

Report to Schools Forum

Title: Scheme for financing schools

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Schools affected: All schools

1. Purpose of this report

1.1. This report sets out the proposals for changes to the scheme for financing schools.

2. Background

2.1. The Scheme for Financing Schools needs an annual review and agreement at the Schools Forum. The DfE usually issue a new scheme on an annual basis to take into account changes they have made to relevant guidance and / or statutes.

2.2. The Scheme was last reviewed in September 2016.

2.3. This review is only covering parts directly affecting financial management and governance. The remaining sections will be reviewed when the DfE publish their updated scheme although most of the sections are unlikely to change.

2.4. The reason for this early review is the need to strengthen financial management and support which links to resources funded through dedelegation from maintained schools and concerns over the risk of financial deficit / financial planning in some schools.

3. Recommendations

3.1. That the Schools Forum supports the proposals in this report.

3.2. That the Schools Forum agrees the consultation requirements needed.

4. Detailed proposals

4.1. The current scheme (selected sections) is set out in Appendix 1. The suggested revised sections are set out in Appendix 2.

4.2. A summary of the key changes is as follows:

Changes to 2.3/2.3.1:

- *Reinstate committee of the governing body as able to sign formal plans.*
- *Bring forward date for formal plan slightly (and state in scheme not just on Web)*
- *Remove separate section 2.3.1 and incorporate into 2.3.*
- *Requirement for draft budgets by end of February each year to support review by BCC.*
- *Removal of requirement to submit financial forecasts (revised plans) in year (unless significant changes)*
- *Emphasis on support provided to schools.*

Changes to 2.16

- *Clarifying purpose of SFVS*
- *Recommending period in which schools should self-assess*
- *Links budget plans and SFVS*

5. Impact for schools and Buckinghamshire County Council

5.1. Effective financial management and planning are vital to successful school and pupil outcomes. Identifying concerns and risks earlier allows Buckinghamshire County Council to provide schools with more effective support. This should reduce the risk of:

5.1.1. Financial management and planning issues impacting negatively on school and pupil outcomes.

5.1.2. A school having a deficit budget without an agreed recovery plan.

5.1.3. Financial support being required through contingencies paid for by all maintained schools through de-delegation.

5.1.4. Buckinghamshire County Council issuing a school with a “Notice of Concern” and potentially withdrawing delegation from Governors.

5.1.5. Schools wishing to join Academy Trusts failing to be accepted due to poor financial management or governance.

6. Consultation

6.1. The Scheme requires that revisions should be consulted on before approval of the Schools Forum. The relevant scheme paragraph is set out below:

6.2. The Schools Forum is asked to consider and agree what degree of consultation is required for these changes e.g. whether a full consultation is needed for the proposals set out in this report.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the schools forum for their approval.

All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

Appendix 1 - Current Scheme (selected sections only)

2.3 Submission of budget plans

Each school is required to submit a plan to the authority by dates published on Schoolsweb, showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan.

The plan should take account of any estimated surplus or deficit balance accumulated by the school as at the previous 31 March. Schools must notify the authority of any revision to their financial plans agreed by the governing body during the course of the financial year.

Plans must be submitted in a form notified by the authority and in accordance with the Consistent Financial Reporting Framework. Guidance is available in the Local Management Handbook.

The school's formal annual budget plan must be approved by the governing body.

Financial Forecasts for the current year are required at specified points throughout the year, but will not be required more often than once every 3 months.

2.3.1 Submission of Financial Forecasts

The authority requires schools to submit a financial plan covering a 3 year period.

These will be used as evidence to support the authority's assessment of Schools Financial Value Standards and in support of the authority's balance control mechanism.

2.16 Schools Financial Value Standard (SFVS)

All Buckinghamshire maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. This should be completed in accordance with the timetable published on Schoolsweb.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

Appendix 2 - Revised sections proposed:

2.3 Submission of budget plans

What are schools required to do?

Each school is required to submit a ***draft budget plan*** to Buckinghamshire County Council by the end of February each year. This does not need formal approval of full governing body or a committee of the governing body but governors are expected to have been sighted on these proposals before submission to Buckinghamshire County Council.

Each school is required to submit a ***formal budget plan*** to Buckinghamshire County Council before the end of May Half term (Whitsun) break begins. The school's formal annual budget plan **must** be approved by the governing body or a committee of the governing body.

The plans should cover the following financial year plus two further years. They should show:

- The expected levels of income from Dedicated Schools Grant (school budget share)
- The expected income from other grants and income sources
- The expected expenditure
- The estimated surplus or deficit balance accumulated by the school at 31st March each year (i.e. brought forward from the current year and carried forward in each of the next three years)
- Assumptions underpinning the budget plan.

Schools must notify the authority of any revision to their financial plans agreed during the course of the financial year. There is no requirement for all schools to regularly submit revised plans or financial forecasts on a more frequent basis. Schools are expected to monitor progress against budget plans on a regular basis and identify any issues.

If a ***revised plan*** is necessary the revised plan should be agreed by the governing body or a committee of the governing body. Circumstances where a revised plan is expected include:

- Any change resulting in a deficit budget in any financial year.
- Significant changes in assumptions underlying budget proposals for the next three years. E.g. resulting in income or spend changing by more than 2% or £10,000 (whichever is the higher) compared to original assumptions.

The formal budget plan in May is not expected to significantly differ from the draft proposals in February if the assumptions made have been robust, tools and checklists have been used and monitoring of in year budgets have been reliable. For example, the estimated surplus or deficit should not be significantly different to the draft budget plan if monitoring and forecasting is robust.

All plans (draft, formal or revised) must be submitted in a form notified by the authority and in accordance with the Consistent Financial Reporting Framework.

Further guidance is available on the SchoolsWeb.

What will Buckinghamshire County Council do?

Buckinghamshire County Council wants to support schools in managing budgets effectively and working with schools in having sustainable budget proposals over three years. To help schools Buckinghamshire County Council will provide:

- Draft delegated budget shares for schools will be published by early January each year (subject to DfE checking of budget calculations)
- A free checklist and income modelling tool will also be provided for schools to better estimate funding and income for future years.
- An expenditure modelling tool and training will continue to be accessible to schools (the salary modeller tool provided through a traded service) to help them plan their expenditure.

The purpose of the draft plan being submitted in February is for Buckinghamshire County Council to review the plans and evaluate the financial risk of each school earlier. This enables Buckinghamshire County Council to offer schools assistance at any earlier stage and ideally before the financial year starts.

Schools should be aware that plans that show a deficit in any year will require approval of Buckinghamshire County Council and that schools who are unable to set a balance budget over three years may trigger a “Notice of Concern” which could lead to delegation of budgets being withdrawn from Governors.

Where plans have significantly changed Buckinghamshire County Council will review these in detail to understand why budget plans had changed and whether the school needs more support.

Buckinghamshire County Council does not wish to overburden schools with returns and therefore the requirement to regularly submit plans is to be removed.

Buckinghamshire County Council will review actual spend and income using the Council’s SAP system, which schools financial systems feed in to. This will take place at least twice a year (mid-year and end of year). This will support Buckinghamshire County Council in identifying financial assessment and audit risk. If significant discrepancies are identified schools will be contacted to explain these. This includes significant changes in formal budget plans compared to draft budget plans, especially where surplus or deficit balances at year end have significantly varied from draft budget plans.

2.16 Schools Financial Value Standard (SFVS)

What are schools required to do?

All local authority maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.

The schools financial value standard (SFVS) is a mandatory requirement for local authority maintained schools. The SFVS has been designed with schools to help them in managing their finances and to give assurance that they have secure financial management in place.

It is for the school to determine at which time of the year they wish to complete the form, however Buckinghamshire County Council **requests** that all maintained schools submit their SFVS assessment form by the end of Autumn Term each year as this is the time of year when Governors, Leadership or finance staff in schools are most like to have changed and when the SFVS review is most important.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

Further guidance is available on the SchoolsWeb.

What will Buckinghamshire County Council do?

Buckinghamshire County Council will use the schools' SFVS self-assessment to inform their programme of financial assessment and audit. If areas of concern in the SFVS self-assessment are identified Buckinghamshire County Council will look to support those schools in strengthening those areas. An area of concern may be budget setting. Having these by the end of Autumn Term helps Buckinghamshire County Council prioritise which draft budget plans being received in February to review first.

If significant inconsistencies between SFVS self-assessment any other sources of information (including reviews of budget proposals and end of year budget positions) Buckinghamshire County Council will seek to work with the schools to understand these in more detail and support the schools.

Schools are **strongly encouraged** to honestly appraise their SFVS and alert Buckinghamshire County Council to weaknesses that may need support at an early stage. A failure to identify and therefore address weaknesses in SFVS may result in issues in financial management and forecasting which both the school and Buckinghamshire County Council would wish to avoid.