

West Berkshire Schools' Forum	
Title of Report:	Proposed Changes to the Scheme for Financing Schools
Date of Meeting:	7th December 2015
Contact Officer(s)	Claire White
For Decision	

1. Background

- 1.1. The Scheme for Financing Schools is a statutory document which sets out the financial relationship between the local authority and the schools it maintains. In order to make changes to the Scheme, all schools must first be consulted, and having reviewed the consultation responses the members of the Schools' Forum representing maintained schools will be required to approve each change proposed.
- 1.2. The consultation went out to schools prior to 2nd November, and closed on 13th November. The consultation document is attached in Appendix A and the full Scheme tracking the proposed changes is attached in Appendix B.
- 1.3. Apart from two statutory changes and minor corrections, there are six discretionary changes being proposed and which were consulted on.
- 1.4. There were 40 responses to the consultation, from 27 (38%) schools; though not all respondents replied to all questions (some answered none at all). This report sets out the questions asked in the consultation and the responses received.
- 1.5. Schools' Forum are required to agree or otherwise on each of the main changes proposed.

2. Responses to the Consultation

- 2.1. The responses received to the consultation can be broken down as follows (where this question was answered):

Responses From:	No.	%
Head teachers	3	13
SBM/Finance Officer	16	70
Governor	4	17
Total	23	100

- 2.2 **Question 1 – Provision of Financial Information and Reports.** Do you agree with our proposal to formalise the current arrangement for imprest schools to

submit a month nine forecast and bank report (as at 31st December) by mid January each year?

YES		NO	
No.	%	No.	%
25	96	1	4

Comments:

- This requirement may as well be formalised as school's have been asked to do this anyway.
- I think formalising arrangements penalise those schools who manage their finances carefully, it displays a lack of trust. I think the current informal arrangements encourage schools to work in a more collaborative way and allows schools accountancy to 'target' those schools who they already know require support.
- No issues with this, time scale is sufficient after return from Christmas break.
- It makes sense to formalise a best practice procedure already in place. It will also enable schools who need support to access it in a timely manner.
- I believe that it is better financial management to make the local authority aware of any excess surpluses or deficits before end of year (no unwanted surprises).
- It will have no effect on the current arrangements and agree it will help to identify schools that may need support.
- Good financial planning
- Considering the current and forthcoming financial pressures on schools, it appears legitimate for West Berkshire Council to request these documents in order to have a clear picture of the financial situation in maintained schools.
- The earlier date allows governors more opportunity to assess the implications of the budget for the coming year The school also believes this will allow more efficiency in spending. However, there will certainly be 'knock-on' implications, not least that finance staff will be expected to work within a tighter timeframe. The governor's meeting schedule might also be impacted, with Finance meetings held during Easter break.
- This provides a clear picture of performance to date and may enable better decision making.
- Last year we were asked for a month 9 forecast but not a bank report. We did not think that this was an optional request and we are assuming that it will be repeated this year. We agree that it is good practice for both the school and the LA to do a thorough analysis of the month 9 (end of December) position. We would, however suggest that the information should be supplied by the end of January rather than mid-month.
- Formalising existing arrangements
- This seems like a reasonable check to have in place at that point of the year and is not overly-onerous.
- I'm aware P9 is the usual time accountancy scrutinise our forecasting to check it's on track.
- Anything that helps provide a clear picture of activity can only be a good thing.
- Agree with reasons stated in WB explanatory document

- Good practice. Good financial management and actioned on a voluntary basis currently
- Would better serve to identify schools which will require additional financial support or guidance

2.3 Question 2 – Submission of Budget Plans. Do you agree with our proposal to move the budget plan submission date to 1st May?

YES		NO	
No.	%	No.	%
24	92	2	8

Comments:

- Aligns well with financial year
- Better to complete the budget process earlier, although this will put pressure on schools due to the Easter Holidays when Finance Teams are off work (our Finance Team is employed term time only).
- Makes sense, we rarely get any real sensible agresso reports until P3 because of time lag.
- I'm not entirely clear why we have to move to the earliest statutory date? This will make the first 2 months of the calendar year extremely busy, and depending where Easter falls can mean scheduling FGB's very close together. The timing of Easter may also impact having the end of year balance available to meet the 1 May deadline? We will be unable to meet the 1 May at our school this year as FGB dates are already set.
- I do in principle as I can see the benefits for WB BUT each year it will depend on when Easter falls as many BM's work term time only-It would mean for this year from 24th March to 1st May there are just 14 working days...which may be tight with moving Governors meetings both Finance & FGB to get it fully approved ready for submission. In 2016/17 all budgets will need to be completed by the 7th April before the Easter break as we return on the 25th April, just 3 days before final submission date.
- It makes sense to bring the date closer to the start of the financial year.
- Earlier submission means that we can release budgets earlier for purchasing resources and better planning
- As long as carry forward is available in time
- The proposal seems reasonable considering practices in organisations other than local authorities. One downside to the proposed change however is that Governing Bodies will have to agree a budget without strong indication of the numbers for the Foundation September intake. While we appreciate that this number would not affect funding in Financial Year 1, it could have very significant implications on Financial Year 2, particularly in small schools. Governing Bodies may find themselves having to review budget and staff structure again within weeks of having submitted the budget.
- A clear intent to have budgets in place on time is always to be welcomed. if this helps that process all the better. However, the greatest enemy of the school's budget process is last-minute changes. These throw the process out of kilter. If the new system avoids this, particularly in light of the tighter deadlines, that would be welcome

- Theoretically it would allow schools to spend more efficiently (by knowing what's in place) and Governors to monitor in more detail knowing things had been agreed.
- Experience in recent years has shown that transactions continue to come through in month 13 (April). Some of these transactions are from within West Berks. We are therefore not really able to give a true picture of the year-end position – which determines the final carry forward into the new financial year, until the end of April. This is critical when budgets are so very tight. Submitting the budget early would mean a less accurate budget. The Easter holidays usually cover at least one, if not two weeks in April: moving the final budget submission date to 1st May would mean that the SBM and SFO could not take any time off during the Easter Break. We would also have to bring forward the Finance committee and FGB meetings to the middle/end of April; this may not always be possible due to school holidays.
- As long as it remains voluntarily for 2016 and implemented in 2017 so that we can re-arrange Governors meetings to approve budget.
- In general, an earlier budget date is better, provided all the supporting information (namely funding etc) is available in a timely fashion, as well as the budget planning Excel templates.
- It seems reasonable to have the budget plan approved as close to the new financial year as possible.
- Again, the earlier things are agreed the better. My only other comment would be that its important that the school receive all data in a timely fashion in order to get things right first time.
- Sensible to encourage earlier budget planning
- Makes more sense - Financial year starts in April!!
- In essence, yes. It will enable schools to offer better financial management from the start of the financial year. However, I have grave concerns about the additional pressure this will apply to school staff particularly those who DO NOT work during school holidays

2.4 Question 3 – Accounting Policies. Capital Spend de-minimus level. Do you agree with our proposal to specify within the Scheme a requirement for schools to set a de-minimus level for capital spend?

YES		NO	
No.	%	No.	%
23	92	2	8

Comments:

- We already do this.
- No - if a de-minimus level is set it should be the same level for all schools irrespective of being VA or whatever. By setting £5K for controlled/community schools and £2K for VA schools discriminates against VA schools. It should be the same level playing field for all. £2K is an unrealistic level in this day and age.
- So that we have clarity on this subject
- In line with VA diocese de-minimus
- Schools should however be able to set their own level and should be allowed to be less than £2000. Revenue budgets are very stretched and using Capital can be helpful in sourcing equipment. In this respect £2000 can be a large amount especially as ICT costs come down in

certain areas eg if you bought 5 laptops at £300, this is a significant purchase though would only cost £1500 which could potentially put strain on the revenue budget.

- The proposal would allow schools to set a limit appropriate to their size and circumstances, within a reasonable range.
- From a governor's perspective the broader brush (within reason) provides a clearer picture for strategic decision - making
- No further comments in this instance.
- We do not believe that there will be any significant impact on our school by setting a de minimis for Capital spend
- As long as schools can set their own level - for small schools this would be quite low.
- I struggle to see what is achieved by doing this but have no strong objections to it.
- If the de minimus is specified on the FMP it makes the process clearer regarding capital expenditure.
- I don't think I understand this point well enough currently to comment in full.
- We agree to setting a de-minimus level however would prefer to choose our own level which would be less than the recommended.
- VA schools do this anyway
- In principal but better guidance would need to be provided around the practice and the definition of capital works
- The limit should be lower. For us the de minimus should be £1,000 as we only have £7,000 in any one year and it is falling. Sometimes you need two or three smaller projects so this allows for more flexibility.

2.5 Question 4 – Controls on Surplus Balances. Do you agree that the current scheme for the claw back of excess surplus balances should be removed and replaced by a light touch review by the Schools' Forum?

YES		NO	
No.	%	No.	%
24	96	1	4

Comments:

- Surplus may be earmarked for example capital expenditure which could not be completed in the financial year
- It makes sense for schools to be allowed to budget for movement of surplus between years when circumstances require it
- The current claw back procedures do not appear so relevant now in current financial climate.
- Sometimes surplus balances can be as a result of things beyond a school's control, i.e. the LA not processing central contract payments by year end. Sometimes seems like a paper chase.
- If schools are able to retain excess surplus balances it will aid more effective financial planning over years to come where funding is likely to be relatively static but costs are increasing more markedly.
- It will allow the school to cope with the volatility in pupil numbers year on year and their needs for specialist equipment which are unknown.
- As excess balances are no longer an issue this is acceptable

- Governors should have autonomy regarding the budget when considering the longer term strategic planning for the school and making the best decisions for the school
- In the current funding circumstances, schools should be allowed to have as large a carry forward as possible (within reason) to help weather difficult circumstances in years to come. Such arrangements also allow schools more flexibility to manage their budget to best suit their circumstances, developments plans, etc.
- This would be welcome, particularly if it means that schools will benefit from prudent management. It also provides a greater degree of parity with what happens in Academy schools.
- With funding at an all-time low it is important that schools have greater autonomy over how they manage their finances from one year to the next. In the past our school has had to spend in January in order not to lose funds. While it is very unlikely under the current funding regime that we would exceed the 5% surplus (£250,000), We believe that the School should make the decisions.
- Although we feel that it should be challenged.
- This is okay PROVIDED surplus balances are still monitored to avoid a school accumulating bigger and bigger surpluses over a period of years which would suggest the school is overfunded. There should also be a mechanism in place to check surpluses on revenue and capital funds before any central funding is agreed from West Berkshire council for (e.g.) building works as it would be unfair for these scarce resources to be used to support schools with already large revenue/capital balances.
- As the budgeting is getting tighter any surplus is decreasing anyway. The existing claw back system could result in unnecessary spending for schools resulting in deficits earlier than expected.
- Agree with rationale as set out in WB explanatory document
- Light touch seems more reasonable
- It is vital that schools provide the best possible education for the children in their care for the time frame the funding is provided for. The current application for retention, whilst time consuming, is adequate. An option to approach the Schools Forum, in advance to explain the need to accrue funds would be useful to enable the conversation sooner.

2.6 Question 5 – Obligation to carry forward deficit balances. Do you agree that schools closing the year with an unplanned deficit carried forward to the following financial year, should for that year be required to submit the same additional information as schools setting a planned deficit budget?

YES		NO	
No.	%	No.	%
22	92	2	8

Comments:

- Good fiscal policy
- This is appropriate, unless the unplanned deficit is very small. Maybe it should apply if the unplanned deficit is over a certain % of the school's budget.
- Having never been in this position, I do not know what level of information is required, but in many ways, if it is an unplanned deficit it indicates insufficient budget monitoring throughout the year which

should really be picked up earlier by the governing body and schools accountancy.

- Unless there is a clear exceptional reason.
- I think the answer to this depends on the reason for the unplanned deficit. If it is due to a one-off event, e.g. a major maintenance issue or an unexpected staff change or a fall in pupil numbers, etc. then it is not necessarily appropriate to monitor the school going forward in the same way as a school setting a planned deficit budget. If the reason for the deficit is more general and better financial controls could have prevented the deficit occurring in the first place then I do agree that the same additional information should be submitted.
- To ensure that we do understand the reasons why the deficit occurred in the first place and get support from the local authority to avoid this happening again in the future.
- Individual circumstances and size of deficit should be considered before requesting onerous paperwork
- Good financial planning
- The level of scrutiny required by the Local Authority should be the same, whether the deficit as planned or not (possibly even more so if it wasn't as this could indicate unrealistic budgets rather than exceptional circumstances).
- Not wishing to sound too punitive, but an unplanned deficit is less forgivable than a planned one.
- This seems a logical step and its important schools are thoroughly accountable.
- An unplanned year-end deficit is a nightmare as it has repercussions for the new financial year and beyond. An unplanned deficit should usually be anticipated by the scrutiny of the month 9 position (see above) and should already be being managed by the school with support from School's Accountancy at West Berks. That said we cannot predict the future. We are concerned that the "additional information" alluded to in the question can place a heavy burden on the finance team and this may well be overkill if the deficit is small or can easily be absorbed in the new year's budget. We would suggest that rather than the wording above it should be changed to "schools closing the year with an unplanned deficit carried forward to the following financial year, may for that year be required to submit the same additional information as schools setting a planned deficit budget. This will be decided on a school by school basis and is at the discretion of the School's Finance Manager (Claire White) and following discussion with the Headteacher and Chair of Governors of the School concerned".
- Sensible
- A deficit is a deficit and the same scrutiny and requirements should be applied no matter how it has arisen.
- This system would seem to be fairer especially to schools who have a planned deficit and have already had to provide the required information.
- it is a prudent approach which will impose greater budgetary discipline on schools
- We feel that all schools experiencing a deficit should have a plan
- Clear explanation for an unplanned deficit should be given. Budget should be monitored therefore the year end outturn should not be a surprise!

- Schools should be aware of forecast difficulties and be in discussion with WBC to mitigate this issue.

2.7 Question 6 – Loan Scheme. Do you agree with the proposed amendments to the current loan scheme?

YES		NO	
No.	%	No.	%
20	91	2	9

Comments:

- Amendments proposed seem sensible.
- 5% is too low, it could be equally argued that because of school capital funding allocations having been slashed and getting on to any kind of LA capital maintenance plan, schools would struggle to be able to fund any kind of work. Applying for a loan is a really big step for any school and the current arrangements allow for sensible discussion on ability to repay.
- I agree with the provision of information to the LA. I feel that the decrease in size of the loan from 20% to 5% does not allow smaller schools adequate flexibility but I understand the reasoning behind the proposal.
- No further comments.
- Fortunately my school has not had to ask for a loan so we have no experience of this. That said, we agree with the determining factors for the giving of a loan but we are concerned that the maximum amount of the loan be reduced from 20% of the school's budget share to 5% as this may limit the scope of the project the loan is to be used for. While we appreciate the caution that West Berkshire is employing here we feel that a reduction to maybe 12% would be more realistic than the dramatic cut from 20% to 5%. We therefore agree with part 1 of this proposal and disagree with part 2
- Doesn't really affect us at the present.
- I have no strong views as I have never had to access loans and hope that I would not have to in the future.
- Prudent approach especially in the light of funding cuts

2.8 Other Comments

- It has been useful to have had the opportunity to comment on these proposed changes as it has made me think in greater depth about how they would affect my school in particular.
- Please note that these questions were discussed by the meeting of the Governors' finance committee on Monday 9th November 2015
- Could there be provision made within schools funding to assist schools where a physical limitation on space restricts class size (as opposed to an availability of supply of pupils or policy decisions on admission numbers) as the staffing model for such schools is expensive on a "per pupil" basis?

Recommendation: To approve the proposed changes to the Scheme for Financing Schools, to come into operation from 1st January 2016.

Appendices

Appendix A – Consultation Document on Proposed Changes to the Scheme for Financing Schools

Appendix B – The current Scheme for Financing Schools with Proposed Changes tracked