

Notes to explain the changes to the RAG process and guidance documents

A working party was put together with a scope to review the current RAG guidelines with a view to establish whether they are still accurately reflecting schools overall financial risk given the changing financial climate that schools are operating in.

The review looked at the current methodology used to complete the RAGs, and also a review of each section to ensure the guidance is relevant, whilst always ensuring that it holds schools to account in a fair and appropriate manner.

Review of findings

- Unclear guidance

The RAGs have many sections which have multiple subsections, i.e. section 3 and 4, however the guidance doesn't split down the parameters very clearly.

This we felt could cause confusion for the schools trying to establish the reasons ratings have been awarded.

- Out of date guidance

There have been some changes in how budgets are dealt with by the local authority, which there was no definitive guidance for.

This we felt wasn't fair to rate a school without prior warning of the parameters, equally left the team unable demonstrate the relevant level of risk a school may present.

- Inconsistent weighting & not seeing through previous terms findings

The current methodology weights the Spring term RAG as overall more important than the Autumn and Summer term RAG, since this is the only term training counts to the overall financial risk matrix. There are also other sections where there is a rating applied based on being compliant or not for that term, and then the next term they are returned to green regardless whether they ever fulfilled the requirement from the previous term. For example, in the Spring term if the schools don't provide the evidence they have reviewed the relevant themed audit findings they are rated Red, however they still may not provide evidence and the next term would be rated green again.

This we feel doesn't hold the schools to account with regards to ensuring they maintain good financial processes

- Potential of holding back themed minutes

Currently NAS audit team complete a timetable of themed audits and are having to hold back findings and release them in accordance with the existing RAG timetable to allow schools at least 2 terms to review and provide evidence to the finance team by the end of the next Spring term. The lack of flexibility in releasing the findings leads to an increased risk that schools will be operating for longer with similar risks and weaknesses which have been highlighted in the audit.

Proposed solutions

- The RAG to be produced on a rolling 12-month basis

This we are aware is a fundamental change to the RAG process, however feel that this is a necessary requirement to place appropriate and consistent weighting to all the sections in each school.

Each term we would review the current term and the previous 2 terms. This would impact different sections slightly differently.

- o Section 3.1 – Submission of budget plan

Currently this section will look to see whether a budget submission is late. If it is it will be rated A2, if the next submission is on time, they will be Green, and no further comment attributed to the previous late return. There is a risk that the schools governors are not maintaining good financial procedures and/or not regularly reviewing the budget and any new funding that goes with that; this we feel should be reflected.

- o Section 9 – Themed minutes

We feel that the Themed audits should be released at their earliest opportunity to enable all schools to review and change their processes where required, something which has previously been implemented with the current SFVS findings being released outside the current agreed timetable. Therefore, we propose the Themed audits are released at the beginning of the term and the schools have that term and the next term to complete the findings. Each audit would remain on the RAG until the appropriate evidence is provided, placing sufficient weighting behind the requirement to do them, as well as introducing schools into the cycle of

continual improvement and review. The RAG will show how many themed audits haven't been completed in the previous 12 months and hold them on the RAG until each audit has been completed.

- Section 12 – LA returns

Previous this has kept each financial year in isolation, a school could have issues in the Autumn and Spring term, and under the current system, these will be disregarded in the Spring term, and the risk reduced back to Green. Also, the Summer term currently is hampered, and no schools can by the letter of the RAG achieve anything but green, as they will have only completed 3 returns before the end of the Summer term. Both points are counter intuitive and hamper the ability to effectively and accurately rate the schools.

- Section 14-18 – Training

Schools should be training to keep up to date with systems, learn best practise and further expand the knowledge within the school, with a view to improve the systems and efficiencies within their own schools.

This would be implemented for the Summer term, so all training/visits undertaken between 1st September 2018 and 31st August 2019.

The RAGs should hold schools to account against all the sections, which have previously been deemed important for all schools to adhere to. They are fundamentally there to assess risk and the best way to do that is to stop with specific one term deadlines which if are not met there is no further consequence, to build up an accurate picture.

Updated ratings

Some ratings need to be updated based on the ever-changing environment schools find themselves in, has meant that some of the ratings don't quite fit the scenarios that are currently in play. Therefore, to ensure schools are risk rated appropriately we propose the following changes.

- 3.0 Deficit budget plans

Currently there are only 3 ratings, Red for deficit in the current year, A1 for when a one-year acceptance has been issued (typically this is when there was a deficit in the 2nd and/or 3rd year) and green, on the basis that

it balances in all years. This doesn't give any scope for if the school is projecting deficits, but a one-year acceptance hasn't been issued, we felt that they weren't green, because this gives the impression that everything is ok, but by the stipulations of the RAG there isn't any rating that school can be given. Also given the current environment and the need for completing a trial we have added this into the A2 rating.

Wording changes

Some of the most minor changes have been that of updating wording. There are several sections this has affected,

- 4.2 – Other budget issues – Staffing

Wording amended for the possible need of staffing changes.

- 8.0 – NAS Audits

Title amended to include the Educator Solutions Health checks. There is no rating given to this section, but we propose to update the notes to include the last Educator Solutions Health Check to accurately report how often schools are testing and reviewing their internal processes.

- 12 – LA returns

The wording has been amended to add bank account reconciliation variances as an issue. This is a problem which has become more prevalent since the change to Barclays, failure to reconcile until the last day of the month shows poor accounting practise and needs to be highlighted if an issue. We are also adding a time deadline to the completion of the month end reconciliation, to allow the team to complete the processes within work hours. The deadline is now 2pm on the last day to get the returns back to County Hall, if the returns are sent in after this they will be deemed as late.

- 14-18 – Training

All sections now state 12-month period rather than financial year. Also, to highlight the fact the middle tier of training is for leadership and not purely Headteachers, we have amended the category to Leadership. We feel this important for the schools to think about their own contingency plans, regarding financial knowledge, and assists aspiring heads, to be appropriately trained before they become a head.