**Overview**

The consultation concerns a proposed change to the Scheme for Financing Schools from 1st April 2022.

This consultation is for all nursery schools, mainstream schools, special schools and pupil referral units that are maintained by the Authority.

**Why We Are Consulting**

We are seeking views on a proposed change to the criteria where the Authority will consider not to charge the costs of the premature retirement of a school employee to a schools budget share. Please note this does not concern the voluntary retirement of school employees.

**Introduction**

The School Standards and Framework Act 1998 requires local authorities to maintain a Scheme for Financing Schools that sets out the financial relationship between the Authority and the maintained schools which it funds and contains requirements relating to financial management and associated issues which are binding on both the Authority and on schools.

There are two types of revisions, prescribed changes directed by the Secretary of State and revisions proposed by the Authority. The proposal is a revision proposed by the Authority and therefore requires consultation with all maintained schools.

**About the Proposed Changes**

The Education Act 2002 sets out the responsibilities for premature retirement costs.

Section 37 of the Act states costs incurred by the local 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 where the authority agree with the governing body in writing (whether before or after the retirement occurs) that the costs shall not be met by the school.

The Scheme currently has the following conditions which a school must meet at least one before the Local Authority will consider that premature retirement costs may not be met from the school’s budget share.

* Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
* Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
* Where charging such costs to the school’s budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
* Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

The proposal is to replace the current conditions with the following process whereby only if schools reach the final stage will the Authority consider that premature retirement costs may not be met from the school’s budget share:

* Where a school incurs premature retirement costs that cannot be afforded, the school must apply for a loan and produce a 3-year budget plan to show that the ongoing cost of the premature retirement and the loan repayments can be afforded.
* If the premature retirement cost and the loan repayment is not affordable over a 3-year period, the Authority will consider a 5-year repayment period.
* Only where a school can demonstrate that it cannot repay the premature retirement costs and the loan over 5 years without impacting standards will the Authority consider not charging the premature retirement costs to the school.

**Rationale for the Change**

Historic premature retirement costs are funded by all schools. However, the Authority feels it is more appropriate for the school making the decision to fund the cost of prematurely retiring a member of staff.

**Who is this Consultation for**

The consultation welcomes views from all maintained schools. The consultation is relevant to headteachers, finance staff and governors. Please note only **one consultation response is allowed from each school**.

**Responding to this Consultation**

The consultation is online at <https://consultations.essex.gov.uk/ef/scheme-for-financing-schools-2022-23>

**Enquiries**

For all enquiries please contact [yannick.stupples-whyley@essex.gov.uk](mailto:yannick.stupples-whyley@essex.gov.uk) or by telephone 033 3013 8464.

**Deadline**

The consultation closes at 11.59pm on Sunday 5th December 2021.

**The Response**

The response will be discussed by the Finance Review Group on 8th December, who will agree a recommendation to present to Schools Forum on 12th January 2022.