

**FINANCIAL CLASSIFICATION OF SCHOOLS 2016/17 ACADEMIC YEAR**

**DIFFERENTIATED LEVELS OF FINANCIAL MONITORING & SUPPORT TO SCHOOLS**

**BACKGROUND**

1. In response to the November 2004 Audit Commission Report, which was critical of the level of deficits and surpluses in Bradford’s schools, one of the items in the Council’s Action Plan was to agree with schools *“criteria for identifying schools in greatest need of financial support and to commence a programme of annual detailed budget discussions with these* *schools”.*

2. The Financial Classification is calculated on an academic year basis, and is updated each year. Please Appendix 1.

3. The focus of the Financial Classification continues to be to identify schools that face the greatest level of financial challenge and to provide a framework for the School Funding Team to work with, and to support, these schools. The Classification is not a judgement of the competency of a school in managing its budget.Because a school is placed in a category of higher support does not necessarily imply poor financial management. In the main it simply reflects that the school is in a more challenging financial position, for example, due to factors such as closure of the school, having a small carry forward balance, a reducing balance or being in deficit or having recently recovered from a deficit position. It is an internal Classification, used only by Bradford MDC, to differentiate our levels of financial monitoring and to provide a framework for working with schools, using the information on the financial position of a school submitted by the school. The category of each school is not published publicly and is not used by Ofsted.

4. The Classification was updated and amended for the 2009/10 academic year, to account of the following developments:

* The publication of multi-year formula funding allocations and schools now submitting 2nd & 3rd year budgets to the Local Authority.
* The year on year increase in surplus balances in schools in Bradford and the increased focus, at a local and national level, on the effective spending of excess balances.
* The increasing focus, at a local and national level, on improving the quality of school financial monitoring, medium term financial planning and the linking of budgets to School Development Plans (SDPs).
* The development of more comprehensive checking processes by School Funding Team for school budget and monitoring returns.
* The expansion of good practice guidance and training programmes for all schools

The 2016/17 Academic Year Classification remains the same as 2015/16.

5. The key outcome of the Classification is that the School Funding Team will work more closely with schools in higher categories, to support these schools that face the greatest levels of financial challenge. For example, in termly visits and more detailed conversations on the information submitted by schools on their financial position. We have received positive feedback from schools on the usefulness of this additional contact and support. Alongside this additional support, schools in higher categories are asked to meet additional requirements. These requirements are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Category** | **A (i – iv)** | **B i** | **B ii** | **C** | **D** |
| **To use HCSS in setting 2017/18 Budget** | **YES** | **YES** | **YES** | **X** | **X** |
| **To submit Monthly Monitoring & Bank Reconciliation Returns from Sept 2016** | **YES** | **X** | **YES (monitors only)** | **X** | **X** |
| **Termly Visit from SFT from Sept 2016** | **YES** | **X** | **X** | **X** | **X** |
| **Conversation with SFT with possible follow up in autumn term 2016** | **X** | **X** | **X** | **YES** | **X** |
| **Current Governor to have attended the Effective Financial Governance Course** | **YES** | **YES** | **YES** | **YES** | **X** |
| **SFT Arithmetic Checks on school returns (with follow up if required)** | **YES** | **YES** | **YES** | **YES** | **YES** |
| **Access to Good Practice Guidance** | **YES** | **YES** | **YES** | **YES** | **YES** |

For schools that are required to submit monthly monitoring return, please note that these are required for 4 months only. The timetable for submission of monthly monitoring reports is as follows:

* September Normal Quarter 2 return required - to be submitted by 31 October 2016
* **October Monthly Monitor Required – to be submitted by 30 November 2016**
* **November Monthly Monitor Required – to be submitted by 31 December 2016**
* December Normal Quarter 3 return required – to be submitted by 31 January 2017
* **January Monthly Monitor Required – to be submitted by 28 February 2017**
* **February Monthly Monitor Required – to be submitted by 31 March 2017**
* March Not required (year end)
* April Not required
* May Not required
* June Normal Quarter 1 return required – to be submitted by 31 July 2017
* July Not required (summer holiday)
* August Not required (summer holiday)

6. Please note the following additional information:

* The Classification for 2016/17 is calculated on the information submitted by schools in their 2016/17 Governor Approved Budgets (submitted by 15 May) and in their 2nd and 3rd Year Budgets for 2017/18 and 2018/19 (submitted by 30 June).
* The Financial Classification is calculated annually on an academic year basis. Schools may move between categories, year on year, depending on the information they submit each year.
* Schools may “trigger” the criteria for more than one category; most commonly where Category A or Category C schools also trigger the forecasting accuracy criteria in Category B. Where this is the case, the school’s overall position is set at the highest category, and the school will receive the higher level of support, but the school will also be asked to meet any additional requirements from the other category it triggers.
* Once established, the Category of a school will not normally be re-calculated until the next academic year (please see below for queries and appeals). However, where the circumstances or budget of a school significantly changes in year, we will assess what additional support to provide. For example, where it is announced that a school will close, or where a school submits a quarterly monitoring report, which forecasts a deficit or a very small carry forward balance (below 1% of funding or £10,000) we will increase our level of contact with the school and may ask the school to meet additional requirements.
* Appeals from schools on their category are considered on an individual case basis, on the evidence submitted by the school. We recognise that there may be exceptions and we are happy to consider evidence a school wishes to submit. For example, we have written into the forecasting accuracy criteria a re-calculation that, where additional funding has been provided by the DFE or LA, which the school can demonstrate it was not aware of when the Quarter 3 Monitors were submitted, this amount will then be discounted from the percentage calculation(s).
* The requirement to attend the Effective Financial Governance course, where a member of a school’s current Governing Body has not been on this already, begins from September 2016. Courses are run termly, and we will run additional courses for specific schools where requested. We encourage schools to access this course at the earliest opportunity. This course is available to all Governing Bodies regardless of Category.
* Training courses on the HCSS Software, for schools that do not currently use this, will run in early 2017. Applicable schools will be contacted in the autumn term. The School Funding Team also offers more specific individualised training. Please contact a member of School Funding Team for more information.
* The Financial Classification operates independently from the Light Touch Financial Monitoring Protocol. The Classification allows us to more effectively differentiate our levels of support to schools. The LTFM protocol primarily exists to provide an incentive for schools to submit required reports to the Local Authority by the stated deadlines.

**Appendix 1**

**DETAIL OF THE FINANCIAL CLASSIFICATION**

**FOR THE 2016/17 ACADEMIC YEAR**

**Category A**

**A i) Schools in Deficit March 2016**:

**Defined as a school, which had a deficit closing balance at March 2016**

**A ii) Schools Recently in Deficit**:

**Defined as a school that had a deficit closing balance either at March 2014 or March 2015, where the school is projecting a surplus carry forward balance at March 2017 that is not at least equal to 3% of the school’s total budgeted 2016/17 I01 to I05 funding**

**A iii) Schools Vulnerable to Deficit**:

**Defined as a school that has not been in deficit in the last 3 financial years, but has a projected closing balance at March 2017 that is less than £10,000 or 1% of 2016/17 total budgeted I01 to I05 funding (whichever is smaller)**

**A iv) New or Closing schools**:

**A new school is defined as a school that is planned to open either in September 2016 or within the 2016/17 academic year. Where a newly opened school at September 2016 has not yet been open for a full academic year (e.g. where the school opened in April 2016), the school will also be in Category A for the 2017/18 academic year.**

**A closing school is defined as a school that is planned to close before September 2017.**

*Additional SFT Support and Additional School Requirements*

* *The school’s School Funding Officer will visit the Headteacher and Finance Manager on a termly basis, to work with the school to discuss financial monitoring reports in detail, with follow up action and support, where required*
* *The school can access good practice guidance via the Bradford Schools Online website*
* *The school is required to* 
  + *submit monthly monitoring and bank reconciliation returns to the School Funding Team, for the 2016/17 academic year*
  + *set its 2017/18 financial year budget, and its forecasted 2nd and 3rd year budget, using the HCSS Budgeting Software*
  + *send a member of the Governing Body on the Effective Financial Governance course, where no current Governor has already attended this*
  + *Full Budget Share schools, that do not use Bradford Council Payroll, are asked to provide, via a template, summary level information on monthly/weekly salary/wages costs*

**Category B**

**B i)** **Schools with Excess Surplus Balances**

**Defined as:**

* **A school that in each of the last 3 financial years (at March 2014, March 2015 and March 2016) has carried forward an excess surplus balance above the IUB Thresholds applicable in that year**

**and / or**

* **A school that has submitted a Start Budget for 2016/17, which forecasts a carry forward balance at March 2017 in excess of 4% (Secondary) or the greater of 6% or £60,000 (Nursery, Primary, Special and PRU) of 2015/16 budgeted I01 to I05 funding, where the school has not evidenced to the School Funding Team, before the end of October 2016, a clear plan, which has been approved and minuted by the Governing Body, to spend this excess balance or to reserve the balance for a specific project, with agreed phasings over more than one year**

*Additional SFT Support and Additional School Requirements*

* *The school can access good practice guidance via the Bradford Schools Online website*
* *The school is required to:*
  + *set its 2017/18 financial year budget, and its forecasted 2nd and 3rd year budget, using the HCSS Budgeting Software*
  + *send a member of the Governing Body on the Effective Financial Governance course, where no current Governor has already attended this*

**B ii)** **Accuracy of Financial Forecasting**:

**Defined as:**

* **A school that had a variance, between their actual end of year balance at 31 March 2016 and their forecast of their year-end balance in their Quarter 3 Monitoring Return, of more than 4% of total 2015/16 I01 to I05 funding**

*Additional SFT Support and Additional School Requirements*

* *The school can access general good practice guidance via the Bradford Schools Online website*
* *The school is required to:*
  + *submit monthly monitoring returns to the School Funding Team, for the 2016/17 academic year*
  + *set its 2017/18 financial year budget, and its forecasted 2nd and 3rd year budget, using the HCSS Budgeting Software*
  + *send a member of the Governing Body on the Effective Financial Governance course, where no current Governor has already attended this*
  + *Full Budget Share schools, that do not use Bradford Council Payroll, are asked to provide, via a template, summary level information on monthly/weekly salary/wages costs*

*\* Please note that where additional funding has been provided by the DFE or LA, which the school can demonstrate it was not aware of when the Quarter 3 Monitors were submitted, then this amount will be discounted from the percentage calculation(s). We will also discount from the calculations values where schools can demonstrate that variances are the result of errors made by the Local Authority.*

**Category C**

**Medium Term Vulnerability to Deficit**:

**Defined as a school, not in Category A, which forecasts in its submitted 2nd or 3rd year budget either a deficit carry forward balance at March 2018 or March 2019 or a surplus carry forward balance, which is less than £10,000 or 1% of the relevant year’s I01 to I05 funding (whichever is smaller)**

*Additional SFT Support and Additional School Requirements*

* *The school’s School Funding Officer will contact the Headteacher of the school in the autumn term 2016, to further discuss the school’s forecasted budget position, with follow up action and support, where required*
* *The school can access good practice guidance via the Bradford Schools Online website*
* *The school is required to:*
  + *send a member of the Governing Body on the Effective Financial Governance course, where no current Governor has already attended this*
  + *Full Budget Share schools, that do not use Bradford Council Payroll, are asked to provide, via a template, summary level information on monthly/weekly salary/wages costs*

**Category D**

**All Other Schools not falling into Categories A, B or C**:

*Additional SFT Support and Additional School Requirements*

* *The school will be encourage to use HCSS Software, but there is no requirement to do so*
* *The School Funding Team will continue to carry out basic checks on Budget and Monitoring returns submitted by the school, and will follow up on any queries, if required*

* *The school will have access to good practice guidance via the Bradford Schools Online website*
* *The school will be able to access the Effective Financial Governance course and the Effective Financial Forecasting course*
* *Category D schools will be given priority in the roll out of “full budget share” bank accounts for April 2017*