

MEETING:	SCHOOLS FORUM
DATE:	2 MARCH 2011
TITLE OF REPORT:	SCHOOL FUNDING SCHEME CHANGES
REPORT BY:	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools

Purpose

To approve the Department for Education (DfE) directed changes to the Herefordshire Scheme for Financing Schools effective from 1st April 2011.

Key Decision

This is not a Key Decision.

Recommendation

THAT School Forum

- a) **approves the Department for Education directed changes to the Herefordshire Scheme for Financing Schools effective from 1st April 2011; and**
- b) **notes the DfE statutory guidance on the funding of school redundancy costs**

Key Points Summary

- The DfE has directed local authorities to make amendments to the local scheme for financing schools which include major changes and some minor amendments as follows;
 - the removal of the Financial Management Standard in Schools (FMSIS)
 - the removal of the balance clawback scheme with effect from 1st April 2011 for the financial year 2011/12.
 - provides clear guidance on the responsibility for meeting school redundancy costs

Alternative Options

- 1 There are no alternative options for consideration.

Further information on the subject of this report is available from
Malcolm Green, Schools Finance Manager on (01432) 260818

Reasons for Recommendations

- 2 The Department for Education (DfE) has issued a summary of finance scheme changes which are effective from April 2011. In making changes to their finance scheme, local authorities must consult all schools (head teachers and governing body) in their area and receive the approval of their school forum.

Introduction and Background

- 3 The DfE summary of changes is attached as an appendix. The majority are minor amendments, additions or deletions, however the most important are:
 - 2.15 the removal of the Financial Management Standard in Schools (FMSiS). The DfE will consult on a replacement in 2011
 - 4.2 it will no longer be a requirement from April 2011 for a balance control (clawback) mechanism. Any mechanism should be focused on only those schools with significant excessive uncommitted **balances**
 - 11 the inclusion of guidance in a new Annex relating to how costs of redundancies and early retirements should be funded. This annex is copied in full for information. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Dedicated Schools Grant or the local authority
4. Schools have been consulted on the proposed changes to the funding scheme through Schools On-line (4th February) and comments have been requested by 1st March. As at the 16th February no comments or queries have been received from schools. Forum members will be updated at the meeting if any comments are received between 16th February and 1st March.
4. The DfE guidance note (attached and titled Annex B) on redundancy costs summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget.
5. Section 37 of the 2002 Education Act says:
 - (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
 - (5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.
 - (6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy

shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

6. The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.
7. Charge of dismissal/resignation costs to delegated school budget
 - If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
 - If a school is otherwise acting outside the local authority's policy
 - Where 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
 - Where staffing reductions arise from a deficit caused by factors within the school's control
 - Where the school has excess surplus balances and no agreed plan to use these
 - Where a school has refused to engage with the local authority's redeployment policy
8. Herefordshire Council will be adhering to the statutory position as set out by the DfE in the guidance attached as "Annex B" and in particular the circumstances listed above where redundancy costs can be charged to a schools delegated budget.

Key Considerations

- 9 None identified.

Community Impact

- 10 None.

Financial Implications

- 11 None specifically identified.

Legal Implications

12. The Council has a duty to comply with DfE directions and have regard to DfE guidance.

Risk Management

- 13 Without achieving economies in supplies and services and premises expenditure, reductions in staffing will be necessary to ensure balanced school budgets.

Appendices

Appendix A – DfE summary of changes

Appendix B – DfE Guidance note on redundancy costs.

Background Papers

15 None.