


Agenda Item 7

	London Borough of Hammersmith & Fulham SCHOOLS FORUM Tuesday, 20 November 2018
High Needs Block Update	
PROPOSED AMENDMENTS TO THE SCHOOLS FINANCING SCHEME – November 2018	
Report of the Cabinet Member for Education and Children’s Services Councillor Larry Culhane	
Open	
Classification - For Scrutiny Review & Comment Key Decision: No	
Wards Affected: (All Wards); All	
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Purpose of the report

To incorporate all amendments arising from the DfE’s issue 9 of the statutory guidance on schemes for financial schools relating to Section 48 of the School Standards and Framework Act 1998.

To make further proposals in order to reflect the changes in the Finance Education structure and its line of accountability. Local authority proposals aim at clarifying the extent of the LA’s capacity for liability towards redundancy costs incurred by schools as well as the expectations the Local Authority has in terms of financial planning from schools.

1. Introduction

- 1.1. Issue 9 of the statutory guidance from the Department for Education for local authorities on schemes for financing schools, was published in March 2018.
- 1.2. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools' forum.
- 1.3. Issue 9 includes both directed revisions from Issue 8, as well as other updates made by the ESFA from the prior version.

2. Directed revision from Issue 8

- 2.1. The Secretary of State has directed, following consultation with Local authorities, that from 22 March 2018, the specific text should be included in the Scheme for Financing on loans to schools. The prior scheme wording is as below:

Section 4.10 Loan schemes

There is no loan scheme in place for schools within the Authority.

Proposed New Wording

“The secretary of state has clarified that loans should only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under para.13(4) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy school.

There is no loan scheme in place for schools within LBHF for either revenue or capital loans”

3. Other ESFA updates from Issue 8

- 3.1. Updates have been made to the guidance, to mirror changes in the Schools and Early Years Finance (England) Regulations 2018, in particular:
 - changes on balances of closing schools
 - removal of wording to reflect that the regulations no longer allow local authorities to issue budget shares for a multi-year period
 - removal of references to the Audit Commission, as this has been abolished
 - replacing references to ‘statement of SEN’ with ‘Education Health and Care Plan (EHCP) where appropriate
 - the responsibility for redundancy and early retirement costs

- 3.2. Changes on balances of closing schools to include maintained schools and academy converters.
The prior scheme wording is as below:

Section 4.8 Balances of closing and replacement schools

When a school closes any balance (whether surplus or deficit) reverts to the Authority. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus will transfer to an academy where a school converts to academy status under Section 4(1)(a) of the Academies Act 2010.

Proposed New Wording

“Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

- 3.3. Changes to reflect that the regulations no longer allow local authorities to issue budget shares for a multi-year period. This is not applicable to the LBHF scheme, as no such wording currently included.

- 3.4. Changes to remove references to the Audit Commission and replacing references to ‘statement of SEN’ with ‘Education Health and Care Plan (EHCP) where appropriate. Previous wording:

Section 2 – Parag 2.6 Audit: General – page 17-18

All schools are subject to the audit regime determined by the Authority. This will include the Authority’s internal audit and external audit regime as determined by the Audit Commission.

Proposed New Wording

“All schools are subject to the audit regime determined by the Authority as regard internal audit, and the authority’s external audit regime as determined by the Local Audit and Accountability Act 2014”

6.2 Circumstances in which charges may be made

(o) Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low-cost high incidence SEN and/or specific funding for a pupil with High Needs

Proposed New Wording

“Costs incurred by the Authority in securing provision specified in a Education and Health Care Plan (EHCP), where the governing body of a school fails to secure such provision despite the

delegation of funds in respect of low-cost high incidence SEN and/or specific funding for a pupil with High Needs”

4. ESFA changes to the responsibility for redundancy and early retirement costs

- 4.1. Section 37 of the 2002 Education Act, clarifies the default position on responsibilities for redundancy and early retirement costs.
- 4.2. Premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the local authority’s budget. In the case of premature retirement costs, the local authority has to agree otherwise, for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be funded centrally. This section goes on to set out a non-exhaustive list of situations in which exceptions to the default position might be taken by the Local Authority. These are already outlined clearly in our current Scheme for Financing Schools.
- 4.3. The revision to Annex B in Issue 9 of the guidance clarifies that the local authority can no longer fund premature retirement costs (where there is agreement to fund this centrally rather than from school’s delegated budgets) nor new redundancy costs, from centrally held DSG budgets.
- 4.4. The only exception is where these costs are part of a historic commitment and where the expenditure is incurred as a result of decisions made before 1st April 2013. In this instance, costs may not exceed the amount budgeted in the previous financial year.
- 4.5. The guidance and changes set out in the Finance and Early Years regulations 2018, does make allowance for the LA to create/retain a central budget through an additional deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the school’s forum agree.
- 4.6. A de-delegated contingency is also allowed and is already held by the local authority, with forum agreement, to support individual schools where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school’s budget share"

5. Local authority proposal to the responsibility for redundancy and early retirement costs

- 5.1. Although not currently being used, the LA would like to propose that the option to create/retain a central budget through an additional deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the school’s forum agree, to be included in the scheme, with similar contributions required from maintained Special Schools, who do not receive a budget share from the schools block of the DSG.
- 5.2. The LA would like to make adjustments to the process and conditions around use of contingency funding for schools in financial difficulty, which is already de-delegated to:
 - recognise the limited central contingency budget for maintained schools (no local authority provision for Academies and Free Schools)

- amend the £200k reserve threshold given that remaining maintained schools are from the primary phase only. The maximum recommended reserves level of 8% of annual budget share (for most primaries £200k would represent 10-20% of budget share)
- ensure schools identify and manage redundancy and restructuring costs within their 3-year budget plan
- ensure that limited de-delegated resource available for maintained schools is targeted at those schools most in need

5.3. Proposed wording for the new scheme:

“Maintained schools can elect to create a central budget through an additional deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the school’s forum agree.

A similar contribution may be required from maintained Special Schools or nursery schools, who do not receive a budget share from the school’s block of the DSG, in order for them to benefit from financial support in relation to redundancy costs.

Maintained Schools have elected to de-delegate budget to the Local Authority to assist schools in financial difficulty. This contingency funding may be used to contribute to the costs schools incur in restructuring in line with their 3-year budget planning, to ensure future financial sustainability.

Decisions to meet part or all of premature retirement or redundancy costs, will be taken on behalf of maintained schools, by the Director of Children’s Services, upon reviewing a proposal submitted by a school’s Headteacher in writing. In consultation with the Head of Finance for Children’s Services, the Director of Children’s Services shall give due consideration to current demand for financial support and to the level of funds available within the Schools in Financial Difficulty de-delegated budget at the time.

Any submission to the Local Authority of a Head Teacher’s request for financial support with regard to redundancy payments must satisfy the following criteria:

- That the Director of Children’s Services has confirmed in writing to the governing body that the school is in financial difficulty or has a licensed deficit budget which requires staffing reductions as part of the recovery plan; this confirmation must be sought before the start of any organisational change process.
- A documented statement from the school’s Headteacher to the Director of Children’s Services detailing the extent to which the school can contain costs within a 3-year budget plan”

6. Changes to reflect changes to LBHF Management Structure following Tri-b

6.1. All decisions previously attributed to the Director of Children’s Services Finance to be re-attributed to the DCS after consultation with relevant officers to be stipulated (e.g. S151, Head of Finance)

6.2. Where decisions are solely of a technical and financial accounting nature which are for the Head of Finance Children’s Services to make.

6.3. Changes made to all sections

7. The 3-year budget plan format

7.1. To reiterate the importance of 3-year budget planning to schools in times of financial constraint and given the uncertainty regarding income over the medium term as National Government implements the transition to the National Funding Formula. Previous scheme wording:

Scheme for Financing Schools Section 2.3 Submission of budget plan – Format - page 16

The budget plan shall be in a format determined by the Director of Finance for Children’s Services and will outline the intentions for income and expenditure in the current financial year and the following two financial years (a three-year budget plan) and the assumptions underpinning the budget plan (i.e. inflationary increases in salary costs).

Proposed New Wording

“The format of the budget plan shall be determined by the Head of Finance for Children’s Services. It will provide the following data:

- A forecast for income and expenditure over the coming 3 years (not including the current year)
- A statement of assumptions underpinning the budget plan for each year (e.g. inflation, other fluctuations in salary costs, mitigation plans for forecasted deficits and any other material item)”

All other aspects of the paragraph remain unchanged

8. Reporting deadlines – parag. 2.1.2 page 11 & 12

8.1. This proposal is aimed at fulfilling audit requirements as per the indications we have had from our newly commissioned auditors Grant Thornton. Previous Scheme:

Scheme for Financing Schools – Section 2 parag 2.1.2 Provision of Financial Information and Reports – Good Practice & Reporting deadlines page 11-12

Reporting deadlines

Schools are required to provide the Authority with their monthly and quarterly reports (as outlined below) on the 5th working day of the given month.

Monthly throughout the financial year

- i) VAT submittal report
- ii) Full VAT report

Scheme for Financing Schools – Section 2 parag 2.1.2 Provision of Financial Information and Reports – Good Practice & Reporting deadlines page 11-12

Quarterly

- i) A copy of the termly governor's budget report.
- ii) Bank reconciliation statement
- iii) Bank reconciliation (unreconciled items)
- iv) Bank statement (final page only)
- v) 7-page income and expenditure report
- vi) Monthly CFR upload (trial balance)

Good practice

The Local Authority considers it good practice for schools to produce a monthly return in the excel spreadsheet template format provided to them by the Authority for internal monitoring purposes. This should be completed in line with the reporting deadline stated above. This template will include:

- i) Bank reconciliation statement
- ii) Bank reconciliation (unreconciled items)
- iii) Bank statement (final page only)
- iv) 7-page income and expenditure report
- v) Monthly CFR upload (trial balance)

Proposed Scheme

“Monthly throughout the financial year – 7th working day

- 1- VAT Submittal report by the 7th working day of the month
- 2- Full VAT report (is there a difference?) – 7th working day of the following month
- 3- Payroll reports for external audit scrutiny including:
 - a. Staff numbers report listing all employees on the payroll in the current month with details of their full-time equivalent working hours; details of starters and leavers with relevant dates and names
 - b. The monthly payroll report must detail total gross pay including NI and pension contributions

- c. Details of pay over £50k for the Senior Officers note in the Statement of Accounts

Quarterly – 15th working day

- 1- Copy of the termly governor's budget report
- 2- Bank reconciliation including unreconciled items and last page of bank statement
- 3- I&E balance report plus I&E transactions for external audit sampling
- 4- Monthly CFR upload – trial balance

Year End - Corporate Closing Deadlines advised annually

- 1- Bank reconciliation including unreconciled items and last page of bank statement
- 2- I&E balance report plus I&E transactions for external audit sampling
- 3- Monthly CFR upload – trial balance”

END OF REPORT