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*Item 8b*

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|  | **Wellbeing and Community Health** |  |
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**SCHOOLS’ FORUM**

**17 February 2017**

**Guidance for Schools Forum on the Use of the Contingency Fund agreed on 18 January 2017**

**Purpose of the Report**

To set out the Department for Education (DfE) guidance on the treatment of surpluses and deficits for maintained schools in relation to academy conversions and school closures.

When a maintained school becomes an academy, legislation sets out a process for the transfer of any surplus the school may have at the point of conversion.

The Treatment of Surplus and Deficit balances when Maintained Schools become Academies issued by the DfE sets out what happens to a *surplus* balance when a school ceases to be maintained by the local authority (LA) and becomes an academy under the Academies Act 2010. It also sets out what happens to any *deficit* a converting school may have. It is intended to help LAs comply with their duties, and ensure that deficit or surplus balances are transferred within the statutory timescales. Further guidance can be found in legislation: the Academies Act 2010, the Academy Conversions (Transfer of School Surpluses) Regulations 2013 and the School and Early Years Finance (England) Regulations 2014.

**Extracts from The Treatment of Surplus and Deficit balances when Maintained Schools become Academies**

**Converter Academies with a deficit balance on conversion**

4.1 Deficit balances unlike surplus balances are not covered in the same way by primary legislation and regulations. The Department’s policy, however, is to treat deficits in a similar way, so the Department reimburses LAs and recovers the money back from the academy through abatement of General Annual Grant (GAG). The Department has to ensure the amount due is a true reflection of what is owed and will only pay once the amount is agreed by both parties. In the event of a disputed deficit balance, the AT may apply to the SoS for a review. The SoS will base her decision on the evidence provided by both parties.

4.2 If a school is concerned that the size of its deficit could prevent it from converting, but the school is not eligible for intervention or otherwise eligible to be treated as a sponsored academy, it is open to the LA to agree to absorb part or all of the deficit rather than insist on it being repaid by the school. This is most likely to apply where the school is joining the AT of an external sponsor, but as a converter academy.

**Sponsored Academies with a deficit on conversion**

6.1 Where a school with a deficit is to join the AT of an external sponsor and open as a sponsored academy, the deficit remains with the LA, to be funded from its core budget. School deficits are not an allowable charge on the LA’s schools budget (funded by its allocation of Dedicated Schools Grant); however, if the schools forum has agreed to de-delegate a contingency provision, then the deficit may be funded from that contingency, depending on the criteria agreed for its use.

6.2 LAs should work closely with schools becoming an academy to ensure that they manage the risk of an increasing deficit, and if a school is not managing its expenditure in a satisfactory manner, the LA may withdraw delegation of the school’s budget share in order to limit the potential cost to the LA’s budget. Some LAs may have an approach which sees their finance officers working closely with school improvement officers, so they can identify at an early stage schools which are underperforming and may require a sponsored academy solution, and can provide additional financial monitoring prior to them becoming an academy.

**Extract from** **School and Early Years Finance (England) Regulations 2017**.

“expenditure on the schools specific contingency” is central expenditure deducted for the purpose of ensuring that monies are available to enable an increase in a school’s budget share after it has been allocated and where it subsequently becomes apparent that a governing body has incurred expenditure which it would be unreasonable to expect it to meet from the school’s budget share, which may include expenditure in relation to—

(i) schools in financial difficulty;

(ii) the writing off of deficits of schools which are discontinued, excluding any

associated costs and overheads;

(iii) new, amalgamating or closing schools; or

(iv) circumstances which were unforeseen when the school’s budget share was initially determined;

**Clarification was sought from the EFA in respect of school closures. This is their response**

Balances of closing schools revert by default to the local authority outside of the DSG; if local authorities have a de-delegated contingency this can fund any deficit.   
Local authorities can put a surplus back into the schools budget if it wishes provided that it complies with the regulations.

**Specific Cases - What may be the impact?**

**Sponsored Academies**

Haydon Bridge High School £633k deficit Council Core Budget

Bedlingtonshire High £504k deficit Council Core Budget

Whitfield C of E £45 deficit Council Core Budget

Haydon Bridge Shaftoe Trust £38k deficit Council Core Budget

**Converter Academies**

Prudhoe West tbc Goes with school

Abbeyfields tbc Goes with school

**Alnwick Re-organisation – School Closures, potential deficits**

The Dukes Middle School £188k defict DSG Contingency

Lindisfarne Middle School £185k defict DSG Contingency

St Paul’s RC £22k surplus Return to DSG

Seahouses Middle £55k deficit DSG Contingency

**School Closure**

St Benedict’s £61k defict DSG Contingency