

14th January 2019

The Hertfordshire Scheme for Financing Schools

Report of the Director of Children's Services

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1. Purpose

To report the outcome of the consultation ("the Consultation") on questions relating to proposed changes to the Hertfordshire Scheme for Financing Schools from April 2019 ("the Scheme").

2. Summary

Members of Forum representing schools maintained by Hertfordshire County Council are asked to agree changes to the Scheme. These relate to changes in budget submission requirements for maintained schools and education support centres, and changes to update text as set out in sections 4 and 5 of this report. Respondents were supportive of these proposals. Where concerns were raised, these related to additional workload or ensuring that the process supports school leaders as much as possible in an increasingly challenging financial environment.

3. Background

The Scheme for Financing Schools sets out the financial relationship between the Authority and the schools it maintains. Any changes to the Scheme need to be agreed by members of the Schools Forum representing maintained schools and education support centres ("ESCs").

Following a review of the Scheme, the Authority consulted on the following proposals;

- **To change the requirement for schools maintained by Hertfordshire County Council to submit a budget by the 31st May and a financial forecast for the following year.**
- **Making a number of changes to remove obsolete text, align the Scheme with the DfE outline Scheme and update roles and references to legislation or regulations.**

The proposed changes to text are set out in the table under appendix 1. A full proposed Scheme was also published alongside the consultation.

The Consultation opened on 10th December 2018 and closed on 1st January 2019. It was sent directly Head teachers and Chair of Governors at nursery school, special schools and education support centres (ESCs) and published as part of the School Funding Consultation with primary and secondary schools, published on Hertfordshire County Council's external website. Respondents to this included school business managers.

There were 42 responses in total including 12 from respondents representing academies. Whilst the Scheme for Financing Schools is applicable to maintained schools only, these responses have been included by way of note in the table set out in section 4 of this report.

4. Proposal to change budget submissions to Hertfordshire County Council

The main proposal consulted upon is to require schools to submit a budget and a financial forecast for the following year by 31st May each year. This will mean that in May 2019, schools will be required to submit a budget for 2019-20 and a financial forecast for 2020-21. The responses to this question are set out in the table below.

Responses to Consultation on the Scheme for Financing Schools 2019

Q. Proposal 6: To change the requirement for schools maintained by Hertfordshire County Council to submit a budget by the 31st May and a financial forecast for the following year.

Do you agree with this proposal?

	Primary	Secondary	Special	ESC	Nursery	Totals
	No:	No:	No:	No:	No:	No:
Responses (Maintained)	25	2	2	1	0	30

Agree	19	2	1	1	0	23
Disagree	6	0	1	0	0	7
Responses (academies) (Note)						12
Agree	3	7	0	0	0	10
Disagree	1	1	0	0	0	2

76% of respondents from maintained schools were supportive of this change. Those that were not in support cited concerns about being able to predict pupil numbers accurately enough to support producing an accurate forecast. This concern came 2 respondents from small schools. There was also some concern expressed about the increasing workload. Other respondents, particularly from academies, felt that this proposal should go further and mirror the requirement of academies to submit 3 year budget plans.

As schools increasingly face more and more challenging financial environment than has been the case for many years, the traditional approach to budgeting in which there is a fixed view of what that environment will be is less supportive of school leaders in the increasingly demanding circumstances in which they have to operate. A more flexible approach to looking forward and updating financial plans is now needed. Regular updates of budgets over a multi-year period supports focus on current and future likely realities. Schools currently prepare and respond to multi-year financial plans. Whilst a significant amount of work has already been undertaken by way of earlier release of budgeting software and mid-year updates to facilitate regular reviews of the financial realities facing many schools, it is in both the Authority's and schools' best interests to continue to work to make this as valuable and supportive a process as possible and to continue to develop past the traditional view of budgeting to an approach which shares information, communicates realities and informs actions.

5. Proposal to update the current Hertfordshire Scheme to remove/change obsolete text and align with The DfE's model scheme as appropriate.

Regulations require that any changes to the Scheme are approved by members of School Forum representing maintained schools. This proposal asked respondents to raise any concerns about the proposed changes set out in appendix 1. No concerns were raised with respondents. It is therefore proposed that the Scheme is updated as proposed in appendix 1 and as published in the Consultation.

6 Conclusion

Members of Schools Forum representing maintained schools and ESCs are asked to note the outcome of the Consultation and to agree the changes proposed in sections 4 and 5 of this report.

Appendix 1 Other proposed changes to the Scheme for Financing Schools

	Paragraph of Scheme	Reason for change	Change	Financial Impact
1	1.1	Addition of text to align with DfE Outline Scheme	"And further defined by the annual School and Early Years Finance (England) regulations"	None
2	Throughout document	Update	Update of Director of Children's Services title and other HCC roles	None
3	1.5	Clarification	Clarification that approval of the School's 3 year plan must be approved by the Governing Body	None
4	2.1.2	Clarification	Clarification of the circumstances under which schools may be required to submit returns on a more frequent basis than the standard arrangements.	None
5	2.1.3	Revision	Revision to paragraph 2.1.3. Purchasing now covered in paragraphs 2.10 and 2.11.	None
6	2.1.7	Revision	Schools should refer any requirement to write of debts over £500.00 to the Finance Business Partner for Children's Services and a requirement seek advice from the Debt Management team in respect of pursuing outstanding debts.	None
7	2.6	Revision	Requirement to advise the Counter- Fraud Manager, Hertfordshire County Council in the event of a suspected fraud.	None
8	2.8	Clarification	Clarification on the requirements to have an independent examination/ audit of private, voluntary or trading organisation accounts	None
9	2.12	Revision to align with the DfE Outline Scheme	The Authority may not make any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific grant	None
10	2.13	Revision	Updated to reflect latest references to regulations	None
11	2.16	Revision	Update to confirm that SFVS return must be submitted before 31 st March each year.	None
12	3.6	Revision	Update to add that Salix loans are permissible (alignment with DfE outline Scheme)	None
13	4.3	Update	Update to remove reference to the expired NatWest pooled banking contract and confirm	This is a dormant clause. The Authority

	Paragraph of Scheme	Reason for change	Change	Financial Impact
			that school balances held by the Authority do not attract interest.	does not hold school balances directly. These are held directly by schools in local bank accounts
14	4.9	Revision – Licensed deficit	To align with the DfE outline Scheme, the following text will be added; “ Where a Governing Board is concerned that it will be unable to agree a balanced budget, contact must be made with the Schools Finance team at Hertfordshire County Council”	
15	6.2.20	Additional clause	To align with the DfE outline template the following is added. “ Costs incurred by the authority in administering appeals, where the local authority is the admissions authority and the funding for admissions appeals has been delegated to all schools as part of their formula allocation”.	This clause provides for arrangements to operate the appeals service as a traded service.
16	Section 9	Amendment	Section 9 Amended to include to reference to PFI contracts.	None
17	Section 11.3	Amendment	Section 11.3 References to obsolete HCC guidance removed.	None
18	13.21.3	Clarification	Addition to clarify requirements to seek tax advice “ It is common for schools to be involved in fund raising operations through parent teacher associations and income will normally fall within the charitable exemption. On the other hand where it appears that governing bodies of local authority schools are engaging in adventurous or entrepreneurial fund raising schemes themselves, or have sold off some or all the school premises, and significant amounts of tax could arise on the profits, establish the facts and advice should then be sought from the Authority’s Tax Advisors, to confirm whether any exemption from tax would apply.”	None
19	Section 14	Removal	Former Grant maintained schools deleted obsolete	