

Item 1 October 2021 - Agenda _____	2
Item 3 SF June 2021 Draft minutes V1 _____	3
Item 7 SF October 2021 - DSG Monitoring _____	7
Item 9 SF October 2021 - NFF _____	13
Item 10 SF October 2021 - Scheme for Financing Schools	
Proposed Amendments _____	28
Item 11 SF October 2021 - High Needs Management Plan _____	48
Item 11 SF October 2021 Appendix A _____	50
Item 11 SF October 2021 Appendix B _____	52
Item 12 SF October 2021 - BCM _____	54
Item 12 SF October 2021 BCM - Appendix _____	58
Item 13 SF October 2021 - Item 13 - SOG _____	68

# **SOUTHWARK CHILDREN'S SERVICES**

## **SCHOOLS FORUM**

Members are requested to attend a meeting to be held via [Video Conference Link](#)

**Thursday 7 October 2021 2.00pm - 3.30pm**

David Cross, Clerk      Email:      xdavidcross@yahoo.co.uk

**All documents distributed in advance will be taken as read**

### **AGENDA**

#### **ITEM**

1. Apologies for Absence and whether quorate (5 minutes)
2. Election of Chair (5 minutes)  
    Newly elected Chair to chair the meeting
3. Election of Vice Chair (5 minutes)
4. Declaration of interests – the Education (Schools Government) Regulations 1989 (as amended) oblige members with a pecuniary interest in a contract or other matter to disclose the fact, to withdraw from the meeting when it is being discussed and not vote on it.
5. Minutes of the Meeting of 17<sup>th</sup> June 2021 (5 minutes)
6. Matters Arising not on the Agenda
7. DSG Budget Monitor and Financial Update (10 minutes)
8. Falling Rolls in Schools - No Papers (10 minutes)
9. National Funding Formula Consultation - Southwark's response (15 minutes)
10. Consultation on Southwark's Amendments to Scheme for Financing Schools (20 minutes)
11. High Needs Management Plan (10 minutes)
12. Balance Control Mechanism (10 minutes)
13. Schools Forum Sub Group (10 minutes)
- A.O.B. Any items must be with the Clerk by Noon 1st October 2021 (5 minutes)
14. Dates of Further Meetings for 2021/22: 9 December 2021, 13 January 2022,  
    10 March 22, 16 June 22  
    At 2.00pm until further notice

**THE SOUTHWARK SCHOOLS FORUM****MINUTES OF THE MEETING****Thursday 17<sup>th</sup> June 2021**

1. **Attendance and Apologies:** - See Annex A -
2. **Quorum:** The Clerk confirmed that the meeting was quorate - Note that the meeting was conducted via Zoom virtual technology.
3. **Declaration of Interests**  
Members were asked to declare any pecuniary or other interests they might have that were greater than the interests of other members of the Schools Forum in any matter on the agenda for discussion. None were declared.
4. **Minutes of the Meeting of 11<sup>th</sup> March 2021**
  - 4.1 These were agreed for accuracy.
  - 4.2 Matters Arising:
    - a) Report back on LA consulting Maintained Special Schools as to whether they wish to participate in the Contingency Fund - The maintained special school rep confirmed that they did not.
5. **Dedicated Schools Grant- 2020-21 Outturn**
  - 5.1 This previously circulated report provided the Schools Forum with the provisional financial outturn for the 2020-21 Dedicated Schools Grant (DSG) that is still subject to external auditors agreement.
  - 5.2 The final position was an overspend of £2.1m in comparison with the £3.2m previously predicted which is still subject to external audit. The key movements between the January forecast and the outturn position relate to the high needs budget which closed being overspent by £2.1m, lower than expected.
  - 5.3 This was mainly due to a large underspend on the Alternative Provision budget of £700k. A cautious approach had been taken during the year partly due to COVID-19 and the likely numbers of children that would be needed to be supported as well as the impact of new online tuition. The growth in pupils with Education, Health, Care Plans (EHCPs) was not as great as the original forecast built into the budget monitoring statement, and this brought the cost of the placements down.
  - 5.4 The underspend in the Maternity De-Delegated budget was noted and was due to reduced number of claims. The Schools Forum agreed by a unanimous vote of maintained primary and secondary schools members to accept the LA's recommendation not to distribute the funds but retain them pending the projected outturn for 21-22 in case it was showing an overspend. It was also noted that the threshold of the claim had been reduced from 90% to 70% and this may be reviewed.

- 5.5 The Falling Rolls Budget had been supplemented by the unallocated £1.4m from 2019-20 and this finished the year with an underspend of £1.3m which will be carried over. Pupils are moving school early from the closing schools for which the receiving school gets no financial recognition until the following financial year - this may be looked at in the autumn term.
- 5.6 The High Needs block remained the main DSG budget pressure and has been carefully monitored. Following a question; the Director confirmed that this block was scheduled to have an in-year net zero balance in 2021-22 so not adding to the deficit. Of course, reducing the £20m deficit will take some years and she thanked the Schools Forum High Needs Working Group for all their support to bring about this change.
- 5.7 The LA said that they are aware that a number of LAs have had their High Needs Deficits written off by the DFE and are actively pursuing getting the circumstances in which this happened and why it has not been applied to Southwark.
- 5.8 Following a question, concerning Schools in Financial Difficulty, the LA confirmed that the payments made to schools were a contribution to the cost of staff redundancy and they are not required to pay back those monies. Also, currently the fall in the numbers of children is impacting on primary schools which will, at a later time, impact to secondary schools. The overspend of £0.6m relates to the capital cost of redundancies, which will be recovered from schools during the next financial year.
- 5.9 Under the current regulations the Schools Forum has a responsibility to decide whether to agree to the carry forward of a deficit on central expenditure to the next financial year so being funded from that year's schools budget. This was agreed.

## **6. Maintained Schools Balances 2020-21**

- 6.1 This report, previously circulated, showed that the schools' cumulative revenue balances have increased from £10.9m as at 31 March 2020 to £13.8m as at 31 March 2021 with 18 schools in deficit as at 31 March 2021 compared to 24 as at 31 March 2020.
- 6.2 The Balance Control Mechanism (BCM) is the threshold the LA has set that above it the LA requires schools to justify what it is they are spending these excess balances on, for primary that is 8% of income and 5% for secondaries.
- 6.3 Following a question concerning the large surpluses a few schools have and have had for some years and why had not the LA clawed back this excess? It was said that Schools Finance are increasing its staffing to, along with other areas, address actively pursuing these issues. However, although schools are doing what they can to address the issues, falling rolls is a major issue and there are a number of options but the LA cannot rule out further closures.
- 6.4 The Schools Forum commented that there are often criticisms of schools having in-year deficits, but this is required when schools are reducing their carry forward balances i.e., spending more

than the income they receive in that financial year. The Director said that, under OFSTED, all maintained primary schools are considered good or outstanding.

The report was noted.

#### **7. The 2021-22 Dedicated Schools Grant Budget Monitor and Financial Update**

- 7.1 This had been previously circulated and was projecting an in-year balanced budget meaning that the £20.595m deficit from 2020-21 will not change.
- 7.2 The previous concerns about the dates used for data collection for Early Years funding have not materialised as the LA now has an option on which count date to use. Plus, the DFE has changed the count date for Pupil Premium which will reduce funding to schools, but this will be offset by more children being eligible.

The report was noted.

#### **8. Schools Forum Future Plans**

- 8.1 The Director said that a number of headteachers had expressed the need for a wider and larger forum for the LA to discuss with them issues including, High Needs, Falling Rolls, Alternative Provision etc. As a consequence, the LA is considering how best to bring this about, acknowledging the legal regulations relating to Schools Forums.
- 8.2 This could, perhaps be, an education forum that the Schools Forum is a subset of - which more headteachers can input to. Steve Morrison said that there is the logistics to be considered, avoiding repetition with the large group and the Schools Forum, meetings becoming too long etc. Pia Longman said that it was a good idea and sounded like the "Partnership" which failed and so need to look at why that happened in order to avoid repeating the same mistakes. Janice Babb said that there were elements of the "Partnership" that worked.
- 8.3 Kevin Morris believed it would not be the same and that this new group could be a different group without constraints on its size. Nick Tildsley thought that in some way what it could feed into existing Schools Forum meetings, the chair said that for secondary schools there is SASH which all secondary schools, maintained and academy, are members of. Also, the new group should be comprised of Headteachers and not other school staff.
- 8.4 How it meets post COVID-19 needs to be considered as it could be virtual. The clerk said that the Schools Forum reconstitutes every two years and there are periodically difficulties in recruiting members. The LA will report back.

#### **9. A.O.B.**

- 9.1 There is the issue in a neighbouring borough of the cost of holiday pay for TTO staff that could impact on Southwark's schools budgets, can the LA monitor and keep schools informed? It was also reported that there may also be an issue of meeting the cost of ill health retirements.
- 9.2 This was Teresa Neary's last meeting as she is taking semi-retirement and so will be standing down - the Schools Forum thanked her for all her contributions to the business of the Schools Forum over the past years and wished her well.

#### **10. Date of Next Meeting**

These will be determined and circulated for the new academic year

**Annex A  
SCHOOLS FORUM ATTENDANCE SHEET**

**17<sup>th</sup> June 2021**

**VOTING MEMBERS**

<b>NAME</b>	<b>CONSTITUENCY</b>	<b>PRESENT</b>
Janice Babb	Primary School Headteacher	Yes
Susannah Bellingham	Primary School Headteacher	Apologies
Pia Longman	Primary School Headteacher	Yes
Vacant	Primary School Headteacher Community	
Trevor Cunningham	Primary School Governor	Yes
Vacant	Primary School Governor VA	
Rebecca Sherwood	Nursery School Headteacher	Yes
Teresa Neary	Special School Headteacher	Yes
Nicola Howard	Early Years – Private/Voluntary and Independent Settings	Yes
Steve Morrison	Academy	Yes
Nick Tildsley	Academy (Primary)	Yes
Mike Antoniou	Academy	Yes
Simon Eccles	Special School Academy	Apologies
Yomi Adewoye	Pupil Referral Units	Yes
Sister Anne-Marie Niblock	Secondary School Headteacher	Yes
Vacant	FE SEN	Awaiting nomination from LA
Catherine May	Diocesan Boards	Yes
Betty Joseph	Trade Unions	Apologies

Senior Officers in Attendance

Nina Dohel	Yes
E Nolan	Yes
Dave Richards	Yes with colleagues
Yvonne Ely	Yes
Jenny Brennan	No
Kevin Morris	Yes
David Cross	Clerk

Date: <b>7 October 2021</b>	<b>Item 7</b>	<b>Type of report:</b> For Discussion
<b>Report title:</b>	<b>Dedicated Schools Grant 2021-22 Budget Monitoring and Financial Update.</b>	
<b>Author name and contact details:</b>	Dave Richards <a href="mailto:Dave.Richards@southwark.gov.uk">Dave.Richards@southwark.gov.uk</a>	
<b>Officer to present the report:</b>	Dave Richards	

## Executive Summary

This report sets out as at 30<sup>th</sup> September 2021 the in-year budget monitor for the 2021-22 Dedicated Schools Grant (DSG) and provides an update to members on the latest events in school finance.

## Schools Forum Actions

That the Schools Forum

- Note the projected DSG outturn for 2021-22.

### 1. Overall Position

- 1.1 This is an early look at budget monitoring and the information contained in this report needs to be viewed with extreme caution given that many of the budgets are demand and participation led.
- 1.2 The overall position on budget monitoring is summarised in the table below.

	<b>DSG Allocation 2021-22 June £000</b>	<b>DSG Allocation 2021-22 September £000</b>	<b>Over/ (Underspend) £000</b>
Schools Block	122,343	120,144	0
Central services block	1,782	1,782	0
High Needs Block	52,840	52,921	0
Early Years Block	26,690	26,690	0
<b>Total</b>	<b>203,654</b>	<b>201,537</b>	<b>0</b>
<b>Deficit carry forward from 2020-21</b>			<b>20,595</b>
<b>Total deficit at the end of the year 2021-22</b>			<b>20,595</b>

The 2021/22 DSG allocations are after deductions for academies recoupment and direct funding of high needs places by ESFA but before the Schools Block transfer. These allocations will be revised by the ESFA during the year for changes in pupil numbers.

## 2. Schools Block

- 2.1 The Schools Block allocation has reduced since the last meeting by £2.2m, this is as a result of Lyndhurst Primary school becoming an academy. This funding will now be paid straight to the school by the Education and Skills Funding Agency and Southwark's allocation has been adjusted accordingly.

## 3. High Needs

- 3.1 The High Needs block remains the main risk area in the DSG. The current deficit recovery plan shows that we will be in a balanced position at the end of this financial year. At the moment the early indications are good that this will be achieved. However, there is a current pressure on the placements budget of £670k however there are other savings particularly on Alternative Provision that will fully offset this. The data is currently being analysed on the placements that started this academic year and this, of course, may change the position and as this is a needs led budget this forecast is highly subjective and could change significantly during the year.
- 3.2 The high needs management plan will be discussed as a separate item on the agenda.
- 3.3 Officers met DfE officials to discuss safety valve funding. This is a mechanism which the Department uses to support local authorities who have a DSG deficit and potentially write off their deficit. It is however accompanied by a funding agreement which requires the local authority to deliver certain actions by a specified date. Usually, the funding agreement covers actions over a number of years, on completion of a tranche of actions more funding is released to write off the deficit.
- 3.4 In 2021-22 there were 6 local authorities who were supported and there is believed to be more next year, but Southwark will not be amongst them. The criteria used to select them is based on the percentage of deficit in relation to the total DSG including the funding for academies. While Southwark is ranked 14 it will not be included in the local authorities supported next year although the discussions are on-going

## 4. Financial position on de-delegated budgets and growth fund

- 4.1 The summary position is shown in the table below

2020-21	Budget £m	Forecast Outturn £m	Over/ (Underspend) £m
Schools in financial difficulty	0.5	0.5	0
Behaviour Support services	1.4	1.4	0
Maternity	0.8	0.8	0
Trade Unions	0.1	0.1	0
Growth Funds	0.1	0.1	0
Falling Rolls	0.2	0.2	0



## 5. Internal Audits by BDO

- 5.1 All maintained schools within the London Borough of Southwark are usually subject to an internal audit review at least every four years covering key processes and controls across a range of governance and financial systems. However, due to the Covid restrictions this type of audit work was paused and for the summer term the Council took the opportunity to change the focus of the audits.
- 5.2 Due to the number of schools facing financial difficulties, BDO LLP as the Council's internal auditors, were asked to refocus attention onto the schools budget and school financial strategy. The purpose of these audits was to review the adequacy and effectiveness of each school's financial management strategy and controls, and the extent to which the expectations set out in the Schools Financial Value Standards for School Strategy and Setting the Annual Budget were being met.
- 5.3 The internal audit programme assessed the design and operational effectiveness of the controls at each school to mitigate the key risks in the areas below
- School's financial strategy
  - Financial strategy linked to raising standards and attainment
  - Budget setting process
  - Budget monitoring procedures
  - Pupil projections
  - Deficit recovery plan
  - Cash flow
  - Governing Body engagement
  - Recasting
  - End of year balance
- 5.4 The auditors were asked to look at 6 specific schools. The auditors raised a total of 28 recommendations across the six schools audited.
- 5.5 The main areas where schools do not have strong controls or do not comply with the council's expectations are deficit recovery planning, budget setting and monitoring, making up 21%, 14% and 14% of our recommendations overall.
- 5.6 Controls in the areas of cash flow, governing body engagement and financial strategy areas also require improvement to effectively manage the risks, each making up contributing 11% of total recommendations.

Area	Recommendations and significance H M L	Summary of Key Findings
Deficit Recovery	- 4 2	<ul style="list-style-type: none"> <li><input type="checkbox"/> There is no projected date/ timeline for the school’s elimination of the overarching deficit</li> <li><input type="checkbox"/> School restructuring plan is a key part of the overall strategy projection and deficit recovery plan. If restructuring plan is delayed projections will materially alter and the deficit reduction will be delayed, causing additional financial hardship on the school.</li> </ul>
Budget Setting	2 2 -	<ul style="list-style-type: none"> <li><input type="checkbox"/> Guidance outlining key steps on how the budget should be set is not documented</li> </ul>
Budgeting Monitoring	2 2 -	<ul style="list-style-type: none"> <li><input type="checkbox"/> Budget monitoring processes are not documented. If key financial staff were to be absent there is a risk that these processes would not continue to be managed in an effective manner resulting in unreliable financial data and large variances.</li> </ul>
Cash Flow	- 2 1	<ul style="list-style-type: none"> <li><input type="checkbox"/> Cash reserves are low and will remain a concern while schools are in a financial deficit. However, the cash flow forecast is not presented and discussed as a standing agenda item at Governing Body meetings.</li> </ul>
Governing Body	- - 3	<ul style="list-style-type: none"> <li><input type="checkbox"/> Variances and financial issues are discussed at the Governing Body and Resources Committee, however, there is not a consistent defined follow up process stating how these issues have been addressed or steps taken to rectify them.</li> </ul>
Financial Strategy	- 2 1	<ul style="list-style-type: none"> <li><input type="checkbox"/> Head teachers expressed concern that when they were not provided any standardised financial training. This resulted in them requiring a few months before they were fully proficient in overseeing the school’s financial processes.</li> </ul>
Recasting	- 2 -	<ul style="list-style-type: none"> <li><input type="checkbox"/> There was no evidence of recasting in the financial reports, resulting in variances and unexpected end of year outturns.</li> </ul>
Financial Strategy links to Attainment	- - 1	<ul style="list-style-type: none"> <li><input type="checkbox"/> The key drive of the financial strategy is reducing the deficit and school costs. While Curriculum remains a priority, these links should be highlighted going forward to ensure they remain consistently visible.</li> </ul>
Pupil Projections	- - 2	<ul style="list-style-type: none"> <li><input type="checkbox"/> Financial forecast reports did not contain a breakdown of the estimated pupil intake in upcoming years.</li> </ul>
<b>TOTAL</b>	4 14 10	

- 5.7 Discussions are taking place with our auditors to undertake this type of audit when the Local Authority is approving a licensed deficit recovery plan, this will be at the cost of the school concerned.

## 6. ESFA Advisors

- 6.1 The opportunity was taken up to engage with the Education and Skills Funding Agency Schools Resource Management Advisors (SRMA) over the summer term. The advisors are provided free of charge to the Local Authority and Schools. The key focus of the SRMA's are to
- Conduct a financial review using Integrated Curriculum Financial Planning (ICFP) and make recommendations on how to manage the deficit positions
  - Share ICFP resources.

With the intention of developing evidence-based recommendations which schools can take forward.

- 6.2 Integrated curriculum and financial planning (ICFP) is a management process that helps schools plan the best curriculum for their pupils with the funding they have available. It can be used at any phase or type of school. ICFP involves measuring your current curriculum, staffing structure and finances, and using the data to create a 3- to 5-year plan. ICFP is not new. The idea of linking curriculum and financial planning is not new. Most schools probably use some ICFP processes already when reviewing their curriculum or financial strategy.
- 6.3 The advisors provide a report to the school and the local authority and recommend savings that the governors could look to make. Currently we have received three reports and the advisor will be reviewing four more schools.

## 7. Term-Time Only (TTO)

- 7.1 Term-time only (TTO) employees are support staff that are principally employed to work only during periods in which schools are open. In Southwark, the standard approach for TTO employees is to calculate their pay on an annual basis and then pay over twelve equal monthly instalments. The amount paid each month is without regard to the actual amount of work done during the month in question.
- 7.2 Employees on TTO contracts are normally contractually obliged to take any annual leave that they accrue outside of term-time. Southwark has a TTO calculator already in place and schools are required to carry out the calculation every time there is a change in their terms and conditions, e.g. when there is a change in their salary (e.g. in April with the updated payscales) as well as when they leave.
- 7.3 Depending on the month that the calculation is worked out, in some months, annual leave will be owed to the employee; in others, annual leave will be owed by the employee.

7.4 Schools will be reminded of the above via the regular HR update

<b>Date:</b> 7 October 2021	<b>Item</b> 9	<b>Type of report:</b> Information
<b>Report title:</b>	<b>Briefing on the Government consultation:</b> <i>Fair school funding for all: completing our reforms to the National Funding Formula</i>	
<b>Author name:</b>	Kate Bingham	
<b>Officer to present the report:</b>	Kate Bingham	

## Executive Summary

This report sets out the Local Authority's response to the Department for Education (DfE) consultation; "*Fair school funding for all: completing our reforms to the National Funding Formula*". This sets out the government's proposals to move towards a fully delivered hard National Funding Formula (NFF). The consultation was launched on 8 July 2021, with responses due by 30 September 2021.

## Schools Forum Actions

To note the Council's response to the consultation, the rational of which is contained within the body of the report and summarised in Appendix A.

### 1. Implementation of the National Funding Formula

- 1.1 The Department for Education (DfE) consultation; "*Fair school funding for all: completing our reforms to the National Funding Formula*" which sets out the government proposes to move towards a fully delivered hard National Funding Formula (NFF) was launched on 8 July 2021 and required responses by 30 September 2021. The full consultation paper can be viewed at the link below:

[https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting\\_documents/Fair%20Funding%20For%20All%20Consultation.pdf](https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf)

Due to the timing of the consultation, it was not possible to consult with the Schools Forum on the Council's response which is set out here.

- 1.1. The schools NFF is a single, national formula that allocates the core funding for all mainstream schools, both maintained and academies, in England, for pupils aged 5 to 16.
- 1.2. Despite many delays since the initial announcement in March 2016, it remains the government's intention to move to a hard NFF between now and 2024/25 in

which all individual schools' funding allocations are set by the national formula, rather than 150 different local formulae.

- 1.3. This consultation described how the government intends to do so, outlining the next steps to be taken to ensure a smooth transition towards this in recognition of the significance of this change and to minimise any disruption to the schools funding system.

## 2. The Consultation

- 2.1. Broadly, many of the questions posed in the consultation are those of principle in respect to the introduction of the hard NFF (Questions 1, 3, 5, 6 and 7). Four questions ask for additional comments on the nature/extent of what the government is proposing (Questions 2, 8, 15 and 16) – none of which is controversial and three questions (Questions 9, 10 and 12) are not circumstances that apply to Southwark.

- 2.2. There are, however, four questions that are worthy of a more detailed response:

- Question 4 on the additional burden that a national approach to growth and falling rolls fund may create for LAs and the inequity of only making popular growth funding available to academies;
- Question 11 on the proposals regarding pooling arrangements and ongoing central school services, including on whether in the future central school services funding could move to LGFS, noting that this will be subject to a further technical consultation; and
- Questions 13 and 14 on the introduction of Academic Year accounting year for maintained schools.

## 3. Completing the NFF reforms (section 3.1 of the consultation document)

- 3.1. Currently, some LAs use different factors in their local formulae to reflect additional needs in schools' allocations or allocate significantly different funding to these factors than the national formula does<sup>1</sup>. Southwark remains one of the LAs that has maintained a significant amount of local discretion in determining the funding rates for the current NFF funding factors.
- 3.2. **Question 1** of the consultation is, therefore, a question of principle that in order to deliver an equitable funding system for all schools, should all elements of funding be distributed through a hard NFF or should an element of local adjustment through local formulae be retained.
- 3.3. Southwark's' view remains that, whilst the NFF is, in principle, a simpler and more transparent way of distributing school funding, if there was additional funding in the system to ensure there was no distributional impact away from LAs where schools traditionally have received higher funding (for good reason) then it would also be a fair system. Until that time, local discretion is essential to ensure that local issues can be agreed immediately and the schools in Southwark are not disadvantaged.

---

<sup>1</sup> After allowing for the area cost adjustment (ACA), it shows that, of 150 LAs, 105 have moved all of the factor values in their local formulae closer to the NFF over the past 3 years and of these, 73 are now mirroring the NFF funding factors almost exactly.

4. **Developing the schools NFF to support the directly applied NFF** (section 3.2 of the consultation document)
  - 4.1. In order for the NFF to achieve its stated aim, that both pupil-led and school-led elements of funding are allocated by set funding values, there needs to be further consideration of those elements of schools' NFF funding that are currently based on historic spending at LA level, rather than up-to-date data on costs and needs.
  - 4.2. The factors that are currently based on historic spending are elements of school-led 'premises' funding: and specifically, additional funding for PFI schools, for schools with split sites, and for schools which face costs relating to 'exceptional circumstances' (such as rental costs for their premises).
  - 4.3. The DfE intend to consult separately on detailed proposals on how the NFF can better reflect the actual costs of these factors and **Question 2** of the consultation is seeking feedback/comments on this proposal to which Southwark has no comment.
5. **Growth and falling rolls funding** (section 3.3 of the consultation)
  - 5.1. Under the principles of a hard NFF, the DfE's proposal is to allocate growth and falling rolls funding on a fair and consistent basis across all eligible schools. The current arrangements have led to the adoption of a wide range of different local criteria to allocate this funding and a variety of different amounts being paid out by different local authorities.
  - 5.2. **Question 3** of the consultation is, again, a question of principle on whether national, standardised criteria to allocate all aspects of growth and falling rolls funding should be adopted and without clarity about the data needed to support this work, the requirements appear onerous as the LA is expected to provide information to the DfE to inform the total allocation back to the LA.
  - 5.3. **Question 4** of the consultation requests comments on the specific proposals outlined. In respect of the allocation of growth (including funding start-up costs of new schools) and falling rolls fund in order for the lagged funding system to work effectively, LAs must be able to respond to emerging issues relating to school place numbers. At the same time, the eligibility period for the falling rolls fund of three years need reconsidering, based on the turbulence in numbers caused by the last three years and anticipated in the medium term as a consequence of inward migration as a result of geopolitical changes. Further, any additional burden on LAs as a result of data collection and submission must be funded accordingly.
  - 5.4. Crucially, one more allocation is considered, where it is proposed that where schools have seen an increase in popularity specifically after being recently sponsored by a multi-academy trust which has improved the school's performance, funding will be available but only to academies rather than all schools.
  - 5.5. It is not clear why this latter proposal only relates to academies and it clearly breaches the first principle of the NFF of fairness - where each mainstream school should be funded on the same basis, wherever it is in the country, and every child given the same opportunities, based on a consistent assessment of their needs.

## 6. Next steps for the transition to the directly applied NFF for schools

(section 3.4 of the consultation)

- 6.1. LAs must use some NFF factors in their local formulae (such as basic per-pupil funding, and at least one of the deprivation factors), while other NFF factors (such as low prior attainment, and mobility) are optional. LAs may also use a 'looked after children' factor in their local formulae –the only non-NFF factor that LAs can use in their local formulae.
- 6.2. From 2023-24, the proposal is that all LAs should be obliged to use each of the NFF factors in its local formulae, and only those factors (which would mean that LAs would no longer be able to use a 'looked after children' factor in their formulae). The exception to this will be any NFF factors (i.e. a new formulaic approach to premises factors) that are significantly reformed in 2023-24 which would not be compulsory in the first year that they are introduced but would eventually become mandatory factors.
- 6.3. In accordance with the response to Question 1, the Council have responded 'no' to Questions, 5, 6, 7a, 9, and 10, with no comment at Questions 7b and 8. However, in anticipation of the inevitable move to the NFF, the paragraphs following each question below outline the practical implications of that move.
- 6.4. **Question 5** of the consultation, again a question of principle, asks whether each LA should be required to use each of the NFF factors in its local formulae from 2023-24 (with the exception of any significantly reformed factors).
- 6.5. Currently, Southwark does not use the FSM factor, the mobility factor nor the Looked After Children factor. In the latter case, the proposal would mean no change but with the former two factors, the following would probably need to happen from 2022/23, using the MFG to protect schools.
  - Create an FSM allocation from the existing FSM Ever 6 surplus; and
  - Use growth to create a Mobility allocation.
- 6.6. In addition, LAs have considerable flexibility over the values (in cash terms) assigned to the factors in their formulae (with some limits – for example, in 2021-22 the lump sum that LAs set can be no more than £175,000, and the basic per-pupil entitlement must be at least £2000 for 28 primary, and £3000 for 28 primary, and £3000 for Key Stage 3 and Key Stage 4). Only the minimum per pupil levels are compulsory for each local authority to use, at given values.
- 6.7. **Question 6** of the consultation, another question of principle, asks that all LA formulae, except those that already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools.
- 6.8. This discussion has already been had at the Southwark School Forum in anticipation of the 2022/23 funding allocation as this is the last year of known DSG growth and moving towards the cash values is much more manageable whilst funding is being added. In recognition that next year may be the last opportunity to make changes that soften the eventual move to the NFF, whilst also providing guaranteed growth per pupil, the following options for 2022/23 were mooted:



- To adopt an approach of using DSG growth to bring the Southwark formula into increasing alignment with the NFF; and
  - To use the growth to “fill from the bottom”. Essentially increasing those Southwark allocation rates that are furthest below the NFF rates.
- 6.9. Supplementing the proposal to move towards the NFF factor cash values, is a proposal on the pace of change require to minimise any turbulence in individual schools’ funding. The proposal is from 2023/24, each LA would have to bring each of its local formula factors at least 10% closer to the NFF factor value, compared to how far the factor was from the NFF value in 2022-23. As above, any premises factors which are allocated according to a newly formulaic basis, as opposed to historic spending, in the NFF in 2023-24 would be exempt from these requirements.
- 6.10. Some schools will gain as a result of local funding formulae moving closer to the NFF – while others will be protected from cash-terms losses in their per-pupil funding by the Minimum Funding Guarantees (MFGs) within local formulae. These protections will remain in place during the move towards a hard NFF.
- 6.11. After an initial 10% movement closer to the NFF in 2023-24, and subject to the impact of this movement, the aim is to move at least 15% closer to the NFF in 2024-25 and at least 20% closer in 2025-26.
- 6.12. **Question 7a** of the consultation asks whether the LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23. **Question 7b** of the consultation, specifically requests an explanation if the LA does not agree with the 10% with **Question 8** of the consultation seeks any feedback on the appropriate threshold level in the case where LAs would not be required to move closer to the NFF if their local formulae were already very close to the NFF.
- 6.13. **Appendix B** illustrates the extent of the movement in the formula factor vales that would be required if the 2021/22 formula was the base year with **Appendix C and D**, illustrating a 15% and 20% movement, respectively.
- 6.14. As indicated above, Southwark are already contemplating a gradual move towards the formula factors and cash values from 2022/23, which would further reduce any turbulence. However, the most significant movement would be felt in the Lump Sum element of the formula and it is imperative that some method of guaranteed minimum changes to individual school funding levels is retained to ensure that (particularly the many 1FE) schools within Southwark are not disproportionately affected by the introduction of the hard NFF with the significantly lower cash values for the lump sum element.
- 6.15. In the second stage of the consultation on the hard NFF, the DfE will seek feedback on whether, as a result of requiring LA formulae to move closer to the NFF from 2023-24, there should also be greater flexibility for LAs over the level of MFG, in order to manage potential affordability pressures – or whether this will not be necessary, given LAs’ flexibility to cap and scale gains. As above, our aim is that the protections should continue to ensure that no school will see a cash-terms loss in per-pupil funding, as a result of the move towards a hard NFF.

- 6.16. The Minimum Funding Guarantee when first introduced was set at a positive rate, quickly moving to a negative rate which limited the reduction in funding that a school can face per pupil. A zero MFG rate would freeze per pupil funding levels with a positive MFG rate guarantees a minimum per pupil increase in funding.
- 6.17. The final proposals in respect of the next steps of moving towards a hard NFF are in relation to current flexibilities for the allocation of English as an Additional Language (EAL) funding and Sparsity. The proposal is for the for the removal of the current flexibility in determining the number of pupils eligible for English as an Additional Language (EAL) funding to restrict it to use the NFF's 'EAL3' measure, in which pupils attract this funding if they are recorded on the census as having entered state education in England during the last three years, and their first language is not English.
- 6.18. **Question 9** of the consultation seeks agreement to this removal and as Southwark already uses the NFF's EAL3 there is no impact.
- 6.19. **Question 10** of the consultation deals with the final proposal to retain the sparsity flexibility which is not an issue for London LAs.
- 7. MATs' pooling of their funding** (section 4.1 of the consultation)
- 7.1. In 2013, Multi Academy Trusts (MATs) were granted the ability to pool General Annual Grant (GAG) funding. Pooling of GAG is defined as 'the freedom to amalgamate a proportion of GAG funding for (all of a MAT's) academies to form one central fund'. This allows a Trust to pool some of the funding provided for all of the pupils for which it is responsible and distribute it between its constituent academies.
- 7.2. The consultation states it is important to note that this freedom is specifically linked to the MAT structure, and responsibility that academy trusts have – with each trust representing a unified governance structure sitting across each of its constituent academies and playing a key role in delivering the department's school improvement strategy. It goes on to state that this is not true for other participants in the sector there is no proposal for any equivalent to MAT pooling in other part of the education system.
- 7.3. There should be a consistent approach to the schools funding system to all schools. The extension of these arrangements to create local flexibility to pool resources amongst maintained schools would also assist LAs in continuing to support and improve the standard of education for children and young people, particularly in harnessing the benefits of federations of maintained schools.
- 8. Central school services** (section 4.2 of the consultation)
- 8.1. The consultation states that moving towards a hard NFF creates a strong case for change in how funding for central school services should work. There is no doubt that the school funding role that LAs currently have will change with the introduction of a hard NFF as there will be less flexibility to determine how the remaining DSG allocated to them is used. The transition to a hard NFF also presents an opportunity to review the variation in how central school services are currently provided and funded.
- 8.2. Currently, ongoing services that are delivered centrally (either by LAs, or by academy trusts) fit into three broad categories:

- Local authorities' ongoing responsibilities for all schools
  - De-delegated central functions for schools that local authorities (for maintained schools) and MATs (for academies) are responsible for.
  - Optional traded services for all schools
- 8.3. The DfE intends to conduct a more technical consultation on the future of central school services to determine:
- which services best sit within each of the three categories; and
  - whether there is scope to set out a clearer list of services to be funded centrally, alongside a greater move towards de-delegated and traded services.
- 8.4. Whilst LA statutory responsibilities for all schools centrally will continue to be funded, duties that are not statutory may also be centrally funded as well (for example some admission services which are optional but might be more appropriate for the LA to continue to provide, thereby retaining their strategic oversight function).
- 8.5. One non statutory area that we will wish to treat separately is the existing scheme whereby DfE purchases centrally copyright licences for all state-funded schools and LAs act as local agents for the scheme. Depending on what changes are decided on for central school services, we will if necessary include funding for the copyright licence scheme in the schools block in the same way as growth funding.
- 8.6. It is possible that, after reviewing central school services, there may be a decrease in services remaining with the LA that are centrally funded with more services de-delegated or traded.
- 8.7. Under such a scenario, the DfE would consider whether the LA's funding for those should become part of MHCLG's Local Government Finance Settlement (LGFS) rather than a reduced CSSB block. This could provide helpful flexibility to LAs, if particularly if the simple distribution methodology used for the CSSB formula does not accurately match their need to spend.
- 8.8. **Question 11** of the consultation seeks further comments on the above, including on whether in the future central school services funding could move to LGFS. Southwark will await the further consultation to take clearer position on this proposal and not overly concerned how central school services are funded, but the extent to which they continue to be funded.
- 8.9. Central school services also includes a historic commitments element, relating to continuing expenditure by LAs on commitments entered into before 2013, on activities which since that date have been deemed not to be appropriate for local authorities to fund directly from the DSG. Southwark does not receive any historical commitment funding,
- 8.10. **Question 12** of the consultation seeks agreement on whether the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs is acceptable?
9. **A consistent funding year** (section 4.5 of the consultation)

- 9.1. The consultation is also exploring the appetite for a change in funding year for maintained schools, from a financial year to an academic year, as part of the shift towards a hard NFF.
- 9.2. The DfE recognises that moving maintained schools to being funded on an academic year basis would have the potential to cause some complications with accounting and financial reporting and **Question 13** of the consultation seeks a measure of the strength of feeling that the government should further investigates this possibility.
- 9.3. In addition, **Question 14** of the consultation requests further narrative regarding the pros and cons of this proposal.
- 9.4. Southwark Council disagrees with this proposal due to the administrative burden it would impose on Schools (disproportionally affecting smaller school with less capacity to bear this burden) and the Local Authority in terms of the financial and management accounting requirements for schools funding.

## **10. Equalities impact assessment** (Annex C of the consultation)

- 10.1. The DfE's assessment is that the hard NFF will create a fairer and more consistent distribution of funding that is more closely aligned to need, and is essential to support opportunity for all children, irrespective of their background, ability, need, or where in the country they live. Further, the NFF does not seek to target specific groups of pupils simply because they are protected by the Equality Act, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.
- 10.2. There is recognition that there is some inherent uncertainty about the effects of moving to a hard NFF, that it is likely that the 'hardening' of the funding formula will direct further funding at schools with a higher proportion of SEN pupils, and the proposals for a hard NFF will have implications for High Needs funding.
- 10.3. **Question 15** of the consultation asks what additional information that should be taken into account in assessing the equalities impact of the proposals for change with Southwark offering no further comment.

## **11. Further comments**

- 11.1. Finally, **Question 16** of the consultation merely asks for any further comments on our move to complete the reforms to the NFF.
- 11.2. This is where the Council has taken the opportunity to express their views on the NFF more clearly: The general view is that a NFF is, in principle, an acceptable proposal. However, until the government recognises that there is insufficient funding available for all schools – the balance of simplicity of the formula and fairness remains skewed, resulting in London boroughs being disproportionately impacted by the introduction of a hard formula. It is recognised that no change is being proposed until 2023/24 and then a two-year phased approach reduces any potential turbulence that individual schools may experience in their budget allocation. However, this is a critical time where London primary schools, already struggling with insufficient funding to cover increases in wages and running costs, are experiencing a significant decline in pupil numbers and the viability of many of these schools are at risk.

## **12. Conclusion**

- 12.1. Southwark will continue to take the approach that local flexibility in the allocation of the schools funding formula is, and remains, the fairest way to allocate funding in accordance with the needs of the pupils of Southwark.

**The scope of the end state NFF**

1. Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae?

Yes  No  Unsure

**Developing the schools NFF to support the end state NFF**

2. Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?

Please comment: [No comment](#)

**Growth and falling rolls funding**

3. Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

Yes  No  Unsure

4. Do you have any comments on our proposed approach to growth and falling rolls funding?

In respect of the allocation of growth (including funding start-up costs of new schools) and falling rolls fund – in order for the lagged funding system to work effectively, LAs must be able to respond to emerging issues relating to school place numbers. At the same time, the eligibility period for the falling rolls fund of three years need reconsidering, based on the turbulence in numbers caused by the last three years and anticipated in the medium term as a consequence of inward migration as a result of geopolitical changes.

Without clarity about the data needed to support this work, the requirements appear onerous as the LA is expected to provide information to the DfE to inform the total allocation back to the LA. And any additional burden on LAs as a result of data collection and submission must be funded accordingly.

Further, one more allocation is considered, where it is proposed that where schools have seen an increase in popularity specifically after being recently sponsored by a multi-academy trust which has improved the school's performance, funding will be available but only to academies rather than all schools.

It is not clear why this latter proposal only relates to academies and it clearly breaches the first principle of the NFF of fairness - where each mainstream school should be funded on the same basis, wherever it is in the country, and every child given the same opportunities, based on a consistent assessment of their needs.

**Next steps for the transition to the end state NFF for schools**

Please refer to section 3.4 of the consultation document.

5. Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae?

Yes  No  Unsure

6. Do you agree that all LA formulae, except those that already ‘mirroring’ the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools?

Yes  No  Unsure

7a. Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23?

Yes  No  Unsure

7b. If you do not agree, can you please explain below.

Please comment: [No comment](#)

8. As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level?

Please comment: [No comment](#)

9. Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

Yes  No  Unsure

10. Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

Yes  No  Unsure

### Central school services

Please refer to section 4.2 of the consultation document.

11. Are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?

Please comment: [There should be a consistent approach to the schools funding system to all schools. The extension of pooling arrangements to create local flexibility to pool resources amongst maintained schools would also assist LAs in continuing to maintain and improve standards of education, particularly in harnessing the benefits of federations of maintained schools.](#)

[Not overly concerned how central school services are funded, but the extent to which they continue to be funded.](#)

12. Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

Yes  No  Unsure

### A consistent funding year

Please refer to section 4.5 of the consultation document.

13. How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

Strongly agree
  Agree
  Neither agree nor disagree
  Disagree
  Strongly disagree

14. Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of?

Please comment: [Strongly disagree to this proposal due to the administrative burden it would impose on Schools \(disproportionally affecting smaller schools with less capacity to bear this burden\) and the Local Authority in terms of the financial and management accounting requirements for schools funding.](#)

**Equalities Impact Assessment**

Please refer to Annex C of the consultation document.

15. Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change. Before answering this question, please refer to Annex (C) of the consultation document.

Please comment: [No comment](#)

**Further comments**

16. Do you have any further comments on our move to complete the reforms to the National Funding Formula?

Please comment:

[The general agreement that a NFF is, in principle, an acceptable proposal. However, until the government recognises that there is insufficient funding available for all schools – the balance of simplicity of the formula and fairness remains skewed, resulting in London boroughs being disproportionately impacted by the introduction of a hard formula. It is recognised that no change is being proposed until 2023/24 and then a two-year phased approach reduces any potential turbulence that individual schools may experience in their budget allocation. However, this is a critical time where London primary schools, already struggling with insufficient funding to cover increases in wages and running costs, are experiencing a significant decline in pupil numbers and the viability of many of these schools are at risk.](#)



**Illustration: 10% movement towards the NFF**

**Appendix B**

Factor Description	Factor Type	2021-22 NFF Factor Value	Actual 2021-22 Local Factor Value	Local Factor Value given movement towards the NFF	Minimum NFF factor value	Maximum NFF Factor Value
Basic Entitlement	Primary AWPU	3,697	4,511	4,430	3,697	4,430
	KS3 AWPU	5,213	6,466	6,340	5,213	6,340
	KS4 AWPU	5,875	6,466	6,407	5,875	6,407
FSM6	Pri	681	1,164	1,116	681	1,116
	Sec	994	1,419	1,377	994	1,377
FSM	Pri	545	0	54	54	545
	Sec	545	0	54	54	545
IDACI A	Pri	734	589	604	604	734
	Sec	1,024	1,549	1,497	1,024	1,497
IDACI B	Pri	562	597	594	562	594
	Sec	805	1,236	1,193	805	1,193
IDACI C	Pri	527	520	520	520	527
	Sec	746	1,074	1,041	746	1,041
IDACI D	Pri	485	324	340	340	485
	Sec	687	664	666	666	687
IDACI E	Pri	308	169	183	183	308
	Sec	491	191	221	221	491
IDACI F	Pri	255	163	172	172	255
	Sec	367	139	162	162	367
Low Prior Attainment	Pri	1,296	481	563	563	1,296
	Sec	1,965	1,714	1,739	1,739	1,965
EAL	Pri	651	273	311	311	651
	Sec	1,758	1,486	1,513	1,513	1,758
Lump Sum	Pri	139,453	175,000	171,445	139,453	171,445
	Sec	139,453	175,000	171,445	139,453	171,445
Sparsity	Pri	53,271	0*	5,327	5,327*	53,271*
	Sec	82,867	0*	8,287	8,287*	82,867*
Mobility	Pri	1,065	0	107	107	1,065
	Sec	1,527	0	153	153	1,527

These values account for the local authority ACA  
 \* Not all local authorities have schools eligible for sparsity funding.

**Illustration: 15% movement towards the NFF**

**Appendix C**

Factor Description	Factor Type	2021-22 NFF Factor Value	Actual 2021-22 Local Factor Value	Local Factor Value given movement towards the NFF	Minimum NFF factor value	Maximum NFF Factor Value
Basic Entitlement	Primary AWPU	3,697	4,511	4,389	3,697	4,389
	KS3 AWPU	5,213	6,466	6,278	5,213	6,278
	KS4 AWPU	5,875	6,466	6,377	5,875	6,377
FSM6	Pri	681	1,164	1,092	681	1,092
	Sec	994	1,419	1,356	994	1,356
FSM	Pri	545	0	82	82	545
	Sec	545	0	82	82	545
IDACI A	Pri	734	589	611	611	734
	Sec	1,024	1,549	1,470	1,024	1,470
IDACI B	Pri	562	597	592	562	592
	Sec	805	1,236	1,171	805	1,171
IDACI C	Pri	527	520	521	521	527
	Sec	746	1,074	1,024	746	1,024
IDACI D	Pri	485	324	348	348	485
	Sec	687	664	667	667	687
IDACI E	Pri	308	169	190	190	308
	Sec	491	191	236	236	491
IDACI F	Pri	255	163	176	176	255
	Sec	367	139	173	173	367
Low Prior Attainment	Pri	1,296	481	604	604	1,296
	Sec	1,965	1,714	1,752	1,752	1,965
EAL	Pri	651	273	330	330	651
	Sec	1,758	1,486	1,526	1,526	1,758
Lump Sum	Pri	139,453	175,000	169,668	139,453	169,668
	Sec	139,453	175,000	169,668	139,453	169,668
Sparsity	Pri	53,271	0*	7,991	7,991*	53,271*
	Sec	82,867	0*	12,430	12,430*	82,867*
Mobility	Pri	1,065	0	160	160	1,065
	Sec	1,527	0	229	229	1,527

These values account for the local authority ACA  
 \* Not all local authorities have schools eligible for sparsity funding.

Illustration: 20% movement towards the NFF

Appendix D

Factor Description	Factor Type	2021-22 NFF Factor Value	Actual 2021-22 Local Factor Value	Local Factor Value given movement towards the NFF	Minimum NFF factor value	Maximum NFF Factor Value
Basic Entitlement	Primary AWPU	3,697	4,511	4,348	3,697	4,348
	KS3 AWPU	5,213	6,466	6,215	5,213	6,215
	KS4 AWPU	5,875	6,466	6,348	5,875	6,348
FSM6	Pri	681	1,164	1,067	681	1,067
	Sec	994	1,419	1,334	994	1,334
FSM	Pri	545	0	109	109	545
	Sec	545	0	109	109	545
IDACI A	Pri	734	589	618	618	734
	Sec	1,024	1,549	1,444	1,024	1,444
IDACI B	Pri	562	597	590	562	590
	Sec	805	1,236	1,150	805	1,150
IDACI C	Pri	527	520	521	521	527
	Sec	746	1,074	1,008	746	1,008
IDACI D	Pri	485	324	356	356	485
	Sec	687	664	668	668	687
IDACI E	Pri	308	169	197	197	308
	Sec	491	191	251	251	491
IDACI F	Pri	255	163	181	181	255
	Sec	367	139	185	185	367
Low Prior Attainment	Pri	1,296	481	644	644	1,296
	Sec	1,965	1,714	1,764	1,764	1,965
EAL	Pri	651	273	349	349	651
	Sec	1,758	1,486	1,540	1,540	1,758
Lump Sum	Pri	139,453	175,000	167,891	139,453	167,891
	Sec	139,453	175,000	167,891	139,453	167,891
Sparsity	Pri	53,271	0*	10,654	10,654*	53,271*
	Sec	82,867	0*	16,573	16,573*	82,867*
Mobility	Pri	1,065	0	213	213	1,065
	Sec	1,527	0	305	305	1,527

These values account for the local authority ACA  
 \* Not all local authorities have schools eligible for sparsity funding.

<b>Date:</b> 7 October 2021	<b>Item</b> 10	<b>Type of report:</b> Item for consultation
<b>Report title:</b>	<b>Southwark Scheme for Financing School 2022-23</b>	
<b>Author name:</b>	Kate Bingham	
<b>Officer to present the report:</b>	Kate Bingham	

## Executive Summary

This report seeks the Schools Forum's views, before going out to formal consultation, on the Local Authority's proposals, following a comprehensive review, for amending the statutory "Scheme for Financing Schools"

and (Scheme) is the basis on which local devolved financial management of maintained schools operate. It applies to all maintained schools and to the local authority (LA) and it for the LA to maintain the Scheme, but it is for Schools Forum to agree it, following consultation with all maintained schools.

A comprehensive review of the current 2021-22 Scheme has recently been undertaken with a number of amendments proposed to more closely reflect the current statutory guidance, to simplify some clauses and to strengthen the arrangements to provide a clear, consistent and meaningful framework for the financial management of schools.

## Schools Forum Actions

- To note and comment on the proposed and draft amendments to Southwark's Scheme for Financing Schools 2022-23 before it goes out to consultation with LA maintained schools;  
and
- To note and comment on the proposed timeline for consultation with all maintained schools and final approval by the Schools Forum in January 2022.

## 1. Introduction and Background

- 1.1 Local Authorities are required to publish Schemes for Financing Schools, (known as the "Scheme") which sets out the financial relationship between the Local Authority (LA) and the schools they maintain. The government's [The School and Early Years Finance Regulations \(England\) 2021, Schedule 5](#) sets out the minimum content of those schemes.
- 1.2 The Scheme is the basis on which local devolved financial management of maintained schools operate. It applies to all LA maintained schools and to the LA itself. It is for the it for the LA to "maintain" the Scheme, but it is for the Schools Forum to agree it, following formal consultation with all maintained schools.

- 1.3 The DfE provides [Statutory Guidance](#) (Issue 13, updated 26 April 2021) about the contents, but there is local discretion on some aspects.
- 1.4 Revisions to the scheme, directed by the Secretary of State for Education, are mandatory requirements of the scheme and require no consultation with schools. In making any other changes to their schemes, LAs must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. LAs must take the guidance into account when they revise their schemes, in consultation with their schools forum.
- 1.5 It is the Schools Forum that approves the Scheme, the latest version approved being the 2021-22 Scheme, approved on 11 March 2021 following consultation with all maintained schools in January and February this year. The current Scheme is attached as a separate pdf file - Appendix C.

## 2. The Review

- 2.1 A comprehensive review of the current 2021-22 Scheme has recently been undertaken by the LA with a number of amendments proposed to more closely reflect the current statutory guidance, to simplify some clauses and to strengthen the arrangements to provide a clear, consistent and meaningful framework for the financial management of schools.
- 2.2 The Scheme review concluded that the current content complied with the then current regulations and it had been amended in previous years in accordance with the changes in the statutory guidance. Appendix A provides a summary of the review outcomes in respect of both items.
- 2.3 The proposed amendments are, therefore, for a number of reasons and these are outlined in Appendix B. However, none of the amendments are as a consequence of directions by the Secretary of State and therefore, all LA maintained schools must be consulted on the proposals.

## 3. Timetable for Consultation

- 3.1 The proposed timetable for consultation and subsequent approval is set out below:

Draft amendments discussed	7 October 2021 @ Schools Forum
Deadline for Schools Forum member comments	21 October 2021
Consultation launched	1 November 2021
Consultation period ends	29 November 2021
Final Scheme presented for approval	13 January 2022 @ Schools Forum

Revised Scheme effective from	1 April 2022
-------------------------------	--------------

#### **4. Conclusion**

- 4.1 The outcomes of the review are set out in both appendices and School Forum is ask to note and comment, specifically, on the proposed amendment in addition to the outlined consultation timetable.

**A. Compliance check against [The School and Early Years Finance Regulations \(England\) 2021, Schedule 5](#)**

<b>CONTENTS OF SCHEMES</b>	<b>SOUTHWARK'S SCHEME</b>
1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget shares	4.1 The right to carry forward surplus balances 4.4 Obligation to carry forward deficit balances
2. Amounts which may be charged against schools' budget shares.	Section 6: The Charging Of School Budget Shares
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.	Section 5: Income
4. The imposition, by or under the scheme, of conditions which schools must comply with in relation to the management of their delegated budgets, and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.	2.1.1 Application of financial controls to schools
5. Terms on which the authority provides services and facilities for schools maintained by it.	Section 8: The Provision Of Services And Facilities By The Authority
6. The payment of interest by or to the authority.	3.3 Interest clawback 3.4 Interest on late share payments 4.3 Interest on surplus balances 4.6 Charging of interest on deficit balances 11.8 Interest on late payments
7. The times at which amounts equal in total to the school's budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.	3.1 Frequency of instalments 3.2 Proportion of budget share payable at each instalment
8. The virement between budget heads within the delegated budget.	2.5 Virement
9. Circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority's non-schools education budget or schools budget in addition to those in section 49(4)(a) to (c) of the 1998 Act(1).	1.1 The Funding Framework
10. The use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets.	2.13 Spending for the purposes of the school
11. Borrowing by governing bodies.	3.8 Borrowing by schools
12. The banking arrangements that may be made by governing bodies.	3.6 Bank and building society accounts
13. A statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the 1998 Act.	11.2 Liability of governors
14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 Act(2).	11.3 Governors' expenses

CONTENTS OF SCHEMES	SOUTHWARK'S SCHEME
15. The keeping of a register of any business interests of the governors and the head teacher.	2.9 Register of business interests
16. The provision of information by and to the governing body.	2.1.2 Provision of financial information and reports
17. The maintenance of inventories of assets.	2.1.4 Control of assets
18. Plans of a governing body's expenditure.	2.3 Submission of budget plans 2.3.1 Submission of Financial forecasts
19. A statement as to the taxation of sums paid or received by a governing body.	Section 7 Taxation
20. Insurance.	Section 10 Insurance
21. The use of delegated budgets by governing bodies to satisfy the authority's duties imposed by or under the Health and Safety at Work etc. Act 1974(3).	11.5 Health and Safety
22. The provision of legal advice to a governing body.	11.4 Responsibility for legal costs
23. Funding for child protection issues.	11.10 Child Protection
24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.	11.9 Whistleblowing
25. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.	Section 13 Community facilities

**B. [Statutory Guidance](#) (Issue 13, updated 26 April 2021) - Previous Updates:**

Section		Updates
2.3.1	Submission of Financial forecasts	Directed revision August 2020
2.4	School resource management	Directed revision 2012 (< March 2013)
2.9	Register of business interests	Directed revision August 2015
2.16	Schools Financial Value Standard (SFVS)	Directed revision 2012 (< March 2013)
2.17	Fraud	Directed revision 2012 (< March 2013)
3.8	Borrowing by schools	Directed revision August 2015
4.5	Planning for deficit balances	Directed revision August 2020
4.8	Balances of closing and replacement schools	Updated following changes in legislation March 2018
4.10	Loan scheme	Directed revision March 2018
6.3	Circumstances in which charges may be made	Updated December 2015
Appendix B	Responsibility for redundancy and early retirement costs	Updated following changes in legislation March 2018



## (a) Recommended revisions:

Section	Current Scheme	Proposed Amendment
<p><b>1.1</b></p> <p><b>The Funding Framework</b></p>	<p>The scheme has been written in accordance with issue 11 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of schedule 14 to the School Standards and Framework Act 1998.</p>	<p><i>Update issue number and date of revision:</i></p> <p>The scheme has been written in accordance with <b>issue 13 of statutory guidance (updated 23 April 2021)</b> given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of schedule 14 to the School Standards and Framework Act 1998.</p>
<p><b>2.1.1</b></p> <p><b>Provision of financial information and reports</b></p>	<p>School governors are responsible for: ...</p> <ul style="list-style-type: none"> <li>• Providing the LA with copies of expected and actual income and expenditure, accounts, records, information and other relevant documentation in such form and at such times as required (this includes provision of information to auditors and to H.M. Revenue &amp; Customs).</li> </ul>	<p><i>Updated to include specific reference to the schools financial procedure manual:</i></p> <p>School governors are responsible for:</p> <ul style="list-style-type: none"> <li>• Providing the LA with copies of expected and actual income and expenditure, accounts, records, information and other relevant documentation in such form and at such times as required (this includes provision of information to auditors and to H.M. Revenue &amp; Customs), <b>as set out in the schools financial procedures manual.</b></li> </ul>
<p><b>2.1.4</b></p> <p><b>Control of assets</b></p>	<p>Inventories for all moveable non-capital assets must be maintained by all schools. The inventories must contain an adequate description of the asset (furniture, cameras etc.), including items that have been leased or hired. This inventory should be kept up to date and checked on an annual basis. These are important in terms of a deterrent to theft and also as a prime document for any insurance claim. These inventories can be maintained on a computer system such as Key solutions cash accounts or the SIMS equipment register module.</p> <p>Head teachers should ensure that this includes those items that are small and desirable (e.g. digital cameras), and those</p>	<p><i>Updated to fully reflect DfE guidance:</i></p> <p>Each school must maintain an inventory for all moveable non-capital assets, which must contain an adequate description of the asset (furniture, cameras etc.), including items that have been leased or hired. This inventory should be kept up to date and checked on an annual basis.</p> <p>These inventories can be maintained on a computer system (e.g. Key solutions cash accounts or SIMS equipment register module) or manually, in accordance with the schools financial procedure manual, which also contains the basic authorisation procedures for disposal of assets.</p>

Section	Current Scheme	Proposed Amendment
	<p>that can be taken off site.</p> <p>Head teachers are responsible for maintaining proper security of all buildings, stores, money, vehicles, sensitive information, and keys to safes. Any loss should be reported to the Director of Education without delay</p>	<p><b><i>Whilst schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, each school must keep a register in some form for all portable and desirable items.</i></b></p> <p>Head teachers are responsible for maintaining proper security of all buildings, stores, money, vehicles, sensitive information, and keys to safes. Any loss should be reported to the Director of Education without delay.</p>
<p><b>2.3</b></p> <p><b>Submission of budget plans</b></p>	<p>All schools within the scheme are required to submit a budget plan which comprises a three year forecast from the 2021-22 funding year showing its intentions for income and expenditure in the current financial year and the assumptions underpinning it to the LA no later than 31st May. Evidence of approval by the governing body must be submitted at the same time as the budget plan</p> <p>The LA will use these forecasts to verify if schools are undertaking effective financial planning or not, as evidence to support the local authority’s assessment of schools financial value standards and to help review the balance control mechanism</p> <p>Schools must also submit a recovery plan to the local authority when their revenue deficit rises above 1% at 31 March of any year. The 1% deficit threshold will apply when deficits are measured as at 31 March prior to the year of the budget set. It is good practice for governing bodies to agree their budget plan prior to the start of the new financial year.</p> <p>The budget plan must be in the format set out in the schools financial procedures manual and include all relevant items of expenditure and income along with any specified supplementary information, taking account the consistent financial reporting framework (CFR). Schools must take account of any surplus from earlier years and must take account of any accumulated deficit when formulating its plan. The governing body is not permitted to set a budget which plans for a cumulative deficit at the end of the</p>	<p><i>Updated to simplify, highlight the need to provide information regarding assumptions used in budget planning, focus on pupil number changes in forecasts and fully reflect DfE guidance and reference to submission of recovery plan moved to section 4.5 Planning for deficit budgets :</i></p> <p>All schools within the scheme are required to submit a budget plan which comprises a three year forecast each year (from the 2021-22 funding year) showing its intentions for income and expenditure in the current financial year, <b>including the provision of the information and data</b> used in the assumptions underpinning it, to the LA no later than 31st May.</p> <p>The budget plan should take full account of the estimated surplus or deficit as at the previous 31st March.</p> <p>Evidence of approval by the governing body must be submitted at the same time as the budget plan.</p> <p>The governing body is not permitted to set a budget which plans for a cumulative deficit at the end of the financial year, except where the LA has authorised such a budget.</p> <p><del>Schools must also submit a recovery plan to the local authority when their revenue deficit rises above 1% at 31 March of any year. The 1% deficit threshold will apply when deficits are measured as at 31 March prior to the year of the budget set. It is good practice for governing bodies to agree their budget plan prior to the start of the new financial year.</del></p>

Section	Current Scheme	Proposed Amendment
	<p>financial year, except where the LA has authorised such a budget.</p> <p>The LA will provide schools with all income and expenditure data that it holds which is necessary to efficient planning by schools such as inflation rates and pay rates that it recommends should be used in the budget planning process. Schools will also be provided with an annual statement setting out when the LA expects this data to be available.</p>	<p>Schools are required to undertake regular forecasts of outturn against budget and provide a full year forecast at the end of each quarter as part of the budget monitoring forecasts to the schools finance team. <b>Particular attention should be paid in the second quarter forecast to the October census data and the impact that and change in the pupil numbers may have on the original budget.</b></p> <p>Southwark will ensure that the format and content the budget plan and forecast, is simple and easy to complete and is detailed in the schools financial procedures manual and include all relevant items of expenditure and income along with any specified supplementary information, taking account the consistent financial reporting framework (CFR).</p> <p>The LA will provide schools with all income and expenditure data that it holds which is necessary to efficient planning by schools such as inflation rates and pay rates that it recommends should be used in the budget planning process. Schools will also be provided with an annual statement setting out when the LA expects this data to be available.</p>
<p><b>2.3.1</b></p> <p><b>Submission of financial forecasts</b></p>	<p>The LA requires that schools will need to submit a financial forecast covering each year of a 3 year period for which schools. Southwark will ensure that the format and content of such a forecast, is simple and easy to complete and is detailed in the schools financial procedures manual.</p> <p>Schools are required to undertake regular forecasts of outturn against budget and provide a full year forecast at the end of each quarter as part of the budget monitoring forecasts to the schools finance team.</p> <p>Future-year financial forecasts indicate that a school is undertaking effective financial planning and so will be used as evidence to support the compliance with the Schools Financial Value Standard (SFVS) in Schools (see section 2.16) and will be used to support the LA's balance control</p>	<p><i>Updated to fully reflect DfE directed revision:</i></p> <p>The LA requires that schools submit a financial forecast covering each year of a three year period alongside the budget plan.</p> <p><del>Schools are required to undertake regular forecasts of outturn against budget and provide a full year forecast at the end of each quarter as part of the budget monitoring forecasts to the schools finance team.</del></p> <p>Future-year financial forecasts indicate that a school is undertaking effective financial planning and so will be used as evidence to support the compliance with the Schools Financial Value Standard (SFVS) in Schools (see section 2.16) and will be used to support the LA's balance control mechanism (see section 4.2.1).</p>

Section	Current Scheme	Proposed Amendment
	mechanism (see section 4.2.1).	
<p><b>2.4</b> <b>Efficiency and Value for Money</b></p>	<p>Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the LA's purchasing, tendering and contracting requirements.</p> <p>It is for heads and governors to determine, at school level, how to secure better value for money. There are significant variations in the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.</p>	<p><i>Change of heading and wording to fully reflect DfE directed revision:</i></p> <p><b>2.4 School Resource Management</b> Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the LA's purchasing, tendering and contracting requirements.</p> <p>It is for heads and governors to determine, at school level, how to optimise the use of resources and maximise value for money. There are significant variations in the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.</p>
<p><b>2.10</b> <b>Purchasing, tendering and contracting requirements</b></p>	<p>Schools are required to abide by the LA's financial regulations and standing orders for this scheme in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures. An electronic version of the LAs Constitution encompassing the financial regulations and contract standing orders (section 10) can be obtained here. <a href="#">Council's constitution - Southwark Council</a></p> <p>The financial regulations and contract standing orders will not apply where they would require schools</p> <ul style="list-style-type: none"> <li>• to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;</li> <li>• to seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;</li> </ul>	<p><i>Update wording post Brexit and to fully reflect DfE directed revision:</i></p> <p>Schools are required to abide by the LA's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures. An electronic version of the LAs Constitution encompassing the financial regulations and contract standing orders (section 10) can be obtained here. <a href="#">Council's constitution - Southwark Council</a></p> <p>The financial regulations and contract standing orders will not apply where they would require schools</p> <ul style="list-style-type: none"> <li>• to do anything incompatible with any of the provisions of this scheme, any statutory provision, or anything which did not comply with <b>The Public Contracts Regulations</b>;</li> </ul>

Section	Current Scheme	Proposed Amendment
	<ul style="list-style-type: none"> <li>• to select suppliers only from an approved list;</li> <li>• to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions</li> </ul> <p>The fact that the LA has let a contract in accordance with EU procurement procedures does not automatically mean that the school is a part to the contract. For the purposes of procurement directives schools are viewed as discrete units and therefore have to be named to benefit from a LA let contract.</p>	<ul style="list-style-type: none"> <li>• to seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;</li> <li>• to select suppliers only from an approved list;</li> <li>• to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions</li> </ul> <p>The fact that the LA has let a contract in accordance with <b>Public Contracts Regulations</b> procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of procurement directives schools are viewed as discrete units and therefore have to be named to benefit from a LA let contract.</p>
<p><b>2.15</b> <b>Notice of concern</b></p>	<p>The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Education, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.</p>	<p><i>Expand power to include the delegate of the Chief Finance Officer, in line with the majority of other boroughs and highlight the relationship between a notice of concern and withdrawing delegation:</i></p> <p>The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Education <b>and the Departmental Finance Manager, Children and Adults Services</b>, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.</p> <p><b>A notice of concern will not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the authority’s concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.</b></p>
<p><b>3.5</b></p>	<p>The budget shares of schools for which approval for discontinuation has been secured, will continue up to the</p>	<p><i>Enhanced by the inclusion of the regard the school must have to the scheme, including avoiding excessive spending,</i></p>

Section	Current Scheme	Proposed Amendment
<p><b>Budget Shares for Closing Schools</b></p>	<p>date of closure.</p> <p>However, the maximum amount that will be made available will be the pro rata share of what would have been the annual budget share had the school not been discontinued, (including any deductions in respect of deficits from earlier years) together with any agreed variations for exceptional circumstances. Consequently the percentages set out in paragraph 3.2 above may need to be adjusted appropriately depending on the date of closure. Where the closure is phased over more than one financial year these arrangements will only apply in the last financial year in which the LA maintains the school.</p>	<p><i>leading up to closure.</i></p> <p>The budget shares of schools for which approval for discontinuation has been secured, will continue up to the date of closure.</p> <p>However, the maximum amount that will be made available will be the pro rata share of what would have been the annual budget share had the school not been discontinued, (including any deductions in respect of deficits from earlier years) together with any agreed variations for exceptional circumstances. Consequently the percentages set out in paragraph 3.2 above may need to be adjusted appropriately depending on the date of closure. Where the closure is phased over more than one financial year these arrangements will only apply in the last financial year in which the LA maintains the school.</p> <p><b>Any spending from the budget share of a closing school must have regard to all aspects of this scheme. In order to minimise the Authority’s liabilities, the Authority may wish to take the appropriate action to prevent schools entering into contractual arrangements or committed expenditure beyond the school closure date. Any monies incurred in this way may become the responsibility of the governing body.</b></p>
<p><b>4.1 The right to carry forward surplus balances</b></p>	<p>All schools will carry forward surplus/deficit balances from one year to the next, subject to restrictions shown in 4.2 and 4.4 below. The amount of a schools balance would be shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009; although there may be commitments against any figure shown in such a statement. The balance will be calculated by taking the difference between expenditure and the school's budget share for the year plus or minus any balance brought forward from the previous year.</p>	<p><i>Clause restricted to the rights attached to a surplus balance:</i></p> <p>All schools will carry forward surplus/<del>deficit</del> balances from one year to the next, subject to restrictions shown in 4.2 and 4.4 below. The amount of a schools balance would be shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009; although there may be commitments against any figure shown in such a statement.</p> <p>The <b>surplus</b> balance will be calculated by a shortfall in expenditure relative to the school's budget share for the year</p>

Section	Current Scheme	Proposed Amendment
		plus/minus any balance brought forward from the previous year.
<p><b>4.2.3</b> <b>Carry forward balances (Balance Control Mechanism)</b></p>	<p>Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold.</p> <p>Where schools exceed the balance control mechanism threshold the School Forum may decide to clawback some of the excess. Any amount clawed back under this provision will be applied to the Schools Budget.</p>	<p><i>Clarify approval and redistribution process:</i></p> <p>Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold.</p> <p><del>Where schools exceed the balance control mechanism threshold the School Forum may decide to clawback some of the excess. Any amount clawed back under this provision will be applied to the Schools Budget.</del></p> <p><b>The Authority, under arrangements approved by the Schools' Forum, will recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts recovered will be redistributed under arrangements approved by Schools' Forum.</b></p>
<p><b>4.5</b> <b>Planning for deficit balances</b></p>	<p>A school will normally be prohibited from planning for a deficit in any one financial year unless the school applies for and is granted a licensed deficit. Unless Southwark approves a licensed deficit, schools should ensure that the total planned expenditure for the financial year does not exceed the budget share, adjusted by amounts brought forward from the previous financial year. See section 4.9.</p>	<p><i>Strengthened and updated to fully reflect DfE directed revision:</i></p> <p>A school will be prohibited from planning for a deficit in any one financial year unless the school applies for and is granted a licensed deficit. Unless Southwark approves a licensed deficit, schools should ensure that the total planned expenditure for the financial year does not exceed the budget share, adjusted by amounts brought forward from the previous financial year. See section 4.9.</p> <p>Schools must submit a recovery plan to the local authority when their revenue deficit rises above 1% at 31 March of any year. The 1% deficit threshold will apply when deficits are measured as at 31 March prior to the year of the budget set. <del>It is good practice for governing bodies to agree their budget plan prior to the start of the new financial year.</del></p> <p><b>The Governing Body is responsible for ensuring appropriate action is taken to address deficits and that this is documented with relevant minutes.</b></p>

Section	Current Scheme	Proposed Amendment
		<p><b>A school which finds itself in a deficit position without firstly notifying the LA will have a delegated budget review and face the prospect of losing the delegated budget status.</b></p>
<p><b>4.8</b> <b>Balances of closing and replacement schools</b></p>	<p>When a school closes, the final established balance (whether surplus or deficit) of the school will be transferred to Southwark. The balance will not be transferred to the successor school, except that a surplus transfers to an academy where a school converts to academy status under section 4 (1) (a) of the Academies Act 2010.</p>	<p><i>Replaced to fully reflect DfE update on 22 March 2018 :</i></p> <p>Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes.</p>
<p><b>4.9</b> <b>Licensed deficits</b></p>	<p>Southwark will consider, in exceptional circumstances, a school's request to plan for a licensed deficit where they cannot set a balanced budget without seriously impacting on the educational provision at the school.</p> <p>The LA will consider the following in reaching a decision:</p> <ul style="list-style-type: none"> <li>• the nature of the circumstances which gave rise to the deficit and whether it could be foreseen</li> <li>• the schools track record in financial management</li> <li>• significant falling rolls</li> <li>• the robustness of the deficit recovery plan</li> <li>• school in special measures or serious weaknesses</li> <li>• other circumstances agreed by the LA as bring reasonable</li> </ul> <p>A Licensed deficit budget must be approved by the strategic director of finance and governance and the director of education and the following conditions must be met:-</p> <ul style="list-style-type: none"> <li>• An agreed licensed deficit can only be agreed where circumstances affecting the school have changed in ways that could not be foreseen or where pupil</li> </ul>	<p><i>Updated to elevate approval to Strategic Director of Children's and Adults on the recommendation of the Director of Education, to expand the potential attendees at regular monitoring meetings and strengthening the need to follow the SFPM guidance:</i></p> <p>Southwark will consider, in exceptional circumstances, school's request to plan for a licensed deficit where they cannot set a balanced budget without seriously impacting on the educational provision at the school.</p> <p>The LA will consider the following in reaching a decision:</p> <ul style="list-style-type: none"> <li>• the nature of the circumstances which gave rise to the deficit and whether it could be foreseen</li> <li>• the schools track record in financial management</li> <li>• significant falling rolls</li> <li>• the robustness of the deficit recovery plan</li> <li>• school in special measures or serious weaknesses</li> <li>• other circumstances agreed by the LA as bring reasonable</li> </ul>



Section	Current Scheme	Proposed Amendment
	<p>numbers have fallen significantly and the school needs a period to enact a reduction in expenditure to eliminate the deficit;</p> <ul style="list-style-type: none"> <li>• There will be a maximum of three years for repayment, there will be no further extensions and therefore if the financial position of the school worsens during this period then the plans must be adjusted accordingly;</li> <li>• The school must revisit the plan each year and submit any necessary revisions to the plan to ensure that the targets are met;</li> <li>• The deficit subject to a plan cannot exceed 30% of the schools budget for nursery, primary, and special schools and 20% of the schools budget for secondary schools,(although in exceptional circumstances a higher amount may be agreed);</li> <li>• Progress against the plan will be monitored by the schools finance team reviewing monthly monitoring returns in a manner and format that Southwark determines.</li> </ul> <p>Regular meetings will be required with schools with deficit budgets by the director of education and his/her representative together with representatives of the strategic director of finance and governance to review the progress towards reducing the deficit budget.</p> <p>The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by Southwark on behalf of schools.</p> <p>Details of how to apply for a licensed deficit are in the schools financial procedures manual.</p>	<p>A Licensed deficit budget must be approved by the <b>strategic director of finance and governance and the strategic director of children's and adults services, on the recommendation of the director of education</b> and the following conditions must be met:-</p> <ul style="list-style-type: none"> <li>• An agreed licensed deficit can only be agreed where circumstances affecting the school have changed in ways that could not be foreseen or where pupil numbers have fallen significantly and the school needs a period to enact a reduction in expenditure to eliminate the deficit;</li> <li>• There will be a maximum of three years for repayment, there will be no further extensions and therefore if the financial position of the school worsens during this period then the plans must be adjusted accordingly;</li> <li>• The school must revisit the plan each year and submit any necessary revisions to the plan to ensure that the targets are met;</li> <li>• The deficit subject to a plan cannot exceed 30% of the schools budget for nursery, primary, and special schools and 20% of the schools budget for secondary schools,(although in exceptional circumstances a higher amount may be agreed);</li> <li>• Progress against the plan will be monitored by the schools finance team reviewing monthly monitoring returns in a manner and format that Southwark determines.</li> </ul> <p>Regular meetings will be required with schools with deficit budgets by the director of education and his/her representative together with representatives of the strategic director of finance and governance <b>and other council officers (as necessary)</b> to review the progress towards reducing the deficit budget.</p>

Section	Current Scheme	Proposed Amendment
		<p>The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by Southwark on behalf of schools.</p> <p><b>When submitting a request for a Licensed Deficit, Governing Bodies must have regard to the guidance and details of how to apply for a licensed deficit as set out in the schools financial procedures manual, including the requirement to submit a draft budget for the next financial year by the 31<sup>st</sup> January.</b></p> <p><b>A School that is unable to present a recovery plan that leads to a balanced budget over a three year period may lose its right to a delegated budget.</b></p>
<p><b>4.10.1 Cash Advances</b></p>	<p>To avoid confusion with the loan system and distinct from it, the LA may make cash advances, these will either be “short term cash advances” or “long term cash advances” of school budget shares or grants due to the school.</p> <p>These cash advances allow the schools to continue to operate and to ensure sufficient cash is available for them to meet payroll costs and pay invoices due. These are made to schools that have short term cash flow problems; they are the early release of cash that the school would receive later in the year.</p> <p>Long term cash advances are given to schools to cover cash shortages, mainly as a result of, but not always, due to a school entering into a budget deficit situation. A repayment plan has to be signed by the head teacher and chair of governors before any cash is released. Again they allow the school to operate to ensure that sufficient cash is available to them to meet payroll costs and pay invoices due. If the cash flow difficulty is due to a deficit budget, then the requirements in 4.9 must be followed.</p>	<p><i>Removal of availability of ‘long term cash advances’ and inclusion of specific reference to detailed guidance in SFPM:</i></p> <p>To avoid confusion with the loan system and distinct from it, the LA may make cash advances to <del>these will either be “short term cash advances” or “long term cash advances” of school budget shares or grants due to the school.</del></p> <p><del>These cash advances allow the schools to continue to operate and to ensure sufficient cash is available for them to meet payroll costs and pay invoices due. These are made to aid individual schools cash-flow, but this will not extend across the change of a financial year. that have short term cash flow problems; they are the early release of cash that the school would receive later in the year.</del></p> <p><b>A cash advance request should be submitted detailing how the advance will be repaid within the financial year, in accordance with the guidance set out in the schools financial procedure manual.</b></p> <p><del>Long term cash advances are given to schools to cover cash shortages, mainly as a result of, but not always, due to a school entering into a budget deficit situation. A repayment plan has to be signed by the head teacher and chair of</del></p>

Section	Current Scheme	Proposed Amendment
		<p><del>governors before any cash is released. Again they allow the school to operate to ensure that sufficient cash is available to them to meet payroll costs and pay invoices due. If the cash flow difficulty is due to a deficit budget, then the requirements in 4.9 must be followed.</del></p>
<p><b>4.10.2</b> <b>Credit Union Approach</b></p>	<p>Schools may wish to group together to utilise externally held balances for a credit union approach to loans. Where schools choose to borrow money through such a scheme, Southwark <b>will</b> act as administrator of the arrangement.</p> <p>Southwark requests that schools wishing to explore such an option shall apply for permission to the LA, in writing, and if approved Southwark will require ongoing audit certification of any such arrangement.</p>	<p><i>Removal of Southwark as administrator for such an arrangement and, therefore, the need for permission:</i></p> <p>Schools may wish to group together to utilise externally held balances for a credit union approach to loans. Where schools choose to borrow money through such a scheme, <del>Southwark will act as administrator of the arrangement.</del> Southwark requests that schools wishing to explore such an option shall apply for permission to the LA, in writing, and if approved Southwark will require ongoing audit certification if the authority does not itself act as administrator of the arrangement.</p>
<p><b>6.1</b> <b>Charging of School Budget Shares - General provision</b></p>	<p>The budget share of a school may be charged by the LA without the prior consent of the governing body only in circumstances set out below in 6.2. The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.</p> <p>Schools are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under Section 496 of the Education Act 1996. The LA may only charge the actual cost incurred and the LA may incur a cost only for matters where it has a statutory duty to provide. If that statutory duty belongs to others, the LA has no power to intervene.</p> <p>In the case of a dispute about such charges the following procedure will be used.</p> <p>Should a school wish to challenge such a charge, they must set out in writing their objections to the strategic director of finance and governance and director of education who will first consider the matter.</p>	<p><i>Simplify the dispute resolution process:</i></p> <p>The budget share of a school may be charged by the LA without the prior consent of the governing body only in circumstances set out below in 6.2. The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.</p> <p>Schools are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under Section 496 of the Education Act 1996. The LA may only charge the actual cost incurred and the LA may incur a cost only for matters where it has a statutory duty to provide. If that statutory duty belongs to others, the LA has no power to intervene.</p> <p>In the case of a dispute about such charges the following procedure will be used.</p> <p>Should a school wish to challenge such a charge, they must set out in writing their objections to the <del>strategic director of finance and governance and</del> director of education. <del>who will</del></p>

Section	Current Scheme	Proposed Amendment
	For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the schools forum.	<del>first consider the matter.</del> For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the schools forum
<b>6.3</b> <b>Circumstances in which charges may be made</b>	Recovery of sums to correct errors made by the LA in calculating charges to a budget share (e.g. pension deductions). No such deductions will take place if the error relates to a period for which the accounts have been closed.	<del>Removal of time limitation of error correction and replacing it with a test of reasonableness:</del> Correction of LA errors in calculating charges to a budget share (eg pension deductions). <del>No such deductions will take place if the error relates to a period for which the accounts have been closed.</del> <b>Before applying any such provision the LA should consider whether it is reasonable to do so.</b>
<b>Appendix B</b> <b>RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS</b>	<i>This guidance sets out the position relating to the charging of voluntary early retirement and redundancy costs under the 2002 Education Act and the circumstances in which exceptions will be made.</i> <u>Redundancy Costs</u> <i>Redundancy costs must be charged to the local authority's budget unless there is a good reason for it not to be centrally funded.</i> <i>Redundancy costs would be expected to be met from the school's delegated budget in the following circumstances:</i> <ul style="list-style-type: none"> <li>• <i>If a school has decided to offer more generous terms than the authority's policy;</i></li> <li>• <i>If a school is otherwise acting outside the LA policy;</i></li> <li>• <i>Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of an agreed deficit arrangement;</i></li> </ul>	Section 37 of the 2002 Education Act says: “(4) 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 in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.  (5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall <u>not</u> be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.  (6) The fact that the local authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in

Section	Current Scheme	Proposed Amendment
	<ul style="list-style-type: none"> <li>• <i>Where staffing reductions arise from a deficit caused by factors within the schools control;</i></li> <li>• <i>Where the school has excess surplus balances and no agreed plan to use these;</i></li> <li>• <i>Where a school has refused to engage with the LA's redeployment policy;</i></li> <li>• <i>Approval in principle of the reorganisation has not been sought from the panel in advance of the reorganisation.</i></li> </ul> <p><i>Agreement to charge the local authority's budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.</i></p> <p><u><i>Early Retirement Costs</i></u></p> <p><i>Premature retirement costs must be charged to the school's delegated budget unless the local authority agrees otherwise for costs to be centrally funded.</i></p> <p><i>Agreement to charge the local authority's budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.</i></p>	<p>accordance with section 139 of the Employment Rights Act 1996 (c. 18).”</p> <p><u>Early Retirement Costs</u></p> <p>Premature retirement, <b>including ill health retirement</b>, costs must be charged to the school's delegated budget unless the local authority agrees otherwise for costs to be centrally funded.</p> <p>Agreement to charge the local authority's budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.</p> <p>Premature retirement costs would be expected to be met from the local authority non-schools budget or central schools budget:</p> <ul style="list-style-type: none"> <li>• where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards</li> <li>• where a school is closing, does not have sufficient balances to cover the costs and where the central schools budget does not have capacity to absorb the deficit</li> <li>• where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale</li> <li>• where a school is in special measures, does not have excess balances, and employment of the relevant staff is being or has been terminated as a result of local authority or government intervention to improve standards</li> </ul>

Section	Current Scheme	Proposed Amendment
		<p><u>Redundancy Costs</u></p> <p>Redundancy costs must be charged to the local authority's budget unless there is a good reason for it not to be centrally funded.</p> <p>Redundancy costs would be expected to be met from the school's delegated budget in the following circumstances:</p> <ul style="list-style-type: none"> <li>• If a school has decided to offer more generous terms than the authority's policy;</li> <li>• If a school is otherwise acting outside the LA policy;</li> <li>• Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of an agreed deficit arrangement;</li> <li>• Where staffing reductions arise from a deficit caused by factors within the schools control;</li> <li>• Where the school has excess surplus balances and no agreed plan to use these;</li> <li>• Where a school has refused to engage with the LA's redeployment policy;</li> <li>• Approval in principle of the re-organisation has not been sought from the panel in advance of the re-organisation.</li> </ul> <p><b>The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree. It is important that the local authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some</b></p>

Section	Current Scheme	Proposed Amendment
		<p>authorities operate a panel to adjudicate on applications. A de-delegated contingency could be provided, if Schools Forum agree, to support individual schools where “a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school’s budget share”.</p> <p>Agreement to charge the local authority’s budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.</p>

Date:7 October 2021	Item 11	Type of report: For Discussion
Report title:	High Needs Management Plan.	
Author name and contact details:	Dave Richards <a href="mailto:Dave.Richards@southwark.gov.uk">Dave.Richards@southwark.gov.uk</a>	
Officer to present the report:	Dave Richards	

## Executive Summary

This report sets out details of the high needs management plan and the current activities and the milestones that need to be met to ensure the required savings are delivered

## Schools Forum Actions

That the Schools Forum note the report

### 1. Background

- 1.1 The Dedicated Schools Grant (DSG): conditions of grant 2021 to 2022, requires that any local authority (LA) with an overall deficit on its DSG account at the end of the 2021 to 2022 financial year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend, when requested.
- 1.2 The Dfe have designed a template to help LAs manage their DSG deficit management plan. While they encourage all LAs to use the template as a planning tool it is not mandatory but they believe the format is useful when discussing and sharing complex funding information with internal and external bodies, parent and carer forums and elected members. It should be kept updated throughout the year to reflect the most recent forecast position and be viewed as an on-going live document including being presented at schools forum meetings and any high needs sub-groups at least on a termly basis. In this there will be a standing item on the management plan at each Schools Forum meeting.

### 2 Management Plan detail

- 2.1 The template the Department use is complex and has a lot of details, mostly around the High Needs Deficit that members agreed at the budget setting meeting in January 2021. It is not the purpose of this report to reconsiders that. However the report has been split into two section, one detailing the governance of the plan which is in Appendix A and a summary of the overall financial position which is detailed in Appendix B.
- 2.2 The recovery plan is predicated on the fact that savings will start to be delivered in 2022/23 As the changes would only be implemented from the September 2022, it means that the savings in the first year would be small compared to the overall total of savings when the plan is in fully implemented. The real challenges will be in the later years of the management plan, although there is no reason to believe that we are significantly off course currently.



### 3 **Funding Settlement 2022-2023**

- 3.1 Back in July we received initial details of the funding settlement for next year. For the high needs block rather than receive the minimum amount we will be capped at the maximum settlement amount of 11% per head of population. This sudden change in our fortunes is due to a change in the way the funding formula operates. Part of the formula now recognises historical costs based on actual spend in 2017/18 rather than the previously budgeted levels for that year. In 2017/18 we were significantly overspent, this has in turn now meant that extra funding is allocated to us. There is a maximum amount any local authority can receive, which is set at 11% or roughly £5.5m. If there was no cap we would receive more, around another £3m. However going forward it does mean that we will receive better than the average settlements as the cap is likely to be released. This increase has been incorporated into the figures.

Workstream Ref	WS1	WS2	WS3
<b>Workstream name</b>	Pathways to adult life beyond education for 16 to 25 year olds	Promoting Inclusion and reducing exclusion	ASD Review
<b>Stage</b>	on target	on target	on target
<b>Lead person (Inc job role and email address)</b>	Ely, Yvonne <Yvonne.Ely@southwark.gov.uk>, Head of SEN	Garcia, Glenn Glenn.Garcia@southwark.gov.uk>, Assistant Director	Ely, Yvonne <Yvonne.Ely@southwark.gov.uk>, Head of SEN
<b>Purpose (Including which provisions it impacts)</b>	The impact of the work stream will be to see many more 16 to 25 years olds with SEND able to leave education and live and work independently. The Outcomes will aim to ensure that everything is in place so that they have a well planned transition into FE that looks at all aspects of the YP's life and plans for their social, health and educational needs. This will include looking at where the YP is likely to live as they mature and the options open to them and will include exploring how they access resources and support not just for their education but for their living costs . Their transition plan will be ready to implement and will provide the professional support, guidance and financial support needed in the next stages of their lives.	The initiatives will be as follows i) An external review of Southwark Inclusive Learning Service (SiLS) ii) Member/Officer/Headteacher - School inclusion Task and Finish group iii) Review of support cost for LAC - the Virtual School, iv) local authority teams (including, operations between Education and Social Care)	Southwark commissioned an independent ASD provision review that completed summer term 2021. An action plan has been developed around the recommendations and this will be monitored by the ASD action group.
<b>Accountability and reporting</b>	This will be through the SEND 16-25 Board. This will bring together professionals and parent representatives from across Southwark to provide oversight and direction to our ongoing journey to improve provision and outcomes for children and young people with SEND.	This rest with the Assistant Directors foR Education Access and Statutory Services, Children's and Adults' Services and the for Schools and Learning, Children's and Adults' Services	ASD action group

<b>Overall cost and any financial savings</b>	Set up cost in first year cost £350k/ Net Savings when Implemented £1500k	Set up cost in first year cost £1050k/ Net Savings when Implemented £950k	Set up cost in first year cost £500k/ Net Savings when Implemented £2400k
<b>Start date</b>	01/02/2021	01/09/2021	01/09/2021
<b>Estimated completion date</b>	Aug-24	Sep-24	Aug-24
<b>Description of outcomes and success criteria</b>	The success will be measured on whether children and young people leave education they will be able to live and work independently and that families are working together with the services sharing a common goals. Full outcomes are detailed in the TOR for the project and the project plan.	The measures will be judged by the monitoring and evaluation of effectiveness of whether individual placements provides quality, meets needs and improved inclusion model has been achieved.	The measures will be judged by the monitoring and evaluation of the ASD action plan overseen by the action group
<b>Key milestones and dates</b>	Milestone 1) Evidence of co-production to effect change with parent groups and young people - Autumn 2021 Milestone 2) Milestone: agreement to reduce costs in identified shared placements with ADD - Jan 2022 Milestone 3): have a funding agreement in place with FE colleges April 2022 Milestone 4: Board monitoring arrangements for savings March 2022	i) Milestone: External review of SILS - March 21 ii) Milestone: Review of LA Service Level Agreement with SILS - Autumn 21 iii) Milestone: Member/Officer/Headteacher – school inclusion, task and finish group - Autumn 21 iv) Milestone: Identify and review support costs of looked after children - Autumn 21 v) Milestone: Commission new Framework to deliver Alternative Education provision - Spring/Summer 2022	Milestone 1) To develop an action plan for ASD as part of the wider SEND strategy Autumn 2021 Milestone 2) Set up parents reference group and students group Autumn 2021 Milestone 3) To develop provision in borough summer 2022 Milestone 4) SLAs in place for all ASD providers in borough 2021/22 Milestone 5) Longer term actions to be planned for over the next 3 years with consultant HT and LA staff Summer 2023
<b>Date information last updated</b>	27/08/2021	10/09/2021	27/08/2021

## High Needs Management Plan Schools Forum October 2021

### Financial Forecast

	<b>2020-21</b>
	<hr/>
	£
DSG Income	48,097,367
Schools Block Transfer	3,200,000
<b>Total Income</b>	<b>51,297,367</b>
<b>Total Expenditure (Detail below)</b>	<b>53,098,085</b>
<i>In Year Balance</i>	<hr/> <i>1,800,718</i> <hr/>
<b><i>Total DSG Balance</i></b>	<hr/> <b><i>20,282,064</i></b> <hr/>

#### Placements Costs Detail:

	<b>2020-21</b>
Mainstream Total Expenditure	11,023,784
Resource Base / SEN Units	696,500
Maintained Special Schools or Special Academies & H	22,435,432
Non maintained special schools or independent (NMSS)	10,920,124
Alternative Provision placements	2,138,551
Post 16 placements Total Expenditure	5,565,193
SALT	318,500
	<b>53,098,085</b>

**Schools Forum**  
**7 October 2021**  
**Item 11 Appendix B**  
**High Needs Management Plan**

<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
£	£	£	£	£
52,920,727	58,242,007	60,571,687	62,994,554	65,514,336
3,100,000	1,900,000	0	0	0
56,020,727	60,142,007	60,571,687	62,994,554	65,514,336
56,020,106	59,247,271	59,886,013	63,127,068	65,380,284
-621	-894,736	-685,674	132,514	-134,052
20,281,442	19,386,706	18,701,032	18,833,547	18,699,495

Mitigated
-----------

<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
11,510,654	13,031,847	13,212,892	14,939,691	15,856,578
752,833	756,000	826,000	876,000	876,000
24,303,241	25,670,400	26,139,743	26,947,612	27,147,244
11,469,124	12,071,125	12,904,647	13,546,385	14,517,141
2,100,000	2,038,750	1,995,000	1,995,000	1,995,000
5,564,253	5,349,548	4,468,244	4,472,708	4,628,159
320,000	329,600	339,488	349,673	360,163
56,020,106	59,247,271	59,886,013	63,127,068	65,380,284

<b>Date: 7 October 2021</b>	<b>Item 12</b>	<b>Type of report: For Discussion / Decision</b>
<b>Report title:</b>	<b>Balance Control Mechanism</b>	
<b>Author name and contact details:</b>	Dave Richards <a href="mailto:Dave.Richards@southwark.gov.uk">Dave.Richards@southwark.gov.uk</a>	
<b>Officer to present the report:</b>	Nina Dohel & Dave Richards	

## Executive Summary

This report sets out details of those schools who have exceeded the balance control mechanism capping limit and considers each school individually to come to a decision on whether their excess balance should be removed.

## Schools Forum Actions

That the Schools Forum (LA Maintained sector members only)

- Support the recommendations for capping the schools as detailed in para 4.5;
- To Agree the appeals panel as detailed in para 5;
- To note that the distribution of any funds will be made on the recommendation of the Schools Forum to the Director of Education and the Strategic Director of Finance and Governance (see para 6).

## 1 Balance Control Mechanism

- 1.1 Southwark operates a balance control mechanism that is focused on those schools which have built up significant excessive balances. It is calculated by taking the balance from the end of the financial year accounts, for 2020-21 it is the year ending 31 March 2021.
- 1.2 The calculation is based on the schools revenue balance (A) and school budget share funding (B). The surplus balance calculation is, surplus balance (%) = (A) / (B) x 100.
- 1.3 For this purpose, the revenue balance (A) is the sum of B01 (committed revenue balances) and B02 (uncommitted revenue balances), as defined in the consistent financial reporting framework. The school budget share (B) is the sum of I01 (fund delegated by the LA), I02 (funding for sixth form students), I03 (SEN funding), I04 (funding for minority), I05 (pupil premium), as defined in the consistent financial reporting framework.

## **2 Reporting on the intended use of surplus balances**

- 2.1 Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools are required to report on how the school intends to make use of the balances.
- 2.2 The balance control mechanism threshold that applies for this purpose is 5% for secondary schools and 8% for nursery, primary and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism. The total excess balances in Southwark at the end of the financial year was £8.6m.

## **3 Carry forward balances**

- 3.1 Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold. Where schools exceed the balance control mechanism threshold the Schools Forum may advise the LA to clawback some of the excess. While this is not a statutory power of the Schools Forum under legislation our Southwark Scheme for Financing Schools does provide for a Schools Forum decision. Any amount clawed back under this provision will be applied to the Schools Budget of the Dedicated Schools Grant.

## **4 Scrutiny Process adopted by the LA**

- 4.1 The school returns explaining why the school has exceeded the relevant capping percentage have been analysed. Further analysis has then been undertaken on those schools who in the June budget monitoring statement have indicated their balance will still not be below the capping limit at the end of the year. The September budget monitor that gives the most up to date position is unfortunately not available yet. For schools who have demonstrated they still believe they will not have an excess balance at March 2022 and spending is now in line with the return have been excluded from the process, as have those whose balance that is over the limit is less than £10,000.
- 4.2 This has left 14 schools where a more detailed analysis, looking at the trends in pupil numbers and both the in-year balances and the accumulated balance over the past few years, has been undertaken.
- 4.3 There are some schools that have set aside money for capital projects. In the past we have seen this happen only for the school not to undertake the capital works. To avoid this, it is suggested capping these schools and putting the funds aside in a trust like account that only the school can draw down.
- 4.4 Some schools clearly need the excess balance, to cover reducing rolls or tight budget situations, these schools are suggested in the recommendations below in 4.5 not to be capped.
- 4.5 Some schools have been recommended to be capped and the decision shown in the table below with the more detailed analysis in the Appendix.

School	Sector	Cap %	Old Year Balances for BCM purposes £'000	Old Year Threshold for BCM purposes £'000	Old Year Excess Balances £'000	Recommendation	Amount £'000
1	Nursery	8%	343	72	271	Cap	158
2	Primary	8%	463	173	290	Cap	100
3	Primary	8%	532	168	364	Cap	83
4	Primary	8%	816	236	580	Cap	346
5	Primary	8%	563	216	347	Cap	123
6	Primary	8%	891	225	666	trust	
7	Primary	8%	390	111	279	Cap	48
8	Primary	8%	288	124	164	Leave	
9	Primary	8%	95	83	12	Leave	
10	Primary	8%	264	118	146	Trust	
11	Primary	8%	152	64	88	Leave	
12	Secondary	5%	1,064	404	659	Cap	500
13	Special	8%	678	220	458	trust	
14	Special	8%	858	287	571	Trust	
Total							1358

## 5 Appeal Process

- 5.1 This is the first time the LA has suggested capping schools and the Southwark Scheme for Financing Schools is silent on any appeals process. However, the LA believes this is now required.
- 5.2 It is suggested that schools should be able to appeal to a panel consisting of:
- Director of Education
  - Chair of the Schools Forum
  - Divisional Finance Manager of Children and Adults Directorate

Their decision being final.

## 6 Distribution of the withdrawn capped funds

- 6.1 Members will be aware from previous papers on the agenda that some schools are facing significant financial difficulties. It is proposed that the capped funds are held in a separate "account" and allocated to schools that are being reorganised to ensure that the curriculum can be still delivered, the funding will be for specific interventions and purposes.



- 6.2 The Local Authority will look for the Schools Forum to make recommendations to the Director of Education and the Strategic Director of Finance and Governance or his representative. If the Schools Forum recommend, a separate group could be convened to consider the allocation of the funds.

## **7 Conclusion**

- 7.1 Funding for schools is intended to be spent on the pupils in the school in the year in which the funding was provided. It has been noted by the Schools Forum that in previous years some schools have had very high balances and while their returns have said they will spend the funding this has not happened.

Therefore, a decision needs to be made supporting the Local Authority's recommendation on capping the surplus and this should be by the LA maintained school sector representatives of the Schools Forum.

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

School 1							
End of year balance March 2021	343,875	Excess Balance	271,151	Trend Data			
<b>CAP LIMIT</b>	<b>72,724</b>						
Current forecast of Balance March 2022	231,689	Excess Balance	158,965	Year	Pupil No's	In-year Balance	Accumulated Balance
Reason for Excess Balance given by school							
C/center C/fwd			55,610	2015	#N/A		100,432
Out of Class SENCO	Q1-4		42,000	2016	74	135,570	236,002
Interactive Whiteboards	Q2		12,000	2017	88	124,454	360,456
Renovation of 3rd toilet block	Q3		20,000	2018	75	-62,836	297,619
Reflooring Classroom	Q2		5,000	2019	107	32,485	330,104
To Support 21/22 in year deficit			139,662	2020	77	13,770	343,875
Recommendation							
To cap the school but to limit the cap to the £158k							

School 2				Trend Data			
End of year balance March 2021	462,749	Excess Balance	289,572	Year	Pupil Numbers	In-year Balance	Accumulated Balance
<b>CAP LIMIT</b>	<b>173,177</b>						
Current forecast of Balance March 2022	349,968	Excess Balance	176,791				
Reason for Excess Balance given by school							
Additional Teacher (2 forms per year)	to 31/03/21		29,390	2015	258	23,973	206,628
Additional Teacher - catch up Re: COVID	to 31/03/21		29,390	2016	272	-69,394	137,235
				2017	303	73,451	210,686
				2018	320	91,784	302,469
				2019	327	69,349	371,818
				2020	339	90,931	462,749

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

Out of class SENCO	to 31/03/21		45,000
Contribution to annual School Journey	31/03/2021		7,000
Specialist PPA cover	to 31/03/21		31,500
Emu Staff to allow smaller bubbles	to 31/03/21		24,000
Interactive Whiteboard	30/07/2021		8,000
Broadband cabling	31/05/2021		5,000
Hallway Carpeting	31/08/2021		10,000
To support 2021/22 in year difficit	312/03/21		100,292
<b>TOTAL</b>			<b>289,572</b>

**Recommendation**

To cap the school by the sum to support this years deficit that is no longer needed £100k

<b>School 3</b>			
End of year balance March 2021	532,007	Excess Balance	363,705
<b>CAP LIMIT</b>	<b>168,302</b>		
Current forecast of Balance March 2022	260,436	Excess Balance	92,134
Reason for Excess Balance given by school			
Building 2 planned works	Was 2020/21 - d	CE02	180,000
Ill health retirement	Await LEA advice	E05	84,095
Ring fenced grant / Sports & Catch up	Qtr 1 and 2 2021	E27	16,423
Loss of pupil numbers - reduced SBS 2022/2023	Financial Year 20	i01	55,081
Loss of pupil numbers - reduced SBS 2023/2024	Financial Year 20	i01	28,106
<b>TOTAL</b>			<b>363,705</b>

Trend Data			
Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	375	-127,216	333,182
2016	353	91,100	424,282
2017	339	4,962	429,244
2018	314	40,651	469,895
2019	299	-52,730	417,165
2020	290	114,842	532,007

**Recommendation**

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

To cap the school by the sum set aside for future years £83k

<b>School 4</b>				Trend Data			
End of year balance March 2021	816,488	Excess Balance	580,043				
<b>CAP LIMIT</b>	<b>236,445</b>						
Current forecast of Balance March 2022	518,535	Excess Balance	282,090				
Reason for Excess Balance given by school							
Planned Capital Works	2021/2022	CE02	160,000				
Additional teaching staff 2021/2022	2021/2022	E01	139,300				
Additional teaching staff 2022/2023	2022/2023	E01	241,200				
Additional teaching staff 2023/2024	2023/2024	E01	105,500				
Sport grant carried forward	2021/2022	E27	12,466				
<b>TOTAL</b>			<b>658,466</b>				
Recommendation							
To cap the school by the sum set aside for future years £346k							

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	368	170,091	747,462
2016	376	8,304	755,766
2017	385	-110,156	645,610
2018	401	-180,384	465,224
2019	401	53,143	518,367
2020	395	298,121	816,488

<b>School 5</b>				Trend Data			
End of year balance March 2021	562,897	Excess Balance	346,993				
<b>CAP LIMIT</b>	<b>215,904</b>						
Current forecast of Balance March 2022	339,361	Excess Balance	123,457				
Reason for Excess Balance given by school							

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	392	-180,699	224,927
2016	358	-214,095	10,833
2017	340	-41,906	-31,074
2018	310	168,946	137,872

**Balance Control Mechanism - Detailed Analysis**

No details provided				2019	285	266,475	404,346
				2020	269	232,301	636,647
			<b>TOTAL</b>				0

**Recommendation**  
To cap the school by the excess at the end of the year £123k

School 6			Trend Data			
End of year balance March 2021			891,118	Excess Balance	666,326	
<b>CAP LIMIT</b>			<b>224,792</b>			
Current forecast of Balance March 2022			623,224	Excess Balance	398,432	
Reason for Excess Balance given by school						
Additional Support Teachers in Year 2 & Year 6 to improve teaching & learning	April 2021 to Au	E01				104,706
Grade II listed building window refurbishment	5 year project	CE02				410,000
Part roof replacement	Within next 6 ye	CE02				230,000
			<b>TOTAL</b>			<b>744,706</b>
<b>Recommendation</b>						
Place capital works in a trust fund to be drawn by the school on completion of works						

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	403	144,935	1,427,765
2016	412	81,074	1,508,839
2017	397	29,362	1,538,201
2018	401	-115,474	1,422,728
2019	398	-325,432	1,097,296
2020	389	-206,003	891,293

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

<b>School 7</b>				Trend Data			
Current forecast of Balance March 2022				390,229	Excess Balance		278,799
<b>CAP LIMIT</b>				<b>111,429</b>			
Current forecast of Balance March 2022				239,582	Excess Balance		128,152
Reason for Excess Balance given by school							
To support current staffing structure in 21/22				200,000			
To support current staffing structure in 22/23				80,000			
<b>TOTAL</b>				<b>280,000</b>			
Recommendation							
Cap the school by the difference of the £128k at the end of this year and the sum put aside for 2022/23 next year £48k							

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	307	-115,676	-80,569
2016	277	-66,190	-146,760
2017	247	280,167	133,407
2018	212	135,024	268,432
2019	198	90,239	358,671
2020	188	31,557	390,229

<b>School 8</b>				Trend Data			
End of year balance March 2021				288,160	Excess Balance		164,556
<b>CAP LIMIT</b>				<b>123,604</b>			
Current forecast of Balance March 2022				190,543	Excess Balance		66,938
Reason for Excess Balance given by school							
Supply to cover potential long term absence Head of School				50,000			
	Monthly	E01					

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	199	-37,464	211,476
2016	200	-41,988	169,488
2017	204	58,161	227,649
2018	205	57,254	284,904
2019	202	-10,934	273,970

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

10% Capital repayment for new roof	Q3	E12	55,000	2020	202	14,190	288,160
Inner courtyard window replacement	Q3	E12	20,000				
Trimtrail for the playground	Q3	E13	22,000				
Flooring for the Trimtrail	Q3	E13	18,000				
			<b>TOTAL</b>				165,000

**Recommendation**  
Do not cap pupil numbers expected to reduce

<b>School 9</b>			
End of year balance March 2021	95,348	Excess Balance	11,723
<b>CAP LIMIT</b>	<b>83,625</b>		
Current forecast of Balance March 2022	106,220	Excess Balance	22,594
Reason for Excess Balance given by school			
This will be used to support the Staffing budget for the next couple of years	Apr 2022-Mar 2023	E01	11,723
			<b>TOTAL</b>
			11,723

Trend Data			
Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	157	-19,365	70,347
2016	158	-80,091	-9,743
2017	151	-8,710	-18,453
2018	160	24,171	5,719
2019	163	-14,154	-8,435
2020	156	103,783	95,348

**Recommendation**  
Do not cap due to roll numbers

**School 10**

Trend Data

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

End of year balance March 2021	264,053	Excess Balance	145,918
<b>CAP LIMIT</b>			
	<b>118,135</b>		
Current forecast of Balance March 2022	204,027	Excess Balance	85,892
Reason for Excess Balance given by school			
Roofing works phase 3	2021/2022	CE02	24,150
Planned works-Water tank/Windows/Doors/Radiator replacement	2021/2022	E12	13,621
Tree maintenance	2021/2022	E13	750
CCTV - Awaiting final confirmation of costs	2021/2022	CE02	10,000
Unspent Grant CF from 2020/2021	2021/2022	E27	25,272
Portacabin replacement / Asbestos removal / Flooring	2022/2023	CE02	82,080
<b>TOTAL</b>			<b>155,873</b>
Recommendation Place 2022/2023 capital works in trust			

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	199	27,057	202,263
2016	200	-3,269	198,994
2017	196	69,340	268,334
2018	196	15,538	283,875
2019	203	-15,313	268,563
2020	202	-4,509	264,053

<b>School 11</b>	<b>Trend Data</b>		
End of year balance March 2021	152,229	Excess Balance	88,054
<b>CAP LIMIT</b>			
	<b>64,174</b>		
Current forecast of Balance March 2022	130,259	Excess Balance	66,084
Reason for Excess Balance given by school			

Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	129	39,365	180,839
2016	109	-55,750	125,090
2017	100	15,336	140,426
2018	89	-112,149	28,277



**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

Revenue deficit-school is operating on minimal funding	2021/2022	ALL	21,970	<table border="1"> <tr> <td>2019</td> <td>89</td> <td>25,464</td> <td>53,741</td> </tr> <tr> <td>2020</td> <td>86</td> <td>98,488</td> <td>152,229</td> </tr> </table>	2019	89	25,464	53,741	2020	86	98,488	152,229
2019	89	25,464	53,741									
2020	86	98,488	152,229									
Revenue deficit-school is operating on minimal funding	2022/2023	ALL	20,204									
Revenue deficit-school is operating on minimal funding	2023/2024	ALL	28,410									
Revenue deficit-school is operating on minimal funding	2024/2025	ALL	17,470									
<b>TOTAL</b>			<b>88,054</b>									
Recommendation Leave												

<b>School 12</b>			
End of year balance March 2021	1,063,604	Excess Balance	659,395
<b>CAP LIMIT</b>	<b>404,209</b>		
Current forecast of Balance March 2022	919,190	Excess Balance	514,981
Reason for Excess Balance given by school			
Additional staffing	31/03/2022	E01	300,000
Educational resources	31/03/2022	E19	100,000
Additional staffing	31/03/2024	E01	260,000
<b>TOTAL</b>			<b>660,000</b>

Trend Data			
Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	607		1,666,971
2016	635	-407,350	1,259,621
2017	699	-128,284	1,131,337
2018	751	-96,060	1,035,277
2019	785	-28,494	1,006,783
2020	784	56,822	1,063,604

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

**Recommendation**  
Cap school £500k

School 13			
End of year balance March 2021	677,883	Excess Balance	457,889
<b>CAP LIMIT</b>	<b>219,994</b>		
Current forecast of Balance March 2022	317,906	Excess Balance	97,913
Reason for Excess Balance given by school			
B01 C/F - RINGFENCED AMOUNT RE NEW BUILD PER GOVERNORS	2021/22 Q2	VARIOUS	30,000
MISC B02 BALS RE NEW PREMISES/INC IN PUPIL NOS - ADD STAFF ETC, TBC	2021/22 Q3	VARIOUS	427,889
<b>TOTAL</b>			<b>457,889</b>

Trend Data			
Year	Pupil Numbers	In-year Balance	Accumulated Balance
2015	#N/A		175,286
2016	#N/A	-11,078	164,208
2017	47	-4,920	159,288
2018	51	267,523	426,812
2019	73	70,334	497,146
2020	80	180,737	677,883

**Recommendation**  
Place balance in trust

School 14			
End of year balance March 2021	857,581	Excess Balance	570,289
<b>CAP LIMIT</b>	<b>287,292</b>		

Trend Data			
Year	Pupil Numbers	In-year Balance	Accumulated Balance

**Balance Control Mechanism - Detailed Analysis**

**Schools Forum  
7 October 2021  
Item 12 Appendix  
Balance Control Mechanism**

				2015	#N/A		208,992
<b>Current forecast of Balance March 2022</b>				<b>381,479</b>	<b>Excess Balance</b>		<b>94,187</b>
<b>Reason for Excess Balance given by school</b>							
New Classroom	Q3	E12					250,000
New LED Lighting	Q2	E12					30,000
New office area on terranr	Q3	E12					30,000
New Ass Headteacher	From 1.9.21	E01					100,000
New Finance Officer	From 1.9.21	E05					30,000
Books for the library	Q2	E19					30,000
Sensary Room up grade	Q2	E19					30,000
				<b>TOTAL</b>			<b>500,000</b>
<b>Recommendation</b>							
Place balance in trust							

2015	#N/A		208,992
2016	#N/A	62,933	271,925
2017	136	-9,481	262,444
2018	146	396,857	659,301
2019	152	154,972	814,273
2020	145	43,309	857,581

Date: <b>7 October 2021</b>	<b>Item 13</b>	<b>Type of report:</b> For Discussion and Decision
<b>Report title:</b>	<b>Schools Forum New Sub-Group</b>	
<b>Author name and contact details:</b>	Dave Richards <a href="mailto:Dave.Richards@southwark.gov.uk">Dave.Richards@southwark.gov.uk</a>	
<b>Officer to present the report:</b>	Dave Richards	

## Executive Summary

This report sets out the latest in-year budget monitoring for the 2020-21 Dedicated Schools Grant (DSG) and provides an update to members on the latest school finance events.

## Schools Forum Actions

That the Schools Forum agree to setting up a

- a) School Organisation Group

## 1. Background

- 1.1 At the last meeting we discussed the shape of Schools Forum going forward and the possibility of an extended Schools Forum whereby more head teachers could be involved. The work of the Schools Forum is becoming increasingly more complex especially with the difficulties schools are face with falling rolls.
- 1.2 Since the last meeting the Department of Education have issued the consultation documentation on the implementation of national funding formula (NFF), not surprisingly when the formula is introduced a number of the current duties of the schools forum will no long be necessary. However, in the intervening period there will probably more discussion about how the Southwark formula merges into the NFF. Further we have seen elsewhere the financial difficulties that schools are facing that will need considering.
- 1.3 It is proposed to set up a new sub group of the School Forum called the School Organisation Group (SOG), this would be in addition to the High Needs Sub Group although the latter will change in the nature of its business to monitoring the implementation of the High Needs Management Plan

## 2. School Organisation Group (SOG)

- 2.1 SOG will provide an opportunity for school and other representatives with a professional interest in school admissions and place planning and provision to gain an understanding of, and influence policy and thinking in this area of the Local Authority's work. The group's intention is to consider

these issues from a parental point of view to ensure school places are made available and processes to obtain them, accessible, equitable and transparent.

## 2.2 Objectives of SOG

- Promoting choice and diversity in school places
- Promoting high standards
- Championing the rights of parents and families and ensuring every child matters
- Respecting parental preferences
- Achieving sustainable patterns of provision
- Supporting schools to effectively discharge their duties around admissions
- Review the Local Authority annual admissions report.
- Understand the financial impact and implications of place planning
- Consider the detail, flag concerns and gain the view of schools to advise and make recommendations to the Schools Forum on the financial impact of the LA's approach to School Organisation and Pupil Place Planning.

2.3 Membership would need to be drawn from all sectors, fairly representing community and Voluntary Aided schools, and at least one member of the group needs to be a member of the Schools Forum. It is proposed the group is made up of:

- Nursery Head 1
- Primary Head 5
- Secondary Head 2
- Special Head 1

2.4 All meetings will be chaired by the Assistant Director, Education Access and will be minuted by the Local Authority. These will be presented to the Schools Forum at each meeting.

2.5 If the Schools Forum are in agreement than volunteers will be requested.