Appendix 1

Consultation Document
Slough Borough Council
Scheme for Financing Schools 2018/19

Purpose of the Consultation (Maintained schools only)

At its meeting in July 2018, Slough Schools Forum agreed to consult all maintained schools on the 2018/19 Scheme for Financing Schools and the operation of a Licenced deficit scheme.

Background

In July 2018, Schools Forum was presented with a draft report (Appendix 1) outlining the proposed Scheme for Financing Schools for 2018/19. The scheme contains all directed revisions and updates from the latest Department for Education (DfE) document; “Scheme for financing schools – Statutory guidance for local authorities (Issue 9)”. A copy of the document is available on the Department for Education (DfE) website.

Whilst making the changes required for 2018/19 it was agreed that the scheme would be updated and revised inline with the DfE scheme guidance document. Schools forum requested that an appendix detailing the text changes be appended to the consultation to aid schools in their decision making. Please see Appendix 2.

Detailed below is the Directed Revision from the Secretary of State for Education (DfE) for the scheme for financing schools, along with additional updates to the guidance.

Directed Revision 2018

The Secretary of State may by direction revise the whole or any part of the scheme from such a date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties. Following consultation, the Secretary of State directs that from 22 March 2018 the text below shall be incorporated into the scheme of all local authorities in England:

Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school’s recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4) (d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

Appendix 1

Updates to the guidance

Updates have been made to the guidance, to mirror changes in the Schools and Early Years Finance (England) Regulations 2018.

Paragraph 4.8 has been updated to reflect changes on balances of closing schools, as detailed under Regulation 25 (9).

4.8 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.

Annex B: Responsibility for redundancy and early retirement costs has been updated to reflect changes under Schedule 2 Part 7, of the Finance Regulations. This details how a 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.

Additional updates made include the removal of wording in paragraph 2.3.1, as regulations no longer allow local authorities to issue budget shares for a multi-year period.

References to the Audit Commission have been removed from paragraph 2.6, as this has been abolished.

Within paragraph 6.2.15, 'statement of SEN' has been replaced with 'Education Health and Care Plan (EHCP)

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Q1. Is your school happy to accept Slough Borough Council's Scheme for Financing Schools as outlined in Appendix 1?

☐ Yes – Accept ☐ No – Decline

Comments:

Licenced Deficit Scheme

The latest directed revision prohibits the local authority from loaning revenue funds to schools including loans to offset a deficit. A local authority is still permitted to grant a loan to a school for capital expenditure.

The Implementation of a licensed deficit scheme will allow schools in financial difficulty to plan for a deficit budget. However, the scheme will only be implemented when a school needs to set a deficit budget **and** has no revenue reserves.

A licensed deficit should specify;

1. the maximum length over which schools may repay the deficit (i.e. reach at least a zero balance), with appropriate mechanism to ensure that the deficits are not simply extended indefinitely. The maximum length allowed should not exceed three years.

   Slough will specify the repayment period to be over 3 years.

2. the purposes for which the deficit arrangement may be agreed

   Slough will require any deficit arrangement agreed, be to support the operation of a school whose revenue budget, when deployed is insufficient to meet the operating costs of that school

3. the maximum size of the deficits which may be agreed (this may be by reference to the size of the budget share or in cash terms or some combination).

   Slough will determine this on the circumstances presented and on the available funding.

4. the maximum proportion of the collective balances held by the authority which will be used to back the arrangement.

   This will depend on the sums or percentages of balances that schools in Slough are willing to volunteer to be part of the scheme

5. the role of the Director of Children's Services and the Chief Finance Officer of the Authority in agreeing any arrangements for individual schools.

   This will be agreed with the both post holders prior to the issuance of the final licenced deficit scheme.

Under a licensed deficit scheme the only effect on budget and out-turn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of repayment period. No 'payment' to the school is recorded. Historically the DfE have found the most common way to manage licenced deficits is to use schools revenue balances.

The proposed options for the operation of a licenced deficit are;

a) De-Delegation - Utilise the de-delegation option in the schools funding formula. An authority is allowed to have an item under contingencies for schools in financial difficulty. This would operate along the same lines as the current behaviour support budget. A per pupil amount will be deducted from schools budget shares and held centrally in order to support schools. Funding is not lost to schools as the pot will be replenished by the repayments from the borrowing school. This option is perhaps the most logical as it is intended for maintained schools only and is specifically mentioned in the schools revenue funding operations guide 2019-20 (page 53 – De-delegation section 142.3). It also allows for primary and secondary rates to be set at differing values. If using just one value the following would apply, based on 2018/19 pupil data:

   a. £6.56 per pupil would create a pot of circa £50k
   b. £13.12 per pupil would create a pot of circa £100k
   c. £19.68 per pupil would create a pot of circa £150k

b) Schools Balances – This would requite a voluntary contribution from schools from their revenue balances. This is easier for cash schools as the authority makes the actual payments to creditors from centrally held funds. A school can go into deficit under a licenced deficit scheme because the authority would continue to make the payments to creditors and use the combined reserves of all schools to offset the deficit. This would be providing there are sufficient reserves at other schools to cover the deficit. Essentially a department within a company overspends but this is offset by the profit and underspends from other departments, so the company itself makes a profit. The value of the pot in this instance would be determined by the number of schools willing to contribute to it. Funds if agreed would be collected from budget schools via an invoice.

c) Cash Advance – A schools budget share can be reprofiled to allow for them to draw an advanced payment on their school budget share with deductions in later months to enable time for the school to address the budget deficit. This option will only be suitable where a school who has a deficit and can make sufficient in year savings in order to end the year with a balanced budget.

Q2. Schools are asked to express their view on the preferred approach to dealing with any school facing a deficit budget position.
Please note option C can be utilised alongside either of the other two options and where possible will be utilised prior to either of the other two options

☐ A – De Delegation	☐ B – Schools Balances	☐ C –Cash Advance (only)

Comments:

Appendix 1

Schools are asked to complete and return the consultation document by **Midday on the 20th September 2018.**

- **Appendix 1 Draft Scheme for Financing Schools.**
- **Appendix 2 Table of Scheme changes**
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Please send your completed consultation response to:
susan.woodland@slough.gov.uk