

SCHOOLS FORUM - 16 June 2016

Title of paper:	Statutory monitoring process for deficit maintained schools
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Summary	
The purpose of this report is to update Schools Forum on the statutory monitoring process for deficit maintained schools.	
Recommendation(s):	
1	To note the statutory monitoring process for deficit maintained schools.

1 REASONS FOR RECOMMENDATIONS

- 1.1 To manage school deficit effectively, the local authority has the statutory responsibility to assist deficit schools in soundly managing their delegated budget share and reducing the deficit in the timely manner.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 As specified in the Fair Funding Scheme, 2.3.12 “Schools that set a deficit budget will be expected to submit a financial forecast and action plan as instructed by the Schools Finance Team. Schools that project a deficit outturn during a financial year will be required to submit a financial forecast within one term of the date a deficit was projected.”
- 2.2 Also in the Fair Funding Scheme, 4.9.3 “ the deficit must not exceed the greater of 5% of the school budget share or **£35,000** for primary schools and the greater of 2.5% of the school budget share or **£70,000** for secondary schools, unless approved by the Corporate Director of Children & Adults and the Chief Finance Officer. The maximum repayment period will normally be 3 years.”
- 2.3 Here is the statutory monitoring process for deficit maintained schools:

- **Step 1: Identifying deficit schools**, Schools Finance Support team will identify deficit schools via May budget plan submission, or termly outturn submission in July, November and February, or the year-end balance in April.
- **Step 2: Informing deficit requirements**, Schools Finance Support team will write to the deficit schools to inform them of the LA's requirements:
 - Use of the LA budget planner to set budget and monitor budget including the software charge.
 - Monthly statutory monitoring visits from the Schools Finance Support team.
 - Require monthly outturn submissions in accordance with the statutory return timetable.
 - Alter the cash allocation from termly to monthly.
 - Require the deficit recovery plan to be submitted as instructed by the Schools Finance Support team.
 - Require the 3 years financial plan to be submitted as instructed by the Schools Finance Support team.
 - Invite the LA officers to attend the Governing body meeting.
- **Step 3: Issuing the Notice of Concern**, Joint Directors of Education will sign off the Notice of Concern if:
 - The deficit school do not comply with Step 2 within one financial year.

Or

 - The deficit is increasing rapidly within the financial year and an urgent action is required to notice the Governing Body to state the requirements that will result in the removal of the notice and the deadline by which such requirements must be complied with in order for the notice to be withdrawn, as well as the actions that the authority may take where the governing body does not comply with the notice. (refer to the Fair Funding Scheme 2.15 Notice of Concern)
- **Step 4: Withdrawing the Financial delegation**, Joint Directors of Education will write to the deficit school to inform the decision if:
 - Step 2 and Step 3 have been exercised but the financial performance has not showed any significant improvements.

Or

 - The LA has to suspend the governing body's right to a delegate budget with immediate effect due to any gross incompetence or mismanagement. (refer to the Fair Funding Scheme, Appendix C: Schools Standards and Framework Act 1998 - Schedule 15 Suspension of Financial Delegation)

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Without managing the deficit schools' finance properly, this could expose the LA the schools to high financial risk.

4 OUTCOMES/DELIVERABLES

- 4.1 By putting a robust monitoring process in place will ensure that the deficit schools have a stronger financial management system and also an achievable deficit recovery plan to help them get out of the deficit position and prevent further debt to the LA.

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

- 5.1 This report provides the Schools Forum an update on the statutory monitoring process for deficit schools. It is very important to implement the steps above in order to safeguard the LA's finance and help schools manage their delegated budget more efficiently to prevent any further deficit situations.

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

- 6.1 N/A

7 HR ISSUES

- 7.1 N/A

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 the report does not require a change to services.

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

- 9.1 N/A

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 The Fair Funding Scheme
<http://www.nottinghamschools.org.uk/index.aspx?articleid=5918>