

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>Schools Finance Team Capacity</b>		
<b>KEY DECISION</b>	<b>No</b>	<b>Item No.</b>	<b>6</b>
<b>WARD</b>	<b>N/A</b>		
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>4 October 2018</b>

## **1. Purpose of the Report**

- 1.1 The purpose of this report is to look at the current support available to schools from the local authority and consider whether this will be appropriate over the short to medium term. There is a growing focus on school finances and with the backdrop of further financial burdens increasing through cost pressures, it is essential that the level and quality of finance team support is adequate to meet support schools in meeting these challenges.

## **2. Recommendations**

- 2.1 The Schools Forum is recommended to:
- 2.1.1 Note the contents of the report;
- 2.1.2 Request that the Head of Financial Services report back to the next Schools Forum with an update on the finance team capacity issues.

## **3. Legal and Policy Context**

- 3.1 The 1988 Education Reform Act removed the financial control of schools from local authorities and gave it to the governing body of the school (and by extension, headteachers). The local authority has some continuing responsibilities however particularly in relation to community schools, in that it employs school staff and owns the land and buildings. However, it does not 'run' the school on a day to day basis or have the ability to second guess decisions of the headteacher and governors. Interventions by the local authority are very problematic and have to be considered only in extreme cases. To illustrate this, while the local authority will give advice on the appointment of a head teacher, the decision lies with the governing body and if they choose to ignore the advice there is nothing the local authority can do.
- 3.2 Councils provide some services to schools, but the schools are not obliged to take them up and can choose to look elsewhere. This can include diverse activities such as school meals, payroll services and financial services.
- 3.3 Under the School Standards and Framework Act 1998, local authorities are required to draw up a scheme for financing schools (The Scheme). This scheme sets out the financial relationship between the local authority and the maintained schools which it funds. It contains requirements relating to

financial management and associated issues, which are binding on both the local authority and on the schools. Any proposed revisions to the scheme are subject to consultation of Schools Forum for approval pursuant to regulation 27 of The Schools and Early Years Finance (England) Regulations 2015. The Scheme for Lewisham is updated annually, in consultation with the Schools Forum. A paper setting out revisions to the scheme of delegation is contained elsewhere on the agenda for this meeting.

3.4 In line with national requirements which have been in place for many years, the Scheme gives schools freedom to exercise choice over their spending plans. Like other local authorities, Lewisham can only impose regulations which are consistent with the need for accountability and control over expenditure of public funds. The Scheme expects all schools to set a balanced budget and manage within the resources made available to them. This is specifically a duty on the governing body of the school.

3.5 The school's governing body is responsible for setting the budget for the school within its resources and are required to continually monitor the spending. The governing body is required to send a budget to the local authority by May 1<sup>st</sup> each year and budget monitoring returns at the end of September and December each year.

#### **4. An outline of statutory roles**

4.1 As a reminder to Finance Forum members and in summary, the statutory roles of the local authorities with respect to finance are as follows:

- Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education
- Administration of grants
- Authorisation and monitoring of expenditure not met from schools' budget shares
- Formulation and review of local authority schools funding formula
- Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools

#### **5. Current Budgets**

5.1 Lewisham is witness to a significant increase in the number of schools in deficit. There were nine schools with deficits at the year-end 31 March 2018 totalling £1.5m. It is anticipated that there will be 14 schools in deficit at the end of March 2019. These are not all the same schools as some schools expect to recover their current deficit during 2018/19, but others are projected to go into deficit.

- 5.2 The forecast cumulative revenue balances for the year to 2018/19 is a surplus of £13.9m which represents a reduction of £4.3m to the 2017/18 balance (£18.3m). Approximately 70% of schools are forecasting an in year deficit for 2018/19.
- 5.3 The support is delivered in two distinct ways, firstly as an offer to all schools and then through a service level agreement (SLA). The SLA is split into two services, one for technical accounting support and one for strategic budget planning advice.

## **6. School Finance Support Team**

- 6.1 The finance support team establishment consists of three officers: a principal accountant, an accountant and an assistant accountant. Members should note that given the pressures in the Schools Team a temporary principal accountant joined the team in early 2017 to support on the technical side. The team is then managed by a group finance manager covering all the children and young people's directorate. In theory, this role is split evenly on a 50:50 basis, but in practice the schools element of the role absorbs more time. Members will be aware that this group finance manager post is currently vacant. The last substantive post-holder had held his position for a nine year period and left the authority February 2018. The post was immediately filled on an interim basis. However, without any prior warning or indication, and with a week's notice period, the interim post-holder left the authority in early September 2018.
- 6.2 The schools finance team functions are wider than just direct support to schools it includes:

### **Schools Forum**

- Schools Forum reports
- High Needs sub-group and other designated sub-groups
- Response to consultations
- Formula notification
- Schools Forum mutual funds monitoring

### **Finance Monitoring**

- Budget analysis
- Schools monitoring returns
- Support on audit reports
- Escalation process
- Monitoring central budget including high needs

### **Financial Accounting**

- School bank accounts
- VAT
- Bank reconciliation
- Grant claims

- Transaction reports
- Closing the accounts
- Transaction processing
- Enquires from schools\*
- SLA processing
- Capital (Private Finance Initiatives etc.,)

\* It should be noted that during term time an average of about 400 e-mails are received are received by the schools team each month.

### **Other support**

- Catering contract accounting
- Statistical returns
- Freedom of Information Requests
- Scheme of Delegation
- Finance Manual
- Advice to directorate and Members (reports, emails, correspondence)
- Training
- Induction for new business managers
- Interview assistance
- Benchmarking

- 6.3 Some aspects of the finance team's work can take considerable time to conclude. For example, for the local authority to check a school budget plan, it takes on average half a day. Therefore, the workload for all schools would be 42 days or over eight weeks. Similarly with the budget monitoring returns, both for the September and December periods.
- 6.4 If a school is in deficit this level of support can grow significantly and can be between a week or two weeks dedicated time and in some cases even more. In the anticipation that 14 schools are likely to be in deficit by March 2019, this work poses a significant demand on the team's time.
- 6.5 The workloads is such that a risk approach was adopted to this in 2010. Further staffing reductions in 2015 then changed these risk levels such that the concentration was on those schools with significant problems. The increasing number of schools facing financial difficulties will only serve to intensify the demands on the schools finance team to support schools.
- 6.6 At one stage the team was much larger, incorporating a number of officers who supported schools directly, however these officers are no longer employed and some now act as peripatetic bursars with separate contractual arrangements with school. In 2010 and 2015, the team was further reduced as the austerity measures being faced by local government continued to impact. The cuts in finance staff have been felt right across the council. It should also be noted that there are further local authority revenue budget cuts planned for 2019/20 and 2020/21 totalling £30m for which the financial services division in Lewisham will be expected to absorb its share.

## **7. Learning from other places**

- 7.1 There is not a great deal of evidence on the benchmarking of costs. However, a specific piece of work was undertaken last year across London to understand the position and Lewisham's finance team as a whole benchmarked significantly less than the others in terms of cost. There has been no work specifically on schools finance teams, however in the dialogue which the Head of Financial Services has had with colleagues in other boroughs, the overall position of the schools finance team in Lewisham would appear to suggest the team is lean.

## **8. Building Capacity**

- 8.1 There is a proposed reorganisation of the wider finance function for which details are currently being developed. Any proposed changes will take effect from the start of the 2019/20 financial year. More information will emerge on this at the appropriate time. However, the direction of travel for the finance function remains clear given the council's current financial position, in that there is a requirement to remain streamlined, but at the same time maintain a stable, flexible and dynamic service.
- 8.2 In recent years it has been difficult to attract a good level of quality of finance personnel to work in our finance teams, but it remains a top priority to get the right balance of staff to support our dynamic services. Members of the Schools Forum will be aware that there are a number of key skill sets that staff need to work in the area: understanding of the national funding mechanisms, how resources are allocated and a broad understanding of how schools operate. The nature of school funding and the type of support which schools require is not straight forward and experience suggests that anybody coming into a schools finance team will take some time to acquire this knowledge.
- 8.3 Specifically in relation to the Children & Young People Directorate and schools in particular, the Head of Financial Services is working with the HR Department to fill vacant posts on a permanent basis and ahead of the timeline for the wider finance function re-organisation. In recognition that permanent recruitment is longer dated, there is an urgent need now to fill posts to bridge the gap until such time permanent recruitment is made. This is specifically in relation to the group finance manager position and some additional support at the accountant / assistant accountant level in the schools finance team.
- 8.4 Currently, CVs are being reviewed and interviews are being held for a group finance manager, and up to two additional accountants/ assistant accountants. This will have the impact of putting the staffing level to six officers working on the schools finance side, plus a proportionate level of support from the group finance manager. The ultimate intention is provide more direct support to schools, to provide greater training and work closer with schools on a number of financial issues that impact on them.

8.5 The new interim group finance manager will have some initial tasks to focus on when they arrive and in preparation for the permanent recruit for this position. They will be asked to:

- Examine the process by which schools plan their budgets and make their submissions to the local authority in terms of quality and timeliness;
- Explore the appropriateness of the local authority training offer on all aspects of schools' finance, especially with bursars and business managers;
- Explore the feasibility of moving away from our risk based approach to budget challenge and support where resources allow;
- Examine potential synergies in the use of financial systems in schools, particularly in light of the new Oracle Cloud solution being implemented by the local authority;
- Review the SLA agreement and all service provided to schools to ensure it represents the appropriate costs.

8.6 The Head of Financial Services will provide a verbal update on all the recruitment activity at the meeting.

## **9. Further Information**

9.1 Should you require any additional information regarding the items contained in this report please contact:

Selwyn Thompson  
Head of Financial Services  
[selwyn.thompson@lewisham.gov.uk](mailto:selwyn.thompson@lewisham.gov.uk)