

**MONMOUTHSHIRE COUNTY COUNCIL
REPORT**

SUBJECT:	Fair Funding Regulations (Scheme for Financing Schools)
MEETING:	CYP SELECT
DATE:	14TH September 2017
DIVISION / WARDS AFFECTED	All

1. PURPOSE:

To provide members details of the current breach in the Fair Funding (Scheme for Financing Schools) Regulations and actions to address this and to seek exception for the financial year 2017-18.

2. RECOMMENDATIONS:

That Members note:

- 2.1 Members allow an exception to the breach of the Fair Funding (Scheme for Financing Schools) Regulations for the financial year 2017-18.
- 2.2 The details outlined in this report are noted and Cabinet agree to monitor the actions proposed to address the issue as set out in paragraph 3.8.

3. KEY ISSUES

- 3.1 The Fair Funding (Scheme for Financing Schools) is the funding framework in which schools and the Local Authority operate, and is based on the legislative provisions in Section 45-53 of the School Standards and Framework Act 1998.
- 3.2 The regulations provide very detailed information around finance, procurement and audit for schools and outlines responsibilities for both our schools and the Local Authority. A copy of these are contained in Appendix 1 – Appendix 5.
- 3.3 Section 4 details obligations for school budgets and the treatment of schools planning for a deficit and paragraph 4.7 details the treatment of licensed deficit, below is the extract from the document:

4.7 Licensed Deficits

4.7.1 The authority will only support licensed deficits where a recovery plan is in place, as detailed in paragraph 4.3.1. The governing body must request a licenced deficit from the Chief Officer for Children and Young People.

4.7.2 There is an arrangement in place whereby schools are allowed to plan for a deficit budget funded by a collective surplus of school balances held by the authority on behalf of schools.

3.4 In line with the timescales outlined in the Fair Funding Regulations, the Local Authority received all school budgets approved by the governing body by 31st May 2017. On receipt of these, the Section 151 Officer was informed that collectively, schools were reporting a deficit of £608,000.

Primary schools reported a surplus of £74,000, whilst secondary schools reported a deficit of £667,000 and the special school and pupil referral unit a deficit of £15,000. With regards to the deficit in secondary schools there have been particular circumstances which have contributed to this issue including the late notification of post 16 funding reductions from Welsh Government.

3.5 School balances on the 1st April 2017 stood at a surplus of £269,000 and the collective reserve use during the year is anticipated to be £877,000. Schools have been made aware of the cumulative deficit position and are working together to both minimise the anticipated spend in year but also to try and maintain surplus budgets where they exist.

3.6 Given the collective deficit this is a breach of *paragraph 4.7.2* as detailed above.

3.7 It is not the intent of the Local Authority to change the Fair Funding Regulations but to minimise the impact of this deficit on the collective reserves of the Local Authority.

3.8 The actions that the Local Authority have put in place are detailed below:

- Immediate work with all schools has ensured that the month 2 report details an improvement in the school balances of £180,000.
- All schools with a significant deficit have met with the Chief Officer for Children and Young People and relevant Finance officers. At these meetings the schools have outlined how they are intent to recover from the deficit with timescales.
- All recovery plans will be monitored on a monthly basis and Headteachers and Governing Bodies are held to account to ensure all the savings will be made.
- Where applicable the Cabinet Members for Finance and CYP will meet with schools in the autumn term to gain reassurance and an understanding of each recovery plan.

3.9 In addition to the actions above, the Local Authority is continuing to explore and accelerate cluster working and has been successful in obtaining grant funding from Welsh Government for cluster business managers. The grant funding is for £65,000 which will be match funded and will cover two academic years. This will allow clusters to explore efficiencies and savings.

3.10 As a part of the regional working undertaken through the local consortia finance officers have engaged in the benchmarking of unit costs in schools. This work suggests that there are more efficient schools in Wales that we could look at and learn from.

- 3.11 A working group of school based staff including Head Teachers, Governors and Business Managers alongside Local Authority staff has been formed, to consider how costs can be reduced and additional income can be generated. Notwithstanding the current deficit situation, the financial climate is such that schools will need to continue to contribute a broader understanding of how the future of teaching and learning can be delivered within a reducing resource base for the Authority as a whole.

4. REASONS

- 4.1 Clearly any breach in the regulations is a concern and action needs to be taken to minimise the risk to the Local Authority. The actions outlined above will ensure that the deficit is kept to a minimum and schools are clear about the agreed actions they need to take to return to a surplus budget.

5. RESOURCES

- 5.1 The deficit projected at the beginning of the year was £608,000, at the end of month 2 this had reduced to £428,000. The collective deficit will not exceed the budget position of £608,000.
- 5.2 While there are no direct cash implications, this will reduce the overall level of reserves held by the Local Authority. If this were to extend into the medium term there would be a risk that reserves would fall below an acceptable level for the Authority and would require a budget to enable replenishment, adding further pressures to the Authority's overall financial position.

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

The future generation's process has been completed and can be found in appendix 6.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

There are no safeguarding issues or corporate parenting implications associated with this report.

8. CONSULTEES:

DMT
Cabinet Members CYP and Finance
Section 151 Officer
Assistant Section 151 Officer

All consultee responses have been included in this report.

9. BACKGROUND PAPERS:

Fair Funding (Scheme for Financing Schools) October 2016.

10. AUTHOR:

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11. CONTACT DETAILS:

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