**Overview**

The consultation concerns proposed changes to the Scheme for Financing Schools from 1st April 2023.

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 two proposed changes to the Scheme for Financing Schools from 1st April 2023.

**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**

Section 3.6 – Borrowing by Schools

The Scheme for Financing Schools contains a clause permitting schools to borrow from any schemes that the Secretary of State has said is available to schools. The Salix Scheme is currently named but this scheme has closed.

The proposal is to remove reference to the Salix Scheme and to state no schemes are currently available.

Annex C – Responsibility for Redundancy Costs

The Education Act 2002 sets out the responsibilities for redundancy costs.

Section 37 of the Act states costs incurred by the local 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.

The Scheme for Financing Schools currently has the following provisions where redundancy costs will be charged to schools  
  
*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 an excess surplus balance and no plans to use it.
* Where a school has refused to engage with the local authority’s redeployment policy
* Where a school is closing and staff cannot be redeployed, the costs of redundancy shall be met from that school’s closing balances.
* Where a multi academy trust is enforcing a school to restructure before it converts to an academy.
* Fixed Term Contracts – where a school has direct control over the circumstances leading to the redundancy requirement. For example, the decision to appoint an employee on a fixed term contract and the contract ends for reasons other than immediate financial deficit. Also, the school budget shall meet the cost of termination where the school has allowed the fixed term contract to become permanent.
* Where a school is merging or amalgamating and staff cannot be redeployed, the costs of redundancy shall be met from schools balances. Merging or amalgamating schools receive an additional lump sum for the year following merger in recognition that there are initial additional costs associated with reorganisation. This does not include federations or Trusts.

The local authority is proposing the change to align the funding of redundancy costs with the funding of premature retirement costs, which was changed from 1st April 2022. It is therefore proposed to change the highlighted fifth bullet point above as follows:

* Where the school has a surplus balance or can afford to fund the redundancy costs through a deficit loan over a maximum of 5 years, in accordance with the terms in section 4.9 of the Scheme for Financing Schools.

**Rationale for the Change**

The change to 3.6 is to update the Scheme following the closure of the Salix scheme.

The change to Annex C reflects that the majority of schools fund their redundancy costs and ensures all schools are treated equally. It will also align redundancy funding with premature retirement funding.

**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 [Scheme for Financing Schools 2023-24 - Essex County Council - Citizen Space](https://consultations.essex.gov.uk/++preview++/ef/scheme-for-financing-schools-2023-24/)

**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 Monday 31st October 2022.

**The Response**

The response will be discussed by the Finance Review Group on 2nd November, who will agree a recommendation to present to Schools Forum on 30th November 2022.