

Plan prepared by Hampshire County Council for the use of Targeted Transitional Support Grant for Schools in Financial Difficulty 2005/06

Contact: Sheila Little 01962 847545 e-mail sheila.little@hants.gov.uk

1 Introduction

- 1.1 This plan for the use of Transitional Support Grant by Hampshire County Council takes full account of DfES guidance of 13 July and 19 November 2004. The approach taken in the plan has been discussed extensively in the Schools Forum and with other representatives of schools and builds on the framework of the plan submitted for 2004/05.
- 1.2 The County Council would wish to use the entire allocation of £3.455m for 2005/06, which the DfES announced in its July guidance letter.
- 1.3 The Plan is structured to cover:
 - The current financial position of Hampshire Schools
 - The prospects beyond 2005/06
 - Required school details
 - A review of the TSG allocations in 2004/05
 - The criteria proposed for the basis of 2005/06 allocations
 - Confirmation of recovery plan approach for 2005/06.

2 Current financial position of Hampshire schools

- 2.1 At the end of the financial year 2003/04, 57 schools were in deficit as shown on the Section 52 statement with a cumulative total deficit of £2.665m. In Hampshire the effective net balance is agreed to be a more meaningful measure. This involves adjusting the 2004/05 Section 52 figure for the retrospective numbers on roll (NOR) as used in the 2003/04 budget shares and reflecting 2004/05 Transitional Support Grant allocations under criteria 1 to 4, i.e., those allocations relating to cost pressures occurring in 2003/04. On the net effective balance basis 39 schools are in deficit with a cumulative total of £1.281m.
- 2.2 Hampshire County Council continues to be an SFSS floor authority. The allocation of transitional support grant for 2005/06 shows recognition of the low funding increase from 2002/03 to 2005/06 for the authority and its schools. This low funding increase means that there is a general funding problem for all Hampshire schools, which will continue beyond 2006/07; while the grant changes from the new national funding formula unwinds.
- 2.3 The expenditure trends to date and the evidence from schools' revised budget plans is that school balances will fall during 2004/05 financial year. Schools are collectively forecasting that they will be about £16m lower by 31 March 2005 at a total of £12m. No specific one off items are known of within this total.

3 Prospects for 2005/06 and beyond

- 3.1 The budget situation for 2005/06 is dominated by the impact of the funding floor. The County Council intends to passport in full the increase in SFSS. The passported increase will cover:
- pay and price inflation pressures
 - the minimum per pupil guarantee
 - an increase in educational provision for three year olds as progress is made toward the 85% level
 - increases in Standards Fund contributions.
- 3.2 This position is anticipated to continue for 2006/07. Whilst the mechanism for funding the Schools Budget will change, the quantum and distribution are expected to result in a floor settlement. The additional cushioning of the education funding changes with a higher floor for 2004/05 and 2005/06 means Hampshire and its schools will continue to anticipate the effect of the increasing grant losses into 2006/07 and beyond. This will represent a significant budgeting challenge at a time of increasing expectations across the sector, particularly with the implementation of workforce reforms and the move towards three year budgets.

4 School Details

- 4.1 Attached in Appendix 1 is the information required to be submitted as part of the 2005/06 TSG Plan relating to all schools:
- 2003/04 outturn statements for schools
 - estimated projected outturn for 2004/05 as at the end of November 2004 based on revised budgets received from schools
 - total amount of transitional grant allocated in 2004/05

5 Review of TSG allocations 2004/05

- 5.1 A condition attached to Hampshire County Council's receipt of TSG is that all schools have balanced budgets by the end of the 2006/07 financial year. The County Council is required to agree recovery plans with each recipient school in order to produce a balanced revenue budget.
- 5.2 Stability / recovery plans were required by 21 May 2004 for all schools in deficit and/or in receipt of at least £15,000 TSG under Criteria 1 and 2 (school deficits and capital/revenue switch). This focused the monitoring on 58 schools that appeared to be historically in most financial difficulty.

School Budgets and Stability / Recovery Plans

- 5.3 All schools have produced an agreed revenue budget for 2004/05. Where a school has set a deficit budget for the first time a recovery plan is required to bring the budget into balance. A number of schools have recognised future funding shortfalls and are planning ahead.
- 5.4 The County Council was able to confirm to the DfES that all schools in receipt of TSG have a credible costed plan in place to eliminate the deficit by 2006/07.

- 5.5 An exercise to identify reasons for schools holding surplus balances was completed earlier this term. The main findings were that the majority of schools have no uncommitted balances and historic balances are being used to manage current financial shortfalls. This supports the view in Hampshire that all schools are facing some financial difficulties.

School Budget Monitoring

- 5.6 A framework formalising the arrangements for monitoring schools' performance in delivering a balanced budget was agreed at School Forum in February 2004. Having agreed individual school recovery plans the DfES expect the County Council to monitor schools' use of grant and the successful implementation of an agreed recovery plan. Proposals for regular monitoring reports from schools were included in the framework document and the frequency and level of detail required varies according to the scale of the deficit and the amount received from TSG as summarised below:

Monitoring Criteria

Quarterly Statements

- all Secondary schools with deficits of £50k+
- all Special/Primary schools with deficits of £15k+
- all schools in receipt of £50k+ TSG under criterion 1 and 2 (write off and cap/rev transfer)

Half Yearly Statements

- all schools in receipt of £15k to £50k from TSG under criterion 1 and 2

A minimum requirement is for an annual update on progress against the plan each May. Which will include an evaluation of actions and updated financial plan.

Progress at 30 September 2004 (Half year update)

- 5.7 Monitoring returns were requested from all identified schools, which includes 23 secondary schools, 34 primary schools and one special school. Returns have been received from most schools and all primary and special schools appear to be on course to achieve a balanced and stable financial position by 31 March 2007. A number of secondary schools are finding it difficult to keep to their agreed recovery plan and there remain a couple of schools who we are working with. The common message is that any further financial cuts will have an adverse impact on educational standards. Joint working between finance and school improvement staff is supporting a number of schools facing severe financial challenges.

New Deficit Schools in 2004/05

- 5.8 A total of 46 schools have set a deficit budget in 2004/05.

Next Steps

- 5.9 Monitoring of school performance in achievement of a balanced financial position will continue throughout the financial year. The receipt of a second tranche of TSG funding (£3.455m) provides an opportunity to further target funds at schools that are facing genuine financial difficulties often as a result of circumstances outside their control.

6 Criteria for choosing schools for financial support for 2005/06

- 6.1 The criteria for eligibility have been extensively discussed including sessions at both the July and September meetings of the Schools Forum. Relevant material from the minutes is attached at Appendix 2. Paragraphs 6.2 to 6.8 below set out these agreed criteria. There was considerable debate on the implications of the criteria used in 2004/05 allocations while determining the criteria for this years allocations.

Criterion 1

- 6.2 Pay sums equivalent to 50% of the shortfall of the amount necessary to bring a school's balance up to 1% surplus, after adjusting to eliminate any repeat funding via TSG criteria 1-4 from the 2004/05 allocation and retrospective number on roll. This will recognise the fact that schools with low surplus balances will be experiencing financial difficulties. The implication of paying only 50% being that this ensures schools retain some of the responsibility for recovery of their financial difficulties while remaining a simple Criterion. Based on the level of balances as at 31 March 2004, this will allocate around 30% of the total grant available, £1.015m to 60 schools.

Criterion 2

- 6.3 To aid the transitional year within the County Council, as the focus moves towards reducing the level of exclusions from schools, it was agreed at Schools Forum to allocate a one off sum from TSG to all schools to allow them to invest in preventative measures within schools to improve behaviour. The allocation, based on the number of SEN Audit steps, will use a further £800k of the allocation.

Criterion 3

- 6.4 Notwithstanding the DfES recognising the workforce reform pressure in the Schools Formula Spending Share (SFSS) settlement and through the minimum funding guarantee % (i.e. making primary 1% greater than secondary), it has been agreed by the Schools Forum that it is appropriate to allocate an additional element of 2005/06 TSG across all schools as a key investment in the lead up to 2005/06 academic year and the delivery of 10% non contact time for all teachers. This will assist them in completing the work begun in 2004/05 to secure revised allocations of time and workload with new skills and competencies being required from existing staff, in particular by encouraging schools to use the one off funding to
- invest in supply cover to allow school staff school time to plan changes
 - invest in information technology to encourage different uses of resources in schools and classroom, for example developing learning centres
 - invest in training and development for staff to move towards new working practices
 - address difficult staffing issues perhaps by helping to meet redundancy or early retirement costs

This will use £550k of the TSG allocation for 2005/06.

Criterion 4

- 6.5 An allocation (of £250k across all schools) was made from TSG in 2004/05 for the purposes of financial training and advice. All schools in Hampshire will continue to have to plan for significant financial challenges resulting from the impact of falling rolls, workforce reform, limited budget increases for 2003 - 2007 as a result of being in a floor authority and the resulting requirement to plan ahead more rigorously and over longer time periods make this essential. The Secretary of State wishes to see deficits eliminated and balances reducing by 2006/07 and this will help achieve that aim. One specific issue for 2005/06 is the need to support those schools moving to the new HR payroll system and £150k is included to enable schools to invest in this service. Further, schools will want to plan early for financial consultancy and support required in 2005/06 to ensure providers (both external and internal are resourced to meet their requests). A total allocation of £400k is proposed for 2005/06. This money will fund around one day's training or consultancy for each school in Hampshire.

Criterion 5

- 6.6 Finally, the July Schools Forum report indicated the criteria which the Senior School Improvement Managers (SSIMs) have considered for distribution of grant in relation to addressing school improvement issues where these have an adverse financial impact for schools:

- Schools that have been inspected by Ofsted, judged to have serious weaknesses or require special measures, and who require a level of additional support that cannot be funded from the school's delegated budget without the risk of falling into deficit.
- Schools whose current performance causes concern such that were they to be inspected they might be judged to have serious weaknesses or require special measures and who require a level of additional support that cannot be funded from the school's delegated budget without the risk of falling into deficit.
- Schools that continue to need to bring about some improvement in their education performance but have had limited success in achieving this and now require a level of additional support that cannot be funded from the school's delegated budget without the risk of falling into deficit. :
- Schools that are making improvements in their education performance from a base of considerable weakness but need a level of support that cannot be funded from the school's delegated budget without the risk of falling into deficit.
- Schools facing exceptional staffing problems (e.g. extended absence of head, major weaknesses in 'middle leadership', inability to recruit and retain key staff) that result in additional essential expenditure that cannot be funded from the school's delegated budget without the risk of falling into deficit.

- 6.7 However, since TSG is strictly one off there will be robust and deliverable plans established for achieving and sustaining the school improvement once the TSG has been used. In each case only schools that, for whatever reason, can't fund the improvement themselves via their delegated or devolved funds and whose needs cannot be met from retained EDP (Education Development Plan) funding or external grant (e.g. for leadership incentive grant (LIG)) would be considered. Initial discussions between finance staff supporting the schools and the SSIMs has identified around 20 schools who could benefit from a total of around £690k

TSG in 2005/06. It is proposed that the SSIMs set out what is it expected that each school being given TSG will use the money for.

- 6.8 It is proposed that this final criterion only be applied following allocations through the other criteria and with due regard to the school existing financial position. This will ensure that TSG is only allocated to schools which would otherwise fall into financial difficulty in addressing these critical school improvement initiatives.

7 Individual school recovery and stability plans

- 7.1 It is expected that, as a result of this grant, schools will move forward with a stabilised budget and balanced income and expenditure from at least 2006/07. Agreeing these plans and subsequent monitoring of them will continue to place additional burdens on finance and advisory staff working with schools.
- 7.2 The County Council has been active in promoting medium term planning at school level. For instance, a new guidance document on linking strategic planning and resources at school level has been available throughout 2004/05.
- 7.3 In addition the County Council recently supported the DfES/KPMG Master classes held for LEAs which was well attended by finance and personnel staff as well as schools improvement managers. Subsequent joint working within the County Council has continued since this event and at least two of our schools have nominated themselves for one to one consultancy support.
- 7.4 The proposals for recovery plans and budget monitoring are similar as for 2004/05 (as detailed in section 5 of this plan) with some minor amendments.
- 7.5 In addition to requiring deficit recovery plans for all schools in deficit or planning a deficit in 2005/06 we will continue to monitor the 58 schools identified from the first TSG plan. Any schools receiving more than £15,000 under Criterion 1 (small or negative balances) or more than £15,000 under all criteria from this years TSG allocations will also be required to produce a recovery/stability plan and comply with quarterly/half yearly monitoring statements.

8 Grant Conditions

- 8.1 The County Council intends to meet all the grant conditions laid down.

Jon Pittam
County Treasurer

Andrew Seber
County Education Officer
