

## Agenda Report Pack – Item 5

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| <b>Date:</b><br><b>9 December 2021</b> | <b>Item 5</b>  | <b>Type of report:</b><br>Item for approval |
| <b>Report title:</b>                   | <b>Southwark Scheme for Financing School 2022/23</b> |   |
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| <b>Officer to present the report:</b>  | Kate Bingham   |   |

### Executive Summary

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

Schools Forum considered proposals about changes to the Scheme for Financing Schools at its meeting in October 2021. Consultation on proposed amendments was conducted with all maintained schools from 1<sup>st</sup> to the 26<sup>th</sup> November 2021. This report summarises the responses to the consultation, the subsequent impact on the proposed amendments and seeks approval from the SF on the revised 2022/23 Scheme.

### Schools Forum Actions

That the Schools Forum

- adopt the Scheme for Financing Schools as set out in Appendix 2.  
(NB decision required by maintained schools representatives only)

### Introduction

1. LAs are required to publish Schemes for Financing Schools, setting out the financial relationship between them and the schools they maintain. [The School and Early Years Finance Regulations \(England\) 2021, Schedule 5](#) sets out the minimum content of those schemes.
2. The DfE provides [Statutory Guidance](#) (Issue 13, updated 26 April 2021) about the contents, but there is local discretion on some aspects of it. It is for the LA to maintain the Scheme, but it if for Schools Forum to agree it, following consultation with all maintained schools.
3. 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 the schools forum.

### Consultation

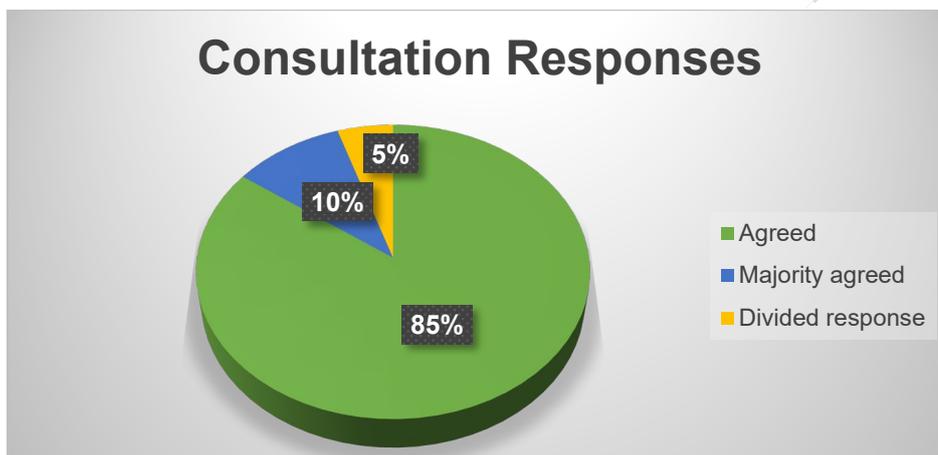
4. Schools Forum considered proposals about changes to the Scheme for Financing Schools at its meeting in October 2021 with a consultation with all maintained schools conducted from 1<sup>st</sup> to the 26<sup>th</sup> November 2021.
5. **Appendix 1** summarises the responses received and any subsequent changes made.
6. **Appendix 2** sets out the changes proposed in the consultation paper.
7. **Appendix 3** is the proposed document, including all the changes from Appendix 1 and 2.

### Conclusion

8. There were 10 responses to the consultation with the vast majority agreeing with the proposals and, despite a divided response to the proposed amendment to Appendix B (Responsibility for Redundancy and Early Retirement Costs), the proposed amendments, including those to Appendix B, will stand as they mirror the wording suggested in the DfE statutory guidance.

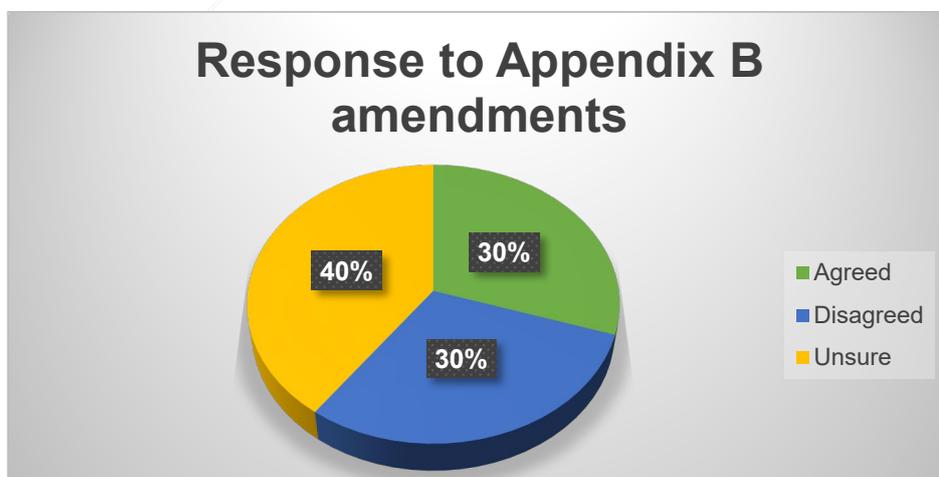
Appendix A - Summary

1. Responses to this consultation: **10**
2. Overall, there were 20 proposed amendments to the Scheme (as per Appendix 1) with 85% of the responses attracting almost unanimous agreement to the proposals.
3. In the case of two proposals (10%), whilst the majority agreed to the amendments, the dissenting responses broadly disagreed with the inclusion of the provision within the Scheme as opposed to the actual amendments proposed. The provisions in question were 2.15 Notice of Concern and 4.9 Licensed Deficits and, in both cases, *the statutory guidance published by the Department for Education (DfE) states the provisions should be included in the Scheme and provisions to this effect have been included in Southwark's Scheme since its inception. Therefore, the Scheme will be amended, as proposed.*
4. Finally, there was one response (5%) where opinion of the proposal was clearly divided.



Responsibility for Redundancy and Early Retirement Costs

5. The proposed rewording of Appendix B (Responsibility for Redundancy and Early Retirement Costs) attracted the most divided response.



6. Further, a number of schools have asked about the position regarding the cost of redundancies and further clarification is required.
7. That said, the proposed amendment to Appendix B will stand as it mirrors the wording suggested in the DfE statutory guidance and the content of all other inner London LA Schemes.
8. However, in line with section 5 of the Dedicated Schools Grant - 2021-22 Budget Monitor and Financial Update paper, elsewhere on this agenda, a paper will be brought to the next Schools Forum to further explain the responsibilities for redundancy and early retirement costs in maintained schools including how the Council plans to work with schools to maximise redeployment opportunities.

Local Authority Proposed Amendments

Appendix 2 Proposed Amendments

| Section  | Current Scheme   | Proposed Amendment  |
|--|--|---|
| <b>Section 1 Introduction</b>  |  |   |
| <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>  |
| <b>Section 2 Financial Controls</b>  |  |   |
| <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 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</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> <p><b>Whilst schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, each</b></p> |

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Local Authority Proposed Amendments

| Section   | Current Scheme   | Proposed Amendment   |
|---|--|--|
|   | <p>keys to safes. Any loss should be reported to the Director of Education without delay</p>   | <p><b>school must keep a register in some form for all portable and desirable items.</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><br/><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 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</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> <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</p> |

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Local Authority Proposed Amendments

| Section  | Current Scheme   | Proposed Amendment  |
|--|--|---|
|  | <p>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>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><br/><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 mechanism (see section 4.2.1).</p> | <p><b>Updated to fully reflect DfE directed revision.</b></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>   |
| <p><b>2.4</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</p>   | <p><b>Change of heading and wording to fully reflect DfE directed revision:</b></p> <p><b>2.4 School Resource Management</b></p>  |

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| <p><b>Efficiency and Value for Money</b></p>                          | <p>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>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 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> <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</p> | <p><b>Update wording post Brexit and to fully reflect DfE directed revision:</b></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> <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> |

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Local Authority Proposed Amendments

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|  | <p>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>  | <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><br/><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><u>Section 3 Instalment of budget shares; banking arrangements</u></b></p> |   |  |
| <p><b>3.5</b><br/><b>Budget Shares for Closing Schools</b></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</p> | <p><i>Enhanced by the inclusion of the regard the school must have to the scheme, including avoiding excessive spending, 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</p>   |

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Local Authority Proposed Amendments

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|  | <p>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>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>Section 4 The treatment of surplus and deficit balances arising in relation to budget shares</b></p> |   |  |
| <p><b>4.1</b><br/><b>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 <del>and</del> 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 plus/minus any balance brought forward from the previous year.</p>   |
| <p><b>4.2.2</b><br/><b>Reporting on the intended use of surplus balances</b></p>                           | <p>Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools will be required to report on how the school intend to make use of the balances.</p> <p>The balance control mechanism threshold that applies for this purpose is 5% for secondary schools and 8% for nursery, primary</p>  | <p><i>Clarify the calculation of the balance control mechanism threshold:</i></p> <p>Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools will be required to report on how the school intend to make use of the balances.</p> <p>The balance control mechanism threshold that applies for this purpose is 5% <b>of the school budget share</b> for secondary schools</p>   |

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|  | and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism.   | and 8% <b>of the school budget share</b> for nursery, primary and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism.<br><br><b>For the purposes of this section, the school budget share is defined in section 4.2.1.</b>   |
| <p><b>4.2.3</b></p> <p><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></p> <p><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>Clarify the calculation of the deficit recovery plan threshold, 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% <b>of the school budget share (as defined in section 4.2.1)</b> 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</del></p> |

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|  |   | <p><del>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> <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><br/><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><br/><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><i>Updated to elevate approval to Strategic Director of Children's and Adults on the recommendation of the Director of Education, to allow up to five years (in exceptional circumstances) for the length of the plan, clarify the upper limit of a deficit, 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> </ul> |

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Local Authority Proposed Amendments

| Section | Current Scheme   | Proposed Amendment   |
|---------|--|--|
|         | <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 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 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> | <ul style="list-style-type: none"> <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 <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 <b>or up to five years, in exceptional circumstances</b>, 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 <b>share (as defined in section 4.2.1)</b> for nursery, primary, and special schools and 20% of the schools budget <b>share (as defined in section 4.2.1)</b> 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</p> |

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Local Authority Proposed Amendments

| Section                                       | Current Scheme   | Proposed Amendment  |
|---|--|---|
|   | <p>Details of how to apply for a licensed deficit are in the schools financial procedures manual.</p>  | <p>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> <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</b><br/><b>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</del> 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. <del>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</del></p> |

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Local Authority Proposed Amendments

| Section   | Current Scheme  | Proposed Amendment   |
|---|---|--|
|   |   | <p><del>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.</del></p>  |
| <p><b>4.10.2</b><br/><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 will 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><b><i>Removal of Southwark as administrator for such an arrangement and, therefore, the need for permission.</i></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 will act as administrator of the arrangement. 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><u>Section 5 Income</u></b></p>   |   |  |
| <p>No amendments proposed</p>   |   |  |
| <p><b><u>Section 6 The charging of school budget shares</u></b></p>               |   |  |
| <p><b>6.1</b><br/><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><b><i>Simplify the dispute resolution process.</i></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> |

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Local Authority Proposed Amendments

| Section  | Current Scheme   | Proposed Amendment  |
|--|--|---|
|  | <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>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.</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 first consider the matter.</del></p> <p>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</p> |
| <p><b>6.3</b><br/><b>Circumstances in which charges may be made</b></p>                            | <p>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.</p>  | <p><i>Removal of time limitation of error correction and replacing it with a test of reasonableness:</i></p> <p>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><br/><b>Before applying any such provision the LA should consider whether it is reasonable to do so.</b></p>   |
| <p><b><u>Section 7 Taxation</u></b></p>  |  |   |
| <p>No amendments proposed</p>  |  |   |
| <p><b><u>Section 8 The provision of services and facilities by the authority</u></b></p>           |  |   |
| <p>No amendments proposed</p>  |  |   |
| <p><b><u>Section 9 Private finance initiatives (PFI)/public private partnerships (PPP)</u></b></p> |  |   |
| <p>No amendments proposed</p>  |  |   |
| <p><b><u>Section 10 Insurance</u></b></p>  |  |   |
| <p>No amendments proposed</p>  |  |   |
| <p><b><u>Section 11 Miscellaneous</u></b></p>  |  |   |

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Local Authority Proposed Amendments

| Section   | Current Scheme   | Proposed Amendment  |
|---|--|---|
| No amendments proposed  |  |   |
| <b>Section 12 Responsibility for repairs and maintenance</b>                                    |  |   |
| No amendments proposed  |  |   |
| <b>Section 13 Community facilities</b>  |  |   |
| No amendments proposed  |  |   |
| <b>Appendix A</b>   |  |   |
| No amendments proposed  |  |   |
| <p><b>Appendix B</b></p> <p><b>Responsibility for Redundancy and Early Retirement Costs</b></p> | <p><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></p> <p><u>Redundancy Costs</u></p> <p><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></p> <p><i>Redundancy costs would be expected to be met from the school’s delegated budget in the following circumstances:</i></p> <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> <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> </ul> | <p>Section 37 of the 2002 Education Act says:</p> <p>“(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.</p> <p>(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.</p> <p>(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 accordance with section 139 of the Employment Rights Act 1996 (c. 18).”</p> <p><u>Early Retirement Costs</u></p> |

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Local Authority Proposed Amendments

| Section | Current Scheme  | Proposed Amendment  |
|---------|---|---|
|         | <ul style="list-style-type: none"> <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>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> <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> </ul> |

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Local Authority Proposed Amendments

| Section                | Current Scheme | Proposed Amendment  |
|------------------------|----------------|---|
|                        |                | <ul style="list-style-type: none"> <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 reorganisation has not been sought from the panel in advance of the reorganisation.</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 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".</b></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> |
| <b>Appendix D</b>      |                |   |
| No amendments proposed |                |   |

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