

SCHOOLS FORUM

Meeting date: 13th March 2020

**From: Dan Barton
Assistant Director – Education & Skills**

REVISION TO THE LA SCHEME FOR FINANCING SCHOOLS

1.0 EXECUTIVE SUMMARY

- 1.1 *This report proposes some amendments to the Cumbria LA Scheme for Financing Schools following a number of directed revisions by the Department for Education and updates relating to changes in legislation.*
- 1.2 *In line with regulations, the draft Cumbria LA Scheme for Financing Schools is presented to the Schools Forum ahead of full consultation with all maintained schools.*
- 1.3 *Following clarification on the responsibility for redundancy and early retirement costs it is proposed that redundancy costs can be funded from the de-delegated contingency fund if certain conditions are met. The relevant Schools Forum members are asked to approve this proposal.*
- 1.4 *Following consultation with all schools the final LA Scheme for Financing Schools will be presented at the 10th June 2020 Schools Forum meeting for approval by the maintained school representatives.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 *Improving the financial processes for schools is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.*

3.0 RECOMMENDATION

- 3.1 *The relevant Schools Forum members is asked to note the draft revised Cumbria LA Scheme for Financing Schools ahead of consultation with all maintained schools and pupil referral units to be launched on 23rd March 2020 and encourage maintained schools to respond to the consultation.*

- 3.2 ***The relevant Schools Forum members are recommended to approve the amendment which will allow redundancy costs to be charged to the de-delegated contingency fund.***

4.0 BACKGROUND

- 4.1 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. In making any changes to their schemes, local authorities must consult all schools in their area and receive the approval of the members of their Schools Forum representing maintained schools.
- 4.2 The Scheme applies to all Cumbrian maintained schools and pupil referral units. The Scheme does not apply to academies. Academies are directly accountable to the Department for Education in terms of compliance with financial regulations.
- 4.3 The Schools Forum approved a revised LA Scheme for Financing Schools effective from July 2016 following consultation with all maintained schools. Since that date, the DfE have issued a number of directed revisions and some updates relating to changes in legislation.

5.0 PROPOSED CHANGES

- 5.1 The proposed changes to the LA Scheme are found at Appendix 1. There are no significant changes and the majority of revisions relate to minor changes in wording or clarification of existing provisions contained within the Scheme, such as the use of loan schemes. Changes in legislation include the removal of the requirement for governing bodies to consult the local authority when providing a community facility.
- 5.2 The changes also include a directed revision which makes it possible for the Secretary of State to make directed revisions to the LA Scheme after consultation with governing body and Headteachers of maintained schools has taken place. In future such revisions will become part of the scheme from the date of the direction being issued.
- 5.3 In addition to the directed revisions and changes in legislation, a number of changes are proposed by the local authority. Firstly, as a result of a directed revision which clarifies the responsibility for redundancy and early retirement costs a revised Annex G (formally Annex H) to the LA Scheme is proposed. Section 37 of the 2002 Education Act dictates that costs in respect of premature retirement of the staff of a maintained school shall be met from the school's budget whereas costs in respect of dismissal or for the purpose of securing the resignation of any member of staff of a maintained school shall not be met from the school's budget unless the local authority has good reason for it not to be centrally funded. It goes on to state that local authorities can retain a central budget within the schools budget to fund the costs of new early retirement or redundancies by a deduction from maintained schools budgets, only where the relevant maintained school members of the schools forum agree.

- 5.4 Since the demise of the schools forum voluntary redundancy policy which ended from 1st April 2017, as agreed by the relevant schools forum members on 20th November 2016, all redundancy costs have been borne from maintained school's budgets whereas ill-health retirement costs and other severance costs have been funded through the de-delegated contingency fund. However, following the above clarification on the responsibilities for these costs it is proposed that redundancy costs can be funded from the de-delegated contingency fund if certain conditions are met, as detailed below:

The Schools in Financial Difficulty element of the de-delegated contingency budget may be used to fund redundancy and severance costs where the following conditions are met:

- The school has a significant falling rolls situation
- Falling rolls are as a result of demographic changes which can be evidenced through modelling
- The school can demonstrate it has planned the reduction/restructure in staffing and not let the schools deficit escalate with no action
- The school has a deficit balance, or the costs of the redundancy would cause the school to go into deficit
- The decision to make redundancies has been taken in close consultation with the Local Authority School Improvement, Finance and HR teams
- The Local Authority has assurance of reasonable spending decisions in light of the budget/staffing reductions
- The schools has followed the principles as set out in the Cumbria County Council redundancy and early release policy
- The school can demonstrate the above through a detailed and robust business case

The Local Authority will not consider funding redundancy and severance costs where:

- The school has balances available i.e. the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- The deficit has arisen for other reasons than a falling rolls situation, e.g. pressures caused by formula changes or impact of non-inflationary increases to budgets
- The school cannot demonstrate it has planned the reduction/restructure in staffing and not let the schools deficit escalate with no action
- The school has a surplus balance
- The school has not taken Local Authority Advice, including School Improvement, Finance and HR

- The school has incurred unreasonable expenditure in advance of the redundancy situation
- The schools has not followed the principles as set out in the Cumbria County Council redundancy and early release policy
- The school cannot provide a detailed and robust business case

5.5 The relevant schools forum members are asked to note this proposed amendment and feedback and confirm their approval to fund redundancy costs meeting the above criteria from the de-delegated contingency fund.

5.6 A further LA proposed change reflects the change in arrangements for provision of payroll for maintained non-chequebook schools. With effect from 1 November 2020, these schools will be able to use one of the payroll providers on the Council's framework for provision of payroll services rather than being obliged to use either the LA or Capita.

5.7 Other LA proposed changes include a new appendix D to the Financial Regulations detailing the application process for own bank account (chequebook school) status and a new Annex K to the LA Scheme which links the specific requirements that schools need to meet under the Schools Financial Value Standard (SVFS) to the relevant sections of the LA Scheme so that schools can check that they are complying with the essential requirements of the LA Scheme.

5.8 The draft revised LA Scheme can be found at Appendix 2. The consultation with maintained schools and pupil referral units is planned to take place from 23rd March to 30th April 2020 and schools will be notified via letter on the schools portal and will be asked to make comments via a link to the survey.

5.9 Once the consultation closes on 30th April, schools responses will be reviewed and the final LA Scheme will be presented to Schools Forum at its meeting of 10th June 2020 for approval by maintained school representatives.

6.0 OPTIONS

6.1 The relevant Schools Forum members are asked to note the proposed revisions to the LA Scheme for Financing Schools and consultation with all maintained schools and approve the proposal to fund redundancy costs from the de-delegated contingency fund.

8.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

8.1 Resource and value for money implications are considered throughout this report.

8.2 The proposed change in policy to fund maintained school redundancy costs from the de-delegated contingency fund if certain criteria are met may increase the expenditure against this fund. The budget available for the de-delegated contingency fund in 2020-21 is £0.678m comprising of £0.666m baseline and £0.012m excess surplus balances clawed back from maintained schools in 2019-20. The forecast underspend against the contingency fund budget in 2019-20 as at Q2 is £0.462m. Initial analysis of

the impact of the change based on redundancies in schools during 2019-20 indicate that additional costs of £0.059m would be incurred against the contingency fund.

9.0 CONCLUSION

9.1 This paper updates the Schools Forum on proposed revisions to the scheme and the planned consultation with all maintained schools.

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