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SCHOOLS BUDGET SAVINGS 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 on 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. In addition to supporting all schools, the programme is working with those in particular financial difficulties largely as a result of size or significant surplus capacity in a series of Financial Action Groups.

3. Background

- 3.1 Termly returns from maintained secondary schools in Hertfordshire have evidenced the acute financial pressure among this phase schools. All are forecasting an in-year deficit and are using balances to offset 2015/16 deficits. At the financial year-end it is expected that seven secondary schools will be in a total deficit position, with eight more expecting to follow suite in 2017/18.
- 3.2 Through detailed budget work with schools that have reached a deficit position it is evident that surplus capacity in places and a reduction in sixth form funding are the primary drivers of the pressures. Currently the primary phase is not experiencing a comparable level of pressure

as there is little surplus capacity in the phase and there have to date been no reductions in funding for primary age pupils.

- 3.3 However, in all but the large urban centres, school planning forecasts are showing a decrease in the number of primary aged pupils over the next three years. This is likely to increase the pressure considerably in this phase and necessitate the reorganisation of school structures going forward. Moreover, it is possible that changes to Early Years arrangements could compound budget pressures for primary phase schools with nurseries but the extent of any impact is not yet clear.
- 3.4 The Chancellor's Autumn Statement confirmed that school funding will be flat cash over this parliament and schools in Hertfordshire therefore face real terms budget reductions of around 6% over the next four years. To support schools in meeting this challenge, the LA has established a generic 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
- 3.5 In addition to the generic programme, a series of Financial Action Groups have been established with Schools reaching deficit positions to support the school in minimising the extent of any required deficit. Action Groups recognise that deficits/loans will place a future burden on schools and must be minimised to maximise available funding for the future education of pupils.
- 3.6 This paper provides an update on progress made against the work-streams, and the success of Financial Action Groups to date.

4. Summary of Progress

4.1 Efficient Structures

- 4.1.1 Following feedback from Senior Leaders in Schools, HfL has developed a first stage Budget Pressures Toolkit aimed at providing easy access for Heads and Governors to an information source to support them in preparing for and managing a tighter school budget. The Toolkit provides hints and tips, video clips and data gathered by

HfL. Given that the toolkit will consolidate existing information into a central place it is likely to be of particular use to new Heads in Hertfordshire but should also have wider appeal with new information such as guidance on new models of school organisation. This toolkit is now largely complete and will be launched in the Spring Term. The toolkit will be free to access. A second phase of the toolkit will be developed and launched as the economic position of schools further tightens and we move towards a national funding formula.

4.1.2 In addition, HfL is developing an HR Portal that will be an online tool for subscribers to Schools HR designed to provide practical guidance on a range of HR issues including restructuring and reorganisation in response to budget pressures. The portal will be supported with a regular news bulletin and a streamlined set of HR policies. The portal will be launched for the new Financial Year.

4.1.3 Model job descriptions for key school staff are being updated by HfL as part of the Budget Pressures Programme. Two key roles are being revised initially; Teaching Assistants and School Business Managers. The new job descriptions are designed to reflect the range of personnel employed in schools and therefore give greater flexibility to schools in setting roles and responsibilities. Further revisions to job descriptions will follow including Premises related staff and Midday Supervisors.

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 is around maximising the efficiency of staffing structures. However, there a number of initiatives underway to support schools in realising better Value for Money:

(a) Value for Money Handbook

Available on the GRID at
<http://www.thegrid.org.uk/info/office/commissioning/index.shtml>

(b) Electronic Payment Systems

An interim Electronic Payment System is in place with School Communications. A central procurement enabled savings of at least £175 per school. HCL are procuring a longer-term solution, which is expected to yield similar savings for schools signing-up.

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

As above, Schools HR plan to enhance the HR advisory offer to include an HR portal 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 to explore the viability of a replacement scheme to the mutual Sickness and Supply Scheme which closed at the end of the Financial Year 2010/11. Following initial discussions with a potential provider, data is being sought from schools to enable a more accurate picture of costs and risks to be developed. If, following population of real data to the calculator, the scheme is considered viable, HfL would seek to reintroduce for 2017/18.

(e) Payroll and Occupational Health Provision

HfL will shortly launch a pilot Occupational Health Contract (the management costs of which will be subsidised by HfL) in order to test the viability of a broader roll-out. The pilot is open to all Hertfordshire Schools to participate in but is likely to hold most appeal to Academies given that maintained schools are mandated to purchase Occupational Health support with Payroll. It is anticipated that the pilot contract will be more expensive to schools than the existing HCC Occupational Health Contract but will improve outcomes through inclusion of Chief Medical Officer advice to cases, telephone support and Pay as You Go referrals and access to qualified medical practitioners. The pilot will run for one year with around thirty schools required to participate. The pilot will ultimately inform the choice around renewal of Occupational Health services with SERCO. A briefing will be held on the pilot in March for schools interested.

(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

4.3 Conversion of schools from Community to Foundation status

- 4.3.1 Initial meetings have been held with the highest paying National Non-Domestic Rate Schools in Hertfordshire. The LA identified potential savings of £1.2m per annum if Community Schools changed status to Foundation. Schools are currently considering a change, with some already indicating a willingness to change status. However, likely

proposals for an institution by institution National Funding Formula removes the incentive for the LA to manage and fund this piece of work as savings would not be recycled within the County. Moreover, the recent announcement that Local Authorities will keep all NNDR revenue negates the incentive for this piece of work. For schools wishing to proceed with conversion, HCC will support and fund the conversion however as significant savings are likely to be realised in 2016/17 prior to the introduction of the National Funding Formula.

4.4 Benchmarking

- 4.4.1 At the first Budget Pressures Steering Group Meeting, schools asked for a formula driven tool that incorporated information gathered from other schools and optimum curriculum modelling and gave schools a model organisational structure model for a school of their size. The group when seeking development of such a tool acknowledged that such a tool could never be prescriptive and its use could only ever be indicative given the uniqueness of each school in the family of Hertfordshire schools. Nevertheless, schools recognised that such a tool would be useful as a planning tool as financial pressures increase as they would be able to compare their structures and loading with the 'optimum' and pitch their structures and organisation at the appropriate point to their school on the continuum between their starting point and the HfL model. Cheryl Faint and Jim Borchers are now well advanced in developing such a tool and will roll-out to schools during the Summer Term.

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.
- 5.2 The forecasts of some schools, mainly in the secondary phase suggest a significant shortfall in budget in future years. All maintained secondary schools forecast an in-year deficit in the summer term with most drawing down on reserves. Five secondary schools however have fallen or will fall into deficit this year and prior to licencing any deficit/loan, Financial Action Groups have been put in place to ensure that the extent of any deficit is minimised to safeguard investment in the education of future pupils at the schools concerned, and to minimise the aggregate deficits across the schools.
- 5.3 The output of Financial Action Groups will be a report to a Steering Group comprising the Assistant Director- Finance, Assistant Director- Education and Early Intervention and HfL Managing Director. The report will consider a range of options and risks for reducing the deficit and will draw information from a range of sources including but not limited to School Budget Projections, Financial Services for Schools,

Schools Finance, School Planning, Admissions, Achievement Teams, Schools HR and ICT MIS. The report is expected to recommend options that will minimise the deficit and the likely impact of proposals on school standards.

- 5.4 Prior to the formation of Action Groups, aggregate deficits were forecast to peak at an average of £2.4m per school. The first Financial Action Group formed has been attended by Senior HfL and HCC Officers and has resulted in a significant reduction in the projected deficit of the school. Lessons learnt from the process are being put into place as the programme rolls forward. The key learning point is the uniqueness of every school and the need to consider in detail the particular circumstances of that school with challenge and support from a range of suitably experienced HfL Officers. Consequently, to ensure that Action Groups are effective, they are likely to be resource intensive with only 2-3 in place at any one time.
- 5.5 A further two Financial Action Groups are in place with a further four scheduled to start this term. It is expected that by the end of the Academic Year, Action Groups will have produced reports and licenced deficits and or loans will be in place for all five schools that will finish 2015/16 in deficit and groups will be scheduled for the further eight schools expected to reach this position in 2016/17.
- 5.6 The process has highlighted the particular pressures that schools with significant capacity are facing. Financial Action Groups seek schools to reduce their staffing structures to the number of pupils on-roll. However, with regular in-year admissions, this is a particular challenge as pupil numbers are frequently changing. Clearly capacity is required across planning areas to absorb in year-admissions but the burdens of these admissions which are sometimes pupils requiring significant additional resources fall on these schools. Schools with surplus capacity have to plan therefore to manage additional capacity and complex in-year admissions.

Academies

- 5.7 HCC has no direct information on the support provided by DfE or its agencies to schools in financial difficulties, other than that the EFA may be approached for loans. 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 This substantial programme of work is now successfully underway. A number of key outputs are nearing completion and will be launched this term. Of particular value to schools will be the Budget Pressures Toolkit, HR Portal and Model Organisational Calculator for Schools.

- 6.2 For schools causing significant financial concern, initial learning is that the causes and solutions needed to be implemented to enable financial sustainability are complex and therefore the process is resource intensive and supporting all schools to the level required is likely to take around two years. Whilst Action Groups will provide a level of challenge and support in shaping costed recovery plans, the resulting restructure and reorganisations of schools will be driven by schools themselves.