**Protocols and Statutory Framework**

**School Funding Team Protocols**

This document provides a summary of the protocols currently in place. We strongly recommend reading the documentation on each protocol in full. Click [HERE](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191) to access these documents.

**The Scheme for Financing Schools**

The Scheme for Financing Schools (‘the Scheme’) is a legal document, which governs the relationship between the Local Authority and schools in the management of delegated budgets. The Scheme provides for the delegation of financial and managerial responsibility to Governing Bodies of schools and describes the regulations and conditions to which Governing Bodies should adhere, in order to remain accountable to the public and the Local Authority.

The Scheme applies in respect of all community, nursery, voluntary and foundation schools and community special schools maintained by the Authority. Bradford’s Schools Forum has the power to agree amendments to the Scheme, following consultation with schools.

**The Financial Classification of Schools**

One of the items in the Council’s Action Plan, following an Audit Commission report, which was critical of the level of deficits and surpluses in Bradford’s schools, was to identify and agree with schools criteria for identifying schools in greatest need of financial support and to commence a programme of annual detailed budget discussions with these schools.The Financial Classification system was established in July 2006, and operates to identify the degree to which schools are vulnerable to financial difficulties or deficit and to provide a framework for support and monitoring these schools.

Under the protocol, schools are split into 4 Categories. Schools in Category A receive the highest level of support and monitoring from the School Funding Team and must also meet other requirements. Schools in Category B receive a regular level of support and must also meet other requirements similar to Category A schools. Schools in Category C receive a moderate level of support, with arithmetic checks of budget returns. Schools in Category D are subject to the lowest level of support.

The Classification is calculated on an academic year basis, and is updated each year.

**The Light Touch Financial Monitoring Scheme**

The Light Touch Financial Monitoring Scheme (LFTM; also known as ‘the Scorecard’) is a protocol that exists primarily to encourage the timeliness of reporting from schools to the Local Authority. It is a scoring system, which is used to distinguish between schools monitored on a "light touch" basis and those schools requiring a more "watchful eye" approach.

Schools amass points, on a rolling programme, based on their scoring against the agreed criteria, which include meeting required dates for the submission of key financial returns to the LA. Schools are split into 3 categories. Schools scoring less than 20 points are placed in the “Green” category and are subject to “light touch” monitoring. Schools scoring at least 20, but less than 40 points, are placed in the “Amber” category and are subject to a greater degree of monitoring and challenge. Schools scoring 40 points or more are classed as “Red” and are subject to “watchful eye” (monthly) monitoring. The scoring system is updated at the end of every Quarter and the scorecard is published for schools to access.

**The Surplus Balance Protocol**

The Surplus Balances Protocol (also known as the ‘Intended Use of Balances’) describes the process to be followed by schools with carry forward balances in excess of the thresholds set by the Authority at the end of each financial year. The Scheme for Financing schools provides for Local Authorities to clawback excessive balances from schools, where these balances have not been properly assigned.

Thresholds are calculated as a percentage of the I01 to I05 Funding received by schools in the S251 Funding Statement issued in March.

From the 2013/14 financial year the thresholds are:

* Nursery, Primary, Special & Pupil Referral Units 6% or £60,000 whichever is greater
* Secondary Schools 4%
* Special Schools and Pupil Referral Units 6% or £60,000 whichever is greater or 85% of 1 month’s average payment + £20,000

There are specific circumstances under which schools can carry excess surplus balances into the next financial, e.g. A revenue contribution to an agreed capital scheme. This includes contributions to the Priority Schools Building Programme.

Where spending plans do not meet the agreed criteria for transfer into the next financial year, schools are expected to utilise the excess in the current financial year.

Where schools fail to utilise excess balances in year, fail to submit schemes for approval or submit schemes that do not meet the criteria for approval, the excess balance may be subject to clawback.

**The Deficit Budget Protocol**

The Deficit Budget Protocol describes the process to be followed where schools forecast that they are unable to balance their budget and project a deficit position at the end of the financial year.

The process is applied in any of the following situations:

* The school forecasts a year end overspending on its “Start Budget” (submitted by 15th May each year);
* The school projects a year end overspending on any of its Quarterly Financial Monitoring Returns;
* The school notifies School Funding Team that it will not be able to keep within an existing approved deficit repayment plan;
* If, at the financial year end, the school exceeds its deficit repayment plan or is in deficit with no plan;
* If for any other reason the school notifies School Funding Team (SFT) that it will overspend in total.

**For further information on the application and operation of these protocols, please contact the School Funding Team**