorded in the Pupil Level Annual School Census in the October prior to the start of the financial year. Haringey will provide funding for *agreed* bulge classes and new forms of entry from the 'Growth Fund', but in other cases, where schools experience a general and significant rise in pupil numbers at the beginning of the academic year, they may apply for contingency funding to cover the period September to March. The school will need to demonstrate the necessity for additional staffing costs that cannot be met from balances.

2.2 Fluctuating Rolls

Schools that experience a substantial and unexpected year on year drop in pupil numbers and funding may seek assistance. The school will need to demonstrate that the fall in rolls and funding creates financial difficulties that cannot be met from balances.

2.3 Falling Rolls

Schools experiencing a long-term reduction in pupil numbers may seek assistance to manage the contraction of the school. The school will need to demonstrate that the contraction cannot be managed through the use of balances and without causing undue turbulence within the school.

2.4 Emergencies and Exceptional Circumstances

Schools may submit claims for additional funding to cover costs resulting directly from emergencies and exceptional circumstances. Exceptional circumstances may include the cost of suspended staff or compromise agreements. In such cases, a school's financial position, including the level of any unspent balances held, will be taken into account when claims are considered.

2.5 Financial Difficulties

A school with severe long-term financial difficulties may apply to have part of its historically accumulated deficit written off. The school will need to demonstrate that effective action is being taken to bring its budget back into balance. The presence of a new management team that has inherited a difficult financial position will be viewed positively.

3. Assistance will NOT generally be given for the following.

3.1 Expenditure of a type faced by all schools or classes of school; this will include:

- a) costs for incremental drift,
- b) the additional costs of the teachers' upper pay scales,
- c) costs associated with Planning, Preparation and Assessment time in primary schools,
- d) the cost of meeting the requirements of statements of special educational needs,
- e) Costs that could have reasonably been covered by insurance arrangements.
- f) Capital costs. These are generally met from Devolved Formula Capital and arrangements exist to draw forward future allocation where appropriate.

4. Guidance on Applications. In previous years, some applications have been rejected because of poorly presented cases. To avoid this, applications should clearly set out:

- a) The reasons for the application, taking account of the guidance given in sections A and B, and the associated additional costs, if necessary broken down into component parts.
- b) What action has been taken to contain the costs and why this is not sufficient to balance the budget. It may be necessary to differentiate between action in the shorter and longer term if costs are continuing.
- c) How much is being applied for and how this will improve the school's position.

4.1. At the last Contingency Panel for Schools in Financial Difficulty meeting no allocations were made. The main reason for that was that the applications received were not adequately substantive to justify an allocation from the Contingency Fund according to the criteria set out above.

5. Observations

- 5.1. The Contingency Panel was of the view that school business managers need to be trained to submit substantive contingency applications with relevant evidence to support their business case as well to be more alert to their school's financial situation and take steps early enough to warn the Headteacher and the Governing Body of all issues arising so that effective action can be taken to address all emerging issues.
- 5.2. There is a significant percentage of schools in financial difficulty with the approach of the end of financial year.
- 5.3. In view of the emerging financial modelling figures of the proposed National Funding Formula, Schools Forum are also advised to ask schools to robustly review their respective school's budgets and organisation structure with their Governing Bodies on a termly basis to ensure that it is able to continue as a financial viable entity.

6. Recommendation

- 6.1. The Contingency Panel therefore recommends that Schools Forum note the contents of this report and agree to setting aside a budget of at £80,000 for the LA to recruit schools finance specialists to train, advise and assist schools in financial difficulty set robust sustainable budgets for the future.