

TO: SCHOOLS FORUM
DATE: 9 FEBRUARY 2012

UPDATE TO THE SCHEME FOR FINANCING SCHOOLS
Director of Children Young People & learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement from members of the Schools Forum to update the Bracknell Forest Scheme for Financing Schools.

2 RECOMMENDATIONS

- 2.1 **The changes proposed to the Scheme for Financing Schools as set out in the consultation document are AGREED, and become effective from 1 March 2012, after making the following amendments:**
- I. **That the provisions to claw-back significant surplus school balances is implemented from the 2012-13 final accounts;**
 - II. **That the text to govern arrangements for school staff undertaking paid consultancy work outside their normal terms of employment is as set out in paragraph 5.14.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **To make effective the changes proposed by the Council requires the consent of the Schools Forum.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Comments received through the consultation are included in this report.

5 SUPPORTING INFORMATION

Background

- 5.1 Each Local Authority (LA) is required to publish a Scheme for Financing Schools (the "Scheme"). This sets out the financial relationship between the LA and the maintained schools which it funds, so does not apply to academy schools. It is a legally binding document on both the LA and schools relating to financial management and associated issues. The current Bracknell Forest Scheme was agreed following consultation in March 2011, and was updated on a provisional basis to reflect the latest requirements from the Department for Education (DfE). This report presents a more detailed review, with a number of further changes now being proposed by the LA.

Changes now being proposed

- 5.2 A summary of the changes is set out below, with the numbered references corresponding to the relevant paragraphs in the proposed BF Scheme (64 pages). In making any proposed changes, LAs must consult with all their schools and receive approval from the Schools Forum before they can become effective. The DfE can be asked to adjudicate where a Schools Forum does not agree an LA proposal.
- 5.3 Annex A sets out the new text proposed for the changes that are considered the most significant. The full text of the current BF Scheme and that proposed for the revised BF Scheme can be found at the download section (right hand side) of:

<http://www.bracknell-forest.gov.uk/learn-financial-guidance.htm>

Due to the length of these documents and for reasons of cost effectiveness, neither the current scheme, nor that now proposed have been printed with this agenda. Should any Forum member require paper copies, please email paul.clark@bracknell-forest.gov.uk with a mailing address.

Significant changes proposed:

- 5.4 The following sets out a summary of the significant changes now being proposed, and which are shaded yellow on the document:
1. The role and responsibilities of governing bodies and headteachers have been clarified with additional examples of key areas added. The need for the governing body to agree on an annual basis the specific powers delegated to the headteacher has also been added (1.1.1 and 1.1.2).
 2. To add the requirement that if staff are engaged by schools on consultancy type activities, outside their normal contract conditions, that appropriate agreement is received from governors in advance of the commencement of any work, and that proper account is taken of employment terms and any Inland Revenue requirements (2.1.3). See also paragraph 5.14 below.
 3. The provisions under which a governing body's right to a delegated budget can be suspended have been specified. This would be after the issue of a warning and can be for finance or non-finance related matters. This section of text – but not the Annex - was omitted in error from the previous scheme so states existing policy. (2.17 and Annex B).
 4. It is proposed to reinstate the scheme to control excess surplus balances which was withdrawn in March. This is intended to ensure that schools consider the need to spend sufficient resources each year on the pupils in school and not to build up unnecessarily large balances. Whilst there is no longer a statutory requirement to operate a system of claw-back from schools, which had generally been determined where surplus balances were in excess of 8% of budget for primary and special schools, and 5% for secondaries, the Council believes that such a scheme should be in operation. The School Financial Value Standard, which all schools are required to comply with by 31 March 2013 identifies good practice as governing bodies reviewing their balances to ensure it is at a reasonable level and to have plans in place for its use. It is therefore proposed to reinstate the former scheme, which as well as containing appropriate thresholds, the Council also believes contains sufficient flexibility to allow for the build up of reserves above the normal limits where there is clear medium term planning and that money is being held for suitable purposes.

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Therefore, the proposed scheme contains a number of exceptions where schools can retain balances above the general limits. Any money clawed-back from this scheme would be redistributed within the schools budget and not used on general Council expenditure. No changes are proposed from the scheme that was in operation up to March 2011 (4.2 and Annex D).

5. The existing licensed deficit arrangements, whereby the Schools Forum can agree a temporary over spend by a school which will be repaid from future budget allocations, is proposed to be replaced by a loan agreement. These agreements are considered a more flexible way of offering additional financial support to schools, especially where funding is required for new investments and not to cover a temporary over spend against the budget share. The term available for loans and the application of interest charges have also been updated and clarified. Much of the text remains unchanged from that previously used for licensed deficits (4.9).
6. The funding arrangements to apply for redundancies have been specified. There is no change proposed to current arrangements whereby new early retirements and redundancies are met from the central Schools Budget, provided advice from the Council is followed. The cost of premature retirements will ordinarily be met from the relevant school's budget. (11.17).

Summary of other changes

- 5.5 In addition to some minor amendments and improvements to text, all of which are shaded blue on the proposed scheme, the following less significant changes are planned:

1. Clarification that there are a small number of instances where it is appropriate for different conditions or limits that apply to schools compared to those for the rest of the Council, as set out in Financial Regulations and Contract Standing Orders (2.1.1).
2. Requirements surrounding the control of assets have been updated and clarified (2.1.4).
3. Requirement for a copy of the audited accounts of private funds to be sent to the council within six months of the end of the accounting period of the fund(s) (2.8).
4. Updating the requirements for a register of business interests, including the requirement to provide for an opportunity to declare any conflicts of interest at the beginning of each governing body meeting (2.9).
5. Additional information and clarification of matters relating to responsibility for repairs and maintenance, including the requirement for schools to contribute to the cost of significant building maintenance costs (12.1 to 12.4). Again this specifies current practices that have previously been subject to consultation with schools.

Results of the consultation and other proposed changes

- 5.6 The consultation with schools ran from 9th November to 16th December, with the relevant documentation also posted on the public access website. A summary of the outcomes is set out below, with the paragraph numbers corresponding to the consultation questions. Overall there was a fair response rate from schools with 13 replies received (35%).
1. All 13 schools (100%) agreed with the revisions proposed to roles and responsibilities of governing bodies and head teachers.

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2. 12 schools (92%) agreed with the proposals relating to requiring consent of the governing body before staff undertake consultancy work for the school outside their normal contract. In response to a comment received, the wording will be clarified to make clear that this requirement only relates to paid consultancy. See paragraph 5.14 below.
3. All 13 schools (100%) agreed to insert the text relating to the criteria for suspending a governing body's right to a delegated school budget, which was omitted in error when the previous update was agreed.
4. 7 schools (54%) agreed to reinstate the scheme to claw back from schools significant surplus balances. 6 schools (46%) disagreed. This proposal is further considered below at paragraphs 5.7 to 5.13.
5. All 13 schools (100%) agreed to replace the licensed deficit scheme with formal loan arrangements, which contain very similar arrangements.
6. All 13 schools (100%) agreed to adopt the text proposed for dealing with funding responsibilities for school staff redundancies, which reflects current practice.
7. All 13 schools (100%) agreed to adopt all of the minor changes.

Annex B sets out a summary numerical analysis of the responses received, with Annex C recording the specific comments made by schools.

- 5.7 With the exception of the proposal to reintroduce the scheme to claw back significant surplus balances from schools, question 4, the significant majority of school replies agreed with the proposals set out in the consultation. However, in view of 6 schools opposing the proposed scheme to claw back excessive surplus balances (46% of respondents, 16% of all schools), this question warrants further consideration.
- 5.8 Analysis of school responses to question 4 at Annex C shows that some schools:
- considered that other elements of the scheme are sufficient to manage down significant school balances.
 - believed that if surpluses are achieved through good financial management or increased income streams, the school should not be penalised through the threat of claw-back.
 - thought the threat of claw back did not encourage best value as funding may need to be spent by a specific deadline which removes the existing flexibilities that allow schools to make purchase when it is right for the school.
- 5.9 The first bullet point in paragraph 5.8 makes reference to point 5 of Annex B of the Scheme in respect of suspending a school's right to a delegated budget through "accumulation of unreasonably high under spendings, without prior LA approval". The LA does not consider that a school's delegated budget should be suspended solely to ensure proper use of surplus balances, but rather this would be a contributory factor with other concerns. Suspension of a delegated budget would only be considered as a last resort and surplus balances can be managed better through a defined scheme.
- 5.10 For the second and third bullet points, the Council believes that sufficient exemptions are included in the proposed scheme to allow funds to be carried forward in these circumstances. Good financial management can help to achieve under spendings

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and earn additional income, but would also be used to develop clear spending plans linked to properly assigned areas of expenditure, which the proposed claw-back scheme defines as.

- i. Capital building and construction projects
- ii. Furniture, IT and other one-off expenditure of a capital nature
- iii. Infrastructure, maintenance and refurbishment
- iv. Staffing remodelling and restructuring
- v. Specific curriculum resources
- vi. Balances held in respect of pupil focused extended activities
- vii. Money held to fund budget deductions known to be occurring in the next financial year e.g. fall in pupil numbers.
- viii. Other high cost activities, of a long term nature, agreed in advance with the Director of Children, Young People and Learning and the Schools Forum.

- 5.11 The proposed scheme also allows schools to delay expenditure to achieve best value, as the spending would be delayed for one of the criteria specified above. The purpose of the intended expenditure is the relevant factor, not the timing. Any request to exceed the normal carry forward limits arising from a delay in expenditure would not ordinarily be repeated by a school. If a similar delay in spend did occur in the following year, for around the same value, then there would be no overall impact on the carry forward in that year. This is because the delayed spending incurred at the beginning of the next year would then be offset by an under spending at year end on the new-year budget.
- 5.12 On balance, the Council still proposes that the claw back scheme is reintroduced because revenue funding should generally be spent for the benefit of pupils in the school each year and should not be held back unnecessarily. Based on the 2010-11 accounts, the proposed thresholds allow the smallest primary school to freely retain £30,000 and the largest £109,000, with secondaries able to freely retain between £352,000 and £523,000. These amounts are considered sufficient for working balances and schools should be able to readily explain why money is being held above these thresholds if asked.
- 5.13 Funding was never clawed back from a school when the scheme was previously in operation, with three schools assessed as having a significant surplus in 2009-10, the final year of operation. Despite these outcomes, the Council proposes reintroducing the claw-back scheme to ensure that all schools regularly monitor the level of their balances and make appropriate and timely plans for their use. Despite the current economic climate, school balances increased during 2010-11 by £1.153m (44%) and on average now amount to 5.7% of total funding. To help schools manage any change in this provision, it is proposed that implementation is deferred for 1 year, and takes effect from financial year 2012-13.
- 5.14 One further change from the text included on the consultation documents is also now proposed by the LA which reflects on recent findings from a school audit relating to staff undertaking consultancy work outside the normal terms of their contract of employment. In particular, text has been added to require governors to fully consider the financial and operation impact of agreeing to any such work, such as any consequential absence from school of key staff. Paragraph 2.13 of the scheme refers, with the following text now proposed. Underlined wording is new.

Where school staff are engaged in paid work outside their normal terms and conditions, the terms of engagement must be formally reviewed and agreed by the

relevant governor committee before the work commences. This review should consider both the full financial and operational implications to ensure there is no detrimental effect for the school in allowing staff to undertake this work and include seeking Legal and HR advice where necessary to ensure that remuneration is in accordance with relevant employment terms, such as School teachers Pay and Conditions Document, and correctly complies with Inland Revenue requirements in particular in relation to consultancy provided on a self-employed basis.

Attention is drawn to section 12.4.1 of the School Teachers Pay and Conditions document 2011 in relation to discretionary payments to headteachers.

Action requested from Forum Members

- 5.15 Based on the responses to the consultation received from schools, the Forum is recommended to authorise the proposed changes, reflecting the amendments set out above in the light of comments received.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 No legal issues arise directly from the matters discussed in this report.

Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that no significant financial implications arise from this report.

Equalities Impact Assessment

- 6.3 Not required

Strategic Risk Management Issues

- 6.4 None identified.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Schools (Bursars, Head Teachers and Chairs of Governors).

Method of Consultation

- 7.2 Formal consultation.

Consultation Responses

- 7.3 Incorporated into the body of this report.

Background Papers

BF Scheme for Financing Schools

Statutory guidance for local authorities [on Schemes]: Issue5

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NEW TEXT PROPOSED FOR THE MORE SIGNIFICANT CHANGES PROPOSED TO THE BF SCHEME

Changes or additions to current text are shaded.

CHANGE 1

Proposed Text – changes from existing text are shaded

1.1.1 Role and responsibilities of governing bodies

Within the statutory national and local framework, the governing body controls the running of a school with a delegated budget. Whilst the responsibilities detailed below are not exhaustive, it covers the following:

- to deploy resources freely within the school's budget, subject to the conditions of the scheme;
- to determine the number of teaching and non-teaching staff at the school, to select for appointment and be able to require dismissal, taking account of the professional advice of the Director of Children Young People and Learning and the headteacher.
- where there are regularly other staff on site in a school e.g. health authority personnel, whilst the day to day management of these staff is within the headteacher's remit, the governing body has no entitlement to suspend such staff,
- in the case of special schools, where a member of the school's staff accompanies its pupils to a mainstream school for outreach/integration purposes, the member of staff remains within the overall management of the special school,
- to develop and implement the School Development Plan, in consultation with the headteacher and within the general conditions and requirements of the LA's scheme. In developing such a plan, the governors need to take account of all their responsibilities, including the implementation of the National Curriculum, and ensuring that appropriate provision is made available for all pupils with special educational needs, with or without a statement;
- to ensure that the requirements specified in a child's statement of special educational needs are met by the school. This may include the provision of appropriate outreach and integration facilities, in accordance with each child's statement of special educational needs.
- to determine the extent to which it wishes to delegate its powers to other committees, or to the headteacher.
- to approve the first formal budget plan of each financial year (this can be delegated to a committee of the governing body but not the head teacher) and any subsequently agreed changes to the plan that fall outside the powers delegated to staff.

1.1.2 Role and responsibilities of the headteacher

Each governing body is required to consider the extent to which it wishes to delegate its powers to the headteacher. Any such decisions should be reviewed on an annual basis, be specific and clearly recorded in the minutes of the governing body.

Although it is for each governing body to determine the extent to which it wishes to delegate to the headteacher, as a guide, the authority would suggest that the following responsibilities be considered:

- to manage the school in accordance with the policies of the governing body and the LA;
- to prepare the annual budget plan for approval by the governing body;
- to be responsible to the governing body for the management of the school's budget share in accordance with the extent of delegation agreed by the governing body, such as the writing off of debts, agreeing adjustments to the original budget plan, agreeing the authorisation of expenditure;
- to be responsible for the day to day management of all aspects of the school's work, including provision for children with special educational needs;

The authority would suggest the following areas form part of the role of the headteacher in the context of this scheme:

- to offer advice and support to the governing body;
- to have a key role in helping the governing body formulate the School Development Plan and in securing its implementation with the collective support of the school's staff;
- ensure that the required improvement actions arising from internal audit and other relevant reviews are implemented and reported to the governing body;
- to be responsible to the governing body for ensuring all other financial requirements of this scheme are adhered to;
- to keep the governing body fully informed.

In undertaking day to day management of the school, the headteacher should have particular regard to Part IX of the school teachers pay and conditions document, paragraphs 33-37.

Reason for change

To make responsibilities clearer, with specific examples mentioned, and also making it a requirement that governors review and agree on an annual basis the specific powers to be delegated to the head teacher.

CHANGE 2

Proposed Text – changes from existing text are shaded

2.1.3 Payment of salaries and wages; payment of bills

The authority will arrange for the payment of all salaries and wages due to employees, together with associated deductions, upon receipt of a signed agreement appropriately authorised by the governing body (or suitably authorised school employee). Schools will be responsible for making all other payments to creditors, up to the maximum amount delegated by the governing body.

Where school staff are engaged in consultancy work outside their normal terms and conditions, the terms of engagement must be formally agreed by the relevant governor committee before the work commences, which also needs to ensure that remuneration is in accordance with relevant employment terms and correctly complies with Inland Revenue requirements in particular in relation to consultancy provided on a self employed basis.

Section 3.6 sets out the availability of bank and building society accounts for schools to facilitate all payment types.

Reason for change

To ensure appropriate agreement is received from governors for staff undertaking consultancy work for the school and that proper account is taken of employment terms and any Inland Revenue requirements.

CHANGE 3

Proposed Text – changes from existing text are shaded

2.17 Suspension of right to a delegated budget

The governing body's right to a delegated budget may be suspended under certain circumstances. Schedule 15 to the SSFA, as applied by Section 51 of the SSFA, provides that suspension may take place if a school's governing body has persistently or substantially breached a requirement or restriction relating to its delegated budget, or has not managed its budget share satisfactorily. An LA may also suspend a delegated budget for reasons arising from the powers in Part 4 of the Education and Inspections Act 2006: Sections 59–66, which allow an LA to intervene in schools causing concern.

Before any suspension can commence, the Council will send a copy of the notice to the governing body and the headteacher. Suspension of powers of delegated responsibility would normally take effect one month after the notice has been served. The school's formula budget would then be managed centrally. Where the Council suspends delegation, the related staffing powers are also restricted.

In cases of gross incompetence or mismanagement or other emergency circumstances, delegated responsibilities could be suspended more quickly or immediately, and the Council would notify the school of its emergency action.

In all cases of suspension, the Director of Children Young People and Learning would provide a written explanation to the governing body, with a copy to the headteacher. The governing body would have a right of appeal by.

Where the Council decides to suspend delegation, it would be able to devolve back to the governing body such decision making powers as it considers appropriate, allowing the Council to be selective in identifying the areas in which it needs to take decisions. For example, the Council might have direct involvement in staffing decisions, if that is the area causing concern, while still leaving the governing body to take decisions on non-staffing expenditure.

The Council would review any suspension on at least a termly basis. Where delegated powers are restored, the decision would take effect from the start of next term.

Annex B [as shown immediately below] lists the outline criteria to be taken into account by the Council in considering the need to suspend delegated powers from a governing body.

Annex B from the Scheme for Financing Schools

OUTLINE CRITERIA FOR SUSPENSION OF DELEGATED POWERS FROM A SCHOOL

Finance Related

1. Serious fraud or deception
2. Consistent failure to set a balanced budget
3. Consistent failure to keep spending within budget, without prior LA approval
4. Accumulation of high budget deficit or failure to make repayments on approved budget deficits
5. Accumulation of unreasonably high under spendings, without prior LA approval.
6. **Mismanagement of community facility funds**
7. Failure to comply with Financial Regulations, Contract Standing Orders or the Procurement Manual (especially relating to the award of contracts)
8. Serious instances of false accounting
9. Serious failure to achieve value for money
10. Continual failure to deal with serious weaknesses in internal control as identified by Internal Audit or LA
11. Continual contravention of UK legislation
12. Persistent failure to comply with requirements of the Scheme for Financing Schools,
 - i. Spending only for the general purposes of the school
 - ii. Persistent failure to supply financial and other information which might reasonably be required by the LA e.g. timely submission of budget plans and bank account returns
 - iii. Persistent disregard of LA advice where this could place additional expenditure burden on the school or LA e.g. in respect of premature retirement or securing resignations, or any other legal matters

Other Reasons

1. Appointment of headteacher without taking account of the professional advice of the Director of Children Young People and Learning/Diocesan Director of Children Young People and Learning or his representative
2. Failure to manage the leadership of the school in accordance with the recommendations of the LA/School Code of Practice and School Improvement Policy
3. Failure to develop and implement a School Development Plan which aligns priorities with available resources
4. Failure to adhere to advice and guidance to Personnel matters
5. Failure to meet the needs of pupils with SEN where funding has been delegated for that purpose
6. Failure to meet responsibilities in respect of delegated Health and Safety
7. Failure to meet responsibilities in respect of delegated repair and maintenance of buildings as set out in individual Asset Management Plans

A decision to withdraw delegated power from a school will be taken by the **Executive Member for Education who may refer the matter to the full Executive**, following recommendation from the Director of Children, Young People and Learning.

Reason for change

This section of text – but not the Annex - was omitted in error from the previous scheme.

CHANGE 4

Proposed Text – changes from existing text are shaded

4.2 Control on excessive surplus balances

Where primary and special schools have a year end revenue balance greater than 8% of their annual budget, or secondary schools 5%, the excess above these thresholds is considered a significant surplus balance and will therefore be subject to claw-back and redistribution within the Schools Budget, unless it is being held for a valid reason. This is on the basis that annual funding should be spent on pupils in school that year and not held back unnecessarily.

Full details of the claw-back scheme are set out in Annex D [as set out immediately below], including a definition of valid reasons for holding significant surplus balances.

Annex D from the Scheme for Financing Schools

Control on surplus school balances

Normal text indicates the wording for the BFC Scheme. Words in italics are offered as an explanation to the Scheme text and are not part of the Scheme.

Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

- a. the Authority shall calculate by 30 June each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

Balances held on Devolved Formula Capital and any other specific grant funded activities are excluded, unless allowed for in the relevant grant conditions.

- b. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance from the previous financial year;

In this context, a prior year commitment is defined as a project previously agreed with the Authority to be excluded from the claw-back calculation, for example, capital building and construction projects – see c.i to viii below for full criteria to be used to establish a valid commitment against a surplus balance.

- c. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.

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The criteria to consider whether sums are properly assigned are as follows:

- ix. Capital building and construction projects
- x. Furniture, IT and other one-off expenditure of a capital nature
- xi. Infrastructure, maintenance and refurbishment
- xii. Staffing remodelling and restructuring
- xiii. Specific curriculum resources
- xiv. Balances held in respect of pupil focused extended activities
- xv. Money held to fund budget deductions known to be occurring in the next financial year e.g. fall in pupil numbers.
- xvi. Other high cost activities, of a long term nature, agreed in advance with the Director of Children, Young People and Learning and the Schools Forum.

The condition outlined here is intended to ensure schools can build up reserves towards particular projects but cannot defer implementation indefinitely. A change in the plans of a school is not allowed to be the only criterion by which a sum can be considered to be properly assigned or not. After the accounts are closed each year, the Authority will contact schools with significant surplus balances to agree whether any of the balance has been properly assigned for a specific purpose and can therefore be deducted from the claw-back calculation.

The above specified criteria have previously been approved by the Schools Forum following consultation with schools where they were supported by the vast majority of respondents.

- d. if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, then the Authority shall deduct from the current year's budget share an amount equal to the excess.
- e. the calculation will be made against the final budget for the year in question i.e. after any contingency funding, significant in-year pupil growth allocation etc. The deduction will be made annually in arrears i.e. the final balance at 2011-12 calculated against the final budget for 2011-12 (known around June 2012) will be deducted at the start of the 2013-14 financial year.

This paragraph has been added to make clear that the calculation will be made against final and not initial budgets. It is also proposed to delay any claw-back for one year to allow relevant schools time to plan for the change when setting subsequent budgets.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.

Reason for change

Whilst there is no longer a statutory requirement to operate a system of claw-back from schools that generate significant surplus balances, generally in excess of 8% of budget for primary and special schools, and 5% for secondaries, the Council believes that such a scheme should be in operation because the thresholds allow sufficient flexibility to build up reserves whilst at the same time placing a limit to ensure that sufficient resources are spend

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each year on the pupils in school. The proposed scheme contains a number of exceptions where schools can retain balances above the general limits. If any money is clawed-back from this scheme it would be redistributed within the Schools Budget and not used on general Council expenditure.

CHANGE 5

Proposed Text – changes from existing text are shaded

4.9 Loan arrangements – NB this replaces the former licensed deficit scheme as the route to secure agreement to temporarily over spend

In exceptional circumstances, in agreement with the Schools Forum and Executive Member for Education, the authority will permit schools to receive a loan in advance of future budget allocations. The funding of such agreements would be through the collective surplus of school balances held by the authority on behalf of schools, and will be considered on an individual basis. General features of the scheme are detailed below:

Circumstances in which a loans may be agreed:

1. if in the opinion of the Director of Children Young People and Learning a school could not otherwise achieve its improvement targets (there will still be a requirement of the governing body to demonstrate repayment),
2. if in the opinion of the Director of Children Young People and Learning and Borough Treasurer a school could not reasonably be expected to effect immediately the savings required as a result of a significant reduction in pupil numbers (there will still be a requirement of the governing body to demonstrate repayment),
3. where major capital projects which would otherwise result in the project not being undertaken (there will be a requirement of the governing body to demonstrate repayment),
4. to finance invest to save schemes e.g. energy efficiency investments which result in net annual savings after making the required loan repayments.

Outline features of the scheme.

- the maximum length over which schools may repay the loan is 3 years (i.e. reach at least a zero balance), where the loan is granted under 1 and 2 above, with longer periods available for items 3 and 4., which will be determined on a case by case basis, linked to the expected useful life of the asset and the ability of individual schools to repay any loan.
- arrangement for a loan will only be agreed where the governing body produces a plan which demonstrates to the satisfaction of the Director of Children Young People and Learning and Borough Treasurer the savings or additional income required to repay the deficit within an agreed timescale,

In general the minimum size of loans which may be agreed will be the lesser of the following:

Primary schools	£10,000
Special schools	£20,000
Secondary schools	£30,000

OR

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For all types of school, 5% of the size of the budget share as determined by the authority.

In general the maximum size of loans which may be agreed will be the greater of the following:

Primary schools	£50,000
Special schools	£150,000
Secondary schools	£250,000

OR

For all types of school, 15% of the size of the budget share as determined by the authority.

- interest will be charged at 1% above the Council's cost of borrowing on the date on which the loan is advanced unless the authority agrees for it to be waived. The requirement to pay interest will be assessed on the merits of each individual application, and in general, loans under categories 1 and 2 above will not attract interest with loans under categories 3 and 4 likely to attract interest.

Outline controls on loans

- the maximum proportion of the collective balances held by the authority which will be used to support the arrangement shall not exceed 40%,
- the Director of Children Young People and Learning and the Borough Treasurer of the authority will make recommendations to the Schools Forum and Executive Member for Education to agree any loans and the terms on which they are offered.

The authority may request those schools operating external bank accounts to allow some or all of those balances to support the above arrangements.

Reason for change

The proposed loan arrangements are considered a more flexible way of offering additional financial support to schools compared to the current licensed scheme, especially where funding is required for new investments and not to cover a temporary over spend against the budget share. The term available for loans and the application of interest charges has also been updated. Much of the text remains unchanged from the current section on licensed deficits.

CHANGE 6

Proposed Text – changes from existing text are shaded

11.17 Responsibilities for redundancies

The costs of new early retirements or redundancies will continue to be charged to the central part of the Schools Budget where the local authority can demonstrate that the revenue savings achieved by any termination of employment are equal to or greater than the costs incurred. This will be done on the basis that any redundancy situation the school finds itself will be treated as a staffing re-organisation. The Council's Redundancy procedures must be followed to enable the redundancy costs being met through this central schools budget. This includes early notification of the staffing re-organisation to ensure adequate time for consultation with staff and trade unions. Failure to follow these procedures could result in costs being charged against the delegated school budget.

The severance costs will be calculated under the local authority's policy. Where a school decides to offer more generous terms than the authority's policy, then the excess charge will be made to the delegated school budget.

The Schools Forum must agree to any increase in this budget over the previous financial year. The local authority will make a best estimate of what may be needed, based on past experience, local knowledge of the financial position of individual schools and the context of that year's funding settlement. To achieve best use of resources, the local authority will actively pursue a redeployment policy, to match staff at risk to vacancies.

Any costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except where the authority has agreed with the governing body in writing (whether before or after the retirement occurs) to meet these costs centrally.

Reason for change

The funding arrangements to apply for redundancies have been clarified. There is no change proposed to current arrangements whereby new early retirements and redundancies are met from the central Schools Budget. The cost of premature retirements will ordinarily be met from the relevant school's budget.

**Summary responses from schools to the changes proposed to
the Scheme for Financing Schools**

QUESTION	TOTAL RESPONSES				
	PRIMARY	SECONDARY	SPECIAL	ALL	
Significant proposals on the revised Scheme for Financing Schools					
<p>1 Do you agree that the role and responsibilities for the governing body's and headteachers should be updated, to make the key areas more clear and require annual review of the responsibilities delegated to headteachers?</p> <p>Yes</p> <p>No</p> <p>No response</p>	<p>9</p> <p>0</p> <p>0</p>	<p>4</p> <p>0</p> <p>0</p>	<p>0</p> <p>0</p> <p>0</p>	<p>13</p> <p>0</p> <p>0</p>	<p>100%</p> <p>0%</p> <p>0%</p>
<p>2 Do you agree that where staff undertake consultancy work for the school, outside their normal contract conditions, that appropriate agreement must be received from governors prior to the commencement of any work and that proper account is taken of employment terms and any Inland Revenue requirements?</p> <p>Yes</p> <p>No</p> <p>No response</p>	<p>9</p> <p>0</p> <p>0</p>	<p>3</p> <p>0</p> <p>1</p>	<p>0</p> <p>0</p> <p>0</p>	<p>12</p> <p>0</p> <p>1</p>	<p>92%</p> <p>0%</p> <p>8%</p>
<p>3 Do you agree with the text and criteria proposed for the suspension of a governing body's right to a delegated budget? Note, this text was omitted in error from the previous scheme and therefore states existing policy.</p> <p>Yes</p> <p>No</p> <p>No response</p>	<p>9</p> <p>0</p> <p>0</p>	<p>4</p> <p>0</p> <p>0</p>	<p>0</p> <p>0</p> <p>0</p>	<p>13</p> <p>0</p> <p>0</p>	<p>100%</p> <p>0%</p> <p>0%</p>
<p>4 Do you agree with the text and criteria proposed for the scheme to claw back excessive surplus balances from schools? Note, this is unchanged from the claw back arrangements in place up to March 2011.</p> <p>Yes</p> <p>No</p> <p>No response</p>	<p>5</p> <p>4</p> <p>0</p>	<p>2</p> <p>2</p> <p>0</p>	<p>0</p> <p>0</p> <p>0</p>	<p>7</p> <p>6</p> <p>0</p>	<p>54%</p> <p>46%</p> <p>0%</p>
<p>5 Do you agree with the text proposed for loan arrangements for schools? Note, this replaces the former provision for licensed deficits, with most of the text unchanged other than revised provisions for the length of agreements and the basis for changing interest, when relevant.</p> <p>Yes</p> <p>No</p> <p>No response</p>	<p>9</p> <p>0</p> <p>0</p>	<p>4</p> <p>0</p> <p>0</p>	<p>0</p> <p>0</p> <p>0</p>	<p>13</p> <p>0</p> <p>0</p>	<p>100%</p> <p>0%</p> <p>0%</p>

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QUESTION	TOTAL RESPONSES					
	PRIMARY	SECONDARY	SPECIAL	ALL		
6 Do you agree with the text proposed for the funding responsibilities for redundancies? Note, this reflects current policy.						
	Yes	9	4	0	13	100%
	No	0	0	0	0	0%
	No response	0	0	0	0	0%
<u>Minor proposed changes to the revised Scheme for Financing Schools</u>						
7 Do you agree that all of the minor changes being proposed, and shaded blue on the revised scheme text should now be adopted?						
	Yes	9	4	0	13	100%
	No	0	0	0	0	0%
	No response	0	0	0	0	0%
Number of responses: Maximum number of responses Response rate	9 31 29.03%	4 5 80.00%	0 1 0.00%	13 37 35.14%		

**Comments received from schools to the changes proposed to
the Scheme for Financing Schools**

School	Comment
<u>Question 1</u>	Do you agree that the role and responsibilities for the governing body's and headteachers should be updated, to make the key areas more clear and require annual review of the responsibilities delegated to headteachers?
St Michaels Sandhurst	On a tangential issue, one change we would propose is that the headteacher's annual review is done before not after those of the other teachers.
<u>Question 2</u>	Do you agree that where staff undertake consultancy work for the school, outside their normal contract conditions, that appropriate agreement must be received from governors prior to the commencement of any work and that proper account is taken of employment terms and any Inland Revenue requirements?
Brakenhale	Need to clarify that this is PAID consultancy work only
Garth Hill College	Yes in theory. However, for us it raised the question of all consultancy work, including for a third party. Presently with schemes such as LLE (Local Leaders of Education), PIXL (Partners in Excellence) and other programmes that might involve consultancy work, there is the possibility that work would not be carried out directly for the school, but for a third party, whilst at the same time indirectly benefitting the employee's school (ie. through professional development and dissemination).
<u>Question 3</u>	Do you agree with the text and criteria proposed for the suspension of a governing body's right to a delegated budget? Note, this text was omitted in error from the previous scheme and therefore states existing policy.
St Josephs RC Primary	In existing policy, clarification is sought regarding level that would be considered as 'accumulation of unreasonably high under spending'.
<u>Question 4</u>	Do you agree with the text and criteria proposed for the scheme to claw back excessive surplus balances from schools? Note, this is unchanged from the claw back arrangements in place up to March 2011.
Sandy Lane Primary	Schools should be allowed to manage their budgets within the constraints set down in the scheme for financing schools. If the LA believes that the schools are not spending the budget appropriately then there are actions that may be taken as shown in point 5 of annex B.
St Michaels Sandhurst	Our GB finds it difficult to understand why the LA proposes to resurrect this scheme after it was dropped by the gov`t. The amount held by a school in reserve does not, by itself, indicate whether a school is spending the full year`s budget allocation – surely that requires a year-on-year assessment of change to the reserve. We believe the re-introduction of this measure could encourage some schools to spend up to the amount needed to reduce the surplus below the claw-back amount, without full regard to timing and value for money considerations. That is not in the pupils` best interests. We would also question the right of the authority to "claw-back" funds that have already been allocated to schools when this provision is, presumably, no longer gov`t policy. We would also ask whether the LA actually clawed back any funds previously. If not, is it really likely that they will now when school budgets are, arguably, much tighter. We are totally against the re-introduction of the claw-back scheme.

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School	Comment
<u>Question 4</u> <u>(continued)</u>	Do you agree with the text and criteria proposed for the scheme to claw back excessive surplus balances from schools? Note, this is unchanged from the claw back arrangements in place up to March 2011.
Edgbarrow	<p>We are aware that money is much tighter and that finances will become more difficult over the next couple of years. As a result, we do not anticipate having excessive surpluses to carry forward for the foreseeable future. However, as a school we are always striving to achieve best value, and we feel very strongly that it is crucial that we have the flexibility to make purchases when it is right for the school to do so.</p> <p>Furthermore, we consider that the operation of a scheme to claw back balances does not provide an incentive to obtain best value, and indeed risks penalising schools for good financial management. In the absence of a statutory requirement for such a scheme we are unable to support this proposal. Furthermore, if the proposal is agreed, we would ask that its implementation be deferred for one year until the financial year 2012-13 as schools were not expecting it this financial year and need the additional time to plan for it properly.</p>
St Josephs RC Primary	<p>In the current climate where budgets are expected to tighten, schools are encouraged to actively seek ways to increase their income streams. Those that may be successful in this venture may therefore manage to continually have surplus balances over the proposed percentage(s) i.e. 5% or 8%.</p> <p>It is not appropriate that such schools be penalised and effectively discouraged from longer term, more expensive investments in school infrastructure/capital projects.</p> <p>Provided that they can demonstrate that the annual funding provided is being spent on pupils in school and that the surplus balance is being accumulated due to these income streams? Obviously well managed schools will be properly assigning such balances – but our concern is that if this happens year on year, claw back may still be exercised.</p> <p>We absolutely saw a movement to shorter term financial planning and accelerating expenditure at year end to avoid claw-back when the threshold was in previously place, because although it was possible to ‘justify’ money carried forward it still required approval and the indication was that approval would be given for known/visible short or medium term items of expenditure.</p> <p>In fact we feel we also need a level of contingency or sinking fund to cover unforeseen costs or to move the school towards a different teaching method that is not always apparent at the time of initial surplus e.g. Learning through Play and the adaption of early years for cross-fertilisation of learning or a move towards the importance of physical education and sport in the curriculum and the recent development of 3G pitches which could not as easily be foreseen.</p> <p>Should the surplus claw back be implemented, we may well decide that a move to academy status is required. I am also absolutely against this Yo-Yo effect of now you see the clawback now you don’t, a decision was made for the better to remove claw back and just at the point of starting to form more strategic plans there is a proposal to swing back again and schools would be required to spend / justify or lose money.</p>

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School	Comment
<u>Question 4 (continued)</u>	Do you agree with the text and criteria proposed for the scheme to claw back excessive surplus balances from schools? Note, this is unchanged from the claw back arrangements in place up to March 2011.
Garth Hill College	No, we do not agree. Overall we think the LA should trust governors to manage the budget in a balanced way so that they will ensure surplus budgets are spent in-year wherever possible but that prudent planning of spend over the long-term is also applied. This may be due to careful financial management which has helped to secure good value for money (shame that the global economy is not run on the same basis). Ultimately the LA has the power to withhold funds from schools it does not think are demonstrating good fiscal management and these powers should be sufficient without requiring additional justification for year to year difference in surpluses. Given the present economic climate and the possibility of tougher budget settlements in future years, schools should not be penalised for having a significant surplus for good reason. Finally, if you do decide to proceed with this proposal following the consultation responses, we feel very strongly that this should NOT apply to the current financial year as no advance notice has been provided.
<u>Question 5</u>	Do you agree with the text proposed for loan arrangements for schools? Note, this replaces the former provision for licensed deficits, with most of the text unchanged other than revised provisions for the length of agreements and the basis for changing interest, when relevant.
St Michaels Sandhurst	We support this solution to end the practise of licensing agreed deficits and replace it with what is a more "commercial" solution
<u>Question 7</u>	Do you agree that all of the minor changes being proposed, and shaded blue on the revised scheme text should now be adopted?
St Michaels Sandhurst	We support this, but only in the context of there being major changes to introduce at the same time. In general we would be against making a host of minor alterations, and endeavour to keep the Financing Scheme unchanged for several years to encourage a greater degree of stability and certainty