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SCHOOLS BUDGET SAVINGS PROGRAMME (INCLUDE WISEPAY)

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update Forum on the work that the Council is undertaking jointly with HfL to support school budgets.

2. Summary

- 2.1 This paper provides an update to Forum on the work undertaken since the last meeting on steps to support schools in balancing budgets in the context of continued flat cash funding and evidence around the financial health of Hertfordshire Schools.

3. Recommendations

That Forum notes:

- That a further progress update is given at the September 2015 Schools Forum meeting.
- That the HCC contract with WisePay will not be renewed by the County Council when it ends in October 2015, but HCC will extend the contract for a further six months to enable the change in arrangements and to facilitate the review of the collection of electronic income as set out in para 5.4.

4. Background

3.1 A paper was presented to Forum in April that proposed a programme of work to support schools in ensuring that the budgets balanced given a number were showing signs of financial difficulty. The paper was prepared before the election and consequently there was some uncertainty around global school budgets. Following the election, there is now greater certainty around the future of school budgets over the medium-term. In the manifesto, the Conservative party pledged to:

- Maintain per pupil funding for four- to 16-year-olds in state schools with 16-19 funding falling outside of this ring-fence.
- Maintain Pupil Premium Funding at current levels.

3.2 The Schools Budget Forecast for Hertfordshire projects the per pupil funding taking into account known pressures which result in real-term cumulative reductions of 2.3% in 2016/17 rising to 6.2% by 2019-20.

Schools Budget Forecast 2016-17 to 2019-20:

2016-17	2017-18	2018-19	2019-20
2.3%	3.6%	5.0%	6.2%

3.3 School budget returns have now been received for all maintained Hertfordshire schools. The initial picture shows that financial pressures are more acute in the secondary sector 68% of secondary schools considered to be causing financial concern compared to 12% of schools in the primary sector. In the main, this is believed to be a result of sixth form funding cuts but staffing budgets are also under pressure owing to higher salary costs driven by a shortage of teaching staff in some subjects. The funding for under 5's in the primary sector also provides a more generous level of funding which has meant that the primary sector has fared better comparatively.

The initial picture is summarised by sector as:

Nursery

- 15 Community Nursery Schools, two (13%) of which are causing financial concern. Two Nursery Schools are planning to spend more than 75% of carry forward reserves in 2015/16

Primary Sector

- 370 Community Schools, 45 (12%) of which are causing financial concern, two had a negative year-end at the end of the financial year and plan to recover this in 2015/16 and 31(8%) are planning to spend

more than 75% of their carry forward reserves. There are 12 others causing concern for different reasons.

Secondary

- 22 Community Schools, 15 (68%) of which are causing financial concern. 7 are forecasting negative year ends. Two have licence deficits and 5 will be applying. 8 are planning to spend more than 75% of carry forward reserves

- 3.4 It is expected that this trend will continue with more secondary schools struggling to balance their budgets this year and next and primary schools struggling in 2017-18 and beyond.
- 3.5 Whilst a 'Health Check' for schools is being set-up to better gauge when schools envisage when the pressures will compromise their ability to balance budgets, it is generally assumed that the impact on schools with surplus capacity and smaller schools with less flexibility in staffing structures will be greatest first, but as the cumulative impact of the reduction builds all schools will need to adapt structures and services to balance budgets.
- 3.6 The initial data does however show that small primary schools which were largely expected to fall into financial difficulty first have not done so this year. This is in part due to the heavy existing level of funding for small primary schools; the 50 highest funded schools (per pupil) are funded at more than 65% greater than the level of the bottom 50. However, it should be noted that given budget shares are significantly smaller than larger primaries, meaning that carry forward is significantly lower and they are more susceptible to financial shocks. It is evident that they are finding it increasingly difficult to manage turbulence resulting from frequent in-year movement in school population which has always been a feature of small primary schools.
- 3.5 To support schools to adapt structures and services, the Council has in partnership with HfL set-up a programme to support schools to balance budgets over the parliament. Three key areas of focus have been identified:
- Value for Money from Contracts and Services
 - Efficiency of Structures
 - National Non-Domestic Rates
- 3.6 It is evident that it is not possible to absorb a 6.2% reduction in school budget without considering the efficiency of school structures. The average school spends 75% of its budget share on staffing and therefore larger schools which generally have greater flexibility in budget will need to restructure internally and consider collaborative working, whilst smaller schools which generally have less flexibility in budget will need to look at collaborative working and models of

federation. Prior to the Steering Group meeting the key areas of focus under Efficiency of Structures was sixth form provision for the secondary phase and models of collaboration and federation in the primary sector.

- 3.7 To enable schools to provide input to the programme and to enable coordination across the key teams working with schools, a Steering Group has been established which in addition to HCC and HfL Officers includes three representatives from the primary phase, three from the secondary phase and two School Governor representatives. The school members have been nominated by their associations and are:

Primary

- Rob Staples, Fairlands Primary School and Nursery
- Amanda Godfrey, Spiral Academy Trust
- Jackie Harvey, Reed First School

Secondary

- Alan Gray, Sandringham School
- Andrew Wellbeloved, Townsend C of E (VA) Secondary School
- Nick Binder, Sele School

Governors

- Frances Stickley, St Albert the Great Catholic Primary School
- Andrew Boakes, The Barclay School

- 3.6 The first Steering Group meeting is scheduled for the morning of 24 June. It is proposed that regular reports from the Steering Group are included on the Schools Forum agenda and any required decisions set out in the reports.

4. Reported Progress

- 4.1 Terms of Reference have been drawn-up with the Steering Group which detail the key outputs for each work-stream and will be discussed and finalised on the 24 June.
- 4.2 A proposal for conversion of Community Schools to Charitable Status has been developed for consideration by the Steering Group. If agreed, the ten highest rate paying Community Secondary Schools in the County will be approached to seek agreement to conversion to Foundation Status qualifying them for 80% mandatory rate relief and returning around £1.4m to the DSG pot each year.

- 4.3 A number of outputs and proposals are being developed under the Value for Money workstream including: traded reviews of staffing structures by an HfL team to optimise outcomes and efficiencies, better aligned process of budget support alongside HIPs where schools are causing financial concern, re-negotiation and market testing as appropriate of charges and central contracts, a 'Value for Money Handbook' for schools detailing Central Contracts and production of Benchmarking Data for Hertfordshire Schools.
- 4.4 Forum should note that the future of an electronic payment system is being considered under this workstream. The contract with WisePay comes to an end in October 2015 and the Council has made the decision not to re-procure a system given that there is no central benefit to doing so. The service is currently used by just over 200 schools and initial discussions with HfL indicate that there is economy to be realised by schools in collectively procuring an electronic payment system and HfL are willing to commission on behalf of schools. The Council will extend the contract by a further 6 months to the end of April 2016 to allow HfL to procure an alternative system or systems and ensure alignment with other school systems as appropriate. This will also give schools not wishing to be part of a central contract time to put in place arrangements for the collection of electronic income.
- 4.5 The efficient structures and services workstream will seek to support schools in the challenge of realising efficiencies in school management and governance structures. Given that the budget pressures are more likely to be felt sooner in the smaller schools, HfL will begin talking to primary schools via the small schools network but also through HIPs at schools that are in financial difficulty. Through working with them to establish models of best practice, a series of case studies will be developed. In the secondary sector, this workstream will focus on sixth form provision.
- 4.6 It is proposed that a further progress update is given at the September 2015 Schools Forum meeting.

5. Financial implications

- 5.1 These are dealt with in the body of the report set out above

6. Conclusions

- 6.1 That Forum should note progress, as set out in the recommendations above.

Appendix: WisePay contract

WisePay provide to a number of Hertfordshire schools an electronic income manager to facilitate the collection of online payments for school milk and school meals. The service is used by just over 200 schools in Hertfordshire and the contract has been managed centrally by the County Council since its inception back in 2010.

The WisePay contract will end on the 30 October 2015 and the County Council has decided that it will not renew this contract on behalf of the schools as the Council does not derive any direct benefit from the contract.

Council officers met with WisePay recently and informed them of the decision and made it clear that the decision was not because of the quality of the service delivery but entirely down to the fact that the Council no longer viewed this contract as a central contract.

The Council will extend the contract by a further 6 months to the end of April 2016 to allow schools to review ongoing arrangements for the collection of electronic income. This may form part of a larger review with regards to the collection of income by schools.

WisePay are keen to carry on their relationship with Hertfordshire schools and are happy to take part in any review of the collection of electronic income.