

North Northamptonshire Schools Forum: 14 December 2022

Agenda Item 4

Consultation Feedback to Proposed Changes to Scheme for Financing Schools

1. Background

- 1.1 Local authorities have continuing responsibility for financial regularity in schools. The chief financial officer (CFO) of the local authority (LA) is responsible for making the necessary arrangements for local financial and management controls, under section 151 of the Local Government Act 1972.
- 1.2 Schools Forum members were informed at the October 2022 meeting that should the LA wish to make amendments to the Scheme for Financing Schools, all maintained schools will be consulted on the amendments or additions to the scheme.
- 1.3 This report provides the Schools Forum with an analysis of all the responses received as part of the consultation with maintained schools on changes to the Scheme for Financing Schools.

2. Consultation response

- 2.1 The number of responses received were 35, out of those 6 were duplicates and 1 was inconclusive. The new total of responses is 28. 12 maintained schools did not respond.

Question 1:

Provision of financial information and reports - Requirement for schools to submit a Monthly Income and Expenditure Analysis and VAT reimbursement returns. If a return is missed the following month's funding will be withheld until the return is received. Do you Agree / Disagree with the above proposal.

	Count	%
Agree	9	22.5%
Disagree	19	47.5%
No Comment	12	30.0%
Grand Total	40	100%

Question 2:

Submission of Financial Forecasts - Requirement for schools to submit budget monitoring returns quarterly. If the budget monitoring returns are not received the funding will be withheld until the budget monitoring return is received. Do you Agree / Disagree with the above proposal

	Count	%
Agree	10	25.0%
Disagree	18	45.0%
No Response	12	30.0%
Grand Total	40	100%

- 2.2 Out of the 19 School's that disagreed, 9 schools commented on the statement about funding being withheld. Schools asked the LA to explore a strike system in which schools are given 2 chances in an event of the return being missed before holding back future funding.

3. Why is the change to Scheme for Financing Schools being proposed

- 3.1 The Chief Finance Officer (Section 151 Officer) has responsibility for administering the financial arrangements of the North Northamptonshire Council, including the financial affairs of schools. In the management of their delegated budgets, schools must therefore abide by the Chief Finance Officer's requirements on financial control and monitoring as detailed in the Scheme for Financing Schools.
- 3.2 North Northamptonshire Council are moving to reporting DSG and Schools on a monthly basis to the Executive. To facilitate this, North Northamptonshire Council need to receive school information on monthly basis to enable the LA to capture schools' financial information in a timely manner on North Northamptonshire Council's ledger. This information will enable North Northamptonshire Council to have an up-to-date financial position of each school.
- 3.3 This financial information also enables North Northamptonshire Council to monitor and support schools in financial difficulty in a timely manner. This in turn allows the LA to take appropriate action when necessary and to update School Forum and North Northamptonshire Council's Executive of schools' financial position on a regular basis.
- 3.4 As outlined in the 2021/22 Maintained School Balances and Schools Facing Financial Difficulty in 2022/23 report to the October Schools Forum meeting, 13 maintained schools are anticipating setting a deficit budget of around £679k in 2023-24 rising to 24 maintained schools in 2024-25 when the deficit is estimated to total around £2.5m. This information is based on the 3 Year Budget Plans submitted by schools which are authorised by their respective Governing Bodies.

- 3.5 In light of 3.4 above, the local authority has a responsibility to ensure the financial information requested from schools are up to date so that information contained in reports to Schools Forum and North Northamptonshire Council's Executive are accurate.
- 3.6 Regular reporting will also facilitate timely intervention by the local authority in schools causing concern to prevent it reaching a point where the Chief Finance Officer and Director of Children Services may have to consider issuing a Notice of Concern.

4. Financial implications

- 4.1 Paragraph **2.24 Notice of concern** in North Northamptonshire's Scheme for Financing Schools states:

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the NNC Chief Finance Officer and the Director responsible for Childrens Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations, or prohibitions in relation to the management of funds delegated to it.

5. Legal implications

- 5.1 The Scheme has been written using the Statutory guidance given by the Secretary of State pursuant to s.48 (4) and paragraph 2A (2) of Schedule 4 to the School Standards and Framework Act 1998, School Standards and Framework Act 1998.

6. Risks

- 6.1 There is a significant risk that more and more schools in financial difficulty could be unsupported until discovered by the local authority early intervention by the LA could help manage this situation.
- 6.2 The LA risk not reporting accurately and timely to Schools Forum, North Northamptonshire Council Executive and DfE should these changes not be implemented.

7. Recommendations for Schools Forum

- 7.1 Despite the outcome of the consultation, Schools Forum are asked to support and approve the implementation of these two clauses within the Scheme of Financing Schools to ensure robust reporting and monitoring to preserve the continuity and longevity of North Northamptonshire Maintained Schools.
- a. **Provision of financial information and reports** - Requirement for schools to submit a Monthly Income and Expenditure Analysis and VAT reimbursement returns. If 2 returns are missed, then following month's funding will be withheld until the return is received.
 - b. **Submission of Financial Forecasts** - Requirement for schools to submit budget monitoring returns quarterly. If the budget monitoring returns are not received the funding will be withheld until the budget monitoring return is received.

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