

# SCHOOLS FORUM

Wednesday, 14th September,  
2016  
at 3.30 pm

**PLEASE NOTE TIME OF MEETING**

**THE TESTHUB - COMPASS  
SCHOOL, GREEN LANE,  
SOUTHAMPTON,  
SO16 9FQ**

This meeting is open to the public

**LEAD OFFICER**

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Principal Accountant

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## AGENDA

### **1 ELECTION OF CHAIR AND VICE-CHAIR**

To elect a Chair and Vice-Chair to the Schools Forum for the 2016-2017 Academic Year.

### **2 APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

### **3 MINUTES OF PREVIOUS MEETING** (Pages 1 - 4)

To approve the Minutes of the meeting held on 22 June 2016 and to deal with any matters arising, attached.

### **4 DECLARATIONS OF INTEREST**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

### **5 REGISTER OF INTERESTS** (Pages 5 - 10)

Members to complete a Register of Interests form as per paragraph 47 of the Terms of Reference, attached.

### **6 REVIEW OF TERMS OF REFERENCE, INCLUDING MEMBERSHIP OF THE FORUM** (Pages 11 - 30)

To review the Terms of Reference including the composition and membership of the Forum as per paragraph 16 of the Terms of Reference, attached.

### **7 EDUCATION AND EARLY YEAR CAPITAL PROGRAMME**

Verbal update from the Property Business and Account Manager, Capital Assets Team regarding the education and early years capital programme.

### **8 PROPOSALS FOR CHANGES IN SURPLUS AND DEFICIT POLICIES IN SCC SCHEME FOR FINANCING SCHOOLS** (Pages 31 - 42)

Briefing paper of the Principal Accountant – Education and Early Help detailing proposed changes to surplus and deficits policies, attached.

### **9 UPDATE ON NEW NATIONAL FUNDING FORMULA FOR SCHOOLS** (Pages 43 - 46)

Briefing paper of the Principal Accountant – Education & Early Help regarding update on school funding formula, attached.

# Agenda Item 3

**SCHOOLS FORUM  
NOTES OF THE MEETING HELD ON  
WEDNESDAY 22 JUNE 2016  
The Testhub, Compass School,  
Green Lane, Southampton SO16 9FQ**

Present:

<u>Primary School Representatives</u>	
Richard Harris (Chair)	Moorlands Primary Governor
Amanda Talbot-Jones	St Denys Primary School
<u>Secondary School Representatives</u>	
Jonty Archibald	Regents Park Community College
Toni Sambrook	Woodlands Community College
Martin Brown	The Sholing Technology College
Susanne Ottens	Fairisle Infant School
<u>Special Schools Representatives</u>	
Colin Grant	Cedar School
Andy Evans	Great Oaks School
Anne Hendon-John	Polygon School
<u>Academy Representatives</u>	
David Turner (Vice Chair)	Townhill Infant School
Sean Preston	Hamwic Trust
<u>Pupil Referral Unit Representative</u>	
Alison Parsons	PRU/Compass
<u>Non Schools Representative</u>	
Chris Ode	NASUWT
Anna Wright	PVI Provider
Councillor Paffey	Councillor SCC
<u>Observers</u>	
Sue Thompson	Early Years/Sure Start
Andy Peterson	Bitterne CE Primary School
Harry Kutty	Cantell School
<u>Also in attendance:</u>	
Pat Wood	Clerk
Jo Cassey	Principal Officer for Early Years and Education
Irfan Khan	SCC Principal Accountant
Sevil Rush	SCC Finance Manager
Kevin Verdon	School-Based Planning Officer

## **1. APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

The forum noted the apologies of John Draper, Peter Howard, Susan Brakewell and Anne Murphy.

- The Chair welcomed Colin Grant (Governor Special School).
- The Chair explained that his own status had changed to Primary Representative as he was no longer a Governor at Cantell School.
- Susan Brakewell was unable to attend the meeting but had volunteered as a Primary School representative in her capacity as a Governor at Bitterne Manor Primary School.

These changes to the Membership were endorsed by the meeting.

## **2. NOTES OF PREVIOUS MEETING AND MATTERS ARISING**

The Minutes of the Meetings held on 27 April 2016 were approved as a correct record with the following amendment under Attendees:  
Andy Evans representing Great Oaks **Secondary** School.

## **3. SCHOOLS BALANCES**

The Forum received and noted the report of the Principal Accountant detailing revenue, capital and community balances held by schools at the end of the financial year 2015/16.

Irfan Khan explained that revenue balances had been significantly reduced since the previous year which was causing anxiety for schools and that 10 schools had deficits, 5 of which had been approved. He stated that 20 schools now wished to set a forecast deficit budget for 2016/17.

The number of excess balances within schools had reduced to 22 schools compared with 30 in the previous year. Schools Forum agreed that there would be continued support and investigations by School Finance at any school where balances appeared to be very high, based on an assessment of current figures, changes, local knowledge and resource availability, rather than setting rigid thresholds.

## **4. DEFICITS AND FUTURE POLICY**

The Finance Manager sought the opinion of the Forum regarding whether deficit budgets should be allowed to be set. She pointed out that in light of the Academisation agenda and as a result of continued reduction in school balances, there were significant risks for schools and SCC to continue with current deficit/surplus policies.

Irfan Khan added that a number of other Local Authorities had already reviewed their policies and some were offering a loan in exceptional circumstances. However, this was not a certainty and any schools forecasting deficits were required to produce robust Financial Recovery

Plans (FRP) in consultation with the school improvement and finance teams. There was consensus in the meeting that schools were in difficult times nationally.

In principle the Forum were sympathetic and understanding of this matter and agreed that setting deficit budgets should not be allowed. The Finance Manager stated that at this stage of the financial year 2016/17, any schools forecasting deficit budgets would now be asked to set budgets within their available cash limits.

The Schools Forum agreed that the current deficit policy (which had allowed schools to set deficit budgets and address surplus balances held in schools accounts over and above allocated limits) needed to change and a paper should be brought to the next Schools Forum meeting with proposed changes to these policies.

It was also agreed that the Principal Accountant would send further guidance to all schools about deficits and Financial Recovery Plans.

#### **5. UPDATE ON SECONDARY SCHOOL EXPANSION**

The Forum heard an update from the School Based Planning Officer regarding future capacity within Secondary Schools. He stated that there was a peak in Reception Class numbers in September 2015 and that this, in turn, would mean that extra capacity was required in Secondary Schools by 2022. Currently not all Secondary Schools were operating to full capacity and £10m would be invested to improve their infrastructure and facilities to take them up to capacity. Published Admission Numbers would be renegotiated in 2018. When the Local Authority could prove to the DfE that it was nearly full then it would be possible to apply for further funding. The Forum also acknowledged the need to spend money on SEN needs in future.

#### **6. UPDATE ON SCHOOLS IN FINANCIAL DIFFICULTY FUND**

The Forum received a tabled paper from the Principal Accountant regarding an analysis of support for schools in the financial difficulties fund. He stated that there would be £248,762 available for 2016/17 although there was a limit of up to a maximum £20,000 for any one school in line with the criteria agreed with the Schools Forum previously. He reported that as part of the new Schools National Funding Formula (NFF) consultation, the DfE were currently reviewing the whole situation with any de-delegated funds and further clarity was expected in stage 2 of the NFF consultation.

The Forum agreed that Growth Funds should be released immediately for primary schools, rather than wait until September. The Schools Forum also agreed that schools finance and schools planning team would be reviewing the position in September and any schools that have not grown as planned, may be asked for a clawback of part or full 2016/17 growth fund allocation.

7. **DATES OF FUTURE MEETINGS**

Dates of future meetings were agreed as follows:

- 14/09/2016
- 19/10/2016
- 11/01/2017 / 18/01/2017
- 8/03/2017
- 28/06/2017
- 13/09/2017

## SOUTHAMPTON CITY COUNCIL

### REGISTER OF MEMBERS INTERESTS – PLEASE COMPLETE AND RETURN TO MEMBER SERVICES WITHIN 14 DAYS

**Register of disclosures made in accordance with the Localism Act 2011, The  
Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 and  
the Constitution of Southampton City Council**

I.....[full name], as a Member or co-opted member of Southampton City Council, give notice that I have set out my interests in Appendix 1 and 2 below, and have put 'NONE' where I have no such interest in any area.

SIGNATURE: .....

DATE: .....

*Appendix 1* of this form contains Disclosable Pecuniary Interests as prescribed by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. It is a criminal offence, without reasonable excuse, to:-

- (i) fail to register a Disclosable Pecuniary Interest that you are aware of within 28 days of your election or re-election;
- (ii) take part in any debate or vote at any meeting where you have a registered or unregistered Disclosable Pecuniary Interest:
- (iii) to fail to declare at a meeting and / or take part in a debate or vote if you are aware that you have a Disclosable Pecuniary Interest that is not yet registered or notified to the Monitoring Officer:
- (iv) fail to register a Disclosable Pecuniary Interest within 28 days of declaring an unregistered Disclosable Pecuniary Interest at a meeting:
- (v) provide false or misleading information in relation to your registration or to be reckless as to its accuracy:
- (vi) take any steps or further action on a matter in which you have a Disclosable Pecuniary Interest other than referring it elsewhere.

Upon conviction a Member or Co-optee may be fined up to a maximum of £5,000 per offence.

*Appendix 2* of this form contains 'Other Interests' required to be disclosed in accordance with the Code of Conduct for Members as set out in the Constitution of Southampton City Council. It is a breach of the Code of Conduct to fail to disclose any interest that you know or ought to know that you have as soon as such an interest arises.

Forms should be completed and returned to: The Monitoring Officer, C/O Democratic Services, Civic Centre, Southampton, SO14 7LY

Please retain one copy of this form for your own records.

**APPENDIX 1**

**DISCLOSABLE PECUNIARY INTERESTS**

Please complete ALL parts of this form. If you do not have an interest under a particular section, please put 'None'. All of your interests must be disclosed, including those of your Spouse or Partner (as defined below).

DISCLOSABLE PECUNIARY INTEREST	YOU	YOUR SPOUSE OR PARTNER (Your spouse, partner, a person you are living with as husband or wife, or a person with whom you are living as if they were a civil partner)
Any employment, office, trade, profession or vocation carried on for profit or gain.		
Sponsorship: Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.		



<p>Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.</p>		
<p>Any beneficial interest in land which is within the area of Southampton.</p>		
<p>Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.</p>		
<p>Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interest.</p>		
<p>Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:</p> <p>a) the total nominal value of the securities exceeds £25,000 or one</p>		

<p>hundredth of the total issued share capital of that body, or</p> <p>b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.</p>		
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'Beneficial Interest' in relation to land means land or property that you own, or have a right to occupy (e.g. a tenancy) or receive an income from. This may include your home.

'Securities' means shares, debentures, debenture stock, loan stock, bonds, units of collective investment scheme within the meaning of the Finance Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**APPENDIX 2**

**OTHER INTERESTS**

Please complete ALL parts of this form. If you do not have an interest under a particular section, please put 'None'. All of your interests must be disclosed, including those of your Spouse or Partner (as defined below).

Please provide details of your membership of, or your occupation of a position of general control or management in:

Any body to which you have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature  
(E.G. Primary Care Trust, Police Authority, Other Councils)

Any body directed to charitable purposes  
(E.G Any charitable trusts such as a Freemason Lodge, Trust or Academy School, Other charitable organisation).

Any body whose principal purpose includes the influence of public opinion or policy  
  
(includes any political party or trade union, single interest action groups, National Trust, Friends of the Earth etc.)

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**SOUTHAMPTON  
SCHOOLS FORUM  
CONSTITUTION  
2015/2016**

**INDEX  
THE SOUTHAMPTON SCHOOLS FORUM**

**CONSTITUTION  
(INCLUDING TERMS OF REFERENCE 2014/2015)**

	<b>ITEM NO</b>
<b>ESTABLISHMENT</b>	1-3
<b>TERMS OF REFERENCE Including Aims And Objectives And Statutory Responsibilities Of The Forum</b>	4-7
Decision Making Powers of the Forum	8-9
Minimum Funding Guarantee (MFG)	10
Revisions to the Scheme for Financing Schools	11-12
<b>MEMBERSHIP OF THE FORUM</b>	
Membership (General)	13-18
Schools Members – Nomination and Appointment	19-21
Non-Schools Members - Appointment	22-23
Role and Attendance of Observers	24-28
Role and Attendance of Advisors	29-30
<b>MEETINGS AND PROCEEDINGS OF THE FORUM</b>	
General	31-37
Agenda Planning/Despatch of Papers	38-43
Quorum	44
Election of Chair and Vice-Chair	45-46
Declaration of Interests	47-50
Voting	51-53
Amending Recommendations in reports	54-56
Urgent Business Items	57-61
Confidential Business of the Forum	62-63
Public Attendance at Meetings of the Forum	64-65
Clerk to the Forum	66
<b>EXPENSES</b>	67-68
<b>FREEDOM OF INFORMATION</b>	69-71
<b>OVERVIEW AND SCRUTINY</b>	72
<b>COMPLAINTS/DISPUTES</b>	73-79
<b>APPENDIX 1</b>	
<b>APPENDIX 2</b>	

# THE SOUTHAMPTON SCHOOLS FORUM

## CONSTITUTION (INCLUDING TERMS OF REFERENCE) 2015/2016

### ESTABLISHMENT

1. The Schools Forum is established by Southampton City Council pursuant to the Education Act 2002 as amended together with relevant secondary legislation (Regulations) as applicable. (legislation / relationship to Local Authority (LA) etc)
2. The Schools Forum is independent of Southampton City Council and shall be consulted by the City Council on any issues falling within its terms of reference or as otherwise required by law.
3. The Schools Forum and Southampton City Council will work together as strategic partners to co-operate on matters falling within the Forum's terms of reference and will, wherever possible, try to achieve consensus between the Forum, key partners providing education at a local level and the Council. Where it is not possible to achieve consensus locally on issues related to Central Expenditure Levels, Minimum Funding Guarantee or other matters where a statutory right of reference exists, the Council reserves the right to apply to the Secretary of State for determination of such matters.

### TERMS OF REFERENCE

#### Aims and Objectives of the Forum

4. The aim of the Forum is to take decisions on matters where they have been given specific statutory responsibility and to provide advice to the Council on the formulation of key aspects of strategy and budget whilst having regard to wider educational issues.
5. The core objectives of the Forum are to provide independent consultation and detailed scrutiny on:-
  - Changes to the funding formula and the initial determination of the schools budget;
  - Invitations to tender for supplies and services at least one month before such invitations are issued;
  - Spending on specific issues as outlined in paragraph 6 below.
6. In addition to the core aims and objectives of the Forum, the Forum is to be consulted on any proposed change to the school funding formula, about the financial effect of such a change and, annually, about the following matters related to the schools budget:-

- Amendments to the school funding formula, for which the voting is restricted by the exclusion of non-schools members except Private, Voluntary and Independent sector (PVI) representatives.
  - Arrangements for the education of pupils with special educational needs;
  - Arrangements for the use of Pupil Referral Units and the education of children otherwise than at school;
  - Arrangements for early years provision;
  - Administrative arrangements for the allocation of central government grants paid to schools via the authority.
7. Any other matter relating to the funding of schools or the Children's Services budget or capital expenditure that the Council considers it appropriate to consult the Forum on.

### **Statutory Responsibilities of the Forum**

#### Decision Making Powers of the Forum:-

8. The Schools Forum have decision making powers, the overarching areas on which to make decisions on local authority proposals are:-
- De-delegation from mainstream school budgets (approval will be required by the relevant phase members of Schools Forum), for prescribed services to be provided centrally. Academies and Non-School members may not vote on de-delegation.  
Only PVI representatives of Non-School members may vote on the consultation of the funding formula
  - To create a fund for significant pupil growth in order to support the local authority's duty for place planning and agree the criteria for maintained schools and Academies to access this fund.
  - Funding for prescribed historic commitments where the effect of delegating this funding would be destabilising.
  - Funding for local authority in order to meet prescribed statutory duties placed upon it. Approval is required to confirm the amounts for each duty and no new commitments or increases in expenditure from 2014/15 are permitted.
  - Funding for central early years expenditure, which will include funding for checking eligibility of pupils for an early years place and/or free school meals.
  - Authorising a reduction in the schools budget in order to fund a deficit arising in central expenditure that is to be carried forward from a previous funding period.
9. In each of these cases, the local authority can appeal to the DfE if the Schools Forum rejects its proposal.



Minimum Funding Guarantee (MFG) :-

10. From 2013-14, local authorities will need to discuss any proposals to vary the MFG with the Schools Forum but they will need to be approved by the Secretary of State.

Revisions to the Scheme for Financing Schools :-

11. The Forum may approve / refuse the Local Authority proposals or approve proposals subject to modifications. Where the Forum approves any revisions to the scheme, they can specify the date upon which any revised scheme is to come into force. If any proposals are refused or the modifications are unacceptable to the Local Authority, the Authority may apply to the Secretary of State for approval of the proposals.
12. The powers and responsibilities of the Forum and Local Authority are detailed in Appendix 2.

## **MEMBERSHIP OF THE FORUM**

Membership (General):

13. The total membership and composition of the Schools Forum is determined by the Council in accordance with The Schools Forum (England) Regulations 2010 and based on the proportion of pupils in relevant phases of education in maintained primary schools, secondary schools and academies. The Council will also have regard to the categories of maintained schools represented and include representation on behalf of nurseries, special schools and PRU's.
14. No maximum number of members is stipulated however the Council will avoid approving membership of over 30 for operational reasons. Forums must have 'schools members' and 'non schools members'. 'Non schools members' can number no more than one third of the total membership of the forum. Details of the current composition of the Forum are set out in Appendix 1.
15. Among the members representing maintained schools, at least one must be a representative of governing bodies and at least one must be a representative of Head teachers.
16. The Council will review the composition and membership of the Forum in September of each year, and may terminate the membership of any member of the Forum by giving one month's notice in writing.
17. Members are appointed to the Forum for a period of one year

(commencing in September and ending the following September). Members may be re-appointed to the Forum each subsequent year without limitation on the number of years that a member may be appointed. In addition to the term of office of a member coming to an end annually, a member ceases to be a member of the Forum if he or she resigns from the Forum or no longer occupies / is a member of the office or body which he or she was nominated to represent or if a school member converts to an academy.

18. Members shall formally appoint one named substitute member from the same group as the member (or in the case of primary head teachers – 4 and secondary head teachers 2 named substitute members) who may attend on their behalf if they are unable to do so. Substitutes must be named and recorded at the meeting of the Forum annually in September. In the event a substitute is not named at the September meeting, a substitute may subsequently be nominated to the Clerk to the Forum in writing to the address given for the service of Notices as set out in this Constitution. Failure to nominate a substitute or notify the Council of a nominated substitute in accordance with these provisions shall result in the nomination being null and void. No substitute member may participate in a meeting of the Forum unless the requirements of this paragraph have been met. Substitutes who have been properly named and appointed will have the same rights and responsibilities (including voting rights) as their principal, on whose behalf they are participating in the Forum.

‘Schools Members’ – Nomination and Appointment:

19. Members of the Forum are responsible for the method by which they elect and nominate their representatives, and each representative group within the Forum will be responsible for the method by which they elect their representatives. Nominations must be submitted to the Clerk to the Forum annually by September either at the September meeting or in writing to the address for the service of Notices as set out in this Constitution.
20. Academy members must be elected to the Schools Forum by the proprietor bodies of the Academies in the authority’s area and are best placed to determine the process. Academy members are there to represent the proprietor bodies of Academies and are, therefore, not restricted to principals, senior staff or governors. For the avoidance of doubt, Free Schools, University Technical Colleges and Studio Schools count as Academies. There is no distinction between sponsored, non-recoupment and converter academies and no requirement for separate primary and secondary academy representation. Nominations must be submitted to the Clerk to the Forum annually by September either at the September meeting or in writing to the address for the service of Notices as set out in this Constitution.

21. It is the Member's responsibility to inform the Clerk to the Forum of any changes to membership and named substitutes.

'Non – Schools Members' - Appointment:

22. Non-Schools members must include representation from Post 16 and from private, voluntary and independent (PVI) providers of the free entitlement to Early Years education.
23. The Council will seek nominations for non schools members from the relevant bodies identified in Appendix 1 annually. On receipt of any nomination for appointment, the Council shall either make that appointment pursuant to the nomination or give reasons for rejecting any nomination and seek an alternate nomination accordingly. In the event of receiving more than one nomination to a position, the Council shall seek to reach agreement with the nominees and their representative organisations as to whom should be appointed. In the event that agreement cannot be reached, the decision as to who to appoint shall fall to the Head of Legal, HR and Democratic Services (or his nominee) having consulted with the People Director and the Director of Corporate Services respectively.

Role & Attendance of Observers:

24. The Education Funding Agency (EFA) has observer status at School Forum Meetings to support the local process and to provide a national perspective if there are any concerns.
25. The rights and attendance of observers to the Forum are separate and in addition to the rights of any member of the public to attend meetings of the Forum as provided for in this Constitution.
26. Observers are interested individuals who can attend Forum meetings. Regular observers invited to Forum meetings comprise of one representative from the Diocesan Education Authority (that does not have membership), non teacher trade union representative and Early Years and Childcare Development Partnership.
27. The Director of People and the Cabinet Member for Education and Children's Social Care (or their equivalents should the nomenclature of Cabinet Portfolios change) shall have a standing invitation to attend and speak at all Forum and sub-committee / working group meetings but are not members of the Forum and cannot vote.
28. Elected members who hold an executive role in the Local Authority and officers employed by the Local Authority / People Directorate who have a role in the strategic resource management of the Council are barred from holding membership of the Forum. They may however attend the Forum as observers and, at the discretion of the Chair, they may address the meeting.

## Role & Attendance of Advisors:

29. The professional advisor to the Forum will be the People Director and their representative who will be entitled to attend and speak at all meetings of the Forum and any sub-committee or working group that it convenes. In addition to the primary professional advisor, the following professional advisors will also provide advice and support to the Forum:-

- The Principal Officer for Early Years and Education
- People's Directorate Finance Manager
- The Principal Accountant for Early Years and Education

The professional advisors to the Forum will provide advice to the Forum on professional issues, including reports before them, matters of procedure in relation to the approval of reports and advice and guidance on changes to Government guidance or policy. Advisors are not members of the Forum and have no voting rights.

30. In addition to the professional advisor(s) to the Forum, the Council's Monitoring Officer (the Head of Legal, and Democratic Services or his/ her representative and the Director of Corporate Services or his/her representative shall be entitled to attend and speak at any meeting of the Forum as advisors to the Forum on matters falling within their respective remits. Neither the Head of Legal and Democratic Services or the Director of Corporate Services are members of the Forum and have no voting rights.

## **MEETINGS AND PROCEEDINGS OF THE FORUM:-**

### General:-

31. The Forum will operate a timetable that mirrors the Academic year of the Council and hold meetings (including extraordinary and urgent business meetings) at a time of day and at an appropriate location to allow full participation by members.
32. All meetings are public and all papers, agendas and minutes are publically available on our website. Meetings will be held at suitable venues in the City as may be considered appropriate in the circumstances. The decisions as to where to hold meetings shall ultimately lie with the Council following consultation with the Chair of the Forum.
33. The Forum shall meet at least once per term, no less than 4 times per year.
34. The Council, following consultation with the Forum, shall review the Constitution of the Forum on an annual basis at the first meeting of each academic year. Minor and administrative changes shall be determined by Principal Officer for Early Years and Education, following consultation with the Cabinet Member for Education and Children's Social Care, in accordance with powers delegated to him

by the Council. Major changes (which for the purpose of this section shall include changes to the composition and membership of the Forum) shall be determined by way of the Principal Officer for Early Years and Education's delegated power 4.4.10 following consultation with the Cabinet Member for Education and Children's Social Care in accordance with powers delegated to him/her by the Council.

35. The Forum may establish and set terms of reference for sub-committees and working groups as required, subject to first obtaining the advice of the professional advisor to the Forum as to the necessity for such arrangements.
36. An extraordinary meeting of the Forum may be held if at least one third of the Members of the Forum request such a meeting or at the request of the Council. Any request for an extraordinary meeting of the Forum should be submitted to the Clerk to the Forum in writing, listing the members requesting the meeting (if called by members) and any such meeting shall, unless impracticable, be held within 15 working days of any such request being received. If impractical to hold a meeting within 15 working days, the meeting shall be convened as soon as reasonable practicable thereafter.
37. Members who fail to attend three consecutive meetings without a satisfactory explanation will have their membership reviewed by the Forum.

#### Agenda Planning / Despatch of Papers:-

38. The responsibility for setting the agenda for the Forum lies with the Council. The Council shall ensure that all matters falling within the remit of the Forum are placed on an appropriate agenda for consideration by the Forum in a timely manner.  
  
In this regard meetings need to be scheduled at appropriate points in order to enable the Schools Forum to consider outcomes of local consultations and national announcements. The frequency and timing of meetings shall be agreed in advance of each financial or academic year.
39. Any member of the Forum may submit a report to be included on the agenda for a meeting of the Forum. Items for inclusion on the agenda for the Forum (whether submitted by the Council or a member of the Forum) must be submitted to the Clerk to the Forum not less than 10 working days before a scheduled meeting of the Forum. Items submitted in accordance with this provision may not be refused.
40. Failure to submit an item to the Forum in accordance with paragraph 39 above may result in that item being deferred for

inclusion on the next available meeting of the Forum. The clerk shall exercise their discretion on including matters on the agenda if received after the deadline for receipt of papers but prior to the despatch of papers in accordance with paragraph 43 below. All other late items may only be included on the agenda of the Forum if they meet the requirements of 'urgent business' as set out in paragraphs 57-61 below.

41. Agendas and reports will generally be circulated by the clerk to the Forum at least 5 working days before the meeting to which they relate. Forum agendas, reports and minutes to be published promptly in a public area on the Southampton City Council website. Communication links have also been set up with, all Head teachers, governor forums and Early Years networks to distribute agendas and reports in advance of the meetings.
42. It is good practice for there to be a pre-meeting between Senior Officers and the Clerk supporting the Schools Forum and the Chair of the Forum to ensure that all the issues are clearly understood.
43. Reports to the Forum should be in the format of the Council's briefing and decision papers.

#### Quorum:-

44. The quorum for any Forum meeting shall be at least 40% (2/5ths) of the voting membership. At least one representative of each of the primary and secondary phases of education must be present and voting.

#### Election of Chair and Vice Chair:-

45. The Chair and Vice Chair will be appointed by the Forum on an annual basis at the first Forum meeting of the academic year. The Forum may not choose to appoint a Chair or Vice Chair who is not a member of the Forum, nor an officer or an elected member of the Council.
46. The Chair and Vice Chair shall hold office for one year from the date of their appointment or until they resign or cease to be a member of the Forum, whichever is the sooner, at which time the Forum shall appoint a new Chair or Vice Chair as appropriate.

#### Declaration of Interests:-

47. Members of the Forum will have regard to the Local Code of Conduct for Members. Members are therefore required to sign a declaration in respect of the Code of Conduct and also complete a Register of their Interests.

48. Interests whether personal or pecuniary, should be declared at the outset of the meeting and before the item is discussed. A member with a pecuniary interest or disclosable pecuniary (DPI) interest (beyond or over and above those interests of the generality of the group they represent) shall declare that interest as soon as it becomes apparent. The member may be present for the introduction of the Item and presentation of a report by the presenting officer, make representations, answer questions and give evidence in response to that presentation before leaving the room, provided that members of the public are allowed to attend for the same purpose. A member with a pecuniary or disclosable pecuniary (DPI) interest may not take part in the Forum's debate on the item, the decision and/or vote.
49. In considering whether or not to declare a pecuniary or disclosable pecuniary interest, a member of the Forum should apply the following test: 'Would a member of the public, knowing the facts of the situation, reasonably think the member might be influenced by the interest?' A pecuniary or disclosable pecuniary interest would include the situation whereby a proposal uniquely affects either a school at which they are a head teacher / governor or which their children attend / close family members are employed at. For the purposes of the schools Forum it would not include consideration of a wider programme or project involving 5 or more schools such as the Primary Capital Programme, Building Schools for the Future etc unless the proposals before the Forum relate solely to a specific school within the overall programme.
50. If a member knows, or ought to know, that they will have a pecuniary or disclosable pecuniary interest in any matter being discussed by the Forum they are encouraged to send a substitute (nominated in accordance with the Constitution) to the meeting in their place.

#### Voting Procedures:-

51. The Forum shall always seek to operate on a consensus basis. If it is not possible to reach a consensus, members will be required to undertake a formal vote on the matter before them. Each member will have one vote. Votes cast will be carried on a simple majority basis which will be recorded. In the event of an equal number of votes for and against a proposal the Chair (or in the absence of the Chair the Vice Chair or the person appointed to chair the Forum meeting at which the matter is to be determined) will have a second or casting vote;
52. Only school members (which includes mainstream schools, Academies, special schools and PRU's) and representatives of the Private Voluntary and Independent (PVI) sector will be able to vote on the funding formulae.

53. The Regulations provide that a Schools Forum may determine its own voting procedures save that voting on :-
- The funding formula is limited to schools members and PVI representatives.
  - De-delegation will be limited to the specific primary and secondary phase of schools members. Academies and non-school members are not able to vote on de-delegation.

Amending Recommendations in reports:-

54. Recommendations in reports before the Forum may be amended by members or the officer presenting the paper.
55. For an officer amending recommendations in a report they are presenting, an amendment must be proposed by the officer. The Forum must then vote on whether or not to accept the amendment. If the amendment is accepted, the Forum may then move to determine the matter as amended (by consensus or vote). If an amendment is not accepted by the Forum, the Forum must determine the matter (by consensus or vote) in its original form.
56. For a member of the Forum seeking to amend a recommendation, the member must propose the amendment and it must be seconded by another member of the Forum. If seconded the Forum must vote to decide whether or not to accept the amendment. If the amendment is accepted, the Forum may then move to determine the matter as amended (by consensus or vote). If an amendment is not accepted by the Forum, the Forum must determine the matter (by consensus or vote) in its original form.

Urgent Business Items:-

57. A supplementary/urgent item of business can only be tabled at a Forum Meeting with the consent of the Forum.
58. In order for an urgent business item to be considered it must be proposed by a member of the Forum, seconded by another member of the Forum and approved by a formal vote of the Forum (in accordance with normal voting procedures). Once the matter has been accepted on to the agenda for the meeting in this manner it can be discussed and determined (by consensus or formal vote) in the normal manner.
59. With the agreement of the Chair, if an urgent decision is required and it is not practical to add the item to an existing Forum agenda or call an extraordinary meeting of the Forum, the paper shall be circulated via email to all members of the Forum. The circulation will trigger a period of five working days during which members can give consideration. If before the end of the five-day period any member wishes to raise an issue regarding the content of the paper



they should inform the clerk.

60. If the issue cannot be resolved the paper will be deferred for consideration at the next meeting of the Forum. If there are no objections to the proposal/s the paper will be deemed approved by the Forum on the expiration of the five working days period. All decisions taken under the five-day rule will be reported to the next available meeting of the Forum.
61. It is not legal for the Chair to take a decision on behalf of the Forum, no matter how urgent the matter in question.

#### Confidential Business of the Forum:-

62. Report authors are responsible for informing the clerk, in advance, of the status of reports to be included on the Agenda and if they contain confidential or commercially sensitive information and with such items of business, the principles of the Local Government (Access to Information) Act 1985 will apply. Reports that are to be treated as confidential should be marked accordingly and contain the appropriate confidentiality clause.
63. Where an item of business before the Forum is marked as confidential, that item of business will be discussed in private. The professional advisors to the Forum, the Head of Legal and Democratic Services, the Director of Corporate Services and the Cabinet Member for Education and Change may attend and speak at the Forum on consideration of all matters considered in private. Members of the public and observers (including other elected Members or Officers of the Council) shall be excluded from the consideration of any confidential item.

#### Public Attendance at Meetings of the Forum :-

64. Meetings of the Schools Forum are open to the public unless members resolve that an item of business be considered in private session and with such items of business the principles of the Local Government (Access to Information) Act 1985 will apply.
65. Members of the public do not have a right to speak at any meeting of the Forum but may address the Forum at the discretion of the Chair.

#### Clerk to the Forum:-

66. The Forum will be clerked by an employee of the Council's Democratic Support and Member's Services section. The specific responsibilities of Democratic Support and Member's will be to:-

- convene meetings of the Forum;
- arrange accommodation for meetings;
- co-ordinate and act as secretariat to meetings;
- copy, circulate and dispatch appropriate papers;
- publish papers on SCC website;
- provide advice on matters of procedure and the Constitution of the Forum; and
- make and maintain a record of the Membership and all proceedings of the Forum.

## **EXPENSES**

67. The authority must pay the expenses of the schools forum and charge those expenses to the schools budget.
68. The authority must reimburse all reasonable expenses of members in connection with their attendance at meetings of the forum and charge those expenses to the schools budget.

## **FREEDOM OF INFORMATION**

69. Request for Information under the Freedom of Information Act (FOIA) 2000 will be handled in accordance with the Council's published procedures for dealing with such requests.
70. Any Member of the Forum receiving a request under the FOIA will be required to pass that request to Legal and Democratic Services within 24 hours of receipt of that request in order that Legal and Democratic Services may deal with the request on behalf of the Forum within the 20 working day time limit.
71. That where a request has been made for the disclosure of information covered by a qualified exemption under the Freedom of Information Act 2000 (or other relevant information), the Chair of the Forum will be invited to attend a Public Interest Test Panel meeting to consider the potential disclosure. If the Chair is unable to attend the meeting the request will be dealt with by the Panel at their discretion. Where the Panel decides that the balance of interest is in favour of the disclosure of the information requested, Legal and Democratic Services will arrange for disclosure. When the Panel decides that the balance of favour of the non-disclosure of the information requested, the information will be withheld. Legal and Democratic Services will arrange for the reasons for the decision to be communicated in writing. Such decisions will be made after taking any appropriate legal advice in accordance with the Council's published policies and procedures.

## **OVERVIEW AND SCRUTINY**

72. Schools Forums may be asked to agree on proposals from their local authority that will have an effect on all schools and academies in the local area. The extent to which Schools Forums can scrutinize and challenge such proposals is an important aspect of their effectiveness.

The Schools Forum and its members will co-operate with any reasonable request by the Council in respect of its overview and scrutiny functions under Section 21 Local Government Act 2000. Any requests for information or attendance of Forum members at the relevant Overview and Scrutiny Committee will be made as soon as possible and generally at least 10 days before the meeting.

### **COMPLAINTS / DISPUTES**

73. The Forum is intended to be a collaborative, co-operative body and needs to ensure that no particular sector or member is unduly favored. Problems and issues should normally be debated and resolved at the Forum meetings. However, if parties feel that these have not been resolved, the following process should be followed and minutes taken.
74. Stage 1: The parties who are in dispute meet with the Chair of the Forum and the relevant Professional Advisor who will assist in finding or recommending a solution
75. Stage 2: A special meeting of the Forum is convened, with papers prepared by the parties representing different views. The Chair and the Professional Advisor also prepare a paper offering possible options for resolution. If the problem is not resolved, the dispute is referred to Stage 3.
76. Stage 3: If the issue is not resolved then guidance or clarification will be sought from the relevant Government Department.
77. Complaints from members of the public will be handled by the Council's Complaints Procedure.
78. Issues of non-compliance will, in the first instance, be referred to the Chair of the Forum who will investigate and attempt to reach satisfactory resolution through discussion with the representative of the agency concerned.  
In the event of satisfactory resolution not being reached, the matter will be referred to the next Forum meeting.
79. The effectiveness of the Schools Forum will be assessed by Internal Review.

All previous versions of the Schools Forum Terms of Reference / Constitution

are hereby superseded and revoked.

*In accordance with the Principal Officer for Early Years and Education delegated power 4.4.10 - "Following consultation with the Cabinet Member for Children's Services and Learning, the Solicitor to the Council and the Head of Finance to amend the terms of reference and membership set for the Schools' Forum and Admissions Forum so far as may be necessary to give effect to any new Act, Regulation or Code of Practice;"*

## SCHOOLS FORUM

<b>Total membership of the forum</b>	<b>24</b>
<b>Number of schools members</b>	<b>19</b>
Number of head teachers and governors	
<ul style="list-style-type: none"> <li>• secondary schools</li> <li>• academies</li> <li>• primary schools</li> <li>• special schools</li> <li>• maintained nurseries</li> <li>• PRU</li> </ul>	4 4 7 2 1 1
Maximum number of governors from any one governing body	1
<b>Number of non-schools members</b>	<b>5</b>
Organisations from which non-school members will be drawn:	
<ul style="list-style-type: none"> <li>• Diocesan Education Authorities               <ul style="list-style-type: none"> <li>○ Church of England, or</li> <li>○ Roman Catholic</li> </ul> </li> <li>• Teachers Liaison Panel or its successor body</li> <li>• Cabinet Members nomination</li> <li>• Post 16 Education</li> <li>• Private, Voluntary and Independent (PVI) early years providers</li> </ul>	1  1 1 1 1
Number required for quorum (40% of total membership), including substitutes.	<b>10</b>
One named substitute will be allowed where members cannot attend with the exception of head teachers for primary, secondary schools. Substitutes have the power to vote on behalf of the body they represent.	
<b>Formal Observers to Forum</b>	
<ul style="list-style-type: none"> <li>• The Diocesan Education Authority that does not have membership</li> <li>• Early Years Development and Childcare Partnership</li> <li>• Union representation of school support staff nominated by the appropriate Joint Consultative Group</li> <li>• Cabinet Member for Children Services and Learning (or their equivalents should the nomenclature of cabinet portfolios change)</li> </ul>	

<ul style="list-style-type: none"> <li>• Education Funding Agency (EFA) Representative</li> <li>•</li> </ul>	
<p>Council officers (Professional Advisors) who may attend not as members (i.e. have no voting rights)</p> <ul style="list-style-type: none"> <li>• The People Director</li> <li>• Principal Officer for Early Years and Education</li> <li>• People's Directorate Finance Manager</li> <li>• The Principal Accountant for Early Years and Education</li> <li>• Any other specialist Local Authority officers as required</li> </ul>	

TABLE 1 - SCHOOLS FORUMS: POWERS AND RESPONSIBILITIES 2013-14		APPENDIX 2		
Function		Local Authority	Forum	Department for Education Role
1	Formula Change (including redistributions)	Proposes and decides	Must be consulted. [Voting restricted to schools members plus PVI members]	None
2	Contracts	Propose at least one month prior to invitation to tender, the terms of any proposed contract	Gives a view	None
3	Financial Issues relating to: <ul style="list-style-type: none"> <li>• arrangements for pupils with special educational needs;</li> <li>• arrangements for use of pupil referral units and the education of children otherwise than at school;</li> <li>• arrangements for early years provision;</li> <li>• administration arrangements for the allocation of Central Government grants.</li> </ul>	Consult annually	Gives a view and informs the governing bodies of all consultations carried out in lines 1, 2 & 3	None
4	Minimum funding guarantee (MFG)	Proposes any exclusions from MFG for application to DfE	Gives a view	Approval
5	De-delegation for mainstream schools for: <ul style="list-style-type: none"> <li>• contingencies;</li> <li>• administration of free school meals;</li> <li>• insurance;</li> <li>• licences/subscriptions;</li> <li>• staff costs - supply cover;</li> <li>• support for minority ethnic pupils/underachieving groups;</li> <li>• behaviour support services; and</li> <li>• library and museum services.</li> </ul>	Will propose	Primary and secondary school member representatives will decide for their phase.	Will adjudicate where Forum does not agree LA proposal
6	Central spend on funding for: <ul style="list-style-type: none"> <li>• significant pre-16 pupil growth;</li> <li>• equal pay back-pay;</li> <li>• places in independent schools for non-SEN pupils; and</li> <li>• early years expenditure.</li> </ul>	Proposes	Decides	Adjudicates where Forum does not agree LA proposal

7	Central spend on: <ul style="list-style-type: none"> <li>• admissions;</li> <li>• servicing of schools forum;</li> <li>• carbon reduction commitment;</li> <li>• capital expenditure funded from revenue;</li> <li>• contribution to combined budgets;</li> <li>• schools budget centrally funded termination of employment costs; and</li> <li>• schools budget funded prudential borrowing costs.</li> </ul>	Proposes up to the value committed in 2013/14 and where expenditure has already been committed	Decides for each line	Adjudicates where Forum does not agree LA proposal
8	Carry forward a deficit on central expenditure to the next year to be funded from the schools budget	Proposes	Decides	Adjudicates where Forum does not agree LA proposal
9	Scheme of financial management changes	Proposes and consults GB and Head of every School	Approves	Adjudicates where Forum does not agree LA proposal
10	Membership : length of office of members	Decides	None (but good practice would suggest that they gave a view)	None
11	Membership: appointment of Schools and Academies Members	Appoints those elected by members of the relevant sub groups. Facilitates election where required and appoints member if there is a tie or the election does not take place by a date set by the LA	None	None
12	Membership: Non Schools Members	Seeks nominations from the relevant bodies then appoints	None (but good practice would suggest that they gave a view)	None
13	Voting Procedures	None	Determine voting procedures	None
14	Chair of Forum	Facilitates	Elects <i>(N.B this may not be an elected member of the Council or an officer)</i>	None



## DECISION PAPER

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**SUBJECT:** Proposals for Changes in Surplus & Deficit Policies in SCC Scheme for Financing Schools

**DATE:** 14<sup>th</sup> September 2016

**RECIPIENT:** Schools Forum

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### **SUMMARY:**

This paper seeks the agreement of members of the Forum on proposed changes to the Scheme for Financing schools from October 2016.

### **RECOMMENDATION:**

It is recommended that the Schools Forum agrees to changes proposed in this paper.

### **BACKGROUND**

1. There are a number of factors that will be affecting schools funding for example proposed changes to the schools' funding formula and the academisation agenda. This will change the role local authorities currently play in allocation of funds to schools and their ability to balance schools' accounts will be very limited, if not completely removed, going forward.
2. The School Forum agreed at the meeting in June that the procedures for the management of deficit and surplus budgets, as contained within the School Scheme of Financing, should be reviewed and a paper on proposed changes in future policies, be brought back to September meeting for further consideration and approval.

### **BRIEFING DETAILS:**

3. The Scheme for Financing Schools sets out the powers and responsibilities of governors and the local authority under delegated management and the financial controls within which a delegated budget can be operated.

The key changes are:

- Treatment of Surpluses and Deficits
- Loans from School Balances.

## Surplus Balance Policy

### New proposals for schools to carry forward balances above the permitted levels - The Balance Control Mechanism

4. As per SCC current Scheme for Financing Schools, Primary and Special Schools can carry forward up to 8% of the current years School Budget Share as general balances and Secondary Schools can carry forward up to 5%; anything above this is a surplus balance and the City Council has the authority to remove that excess from the school balance.
5. The City Council has not exercised this in practice to date. However, due to funding constraints school funding is subject to tighter scrutiny.
6. The new scheme has been designed to be:
  - forward looking
  - more specific with carry forwards only being allowed in limited circumstances
  - more accountable with the real likelihood of monies being removed from schools, who do not use them.
7. The revised principles of the scheme are as follows:
  - Primary and Special Schools can carry forward up to 8% of the current years School Budget Share as general balances. Secondary schools can carry forward up to 5%. Anything above this is a **surplus** balance
  - There are three allowable purposes for which excess surplus balances can be used:
    - as a revenue contribution to capital projects within a time limited maximum two year period
    - to maintain a reserve to fund staffing levels in the short / medium term due to a verified dip in pupil numbers
    - to provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum for multiple subject areas. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.
  - Schools will lose their surplus balances if:
    - they do not inform the LA of the governing body decision before 31 May that there are proposals to use any surplus balances and that those proposals have been approved and minuted by the appropriate Governing Body or Sub-Committee before 31 May
    - the proposals do not relate to one of the allowable purposes for the use of surplus balances
    - the Utilisation of Balances Pro-forma is incomplete
    - the intended use of the balance was on a capital project, which has not materialised at the end of the time limited two year period and detailed on the completed form
  - there will be no exceptions to the deadline date of 31 May so Governing Body meetings will need to be scheduled before the deadline to ensure the appropriate approvals are in place
  - surplus balances removed from schools will be added to the Schools in Financial Difficulty Fund for redistribution as per the criteria set for the fund.

## Revised Procedure

8. The revised procedure to obtain approval to carry forward surplus balances is as follows:
  - schools will complete a Balance Control Mechanism form known as the Utilisation of Balances form and return to the schools finance team by the 31 May. This form must be completed fully and the relevant minutes at the governing body or sub-committee meeting must be attached detailing the decisions agreeing to spend the surplus balances, or retain them for a period of two years. An example of the form is attached at Appendix 1.
  - the Schools Finance Team will monitor the balances and remove surplus balances as detailed above if the Utilisation of Balances form does not comply with the revised principles of the scheme. The Schools Finance Team will also ask for a breakdown and evidence of expenditure plans
  - it is the intention that surplus balances will be removed in the summer term of the following financial year if the spend does not materialise within the timescale detailed.
9. Any surplus balances removed from schools as above will be added to the School in Financial Difficulties Fund and will be available to all maintained schools as per the set criteria for the fund.

**The process is summarised in a flow chart format at Appendix 2.**

## Deficit Budget Policy

### 10. Planning for deficit budgets

Schools cannot plan for a year end deficit budget when submitting budget plans at the start of the year i.e. expenditure exceeding funding and income for the year plus the accumulated surplus brought forward. Schools that submit deficit plans will be required to resubmit their budget with plans to bring the budget back into balance. The authority will intervene if a school refuses to set a balanced budget by identifying the action a school could take and ultimately by suspending delegation.

11. Any unplanned deficit incurred during the year would be a first call on the following year's budget; the school would need to include the deficit in its balanced budget plan for the following year. Schools that incur unplanned deficits in successive years would be treated the same as schools submitting deficit plans and the authority would need to intervene.
12. School bank accounts are not permitted to go overdrawn. If a school gets into financial difficulty and is facing a potential unplanned deficit they will need to apply to the local authority for a revenue budget deficit loan in order to be able to continue meeting their liabilities.

## **Proposal for Changes in Policy & Procedure**

13. If a school submits a Three Year Plan to the LA that contains a deficit in the second or third year of the plan, then it will be returned. The school will be required to undertake Step 1; Preparation prior to Notification as detailed below. It will be necessary to identify management action and resubmit a plan which does not show a deficit in any of the three years. If this is not possible or the plan shows a deficit in the first year then the school should proceed to Step 2 – Step 6. The assigned School Improvement Officer will inform the school if a resolution can be achieved before there is a need for a Deficit Recovery Plan.
  
14. **Steps in the process**
  1. Preparation prior to Notification of Financial Difficulty
  2. Notification and Supporting Documentation
  3. Initial Meeting
  4. Submitting a Deficit Recovery Plan
  5. LA Approval
  6. Monitoring a Deficit Budget
  
15. **Step 1 – Preparation prior to Notification of Financial Difficulty**

When first aware of a potential deficit the school should:

  - check all the figures and the assumptions that have been made
  - identify the cause of the forecasted deficit, for example, a falling roll
  - undertake a benchmarking exercise
  - discuss and draw up a range of Management Actions.

This action should be incorporated with a view to being able to amend the figures so that the Three Year Plan does not result in a deficit in any of the three years.
  
16. Only after undertaking this work, which must be documented within the Governor minutes, is it acceptable to approach the LA to discuss the possibility of having a Deficit Recovery Plan approved. The School Improvement Officer will expect sound arguments to be offered as to why early remedial action cannot be taken or why it was not taken in the past. Without SCC's approval to a planned deficit, the school would be acting illegally in setting a deficit budget.
  
17. Following this course of action represents sound financial management practice and schools that contact the LA having completed the preparatory work will be viewed as following the correct procedures; schools that fail to follow these steps and go into deficit or produce a deficit budget without this analysis could result in further action being taken by the LA.

18. **Step 2 – Notification and Supporting Documentation**

Once the preparatory work has been completed and the Governing Body is satisfied that a potential deficit is unavoidable without a significant impact on the provision of education, then Schools Improvement should be contacted. This must be done immediately, by e-mail, outlining the deficit position. The Chair of Governors must be made aware that the LA has been contacted regarding the budget situation.

19. On receipt of the notification the school will be asked to submit supporting documentation for analysis. This will include details of the actions that would be required to avoid a deficit and why those actions are not possible or acceptable. In the extreme case of a current year deficit that was not previously anticipated, a full explanation will be required as to how this has arisen, together with evidence of internal monitoring and reports to Governors.

20. **Step 3 – Initial Meeting**

Schools Improvement Team will contact the school to arrange a meeting with the Head teacher and School Finance Team to go through the process and to discuss the documentation previously provided by the school. Any observations that Schools Finance have made relating to the data will be reviewed and potential savings will be discussed with the school.

21. The school may wish to have the Chair of Governors or the Governor responsible for finance present at the meeting. In certain circumstances the LA may require attendance of the Chair of Governors/Finance. Notes of the meeting will be circulated to the Head teacher, Chair of Governors and the School Finance Team.

22. The school will then be required to make any agreed adjustment to the Three Year Plan and/or salary calculations and resubmitted to Schools Finance within five working days of the initial meeting.

23. School Finance will undertake further checks in order to reach a decision on whether a Deficit Recovery Plan is appropriate. The school will be notified by email recording any decisions made at the meeting and confirming if an approved deficit should be sought.

24. **Step 4 – Submitting a Deficit Recovery Plan**

The school will need to work with SCC's School Finance Team (if they have purchased SCC Finance Services via an SLA) or their own finance support (if they have not bought back SCC Finance Services), together with SCC School Improvement Teams to produce a robust Deficit Recovery Plan (DRP), ensuring the spend is brought back in line with their allocated funds.

25. The purpose of a Deficit Recovery Plan is to identify the actions that can be taken to bring the school budget back to a balanced position within an agreed period of time (maximum of 3 years). The recovery plan can be a simple statement showing:
- what actions will be taken and who will be responsible
  - when these actions will happen
  - how much will be saved by taking the action i.e. part year / full year financial impact of proposed savings.
26. The Deficit Recovery Plan must be approved by the Governing Body and signed by the Chair of Governors prior to the final submission. This may require the school to call an extraordinary meeting of the Governing Body.
27. The signed Deficit Recovery Plan must be submitted to the Schools Improvement and Finance in line with the date stated in the written confirmation. The Deficit Recovery Plan will become the formal application for an approved deficit and must show that the school will return to a surplus position within a maximum of three years.

If the Deficit Recovery Plan does not meet the requirements of the LA and the DfE it will be rejected providing reasons as to why and the school will be required to resubmit.

**28. Step 5 – Local Authority Approval**

The Deficit Recovery Plan requires formal approval by Service Lead for Education and Early Help before a loan can be agreed. After the plan has been approved a confirmation letter will be sent to the school.

**Loan Scheme**

29. Southampton City Council currently operates a loan scheme that allows schools to borrow amounts of up to £200,000 from the pool of school balances to fund certain types of project. Projects to be supported may include:
- major maintenance or improvements to school properties (deemed as necessary by Capital Assets)
  - investment projects which will produce a future revenue saving e.g. schemes to improve energy efficiency
  - projects to improve school security (deemed as necessary by Health & Safety)
  - major purchases of equipment (e.g. IT).
30. Due to the financial challenges that some schools are facing, it is important that the schools are supported with cash flow issues for schools in deficit; whilst at the same time seeking to protect the Schools Budget and LA from risk of the cost of deficits arising from schools in deficit converting to academy.

31. It is proposed to revise the current loan scheme available for above projects and introduce the revised loan scheme to formalise such support setting out clear agreements for repayment schedules. If it becomes clear that a school is to be closed or merged, the remaining balance of the loan would become payable immediately. Schools closing to become academy will have the loan transferred as part of their Commercial Transfer Agreement.

32. It is therefore proposed to add the following section to the Scheme.

#### **Proposed Changes to Loan Scheme**

- the Authority operates a loan scheme for schools that may require a revenue loan during a period of financial difficulty
- the length of the loan will not normally exceed 3 years. There is no minimum period. Approval will be given by the Service Lead for Education and Early Help and the Service Director Finance & Commercialisation, following a review of an application for financial support
- a loan will be the last resort after taking all necessary steps e.g. production of a robust Deficit Recovery Plan, exploring any available funding such as School in Financial Difficulties Fund
- each decision to grant a revenue loan will be based on the circumstances of the school and the financial ability of the school to repay. A viable repayment plan must accompany the Loan request
- the Governing Body will have to vote to enter into a loan and the GB will be required to sign a legally binding loan agreement signed by the Governors in accordance with their Constitution
- if a school refuses to repay the loan, the Authority reserves the right to charge the School Budget Share
- any default on a loan by the academy will be raised with the funding agency in the first instance, who may be required to sign as guarantor as part of the CTA, but if informal resolution cannot be agreed will be treated as a civil debt and recovered through the County Courts accordingly
- the Service Director Finance & Commercialisation reserves the right to refuse a loan for any reason
- interest will be charged on loans at an average previous year base rate plus 0.5%.

#### **33. School Converting to an Academy**

If the school converts to academy during the period of the loan, the academy or sponsor will be responsible for any outstanding loan. Any outstanding loan will be transferred into the name of the academy and will be detailed on the Commercial Transfer Agreement (CTA).

Any new loans taken out by a maintained school will need to be fully repaid should the school become a non-sponsored academy.

34. Should a school become a sponsored academy, the academy will be required to repay the loan under the original terms, unless the loan can be fully repaid without incurring a deficit, in which case the loan must be fully repaid prior to conversion. For existing loans, taken out prior to July 2015, any converting school will be able to continue to Southampton City Council Scheme for Financing Schools repay the loan in accordance with the agreed repayment schedule. This requirement would be included in the CTA.

35. Section 8 'Schools with internal loans outstanding' under DfE guidance on the Treatment of surplus and deficit balances when maintained schools become academies is copied below for reference.

*"The Department for Education would expect that the liability to repay a loan made by the LA to a maintained school (which is technically an advance of funding from the LA) would normally transfer to the academy, which would continue repayments from its revenue budget on the previously agreed schedule, unless the LA and school agree to liquidate the loan and pay it off at the point of transfer. The transfer of responsibility for the loan should be reflected in a legal agreement between the LA and the AT, either by amending the Commercial Transfer Agreement (CTA) or in a separate agreement. Any current loan repayments a maintained school has to make will need to be checked for their affordability alongside the repayment of any deficit at the point of conversion. The Department will not recognise as a loan any arrangement that is agreed between the LA and a maintained school after the governing body or IEB has made an application to become a sponsored academy or after the school becomes eligible for intervention by the SoS, unless the AT sponsoring the academy has agreed to take on the liability".*

36. **Step 6 – Monitoring a Deficit Budget**

The confirmation letter will include details of the LA's deficit monitoring requirements, with which the school must comply. During the period covered by the Deficit Recovery Plan schools will not be permitted to make any staff changes that are above the agreed level of staffing within the plan, without prior agreement of the LA.

37. The schools' progress against the Deficit Recovery Plan will be reviewed regularly the School Improvement and School Finance Teams and further meetings may be required. Failure to keep within the terms of this guidance will put the school at risk of being issued with a formal Notice of Concern, while further failure to comply may lead to the withdrawal of financial delegation.

38. **Notice of Concern**

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Service Director, Children and Families Services and the Service Lead for Education and Early Help.

- 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 LA or the school.

39. A notice may be issued as a first step to signal the LA's serious concerns, and will hopefully be a precautionary measure. It should be seen by the Head Teacher and the Governing Body as signalling the need for major improvements in financial management.



40. A further notice will be issued if the LA exercises its right to withdraw financial delegation responsibility from the Governing Body. Withdrawal of delegation will not normally be initiated as we expect to work in partnership with Governors to address concerns before such a stage is considered necessary. The authority will not hesitate, however, to withdraw delegation if a school consistently fails to meet the LA's stated requirements, and/or continues to exceed agreed deficit recovery plan limits.
41. Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.
42. These may include:
- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school
  - insisting that an appropriately trained / qualified person chairs the finance committee of the governing body
  - placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the City Council
  - insisting on regular financial monitoring meetings at the school attended by local authority officers
  - requiring a governing body to buy into the City Council's financial management systems; and imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and / or financial monitoring reports on such activities.
43. The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn.
44. It will also state the actions that the City Council may take where the governing body does not comply with the notice.

**Appendices/Supporting Information:**

Appendix 1 – Link to Current Scheme for Financing Schools

<http://www.southampton.gov.uk/policies/Scheme-for-Financing-Schools.pdf>

Further Information Available From:

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## Template for Utilisation of Balances Pro-forma

## REVENUE SCHOOL BALANCE 20XX/XX

School:

Revenue Balance as at 31<sup>st</sup> March 20XX:

Brought Forward Balance	
Allowable Surplus	
Excess Surplus	

Of which the following is:

<b>Excess Surplus</b>	<b>£</b>
<b>Committed</b>	
<b>Uncommitted</b>	
<b>TOTAL</b>	

Summary of Spending Plans:

Committed

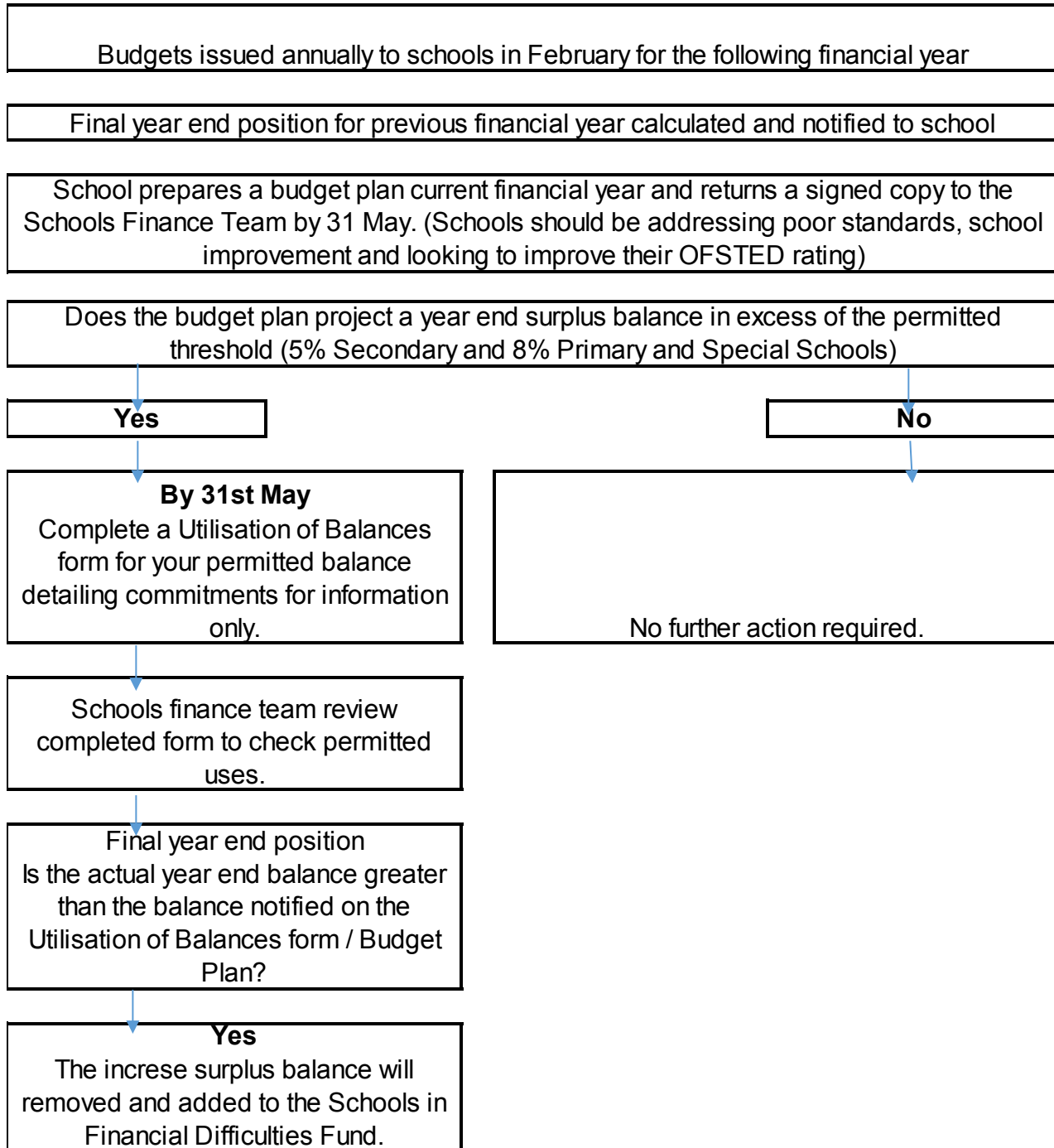
Uncommitted

Signed \_\_\_\_\_  
Chair of Governors:

Date \_\_\_\_\_

## Appendix 2

### SCHOOL BALANCE CONTROL MECHANISM 20XX/XX



# DECISION PAPER

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# Agenda Item 9

**SUBJECT:** Update on New National Funding Formula for Schools  
**DATE:** 14<sup>th</sup> September 2016  
**RECIPIENT:** SCHOOLS' FORUM

## **THIS IS NOT A DECISION PAPER**

### **Background:**

1. This report aims to provide on:

- a) the new Schools Funding Formula in light of the recent announcement made by the Department for Education (DfE)
- b) the Early Years National Funding Formula consultation and the proposed changes to the way the 3 and 4 year old entitlements to childcare are funded.

In March 2016, the then Secretary of State announced the first of two major consultations on further funding reform, proposing a national school funding formula to include a basic per-pupil amount and factors reflecting pupil characteristics, school and areas costs. The precise composition of the formula and weighting given to the different factors is expected to be the subject of a further consultation later in 2016.

DfE intends that most funding with the exception of high need funding will eventually be given directly to schools and not routed through local authorities (LAs), as now (in the case of maintained schools).

'High need' funding largely supports special educational provision. For this funding, DfE is also proposing the introduction of a national formula which will be used to allocate money to local authorities. However, for at least the next five years, funding allocations would continue to be calculated, in part, on the basis of LAs' planned high needs spend in 2016-17 and not solely on assessed area needs in order to ensure stability.

DfE is proposing the phased introduction of a new national funding formula from 2018-19; originally, the intention was to introduce the formula from 2017-18.

DfE began reforms, holding a number of consultations and allocating some additional funding to the 'least fairly funded' areas. However, they stopped short of introducing a national funding formula.

### **Briefing details:**

#### **2. School Block and High Needs Block**

DfE is firmly committed to introducing fairer funding for schools, high needs and early years. The first stage of consultations on national funding formula for schools and high needs were published in March; DfE is planning to publish the full response and set out proposals for the second stage once Parliament returns in the autumn, with final decisions expected early in the new year, with a view to the new system applying from 2018/19.

As part of the responses to stage 1, it has been recognized that local authorities need sufficient information to begin to plan their schools and high needs funding arrangements for 2017 to 2018.

The government has confirmed the following:

- In 2017 to 2018 no local authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect authorities' most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount)
- Local authorities' "schools block" funding, the money that they passport to schools, will be protected in per-pupil terms in 2017-18
- Local authorities' "high needs block" funding, which funds support for SEN pupils and others with additional needs, will be protected in cash terms in 2017-18
- Councils' final allocations for both of these funding pots will be published in December 2016, and will be based on pupil numbers recorded in the October census
- For 2017 to 2018, DfE will retain the current minimum funding guarantee for schools, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the local authority funding formula
- The following proposals outlined in stage 1 consultation will not proceed from 2017/18.
  - create a new central schools block
  - allow local flexibility on the minimum funding guarantee
  - ringfence the schools block within the dedicated schools grant.

These will be covered in DfE response to the first stage consultation in the autumn for 2018 to 2019 and beyond.

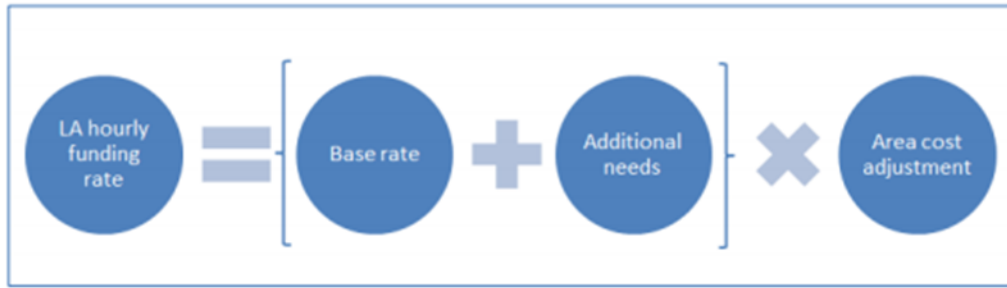
### 3. Early Years National Funding Formula

DfE launched a six-week early years national funding formula consultation to deliver a 'fairer funding system' for 3 and 4 year olds receiving the 30 hour free childcare in August 2016.

The consultation looks to introduce a new national funding formula, outlining changes to the way local authorities fund early years providers in their area and how children with special educational needs or disabilities receive the extra funding they need.

The new Early Years formula is based on **three** factors:

- a 'universal base rate' of funding for each child ensuring every local area is funded fairly for the core costs of delivering childcare
- an 'additional needs factor' ensuring funding takes into account the extra costs of supporting children with additional needs to achieve good learning and development outcomes
- an area cost adjustment – this will be only be adjusted based on the cost of providing childcare in different areas of the country.



The **consultation invites views on proposals** to:

- bring about transparency in the way money is allocated from the Government to local authorities (and early years national funding formula)
- maximising the funding passed from local authorities to childcare providers and the children in their care
- bring about fairness in the distribution of funding to all types of childcare provider
- create a better deal for disabled children and children with special educational needs.

DfE is proposing that:

- LAs pay all early years providers regardless of the type of setting the same hourly base rate calculated using a national formula
- LAs will be duty bound to pass on 95% of funding directly to providers
- The national average rate paid to providers will be £4.88 for 3 and 4 year olds, including the Early Years Pupil Premium (EYPP). For 2-year-olds, the national average rate will be £5.39. As these rates are only national averages, providers may find that the actual rate in their area will be higher or lower than these. (Illustrative rates in each area have been published by the Government.)
- LAs will have the discretion to top up their hourly funding rate by up to 10% using supplements in five key areas: deprivation, rurality, flexibility, efficiency and delivery of the additional 15 hours free childcare
- Additional up-front funding will be available for providers caring for children in receipt of Disability Living Allowance (DLA), and more transparency around local funding available for children with special educational needs (SEND)
- The new funding formula will apply to the current 15 hour early education entitlement from April 2017; in September 2017, when the extended entitlement is rolled out, it will apply to all 30 hours.

The deadline for responding to the consultation is 22<sup>nd</sup> September 2016. SCC will respond to the consultation and we are encouraging all members to respond as well.

## Appendices/Supporting Information:

### Links to Consultation Related Documents

- [Consultation Document - Early Years National Funding Formula](#)
- [Equality Assessment - Early Years National Funding Formula](#)
- [Sheet 1 - EXCEL - Illustrative LA allocations under early years national funding formula,](#)
- [Sheet 2 - EXCEL - Early Years Block National Funding Formula - Illustrative Impact on LAs](#)
- [Sheet 1 - ODS - Illustrative LA allocations under early years national funding formula](#)
- [Sheet 2 - ODS - Early Years Block National Funding Formula - Illustrative Impact on LAs](#)
- [Technical Note - Early Years National Funding Formula](#)

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