

SCHOOLS FORUM – 25 February 2016

Title of paper:	Update on the consultation on the revised Fair Funding Scheme and the proposed changes to the Scheme
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Summary The purpose of this report is to update Schools Forum on the findings of the consultation on the revised Fair Funding Scheme (“the Scheme”) and to seek approval for the recommended changes to the Scheme.	
Recommendation(s):	
1	To approve the changes made to the Fair Funding Scheme, key changes are outlined in section 2 and full changes are detailed in Appendix A.

1 REASONS FOR RECOMMENDATIONS

- 1.1 The scheme should outline the financial relationship between the local authority and the schools they maintain. Local authorities are required to revise and publish schemes for the financing of schools in accordance with latest statutory guidance from the Department for Education.
- 1.2 The revision of the Authorities Scheme will strengthen the LA’s overall responsibility for the provision of school budgets and will assist schools in soundly managing their delegated budget share.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Under Section 48 of the Schools Standards and Framework Act 1998, Local Authorities are required to have schemes of delegation which set out the financial controls and the financial relationship between the local authority and the maintained schools which it funds. The local authority's previous version (2013) is now slightly out of date. As per “Schedule 14 of School Standards and Framework Act 1998”, "as regards any proposed variation of the scheme, the authority shall first consult every governing body and head teacher whom they are obliged to consult". Any proposed revisions to the scheme must be the subject of consultation and require approval by the Schools Forum.
- 2.2 The consultation document was circulated to all Head Teachers of maintained primary and secondary schools and their chair of governors on 8th January 2016 and the consultation was open for a two week period.

2.3 The closing date of the consultation was 22nd January 2016. One response was received. They suggested changing the wording of “all Nottingham City schools will operate a Nottingham City Bank account” to “an approved bank account”. This feedback has been taken into consideration in the revised scheme. Other than this, we will assume that schools have no issues with the proposed changes being put forward.

2.4 Key changes proposed:

- Clarify the notification period for any schools that intend to use an alternative payroll provider to Schools Finance Support from one month to three months in line with EMSS payroll requirements.
- Specify the write-off of debts limits and the approval process in line with the LA's Financial Regulation.
- Re-introduce the submission of a 3-year budget plan from all maintained schools by 15th July each year – it is best practice to prepare a multi-year budget plan which supports the Governing Body in establishing a view of the schools medium term sustainability and provides the ability to take strategic action in a timely manner where financial issues are highlighted.
- Change the order threshold from £10,000 to £5,000 in accordance with Financial Regulations.
- Change the April cash advance payment from 5% of 5/12th of the indicative non-pay budget to 10% to help with schools' cash flow.
- Change to no interest charges on cash advances to schools using external payroll to make it consistent with schools using EMSS payroll.
- Change the deadline from 3 months to 4 months to finalise closed school accounts in line with the DfE guidance.
- Specify the treatment of a deficit school balance and the arrangements in place to minimise the deficit level to prevent the LA from picking up debt from an academy conversion.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 To not revise the Fair Funding Scheme to keep it in line with the Department of Education's (DfE) “Schemes for financing schools – statutory guidance for local authorities December 2015”, could expose the LA and schools to high financial risk.

4 OUTCOMES/DELIVERABLES

4.1 By approving the revised Fair Funding Scheme, maintained schools will be required to follow the rules which are set out in the Fair Funding Scheme. This Scheme is based on the guidance set out by Department of Education's “Schemes for financing schools – statutory guidance for local authorities December 2015”.

5 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 5.1 This report seeks approval from Schools Forum to implement an updated version of the authorities Fair Funding Scheme to ensure that the local authorities Scheme conforms to the latest guidance set out in the “Schemes for financing schools – Statutory guidance for local authorities August 2015”.
- 5.2 The revised Fair Funding Scheme clearly outlines the financial responsibilities of Governing Bodies, Head Teachers and the Local Authority and tightens up the financial controls. For example, the revised scheme re-introduces the deadline for the 3-year plan; this will help schools forward plan and identify deficit issues at the earliest opportunity. Appendix A outlines a detailed list of the amendments and insertions to the revised Scheme.
- 5.3 Should Schools Forum feel they cannot approve the revisions or approves them subject to modifications which are not acceptable to the Local Authority, the Authority may apply to the Secretary of State for approval.
- 5.4 There are no direct financial implications or value for money issues arising from this report.

6 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

6.1 None

7 HR ISSUES

7.1 None

8 EQUALITY IMPACT ASSESSMENT

8.1 Has the equality impact of the proposals in this report been assessed?

No

No

An EIA is not required because:

(Please explain why an EIA is not necessary)

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 The consultation document can be view from this website:

<http://www.nottinghamcity.gov.uk/nottinghamschools/index.aspx?articleid=5918>

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Schemes for financing schools – Statutory guidance for local authorities
Published by the Department for Education;

Nottingham City Council “Financial regulations and contract procedure rules - version 7.17”;

The Schools Standards and Framework Act 1998;

The Schools and Early Years Finance (England) Regulations 2014

Appendix A Changes from previous version (2013)

- 2.1.14: Update, clarifying the notification period for any schools that intend to use an alternative payroll provider.
- 2.1.16: Insertion, clarifying the banking arrangement for salary payments.
- 2.1.25: Update, clarifying the format of asset register which should be approved by the Chief Finance Officer and any discrepancy should be reported to the Corporate Director of Children & Adults.
- 2.1.27: Insertion, clarifying the value of asset disposal and the approval process.
- 2.1.30: Insertion, clarifying the write-off limit and the approval process.
- 2.3.1: Update, recommending the budget approval by the Full Governing Body.
- 2.3.5: Insertion, A school Governing Body must not plan for a deficit budget.
- 2.3.6: Insertion, the City Council may suspend advances to the bank accounts of those schools that fail to fix their budget before the end of the Summer Term.
- 2.3.7: Insertion, the City Council may require submission of revised budget plans.
- 2.3.8: Update, clarifying the need for the 3 year budget plan.
- 2.3.9: Update, clarifying the format of the 3 year budget plan and requirements.
- 2.3.10: Update, clarifying the importance of preparing a 3 year budget plan.
- 2.3.12: Update, deficit schools will be required to submit a 3 year budget plan as instructed by Schools Finance team and all remaining schools are expected to submit the 3 year budget plan by 15th July.
- 2.3.13: Insertion, new financial year's budget share will be provided by the end of February.
- 2.3.14: Insertion, commissioned places and top-up rates and indicative figures for Pupil Premium will be provided by the end of February.
- 2.4.3: Insertion, clarifying the additional requirements on contract submission to accompany the budget plan.
- 2.5.3: Insertion, clarifying the virement approval process for value in excess of £1,000.
- 2.6.2-2.6.5: Insertion, clarifying the responsibilities of the Director of Strategic Finance on internal audit.
- 2.8.2-2.8.4: Insertion, clarifying the annual audit requirements for voluntary and private funds and the consequence of non-compliance.
- 2.9.2-2.9.5: Insertion, clarifying the further guidance on register of business interests.
- 2.10.3: Update, changing the order threshold from £10,000 to £5,000 in accordance with Financial Regulations.
- 2.10.4-2.10.9: Insertion, this section is a new section in line with the DfE Schemes for financing schools 2015.
- 2.11.4-2.11.5: Insertion, drawing out the different types of contract a Governing Body might enter into and on behalf of whom.
- 2.13.2-2.13.4: Insertion, restrictions on the use of the budget are included.
- 2.14.3-2.14.5: Insertion, setting out the approval process for capital works.
- 2.14.6 -2.14.8: Insertion, this section is a new section in line with the DfE Schemes for financing schools 2015.
- 2.15.3: Update, the Service Manager (Support Services) is replaced by the Head of Education Partnership.
- 2.15.4: Insertion, clarifying the occasions for using the notice of concern.
- 2.16.4: Insertion, explaining the LA submission to DfE in terms of Schools Financial Value Standard.
- 3.1: Update, frequency of cash instalments has been updated and the estimated percentage of non-pay budget changes from 5% to 10%. We will no longer provide the monthly cash distribution for non-pay budget shares for schools using EMSS payroll or provide the termly cash distribution for non-pay budget shares for schools using external payroll.

3.2.5: Insertion, adding in the arrangement for cash carried forward.

3.3.1-3.3.2: Update, no interest charges to be made to schools using external payroll for monthly cash advance or on late budget share payments.

3.5.1-3.5.2: Insertion, specifying the bank account arrangements.

3.5.5-3.5.8: Insertion, including new addition to explain the governing body's responsibilities on bank accounts and approval process for opening and closing of any official bank account.

3.6.2-3.6.5: Insertion, a new addition to explain the borrowing requirements and limitations.

4.2.1: Update, changing the surplus balance calculation from 31 May to beginning of June each year.

4.2.5: Insertion, specific purposes for which balances in excess of 5% or 8%.

4.8.3: Update, the DfE guidance has changed the timescale from 3 months to 4 months to finalise closed school account.

4.8.4: Insertion, a new addition to include the DfE guidance on the treatment of surplus and deficit balances when maintained schools become academies.

4.9.1: Insertion, Standards Fund allocation is replaced by Pupil Premium Grant.

4.10.1: Update, change the administered body from Central Finance Planning & Project Team to the Strategic Finance – Children & Adults Team. And interest on the loan should be approved by Director of Strategic Finance.

5.2.2-5.2.3: Insertion, additional requirements on the charging policy.

5.4.2, Insertion, new addition to include the Governing Body's responsibility to maximise the sale proceeds.

5.5.2-5.5.3: Insertion, new addition to include the Governing Body's responsibility to manage income.

5.6.2-5.6.4: Insertion, new addition to include the usage of income.

6.2: Insertion, additional information on circumstances in which charges may be made.

7.1: Insertion, more details are provided for VAT treatments.

7.2: Insertion, CIS is a new item.

10.1.1: Update, City Finance Department is replaced by Insurance and Risk Management team.

10.1.2: Update, Corporate Director of Resources is replaced by Director of Strategic Finance.

11.1.2: Insertion, allowing the School Finance Support team to have access to the school's finance system and any other records.

11.3.2: Insertion, setting the limitation on the Governor's allowances.

11.5: Insertion, revising the requirements for Health and Safety.

11.8: Insertion, explaining the Whistleblowing process and removing the previous interest charge on late payments.

12.1.3: Insertion, a new addition on planned preventative maintenance.

13.1.15: Insertion, budget share may not be used to fund community facilities.

13.4.1-13.4.2: Insertion, including specific requirements for exercising community power.

13.6.2: Insertion, adding the equal access for internal and external audit to community facilities.

13.7.3-13.7.4: Insertion, including deficit treatment for community facilities.