

SCHOOLS FINANCIAL SUSTAINABILITY UPDATE

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide an overall update to Forum on ongoing support to maintained schools on financial sustainability.
- 1.2 To seek the support of Forum to consult on Maintained schools submitting a one year budget together with a second year forecast to ensure a robust two-year balanced budget plan at the beginning of each Financial Year.

2. Summary

- 2.1 This paper provides an update on work to ensure the financial sustainability of maintained schools across Hertfordshire. This includes a network of sustainability workshops designed to support schools in developing action plans to meet growing financial pressures and a consultation on maintained schools moving to a two year budget submission in order that the LA can better identify schools in need of support. Finally, the paper provides an update on the group of five maintained secondary schools with significant forecast lagged growth converting to Academy Status.

3. Recommendations

The Forum is asked to:

- Agree to consult maintained schools on submission of a Year 1 budget and a Year 2 forecast annually. (Maintained schools members only to vote).

4. Background

- 4.1 The financial pressures facing schools continue to increase. A financial update was given at the last Forum detailing that the financial pressures,

once most acute in the secondary phase, are now being felt in the primary phase. In the initial phase of support in 2015/16, 15 schools were identified as causing financial concern and supported. Following receipt of 2018/19 budgets 104 schools, around a quarter of maintained schools that have been identified as causing concern, these schools would be unable to sustain current levels of spend beyond this financial year.

- 4.2 Forum is aware from previous papers that HCC in partnership with HfL has been supporting a number of maintained schools in appreciable financial difficulty for the last three years. The concerns started with a group of secondary schools where school rolls were declining and therefore income was falling significantly year on year. Forecast deficits were largely addressed with this initial group of schools through Financial Action Groups, intensively working with Senior Leaders and Governors to support, challenge and restructure schools whilst seeking to avoid impact on standards or agreed school improvement plans. Financial Action Groups were largely successful saving an aggregate £7m of forecast deficit saved from secondary school budgets. However, Financial Action Groups are resource intensive and simply cannot be replicated on the scale required. Subsequently, a series of financial sustainability workshops have been developed for this term and the 104 schools on an unsustainable budget trajectory invited to attend. The workshops are designed to disseminate self-help tools and initiate cultural change among this group of schools to enable them to best manage the continued real terms reductions in their budgets.
- 4.3 Previous papers have noted the need for cultural change in relation to the budget setting process in schools. A particular issue highlighted in the last financial update shared with Forum was the ability of the Local Authority to support schools submitting deficit budgets at the end of May, given that little or no time is left to put restructures in place for the new academic year. This update therefore seeks approval to consult on moving to a system of schools submitting a two year budget forecast to enable more timely interventions to support the financial position of schools.

Financial Sustainability Workshops

- 5.1 After consultation with HfL around how best to disseminate information on and access to self-help tools and support culture change around financial management in schools, a series of workshops funded by HCC have been planned for the 104 maintained schools on an unsustainable financial trajectory. In addition to providing advice, guidance and examples of best practice, the sessions will provide an opportunity for key representatives of school leadership teams to discuss their specific circumstances and challenges. The outcome of the workshops will be an action plan which can be used to support schools going forward. The agenda for the first workshop is appended as Annex A for information.

Two Year Budget Submissions

- 5.2 Maintained schools in Hertfordshire have, for a number of years now, been required to submit a one year balanced budget each May. As financial pressures increase, this position is becoming untenable, both for the LA in its ability to accurately identify and prioritise schools most in need of support and for schools, given the legislative framework that they work in and their ability to address financial challenges in a timely way. Moreover, experience to date has demonstrated that whilst implementing change to streamline costs is always challenging, the earlier this is implemented the less challenging it becomes to meet the required reductions. It is therefore hoped that a system that enables earlier intervention can better safeguard performance in schools. Given that budget submissions fall under the Scheme of Financing Schools, Forum's support is required to consult on changing the requirements on maintained schools. To this end, maintained members are asked to agree to consult on changing to a one year budget submission with a second year financial forecast. If agreed, the consultation responses will be shared with Forum prior to any decision being sought.
- 5.4 It should be noted that the Academy Budget Forecast Return Guidance has been updated to introduce a three year budget summary which includes an explanation of assumptions. Moving to a two year budget forecast would therefore not be out of line with changes to EFSA guidance.

Update on disapplication

- 5.3 Forum approved a disapplication to fund the forecast lagged growth in five schools ineligible for Falling Rolls funding facing appreciable financial and performance issues. It had been concluded that the best way of providing the intensive support that these schools required was through Sponsored Academisation. However, with significant forecast growth in these schools which would drive further budget challenges given the lag in this growth, Sponsors were unwilling to support this group of schools. The disapplication approved by the DfE calculated the growth funding that this group of schools would have been eligible for under HCC's fund should their number on roll be used as the starting point for expansion. Three of these schools have now converted (Goffs Churchgate formerly Cheshunt, Sir Fredric Osborn and Adeyfield). It should be noted that Goffs Churchgate saw a significant improvement in its 17/18 data having been the first to convert. Adeyfield fell into an Ofsted category in May 2018 and required intensive support throughout the summer term together with some unplanned urgent works which placed the school in a deficit position forecast at £200k. Cavendish is forecast to convert in November 2018. Cavendish is also in an Ofsted category and whilst the projected deficit at the school has been reduced by over £1.8m in the period that HCC has been working intensively with them, their closing deficit position is expected to be around £350k.
- 5.4 Schools Forum agreed a de-delegated general contingency budget to support closing/amalgamating schools and schools facing financial difficulty

when the School Funding Regulations were revised in 2013. In line with the DfE's guidance note to schools and local authorities on the treatment of balances when maintained schools become academies, the closing balances of Cavendish and Adeyfield would be charged to the general contingency fund for secondary schools on conversion. The consequential overspending of the schools contingency budget can only be met from DSG with the approval of Forum. Officers expect to seek the support of Forum for this when the final figures are established.

6. Conclusion

- 6.1 The Forum is asked to agree the recommendations in Section 3.

Annex 1 - Agenda for Financial Sustainability Workshops

AGENDA

1	9.00-9.10am	Introduction from Herts County Council Pressures facing Hertfordshire Schools	Catherine Tallis	HCC – Education Leadership Team
2	9.10-9.20am	Introduction form Herts for Learning A Great School	Carole Bennett	HfL – Director of Education Services
3	9.20-9.30am	Education Sustainability and Standards	Rachel Macfarlane Tracy Warner	HfL – Director of Education Services HfL – Education Services Director (Primary)
4	9.30-9.40am	Working together to achieve a great school	Michelle Sleath	HfL – Senior Leadership Finance Partner
5	9.40-10.10am	Governance The wider leadership team	Cathy Irons	HfL – Head of Governance Services
6	10.10am-10.40am	Human Resources Effective and Efficient structures	David Windridge	HfL – Head of HR Services
7	10.40-10.50am	Break for Coffee		
9	10.50am-11.20am	Business Management Services Maximising your opportunities	Jo Marchant	HfL – Head of Business Management Services
10	11.20-11.45am	Financial Services Budgeting and Cost optimisation	Cheryl Faint	HfL – Head of Financial Services
11	11.45-12.00pm	Where do we go next? Information Speed Session – Second Workshop Action Plans	Michelle Sleath	