

SCHOOL BUDGET PRESSURES PROGRAMME UPDATE

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update the Forum on the progress that has been made in an LA programme to support schools in managing budgetary pressures.

2. Summary

- 2.1 This paper provides an update against the four workstreams of the School Budget Pressures Programme that seek to support schools in absorbing a projected real-terms reduction in budget shares of 6% over the next four years. The paper further sets out Hertfordshire County Council's developing approach to maintained schools anticipating or experiencing budget deficits.

3. Background

- 3.1 At the end of last Academic Year, maintained schools in Hertfordshire were overall in good financial health but many were expressing concern around their 2016/17 forecasts and beyond. It is evident that the pressures are far more acute in the secondary sector, primarily a result of cuts of around 30% in sixth form funding. There are currently two maintained primary schools in receipt of modest cash advances in Hertfordshire, both as a result of exceptional circumstances. There are five maintained secondary schools in a comparably greater level of financial difficulty, primarily as a result of falling rolls. Hertfordshire County Council is expecting to receive a further two requests for cash advances this Financial Year from maintained secondary schools.

- 3.2 The forecasts for maintained secondary schools appear challenging over the next four years, and feedback from Academies suggests a comparable level of pressure. The Council is aware that the Royston Academies have recently received an £800,000 bridging loan from EFA and as a direct consequence have been served with a Financial Notice to Improve. Given that typically 80% or more of a school's budget is spent on staffing, organisational review and restructures will be required over the next two years in the secondary phase with the primary phase under less immediate pressure. This is in part because current secondary-sector problems are being felt most acutely in schools with small rolls which were major losers from the fairer funding reforms of three years ago, whereas the funding formula for primary schools currently protects schools even where they are very small in size. lagging around two years behind.
- 3.3 Recognising that schools face real terms budget reductions of around 6% over the next four years, the LA has established a programme of work to support schools in managing these pressures. The programme is overseen by a Steering Group with representation from Headteachers and Governors from range of Hertfordshire Schools nominated by Heads of Associations and Senior Officers from Herts for Learning and Hertfordshire County Council.

The work is focussed in four key areas:

- Efficient Structures
- Value for Money
- Conversion of schools from Community to Foundation status
- Benchmarking

- 3.4 This paper provides an update on progress made against the work-streams, and the process that Hertfordshire County Council intends to follow in supporting maintained schools in financial difficulty.

4. Summary of Progress

4.1 Efficient Structures

- 4.1.1 The Council has commissioned HfL to provide information and guidance to schools on new models of school organisation. These new models include, but are not limited to:

- Collaborations and Federations
- Multi-Academy Trusts
- All-through Provision
- Schools without stand-alone sixth form provision

- 4.1.2 HfL has appointed a consultant with a wealth of relevant experience to develop a briefing for schools on new models of organisation. It is

expected that the brief will provide an overview of options and that HfL will provide further support to schools wishing to explore new models of organisation in more detail. This support is likely to include a role in brokering agreements between schools seeking to adapt new models of organisation that enable efficiencies to be delivered. The Governance team is supporting this work by developing some examples of best practice from within the County and beyond.

- 4.1.3 It is evident from a number of schools facing significant financial difficulty that a stand-alone sixth form may no longer be sustainable for all schools. Indeed Cheshunt School is now consulting on a proposal to close its Sixth Form and enter an affiliated relationship with Goffs. The Council has commissioned the Secondary Achievement Team at HfL to develop a series of pilot studies that develop alternative models of provision that schools may wish to adopt and adapt over time. Whilst the discussions are at an early stage, it is expected that the pilots will go beyond the models of collaboration currently familiar to some secondary schools in Hertfordshire.
- 4.1.4 For many smaller schools, budgetary pressures will necessitate the adoption of new models of organisation. For larger schools with greater resources and therefore more flexibility in budgets, internal organisational review and restructure might be the preferred response to budgetary pressures. As such, the Council has commissioned HfL to provide an HR Business Partnering offer coordinated by the Schools HR Team. The service will enable a holistic review of school organisation and develop an action plan to deliver a sustainable staffing structure based on a broad range of factors from structures, to pay thresholds, to scope of rolls. It is expected that a number of expert teams at HfL will feed into this work including achievement teams, School Business Management, Financial Services for Schools and potentially IT Infrastructure. This work will commence this half term and will be initially piloted in schools in financial difficulty. Once established, the service will be offered to schools on a consultancy basis.

4.2 Value for Money

- 4.2.1 As indicated in the Background section to this paper, given that generally at least 80% of schools budgets are staffing costs, the key to absorbing 6% budget reductions will be around more efficient staffing structures. However, there are a number of initiatives that are being developed to deliver better Value for Money to Schools:

(a) Value for Money Handbook

A Handbook has been developed for Hertfordshire Schools that provides details of Central Contracts and Services commissioned and procured by The Council. In addition to details of Central Contracts, the Handbook provides benchmarking information for each Contract and “Useful Tips”

for reducing back office and running costs. The Handbook is one of the outputs of a broader programme to support schools seeking to effectively manage the financial challenges of flat-cash funding. The Handbook will be published on the GRID by half-term.

(b) Electronic Payment Systems

Hertfordshire County Council currently provides a central contract with Wisepay for Electronic Payment Systems that the majority of Schools across the County use. The Contract concludes this Academic Year and soft market testing indicates that a 20-30% discount on standard prices can be realised through a central procurement.

It is also evident that significant efficiency can be realised in the administration of School Dinners and that an Electronic Payment System is an appropriate tool to enable this. HCL has therefore expressed an interest in putting a single supplier framework agreement in place to which all schools will be able to buy-into. The framework will work much the same way as the Wisepay arrangement whereby schools will have a contract directly with the provider.

Work is underway to gauge interest from schools before the procurement process commences.

(c) Advice on performance related pay, TLRs and Pay Policies for Schools

Schools HR plan to enhance the HR advisory offer to include an HR toolkit that supports HR processes.

Recent briefings identified that greater resources are needed to provide advice to schools on pay issues and Schools HR are moving to provide this.

(d) Sickness Insurance

HfL is continuing informal discussions around the viability of a replacement scheme to the mutual Sickness and Supply Scheme which closed at the end of the Financial Year 2010/11.

(e) Payroll and Occupational Health Provision

Schools HR has agreed a number of changes to the Occupation Health process to ensure that balanced advice is provided, cases are assessed with an appropriate level of medical expertise, and a more timely conclusion of cases.

(f) Publication of Management Information System Data

Schools are now able to access their Management Information System Data benchmarked against other Hertfordshire schools at <http://www.thegrid.org.uk/info/edcs/index.shtml>. This information provides a useful first step in understanding where budget allocations are significantly different to other schools and can form the basis of further review. Passwords can be obtained from: corporate.informationsservices@hertfordshire.gov.uk

(g) Required Contributions to Capital Projects

A reduction has been negotiated with Trevor Mose in the required contribution to capital projects by schools. Primary schools will now be required to pay 75% of one years delegated capital and secondary schools 0.75% of budget share. This new level of contribution will reduce financial pressures to schools, ensures parity between the phases in contribution and ensure that the benefits of contributions remain (asset management planning in schools is more robust, schools are incentivised to maintain financial assets, a greater number of projects can be delivered each year).

4.3 Conversion of schools from Community to Foundation status

- 4.3.1 Initial meetings are being held with the highest paying National Non-Domestic Rate Schools in Hertfordshire to discuss a conversion to Foundation Status to qualify for 80% Mandatory Rate Relief. Currently all Community Schools pay National Non Domestic Rates at 100% of a value set by the District and the full amount is then refunded from the Direct Schools Grant (DSG). Converting the top ten NNDR paying schools to Foundation Status could deliver £1.2m of savings to the DSG budget.
- 4.3.2 The initial feedback from schools has been encouraging, we have asked them to provide a clear indication of whether they wish to proceed by half term. A conversion programme for schools willing to convert will then be developed and the process completed for the new financial year.

4.4 Benchmarking

- 4.4.1 HfL has been commissioned to provide all maintained schools with benchmarking information in the Autumn Term 2015/16 (building on the management information profile as necessary) to provide Leadership Teams and Governors with accurate comparative information on budget.
- 4.4.2 Building on the work of HfL's Business Partnering Capability, HfL has been further commissioned to develop of a formula driven financial dataset for schools to enable a comparison of the school budget with a

'model' budget for a school of similar size and demographics. The models will be designed to be sophisticated enough to take into account a range of permutations including deprivation and special needs factors. The models will need to capture cross-departmental thinking within HfL around curriculum models, optimum use of support staff, contact time, TLRs etc. to maximise standards whilst maximising efficiencies. Given the complexity of this piece of work, it is likely that it will take some time to complete and will be launched for Financial Year 2016/17.

- 4.4.3 Whilst the models are being developed, building on a suggestion for the School Budget Pressures Steering Group, a series of 'sustainable schools workshops' are proposed that will enable schools with similar characteristics to discuss proposed solutions around meeting budgetary challenges. An initial pilot will be held for small secondary schools and then expanded to other schools. The workshops will be open to both Academies and maintained schools.

5. Maintained Schools Causing Financial Concern

- 5.1 Hertfordshire County Council tracks the termly returns of all maintained schools and closely monitors schools that are causing financial concern. Following consideration at the Schools Budget Pressures Steering Group, guidance will be issued to all maintained schools that they should be carrying minimum balances of 2%. Those that are not will be written to and advised that they are deemed to be causing the LA financial concern.

- 5.2 The forecasts of some schools suggest a significant shortfall in budget in future years, with a large contributing factor being low rolls. Aggregate deficits currently under discussion are c£7m. Given the risk that significant cash advances present to the Council and to schools generally to the extent that costs fall to be met from DSG, a rigorous process is being put in place that seeks to minimise the extent of any shortfall and ensure repayment of advances. Schools seeking cash advances will need to undertake a number of prescribed steps as part of the process of agreeing the level and duration of any advance:

5.2.1 Establishment of a Financial Action Group

Financial Action Groups will be put in place at all schools seeking a cash advance. Groups will include Senior Officers from Hertfordshire County Council and Herts for Learning in addition to School Senior Leadership Teams. The group will oversee development and/or implementation of plans to limit the size of budget deficits, and progressively repay cash advances.

5.2.2 Organisational Health Check

HfL will be commissioned to deliver Business Partnering HR support to all schools seeking cash advances. Should they conclude in discussion with the schools in question via the Financial Action Group that there is scope for changes to reduce costs, and it is necessary to reduce financial pressure, then implementing such change will be expected to form part of deficit reduction/loan repayment plans. The review will examine the appropriateness of new models of school organisation.

5.2.3 Co-option of LA Governor

Hertfordshire County Council may require a Council nominated Governor to be co-opted onto Governing Bodies seeking a significant cash advance. The Governor is likely to be a paid employee of HfL with specialist skills and expertise in School Finance.

5.3 It is intended that this approach will be discussed with the Regional Schools Commissioner (RSC) at the next scheduled meeting. Feedback will be sought from the RSC on both their approach to schools that have been served with a Financial Notice to Improve, and on the RSC's approach to Academies that are in financial difficulty and have clearly financially unsustainable sixth forms.

5.4 The package of support being offered by HfL to maintained schools in deficit will also, of course, be available for Academies to purchase.

6. Conclusion

6.1 Set out above is a substantial programme of work, which is intended to mitigate the impact of future budget reductions. But of course the main responsibility and effort required will be with and from schools themselves.