

 <b>Brent</b>	<b>Schools Forum</b> <b>18<sup>th</sup> June 2014</b>  <b>Report from the Strategic Director of</b> <b>Children &amp; Young People</b>
<b>For Information</b>	
<b>Updated School Policies</b>	

## 1.0 Background

- 1.1 All schools are required to maintain a balanced budget and to ensure that financial viability is maintained to ensure the education of pupils remain of paramount importance. It is therefore important to have appropriate policies in place to ensure that schools in financial difficulty take the corrective actions promptly to protect their delegated budgets.
- 1.2 In addition, as a result of school funding reforms, a number of costs could now fall to the local authority's core budget as a result of weak management in schools and therefore it is important that steps are taken to prevent this happening. Below are a number of new policies which have recently been implemented from 1<sup>st</sup> April 2014 which were communicated to schools via the Schools Extranet, in March 2014. As these policies refer to the local authority's core budget, these are not required to be approved by the Schools Forum.
- 1.3 However, there will continue to be further schools' policy updates and implementation over the coming months, and these will be brought to the Schools Forum for consultation or approval where appropriate, prior to implementation.

## 2.0 Licensed Deficit – Revised Policy

- 2.1 It is expected that the leadership of schools deliver and maintain a balanced budget. It is therefore important that there is more review and challenge for schools that are in deficit, and that the appropriate steps are taken so that schools can move back into a balanced or surplus position quickly, allowing funds to be spent more efficiently on the education of pupils.

- 2.2 The local authority still retains the ability to withdraw financial delegation for maintained schools where budgets are not being managed appropriately.
- 2.3 The revised licensed deficit policy is attached as Appendix A.
- 2.4 The key features of the revised policy include:
- A requirement to take appropriate action so that the deficit is resolved within a period of no more than 3 years. (Previously there was discretion to extend this further to 5 years).
  - A requirement to consult with the Schools Finance Team prior to advertising any new posts.
  - A requirement not to commit to any further expenditure other than that included in the recovery plan submitted without the Schools Finance Team's approval.
  - A requirement for monthly budget monitoring reports to be submitted to the Schools Finance Team which clearly indicates a year-end outturn forecast. *Schools that are not in deficit are only required to submit monitoring reports termly.*
  - A requirement for schools with large deficits to attend a monthly meeting with the local authority to discuss their financial position.
  - The Schools Finance Team will carry out validation checks and challenge of any submitted deficit recovery plan/3-year budget attached to a licenced deficit application, before this is submitted for approval.
  - A requirement to submit a Licensed Deficit Application & Agreement form annually on submission of the school's 3 year budget.
  - A requirement to submit a revised Licensed Deficit Application & Agreement form at any point in the year that significant variation from the plan is identified, and cannot be quickly rectified.
- 2.5 The local authority will apply intervention where:
- A school is persistently in breach of the scheme for financing schools.
  - A school refuses to set a balanced budget.
  - A school will not engage in the Licensed Deficit process and/or the Licensed Deficit Application is unsuccessful.
  - The deficit is worsening and no action is being taken by the school.
  - There is evidence of financial mismanagement by the school.
- Under these circumstances the school will be invited to a formal meeting with the local authority and given a month to take action. The ultimate sanction will be to suspend delegation.
- 2.6 In recent years a number of schools have not kept to their deficit recovery plans and the deficits have remained or increased, and therefore steps need to be taken to prevent this from continuing.
- 2.7 The Schools Forum is also asked to consider whether it wishes to exercise more challenge to these schools. This may include schools in deficit being required to attend Schools Forum meetings to explain their plans and the actions being taken to rectify this.

### **3.0 Redundancy Funding – New Policy**

- 3.1 It may have previously been the case that where maintained schools applied to the council for funding of redundancies, that this funding through the DSG was agreed. However, this is now a charge which applies to the local authority's core budget and therefore appropriate steps have been put in place to ensure that similar approval should be applied to those of internal Brent redundancies.
- 3.2 Whilst the Education Act 2002 Sch 37 states that redundancy costs can be met by the local authority, the Scheme for Financing Schools sets out when the local authority can refuse these costs. The Scheme for Financing Schools states that a charge of dismissal or resignation can be charged to the school's delegated budget (and therefore not funded by the local authority) where a school:
- Has decided to offer more generous terms than the authority's policy – in which case the excess will not be fundable.
  - Is otherwise acting outside the local authority's policy.
  - Is making staffing reductions which the local authority does not believe are necessary to set a balanced budget or meet the conditions of a licensed deficit.
  - Is making staff reductions due to a deficit which is caused by factors that were within the school's control.
  - Has excess surplus balances and no agreed plan to use these.
  - Has refused to engage with the local authority's redeployment policy.
- 3.3 The new policy is clear that funding will only be considered where:
- There is a genuine redundancy situation.
  - All avenues to avoid redundancy have been explored.
  - Advice has been sought from the School Improvement Service to ensure that plans being considered have been reviewed from an educational perspective and will therefore not negatively impact on the education of pupils.
  - Advice has been sought from an HR service and that the appropriate procedures have been followed.
- 3.4 Under no circumstances will Brent fund premature retirement costs or payments in lieu of notice (PILON).
- 3.5 Schools are required to:
- Fill in a Redundancy Funding Request form, in full. This includes details of reasons for the redundancy, details of the costs involved, details of the costs generated to achieve the savings, details of the savings to be achieved.
  - Submit governing body meeting minutes where budgetary concerns were noted and decisions made regarding redundancies.
  - Submit to the Schools Finance Team.

3.6 In order for this funding to be agreed, three approvals are now required. The Chief Finance Officer and the Director of HR both have responsibility for approval of all redundancies within the council and therefore both approvals are now required, taking account of advice provided by the Operational Director for Education.

3.7 The local authority will monitor staffing levels where funding has been approved to ensure that staffing levels do not increase within the following 12 months beyond those achieved by the agreed redundancies. Any apparent increase will be discussed with the school's SLT and Chair of Governors, and in the absence of a satisfactory reason, the LA will consider recovering some or all of the funding provided.

3.8 The new redundancy funding policy is attached as Appendix B.

#### **4.0 Cash Advance – New Policy**

4.1 In a situation where a school becomes a sponsored academy, where cash advances have been made to the school without a formal loan agreement, the local authority loses this money. This policy therefore is intended to ensure that these agreements are formalised (where there is a risk) and that there is a proper policy in place to deal with these.

4.2 The key highlights of this policy are that schools are required to :

- Submit a cashflow statement using the template provided to demonstrate the reasons for the request.
- Submit a copy of the school's bank statement showing clearly the opening cash balance entered on the cashflow statement.
- Submit the form as authorised by both the Head Teacher and the Chair of Governors.

4.3 In addition:

- Cash advances may be subject to an interest and admin charge – the basis for these charges will be detailed in the updated Scheme for Financing Schools to be submitted to the Schools Forum in September. Until this is approved by the Schools Forum, no interest or admin charges will be levied.
- Where cash advances cross financial years or where the amounts requested exceed £100k, this will be offered as a loan with a formal repayment plan which will incur small interest charges.
- The Head Teacher and Governing Body are responsible for these requests and are required to sign to confirm that appropriate steps are being put into place to resolve the cashflow issues.

4.4 The new cash advance policy is attached as Appendix C.

## **5.0 Recommendations and Consultation points**

5.1 The Schools Forum is requested to:

- a. Note and comment on the revised policies.
- b. Consider whether there should be increased challenge to schools in deficit by the Schools Forum.

### **Appendices**

- A. Revised Deficit Recovery Policy
- B. Funding Redundancy in Schools Policy
- C. Cash Advance Policy

### **Background Papers**

1. Treatment of surplus and deficit balances when maintained schools become academies – May 2014  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/312407/guidance\\_on\\_closing\\_balance\\_determinations.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/312407/guidance_on_closing_balance_determinations.pdf)
2. Schemes for Financing Schools – February 2014  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/284968/Schemes\\_for\\_financing\\_schools.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284968/Schemes_for_financing_schools.pdf)

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