

**Requirement to submit financial forecasts to Hertfordshire County Council**  
*Report of the Director of Children's Services*

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**1. Purpose**

To seek the agreement of members of Schools Forum representing schools and ESCs maintained by Hertfordshire County Council to;

- i) To be required to submit a financial forecast for the second year of their financial plan to Hertfordshire County Council along with their Annual Budget return (ABR) by 31<sup>st</sup> May each year.
- ii) To agree that the Scheme for Financing Schools be changed to include a provision requirement to submit a 2<sup>nd</sup> year financial forecast as an addition to the annual reporting requirements of schools maintained by Hertfordshire County Council.
- iii) To agree that for the financial year 2019-20, the 2<sup>nd</sup> year forecast should be returned by 1<sup>st</sup> November 2019.

**2. Summary**

Hertfordshire County Council does not currently have access to information on the financial health of the schools and education support centres (ESCs) that it maintains beyond the current financial year. The only exception to this is where the current financial year indicates that there may be concerns about the financial sustainability of that school and further information can therefore be requested. Given that financial sustainability ultimately impacts pupil outcomes, it is therefore important that strategies are in place both at school level and local authority level to manage this.

In December 2018, the Authority consulted with schools on the proposal to require schools and ESCs to submit a year 2 forecast along with the ABR. This was supported by respondents. Members of Forum supported this proposal subject to improvements to the tools and guidance available.

In response to this request, additional support and improved support guidance will be made available. In summary these are;

1. Additional guidance on planning assumptions and how to use planning tools to support medium term planning.

2. An annual update at Headteacher updates which will signpost further support and training.

In addition to this, the new School Financial Value Standard 19/20, published late April 2019, provides a new framework for supporting strong financial management practices in schools. It is proposed that the support for medium term planning and financial management is structured within this framework. Further updates will be provided in due course.

### 3. Background

Hertfordshire County Council consulted with schools in December 2018 on the proposal to introduce the requirement for schools and ESCs maintained by the Authority to submit a forecast of their income, expenditure and forecast balances for the 2<sup>nd</sup> year of their financial plan along with their annual budget return.

The purpose of this information is to support the Authority's assessment of the financial health of schools and to inform strategies and support.

Members of School's Forum, representing schools and ESCs maintained by HCC raised concerns about the ability to produce an accurate picture of year 2 and in particular the tools available to deliver this.

Schools Forum agreed that pending satisfaction that the guidance and tools available facilitate an accurate plan. This paper sets out the support which will be put in place to support schools to deliver effective financial plans

### 4. Current support for financial planning

The 2 main concerns raised about the support for school leaders to be able to deliver impactful medium term planning were;

1. The tools available to create financial plans.
2. The information and guidance available to support the creation of strategic financial plans.

The current support for schools is mainly focussed on the provision of HCSS budgeting now known as Access and the supporting documentation on producing budgets.

To support school leaders in financial planning, Access planning is issued twice a year;

1. End of January; **Purpose** ; for use in setting the budget in the forthcoming financial year .

This release is populated with the indicative budget share information to facilitate earlier

budget planning work and to give more time for scrutiny and challenge. This is also populated with the medium term planning assumptions provided by HCC including those for income growth

2. Mid year update – Early November **Purpose**; to facilitate the start/refine the financial planning process for the forthcoming financial year

The October census data has the most significant impact on income in primary and secondary schools. By providing the latest intelligence on funding, pay and non-pay inflation along with the platform to look at the census data and its impact on the next financial year, this gives an early opportunity for school leaders and governing boards to start the financial planning process for the next year and in particular enable greater challenge and scrutiny than would otherwise be the case. The DfE has identified outcome led budgeting to be one of the key factors in better resource management.

The training offer currently includes;

1. New to Governance finance training for Governors and e – learning modules on Effective financial scrutiny for Governing Boards.
2. New to Headship finance training
3. Strategic financial leadership for school leaders.

## **5. Areas for development**

Following the last Forum, the following areas have been identified as areas where greater support should be provided;

### **5.1 Briefings for Headteachers on financial planning**

Whilst information is published on financial planning for schools, this could be made more easily accessible to Headteachers. Briefings are provided to School Business managers and Governors via the conferences but not currently to headteachers. The proposal is therefore that finance briefings will be included within the Headteacher updates with training and other support signposted for those who are seeking further guidance or training opportunities.

HfL Financial services will also develop guidance targeted at Headteachers with a series of “A Headteacher’s guide to .....”. These guides will focus on the information a Headteacher should know and which is currently included in the finance bulletins and other publications. These will be available from the start of the autumn term.

## 5.2 Medium term planning

Whilst the Access software does include the ability to create multiple scenarios with relative ease and to easily change assumptions around income growth and inflation, creating scenarios using multiple assumptions about income projections has not been promoted.

Given that financial planning should be a tool to give better insight into the financial realities of managing a school and therefore ultimately deliver better pupil outcomes, the ability to identify what those financial triggers are and to either avoid or maximise them is important. We are therefore publishing guides on how to “stress test” your budget and what the benefits are in doing this. This will provide guidance on how to test a financial plan against a variety of assumptions in addition to changes pupil numbers and free school meals data.

It should be said that in practice Hertfordshire Schools have been very proactive at looking forward and managing their financial position as is evidenced by the relative financial health against the national picture but the challenges are undoubtedly getting bigger for many schools.

## 6. Schools Financial Values Standard 2019-20 (SFVS)

SFVS has been updated for 2019-20 and it provides a framework for strong financial management in schools. Following its publication on 26<sup>th</sup> April 2019, early discussions are taking place on how this can be used to support the framework of tools, guidance, training and support available to Headteachers, wider school leadership, Governing Boards and School Business professionals.

A link to the full standard is provided [here](#)

The framework looks at;

- Governance
- Strategy
- Setting the annual budget
- Staffing
- Value for Money
- Protecting public money
- Self assessment dashboard

An example from SFVS which is relevant to this paper is ;

“Does the school have a realistic, sustainable and flexible financial strategy in place for at least 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?”

The SFVS plan will be developed over the summer/ early autumn in consultation with Heads Forums and groups.

## **7. Conclusion**

The aim of the proposals to develop support and guidance for school leaders and in particular against the framework of the new SFVS are designed to support the leadership of schools to manage what is a largely fixed cost base in a financial environment of increasingly variable income over both the short and medium term, to identify the key risks and opportunities and to be able to put strategies in place to manage or maximise these. Forum is asked to comment on these proposals.

Hertfordshire County Council equally seeks to support schools in managing risks to their financial sustainability and financial health. It therefore seeks the agreement of members of Schools Forum representing schools and ESCs maintained by Hertfordshire County Council to agree to a change to the Scheme for Financing Schools which requires those schools to submit a forecast for the second financial year in addition to the annual budget return.

Forum members representing schools and ESCs maintained by Hertfordshire County Council are asked to comment and to agree to change to the Scheme for Financing Schools to include the requirement to submit a second year forecast along with their annual budget return by 31<sup>st</sup> May each year.