# Schools Forum – 4 July 2017

# Update to the Staffordshire Scheme for Financing of Schools

## Recommendation

1. The Schools Forum approve the revised Staffordshire Scheme for Financing Schools (SSFS), see Appendix 1.

## Report of the Deputy Chief Executive and Director for Families and Communities

## PART A

## Why is it coming here – what decision is required?

2. Any amendments to the SSFS require approval from Schools Forum.

## Reasons for recommendation

3. Section 2.1.3 – Changes required as Staffordshire Council is no longer a payroll provider.

4. Section 2.15 – The reasons for the issue of a Notice of Concern have been extended.

5. Section 2.16 - Amendment as EFA guidance

6. Section 3.6 - Salix Loans are not currently identified as a EFA approved loan.

7. Sections 4.10 and 4.10.2 - The current scheme allows for interest to be paid on revenue balances but does not charge interest on capital loans of less than £100,000 or redundancy loans of any value.

8. Section 4.10.2 - Redundancy loans are currently automatically given. Future requests will be subject to approval and evaluated based on a school's individual circumstances.

9. Section 11.10 – Criteria added to support the approval of redundancy loans.

## PART B

## Background:

10. The SSFS sets out the financial relationship between the authority and each of the maintained schools in Staffordshire. The scheme was last updated in 2016 and a copy of the current version is available on the Staffordshire Learning Net (SLN) to be viewed by any interested party.

11. Section 2.1.3 refers to the Local Authority as a payroll provider. The section has been amended to exclude payment of salaries.

12. Section 2.15 – Details have been added to identify the reasons why a Notice of Concern is issued.

13. Section 2.16 – Schools with an Academy Notice do not have to submit a SFVS.

14. Section 3.6 has been updated to identify the Salix Loan Scheme as an approved scheme not requiring the permission of the Secretary of State.

15. The scheme needs to be updated due to reflect the change to interest charged on loans as detailed in Section 4.10 and 4.10.2 with implementation from the 1.9.17.

16. Section 11.10 – Has been revised to identify the criteria for deciding to grant a redundancy loan and Item c has been amended as the local authority will no longer fund ongoing pension costs of staff who have been made redundant and the final sentence has been removed as it is out of date.

17. The SSFS includes, as annex A, a list of maintained schools to which the SSFS applies. Over the years, schools open, close, become academies or change names. This list has been updated to reflect the schools maintained by the authority as at 1 April 2017. It is planned to update this annex to the SSFS annually from now on.

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**List of background papers:**

**Appendix 1** Summary of revisions

# Appendix 1 – Summary of revisions

### Section 2.1.3 - Payment of Bills

The procedures for this will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's creditor payment facilities.

### 2.15 - Notice of concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Finance and Resources and the Director for People and Deputy Chief Executive, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

Foreseeable Situations where the Notice of Concern may be issued are:-

- Revenue deficits where there is no recovery plan
- An internal audit report which assesses the school financial procedures as giving only limited assurance
- When a school is scheduled for closure, amalgamation or to become a sponsored academy
- Breach of Procurement Regulations for Schools.
- When a school is judged to be Special Measures by Ofsted
- When a school is judged to be Requiring Improvement (RI) by Ofsted and there is a genuine financial concern
- Failure to comply with provisions of the scheme
- Licensed deficit in excess of £200k

### 2.16 – Schools Financial Value Standard

All authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. This form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the form to the local authority before 31st March each year.

The only exception being those maintained schools who are in receipt of an Academy Order who are not required to submit this form.

## 3.6 – Borrowing by Schools

Governing bodies may only borrow money only (including finance leases) with the written permission of the Secretary of State, however the scheme allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving. This provision does not apply to loan schemes run by the authority (see section 4.10).

## Section 4.10 (e) - Deferred capital payments scheme

e. Interest will be charged on the amount of any advance. Interest will be charged at the same rate as that used to calculate the interest on collective balances at the financial year-end. All interest payments must be met from revenue funding.

## Section 4.10.2 (2 & 3) – Borrowing for the purpose of funding premature retirement and redundancy costs

2. The loan shall be interest bearing and the rate shall be determined by the Director of Finance and Resources.

3. Schools will not be required to submit an application but will be required to indicate their intention to take out a loan and its repayment period upon the issuing of Section 188 notices. Requests will be subject to approval and evaluated based on schools' individual circumstances.

## Section 11.10 - Redundancy/Early Retirement Costs

Section 37 of the Education Act 2002 states:
In sub-section 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.

In other words pension related costs should be paid by schools unless otherwise agreed.

For redundancy costs the local authority deems the following to be good reasons for charging costs to the school's budget share:

- Where there is sufficient funding in the individual school's budget for redundancy costs to be paid without the school experiencing financial difficulties
- Where there is uncommitted DSG carried forward (originating from previous years' unused contingency funds) available.
- Where a school has decided to offer more generous terms than the local authority's policy.
- Where a school is otherwise acting outside the local authority's policy

- Where a school is making a change to staffing which the local authority does not believe is necessary to either set a balanced budget or to meet the conditions of a licenced deficit.
- Where the school has excess surplus balances and no agreed plan to use these.
- Fixed term contracts – where a school has direct control over the circumstances leading to the redundancy requirement. For example the decision to appoint an employee on a fixed term contract and the contract ends for reasons other than immediate financial deficit. Also the school budget shall meet the cost of termination where the school has allowed the fixed term contract to become permanent.

As the revenue savings achieved by termination of employment are equal to or greater than the costs incurred, the following cost sharing arrangements are in place for maintained schools (academies have fully delegated funding) where redundancies are made in a school that remains open:

a. Schools are charged with 70% of the one-off costs of severance
b. 30% of the one-off costs of severance are charged to a central budget within the Schools Budget
c. All ongoing costs will be met by the school.

**Annex A Applicable Schools**

Updated to those schools of maintained status as at 31st March 2017.