
Meeting: Schools Forum

Date: 1 November 2010

Subject: Revision to the Scheme for Financing Schools

Report of: Deputy Chief Executive and Director of Children Services

Summary: To update the Schools Forum on the feedback from schools following the consultation on the proposed revisions to the Scheme for Financing Schools.

To gain the Schools Forum approval on the proposed changes.

Contact Officer: Dawn Hill, Technology House, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

- 1. That the changes to the Scheme for Financing Schools requiring (1) a revised budget plan and (2) the definition of Earmarked Funds be approved.**
- 2. That the surplus balance thresholds remain at 8% for Nursery, Lower and Special Schools and 5% for Middle and Upper Schools**
- 3. That for the financial year 2010/11 onwards, schools would be allowed a tolerance level of 1% of their individual school budget share or £5,000 before an application for approved License Deficit would be required.**
- 4. That a letter be sent to all schools advising them of the changes.**

Background

1. In April 2006 the Department for Children Schools and Families (DCSF) consulted on a number of revisions to the Secretary of State's guidance on local authority Schemes for Financing Schools. In light of this consultation and as provided for by section 48 of the Schools Standards and Framework Act 1998 the Secretary of State made directed revisions which came into effect on 1st January 2007, placing a requirement on all local authorities to include a mechanism that controls surplus school balances.

2. Central Bedfordshire Council's Scheme for Financing Schools is based on the legislative provisions in sections 45 – 53 of the Schools Standards and Framework Act 1988 and the School Financing (England) Regulations 2008 and details the treatment of surplus balances arising in relation to budget shares.
3. In 2009 the DCSF and Local Government Association (LGA) conducted a joint survey of local authorities on the subject of school balances, with a view to producing guidance for local authorities. Guidance has now been issued (March 15th 2010) and, although not statutory, guidance is likely to represent the direction of any action backed by statutory powers in the future and, as such, is strongly suggested it is followed.
4. Where strict local processes have been set in agreement with the Schools Forum, the guidance should not be seen as advising softening of this approach. Local Authorities are advised to take strong action where schools have excessive balances, except where they are very clearly and accurately justified.
5. In summary, whilst the DfE will not prescribe a particular process for local authorities to follow they should ensure the balance control is a key part of multi-year planning and in year monitoring, with school finance officers working with both school improvement and asset management colleagues, and engaging the Schools Forum and members appropriately.
6. All revisions to the scheme must be approved by the Schools Forum or the Secretary of State and must be subject to consultation with schools.
7. Proposal to formally consult on the revision to the Scheme for Financing Schools was agreed at the Schools Forum meeting on 28th June 2010.
8. A letter was sent to all schools and also posted on the Schools website. The Consultation period ended on 6th October 2010.

The main changes proposed:-

9. Require a revised budget plan to be submitted by 31st October each year (following census day).
10. Reduce the Surplus Balance thresholds arising from balances for 2011/12 onwards from 8% and 5% of the Schools Budget Share (SBS) to 5% and 3% (Nursery, Lower and Special – Middle and Upper respectively).
11. Re-define the classification of Earmarked Funds to exclude unspent School Development Grant and School Standards Grant as these are effectively annual allocations.

Feedback from the consultation

12. Three responses were received in total; one fully funded Upper school, one centrally funded Middle school and the Chair of Governors of a Lower School:

13. **Proposal One**– requiring a revised budget to be submitted 31st October each year

The Middle school felt it should be sufficient to submit a detailed Outturn in October in place of the current requirement of an Outturn in December. They believed *'this would make less work at a time when staffing levels make extra work'*

Proposal Two – reduce the Surplus Balance thresholds

Both the Lower and Middle School believed the balances should remain the same, comments include:

'This would negatively impact on the ability to manage the schools budget year on year', 'Currently this allows sufficient finances to be carried forward to offset the effects of dropping pupil numbers', 'pupil numbers are hard to predict, we take 60% from outside catchment, this is an essential contingency', 'will particularly impact on vulnerable rural schools struggling with financial viability and managing budgets against falling rolls'.

The Upper schools proposed that if there was to be a reduction in the allowable surplus then the Local Authority (LA) could put in place a mechanism to allow schools a deficit without having to submit a recovery plan.

Proposal Three – Redefine the classification of Earmarked Funds

No comments were received

Update

14. The LA sought comparable information from colleagues in 32 other authorities in their operation of a balance control mechanism. Of the 11 responses, no authority has reduced the thresholds and one has a similar scheme allowing an assumed licensed deficit to the value of one percent of the SBS.
15. 27 schools held an approved Licensed Deficit at the 2009/10 financial year end. If Central Bedfordshire had operated a scheme to allow a maximum threshold (assume 1% of SBS or £5,000) before a submission for approval was required, no school would have met that criterion and would not have been required to submit an application in 2009/10.
16. 14 Schools currently hold a licensed deficit in 2010/11, three of which fall within the 1% threshold and would not have had to formally apply.

Recommendation

1. To require a revised budget plan to be submitted by the 31st October each year
2. To maintain the current thresholds for Surplus Balances at 8% and 5% of SBS.
3. To permit schools to plan for a deficit budget without requiring a formal application up to a maximum of £5,000 or 1% of the School Budget Share. A note of explanation will be required to be submitted. Overdrawn bank accounts are not permitted.

Appendices:

Appendix A – Schedule of Individual SBS