

Section	Current Scheme	Proposed Amendment
SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES		
<p>4.2</p> <p>Controls on surplus balances</p>	<p>Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2011:</p> <p>4.2.1 Calculation of the surplus balance</p> <p>Local Authorities are no longer required to operate a balance control mechanism; however, Southwark operates a balance control mechanism on behalf of the Schools Forum. Southwark’s mechanism is focused on only those schools which have built up significant excessive balances. The authority shall calculate each year the surplus balance, if any, held by each school as at the preceding 31 March.</p> <p>The calculation will be based on the schools revenue balance (A) and school budget share funding (B). The surplus balance calculation is, surplus balance (%) = (A) / (B) x 100.</p> <p>For this purpose, the revenue balance (A) will be the sum of B01 (committed revenue balances) and B02 (uncommitted revenue balances), as defined in the consistent financial reporting framework. The school budget share (B) will be the sum of I01 (fund delegated by the LA), I02 (funding for sixth form students), I03 (SEN funding), I04 (funding for minority), I05 (pupil premium), as defined in the consistent financial reporting framework.</p>	<p><i>Amended to clarify that the LA will continue to seek the views of the Schools Forum on the arrangements for the operation of the balance control mechanism (under regulation 10(2) of the Schools Forum Regulations) and the decision to cap excess surplus balances remains with the LA.</i></p> <p>4.2.1 Calculation of the surplus balance</p> <p>Local Authorities are no longer required to operate a balance control mechanism; however, Southwark Council operates a balance control mechanism on behalf of the Schools Forum which is focused on only those schools which have built up significant excessive balances. Arrangements for the operation of the mechanism are agreed in consultation with the School Forum. Southwark’s mechanism is focused on only those schools which have built up significant excessive balances. The authority shall calculate each year the surplus balance, if any, held by each school as at the preceding 31 March.</p> <p>The calculation will be based on the schools revenue balance (A) and school budget share funding (B). The surplus balance calculation is, surplus balance (%) = (A) / (B) x 100.</p> <p>For this purpose, the revenue balance (A) will be the sum of B01 (committed revenue balances) and B02 (uncommitted revenue balances), as defined in the consistent financial reporting framework. The school budget share (B) will be the sum of I01 (fund delegated by the LA), I02 (funding for sixth form students), I03 (SEN funding), I04 (funding for minority), I05 (pupil premium), as defined in the consistent financial reporting framework.</p>

Section	Current Scheme	Proposed Amendment
	<p>4.2.2 Reporting on the intended use of surplus balances</p> <p>Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools will be required to report on how the school intend to make use of the balances.</p> <p>The balance control mechanism threshold that applies for this purpose is 5% of the school budget share for secondary schools and 8% of the school budget share for nursery, primary and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism.</p> <p>For the purposes of this section, the school budget share is defined in section 4.2.1.</p>	<p><i>Increased Balance Control Mechanism thresholds to 11% for all* maintained schools to reflect the current economic climate, where there is a higher level of inflation, pupil numbers are very volatile and falling significantly and there is a greater degree of uncertainty about future levels of school funding.</i></p> <p><i>*Although secondary schools are larger than primaries, which brings some economies of scale, they are also subject to greater risks if costs do go up or if pupil numbers fall and therefore it is not proposed to continue to have a different rate for primary and secondary maintained schools. The threshold of 11% is considered to be a sufficient level of reserves to provide sufficient resilience against unforeseen events and is considered to be sufficient in the current economic climate.</i></p> <p>4.2.2 Reporting on the intended use of surplus balances</p> <p>Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools will be required to report on how the school intend to make use of the balances.</p> <p>The balance control mechanism threshold that applies for this purpose is 5% of the school budget share for secondary schools and 8% 11% of the school budget share for nursery, primary, secondary and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism.</p>

Section	Current Scheme	Proposed Amendment
	<p>4.2.3 Carry forward balances</p> <p>Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold.</p> <p>The Authority, under arrangements approved by the Schools’ Forum, will recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts recovered will be redistributed under arrangements approved by Schools’ Forum.</p>	<p><i>Clarified wording to reflect the proposed changes to Section 4.2.1, outlined above. That is, the LA will continue to seek the views of the Schools Forum on the arrangements for the operation of the balance control mechanism (under regulation 10(2) of the Schools Forum Regulations) and the decision to cap excess surplus balances remains with the LA</i></p> <p>4.2.3 Carry forward balances</p> <p>Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold.</p> <p>The Local Authority, under arrangements agreed with approved by the Schools’ Forum, will recover excessive uncommitted surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts recovered will be redistributed under arrangements agreed with approved by Schools’ Forum.</p>

For context, the proposed arrangements for the operation of the Balance Control Mechanism (BCM), to be agreed with the School Forum, are as follows:

1. The level of excess balances will be reviewed annually and that only that portion that has been excessive for four or more years will be considered for capping under the mechanism.
2. Should an approved plan not be in place for the use of large balances, and where the school has held an excess balance for greater than four years and therefore deemed uncommitted, the Local Authority (LA) will consider using its powers to take back part of the funding held by the school. The LA will seek to encourage schools on an ongoing basis to use their funding for the benefit of the pupils at their school and thus to minimise the level of balances held to avoid a clawback of funding. Funds derived from sources other than the LA will be excluded from any clawback. (Note that in the case of special schools top-ups, funding from other authorities will be included).
3. The level of balances will be shared with the Schools Forum annually and the Schools Forum will be notified of action taken by the LA in relation to excessive surplus balances.

Southwark Scheme for Financing School 2023-24

Local Authority Proposed Amendments – Balance Control Mechanism

6 November, 2023

4. Appeal Process – Where schools disagree with the decision to cap balances, they can refer the decision to the BCM Appeals Panel with their decision being final. The panel can uphold an appeal provided it is in accordance with the Scheme and all decisions are reported back to the Schools Forum.

The Panel members are:

- Director, Children’s Services or their nominated representative
 - Chair of the Schools Forum
 - Departmental Finance Manager, Children’s and Adults’ Services
5. Any funding taken back from schools will be available to be used for the benefit of maintained schools subject to the same restrictions that exist for other Dedicated School Grant (DSG) related spend and any reallocation will be agreed with the schools forum.
 6. In light of the higher thresholds and timescales, the current “Trust Fund” mechanism will no longer be used. This means that once a school’s surplus balance is deemed to be excessive and where there are no concrete plans for it to be used in the foreseeable future, such excessive balances will be deducted from the school and will be made available in the same way as other DSG funding to be repurposed, with any reallocation to be subject to agreement by the Schools Forum.
 7. Where the LA is already holding schools balances in Trust Funds, these schools will be given until September 2024 to draw down any remaining balances that are being held. This will allow these schools to carry out planned works in the Summer 2024 school holidays, where they have not already carried out the intended plans.
 8. Any balances that still remain after that time will be reported back to the Schools Forum with recommendations for these to be reallocated to other spending priorities in line with the DSG criteria.
 9. Schools’ Governing Bodies should be able to choose to capitalise a portion of their balance if it is to be used for a specific capital purpose, however they should note that once a balance has been capitalised it cannot be transferred back to revenue and thus must be used for the capital project for which it is intended.
 10. The LA will want to ensure that schools with large balances have proper approved plans in place to justify retaining a high balance. The LA will continue to seek further information from individual schools on the reason for holding balances once a school’s balance exceeds 11% of its annual revenue budget share.
 11. The LA will expect School Governing Bodies to have discussed the level of balances that they are holding and to have documented the reasons for holding any balances that exceed these thresholds. The LA may request to see minutes of meetings as evidence that the level of balances has been properly considered.

Southwark Scheme for Financing School 2023-24

Local Authority Notified Amendments – Job Title Amendments

6 November, 2023

Section	Current Scheme	Proposed Amendment
ENTIRE SCHEME: AMENDMENT OF JOB TITLE / DELEGATED AUTHORITY / RESPONSIBLE OFFICER		
<p>2.1.3: Payment of salaries; payment of bills</p> <p>2.1.4: Control of assets</p> <p>2.1.6: Writing off of debts</p> <p>2.7: Separate external audit</p> <p>2.10: Purchasing, tendering and contracting requirements</p> <p>2.13: Spending for the purposes of the school</p> <p>2.14: Capital spending from budget shares</p> <p>2.15: Notice of concern</p> <p>4.9: Licensed deficits</p> <p>6.1: General provision</p>	<p>Director of Education</p>	<p><i>Updated to current job title / responsible officer / delegated authority / authorised officer</i></p> <p>2.1.6; 2.10; 2.15; 4.9 (paragraph 3 - recommendation):</p> <p>Director, Children’s Services</p> <p>2.1.3; 2.1.4; 2.7; 2.13; 2.14; 4.9 (paragraph 4 - meetings); 6.1:</p> <p>Director, Children’s Services (or their nominated representative)</p>
ENTIRE SCHEME: AMENDMENT OF JOB TITLE		
<p>2.10: Purchasing, tendering and contracting requirements</p> <p>2.15: Notice of concern</p> <p>4.9: Licensed deficits</p> <p>11.6: Right of attendance for Chief Finance Officer</p>	<p>Strategic Director of Finance and Governance</p>	<p><i>Updated to current job title</i></p> <p>Strategic Director of Finance</p>

Southwark Scheme for Financing School 2023-24

Local Authority Notified Amendments – Schedule of Schools

6 November, 2023

APPENDIX A: SCHEDULE OF SCHOOLS INCLUDED IN THE SCHEME	
Removal of the following closed schools: Townsend Primary School St Francesca Cabrini RC Primary School Coburg Primary School	Removal of the following schools upon Academy conversion: Notre Dame RC Girls' Secondary School St Joseph's RC Primary School (014B) Dog Kennel Hill Primary School Rotherhithe Primary School
Rename the following school: Bird in Bush Primary School (formerly Camelot Primary School)	