

**Manchester City Council
Report for Resolution**

Report to: **Schools Forum**

Subject: **Consultation outcome for the changes to the Scheme for Financing Schools**

Report of: **Directorate Finance Lead – Children’s and Schools**

Summary

The Scheme for Financing Schools sets out the financial relationship between the Council and the schools it maintains. Any changes to the Scheme need to be agreed by members of the Schools Forum representing maintained schools.

The Scheme sets out the principles underlying the funding of schools, and the basis for the financial relationship between maintained schools in Manchester and the Council. The proposed revisions reflect statutory changes and changes to the Department for Education (DfE) guidance on schemes for financing schools effective from April 2019. The revisions also include changes to ensure the Scheme reflects current practices and desired ways of working.

On the 18th March 2019, a report was provided to the Schools Forum which detailed both directed and proposed changes to the Scheme for Financing Schools following an officer’s review of the current Scheme compared to the model Scheme provided by the DfE.

A consultation was launched following the report to the Schools Forum, the deadline for responses was the 9th May 2019. This report is an update on the Item Number 5 report previously sent out, and now includes all 73 responses received by the Council by close of the deadline.

Schools Forum (maintained school members only) have the power to approve the changes to the Scheme for Financing Schools, directed revisions by the DfE have to be adopted by Council and schools.

Recommendations

Schools Forum (maintained school members only) have the power to approve the changes to the Scheme for Financing Schools, directed revisions by the DfE have to be adopted by Council and schools.

Q1. Require schools to submit multi-year budget plans and underlying assumptions on which financial plans were based.

Scheme Ref: 2.3

Q2. Further detail and clarification required in schools’ register of business interests.

Scheme Ref: 2.9

Q3. Application of contracts to schools outlining that governing bodies are empowered to enter into contracts, but in most cases do so on behalf of the Local Authority.

Scheme Ref: 2.10.1

Q4. Budget share payments should be made in 12 equal instalments throughout the year.

Scheme Ref: 3.2

Q5. Update to clarify Salix Loans are now permissible.

Scheme Ref: 3.6

Q6. The Council to clawback balances above the allowable threshold that have been held for more than 2 years.

Scheme Ref: 4.2

Q7. Cash advances and not loans will be used as a means of ensuring a school has sufficient funds. 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.

Scheme Ref: 4.9 – this is a DfE directed revision.

Q8. Schools will have a month to consider the terms of Service Level Agreements (SLAs). SLAs starting on or after the inception of the scheme will be reviewed at least every three years.

Scheme Ref: 8.3

Q9. The costs of individual school staff attending child protection case conferences and other related activity will be met from the school's individual budget.

Scheme Ref: 11.10

Q10. Responsibility of repairs and maintenance lies with schools via use of delegated budget shares. Capital expenditure is to be retained by authorities.

Scheme Ref: 13.1

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. INTRODUCTION

- 1.1 Following the report to the Schools Forum on 19th March 2019 detailing both directed and proposed changes to the Scheme for Financing Schools, a consultation was launched. This concluded on 9th May 2019, and the results of the consultation have been collated in this report for consideration by the Schools Forum.
- 1.2 This report is an update to the Item Number 5 report sent out ahead of the Schools Forum, and now includes all 73 responses received by the Council by close of the deadline.

2. CONSULTATION RESPONSES

- 2.1 73 schools formally responded to the consultation by 9th May. The list below outlines the questions asked during the consultation and the answers provided.

Q1. Require schools to submit multi-year budget plans and underlying assumptions on which financial plans were based. **Scheme Ref: 2.3**

- A1. Responses: 57
In favour: 43
Opposed: 8
Query: 6

From the schools in favour, there were requests for flexible submission dates, and a request for the Council to assist schools with their submissions by providing a set of consistent assumptions on funding formula and grants estimates, as well as inflation factors, for multi-year periods.

It was mentioned that while this proposal would be a useful tool for forward planning in budget preparations, the submitted forecasts – especially where there are deficits – should be taken into account when calculating clawbacks on excessive balances, as per proposal 4.2.

Of the schools in opposition, a few expressed concerns that it would be difficult to submit multi-year budget plans as “schools cannot necessarily make assumptions about several years”, often due to unknown external factors, while others stated multi-year plans could only be submitted for on-going costs such as staffing. Increased strain on school time and resources was also cited as a reason for disagreement.

Clarification was requested on what “multi-year” means (2, 3, or 5 years); when the budget plan submissions would be required and what they should include; and how these submissions would benefit schools.

Q2. Further detail and clarification required in schools' register of business interests. Scheme Ref: 2.9

A2. Responses: 51
In favour: 51
Opposed: 0
Query: 0

Unanimous agreement that this would provide better transparency and demonstrate good practice.

Q3. Application of contracts to schools outlining that governing bodies are empowered to enter into contracts, but in most cases do so on behalf of the Council. Scheme Ref: 2.10.1

A3. Responses: 49
In favour: 42
Opposed: 1
Query: 6

Clarification was requested on the Local Authority's powers as counter-signatory, whether this includes decision-making powers, and at which point of the process the Local Authority would need to be consulted. The impact on specifically VA and VC schools was also queried.

It was requested that the monetary 'value' of a contract warranting consultation be stipulated.

Q4. Budget share payments should be made in 12 equal instalments throughout the year. Scheme Ref: 3.2

A4. Responses: 51
In favour: 27
Opposed: 19
Query: 5

Schools in favour find this will make monitoring cash flows easier. Schools in opposition are mainly concerned about the sustainability of financing SLAs beginning at the start of the financial year without the April uplift.

One school opposing the proposal recommended the uplift be expanded to include May.

Q5. Update to clarify Salix Loans are now permissible. Scheme Ref: 3.6

A5. Responses: 51
In favour: 46
Opposed: 1
Query: 4

Schools requested guidance on Salix loans; what they are and what they can be used for.

Q6. The Council to clawback balances above the allowable threshold that have been held for more than 2 years. Scheme Ref: 4.2

A6. Responses: 66
In favour: 10
Opposed: 50
Query: 6

Schools in favour stated two years was a sufficient time for schools to commit balances where required. One of the schools voted in favour of the new mechanism **provided** schools are allowed to build reserves for more than 2 years if planning a large project.

Schools in opposition of the excessive balances clawback cited the following reasons:

- Places ongoing projects spanning multiple financial periods at risk of being unable to meet financial commitments to suppliers.
- Clawback should only be administered if excess balances cannot be explained or accounted for.
- Concerns that VA schools should not be penalised for holding independent capital balances by basing the allowable threshold calculation on revenue AND capital balances.
- Schools would be forced to “make cuts”, especially where surplus balances are being used to employ additional staff or to fund “ghost pupils”. A contrary opinion was that schools would become less prudent in spending decisions, if at risk of clawbacks.
- Schools would lose contingency balances and/or be unable to fund essential capital / maintenance works, especially those that have been committed, but remain in-progress.
- Schools should have the right to spend surplus balances to fund increasing revenue costs.
- The clawback mechanism does not take into account grants such as Pupil Premium and the PE & Sports grant, which are spent over the academic year. It was proposed such grants be excluded from the calculation.
- Income generated by the school itself should be excluded from the calculation.
- Funding received near the end of the previous financial year (e.g. DFC) should be excluded from the clawback calculation.
- Contradicts the proposal to submit multi-year budgets.

Feedback from responding schools included:

- A de-minimis threshold to be applied to the clawback. This would avoid penalising small schools with minor surplus balances.

- The clawback mechanism to come into place in 2019/20, as applying it to 2018/19 balances would mean “backdating” the change, and would cause strain on pre-set 2019/20 budgets.
- Instead of clawing back, “encourage schools to spend” the money.
- Review of the allowable thresholds levels (currently 5% and 8%).
- The Scheme should outline explicit details of the clawback criteria, including what balances are used for the calculation, and how and when the clawback will be administered.
- Clarification on how the clawed-back balances would be utilised by the Local Authority, and if these would be redistributed to schools.
- The clawback should be considered on a case-by-case basis.
- It was suggested that Federation schools be viewed as one organisation.
- It was suggested that Maintained Nursery Schools be exempt from a clawback in 2018/19 in light of uncertain early years block funding in future years.

Q7. Cash advances and not loans will be used as a means of ensuring a school has sufficient funds. 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.

Scheme Ref: 4.9

A7. Responses: 50
 In favour: 38
 Opposed: 6
 Query: 6

One school expressed concerns that if proposals 3.2 and 4.2 were to be implemented, more schools would require loans. Another school cited this should be considered on a case-by-case basis.

Further clarification was sought on the repayment terms and accounting treatment of cash advances.

Q8. Schools will have a month to consider the terms of Service Level Agreements (SLAs). SLAs starting on or after the inception of the scheme will be reviewed at least every three years.

Scheme Ref: 8.3

A8. Responses: 52
 In favour: 37
 Opposed: 6
 Query: 9

It was suggested that the Council distribute a list of approved service providers

to assist schools in completing “best value” exercises.

Clarification was sought as to whether this proposal would apply to Council purchases e.g. risk insurance and school meals.

One school requested consideration of SLA costs being split evenly across the year to assist cash flows. It was also requested that costing details be shared with schools in advance of budget meetings with governors.

Q9. The costs of individual school staff attending child protection case conferences and other related activity will be met from the school’s individual budget. Scheme Ref: 11.10

Schools Forum is asked to note a correction: this proposal refers to 11.10 of the scheme, not 11.1.

A9. Responses: 52
In favour: 30
Opposed: 11
Query: 11

Several schools in favour stated this was already the assigned protocol at their school.

One of the schools in opposition stated this funding should be met from the child’s Council as otherwise schools with several vulnerable pupils could be at risk. Concerns were also expressed that this will burden schools in challenging areas where child protection conferences are attended more frequently.

Clarification was sought on the definition of “other related activity”.

Q10. Responsibility of repairs and maintenance lies with schools via use of delegated budget shares. Capital expenditure is to be retained by Councils. Scheme Ref: 13.1

Schools Forum is asked to note this has not changed from the previous Scheme. This part of the scheme clarifies the current position in line with DfE guidance. Devolved Formula Capital remains under individual schools’ control.

A10. Responses: 49
In favour: 25
Opposed: 9
Query: 15

Schools stated that repairs and maintenance monies for historic buildings and/or emergency works can often not be met from the budget share, and schools should be able to seek additional funding for such works.

Clarification was sought regarding what “capital” entails.

3. CONCLUSION AND RECOMMENDATIONS

3.1 Schools Forum (maintained school members only) have the power to approve the changes to the Scheme for Financing Schools, directed revisions by the DfE have to be adopted by Council and schools.

3.2 Maintained Schools Forum members are asked to comment and decide if they approve the revisions to the scheme, namely:

Q1. Require schools to submit multi-year budget plans and underlying assumptions on which financial plans were based.

Scheme Ref: 2.3

Q2. Further detail and clarification required in schools' register of business interests.

Scheme Ref: 2.9

Q3. Application of contracts to schools outlining that governing bodies are empowered to enter into contracts, but in most cases do so on behalf of the Local Authority.

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