

**Appendix 1 – Proposed Revisions to the Cumbria LA Scheme for Financing Schools**

Reason for the Amendment	Section	Current Requirement	Amended Requirement
LA Proposed revision	Section 4.5 Planning for Deficit budgets	Schools are not permitted to plan for a deficit when preparing their budget plans except in very exceptional circumstances with the agreement of the Assistant Director – Education and Skills (see paragraph 4.9). Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 <sup>st</sup> March of any year effective from 31 <sup>st</sup> March 2021.	<b>Addition</b> to include reference to Annex J as well as paragraph 4.9
DfE directed revision	4.9 Licensed Deficits	N/A	<b>Addition</b> to include “In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school’s budget and outturn statements.”
LA Proposed revision	4.10 Loan Schemes	N/A	<p><b>(Addition)</b> to include “The Council will make loans to maintained schools for capital schemes in the following circumstances:</p> <ul style="list-style-type: none"> <li>• The school is in surplus and is forecasting to remain in surplus in its current 3 year budget plan after accounting for loan repayments (principal and interest);</li> <li>• In general loans no greater than 10% of a school’s annual budget share will be approved except in exceptional circumstances;</li> <li>• Individual loans will be made between £10,000 up to a maximum of £500,000;</li> <li>• In any financial year the Council will not make loans of more than £500,000 in totality;</li> </ul>

Reason for the Amendment	Section	Current Requirement	Amended Requirement
	4.10 Loan Schemes (continued)		<ul style="list-style-type: none"> <li>• Interest will be charged for the duration of the loan at the County Council average borrowing rate applicable at the date of the loan agreement;</li> <li>• Repayments will be over a minimum of 2 years up to a maximum of 5 years;</li> <li>• A loan should deliver both financial and non-financial benefits to the school e.g. opportunities to generate income for the benefit of the school; significantly improve the learning environment;</li> <li>• If a school academises, loans will be repaid in full at the date of academisation.</li> </ul> <p>Schools must prepare a business case setting out the purpose of the loan, value, repayment period and impact on school financial position taking into account interest charged on the loan. Business cases will be required to be signed by the Head and Chair of Governors following approval by the Full Governing Body. Loans will be approved by the Council's s151 Officer in consultation with the Executive Director – People. Where a loan is agreed the Schools finance team will request regular monitoring updates from the school on progress, and will monitor the ongoing impact of loan repayment on a school's budget. Where a loan is approved, schools will be required to sign a formal loan agreement with the Local Authority, including a repayment schedule."</p>

Reason for the Amendment	Section	Current Requirement	Amended Requirement										
LA Proposed revision	Annex A – Responsibilities for Repairs and Maintenance	N/A	<b>Addition</b> to include PRUs as well as schools										
LA Proposed revision	Annex H – Financial Regulations for Schools/PRUs – Appendix C (Becoming a Chequebook School – Section 6 Maternity/Adoption Leave Reimbursements	N/A	<p><b>Amendment</b> updated wording and procedures for claiming maternity/adoption reimbursements to reflect the new quarterly payment arrangement:</p> <p>“The LA will process and reimburse claims on a quarterly basis as follows:</p> <table data-bbox="1496 571 2033 770"> <thead> <tr> <th><b><u>Claims Received between:</u></b></th> <th><b><u>Month Paid</u></b></th> </tr> </thead> <tbody> <tr> <td>1 Dec to 28 Feb</td> <td>March</td> </tr> <tr> <td>1 Mar to 31 May</td> <td>June</td> </tr> <tr> <td>1 Jun to 31 Aug</td> <td>September</td> </tr> <tr> <td>1 Sep to 30 Nov</td> <td>December”</td> </tr> </tbody> </table> <p><b>Addition</b> “6.4 New requests for reimbursement for maternity/adoption pay received by the LA more than six months after the first date of maternity/adoption leave will not be processed.”</p>	<b><u>Claims Received between:</u></b>	<b><u>Month Paid</u></b>	1 Dec to 28 Feb	March	1 Mar to 31 May	June	1 Jun to 31 Aug	September	1 Sep to 30 Nov	December”
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LA Proposed revision	Annex J – Challenge and Support Process for Schools with Deficit Budgets	<p>A licensed deficit plan in excess of either £5000 or 2% of the schools/PRUs annual budget (including expected additional income) must be approved by the Executive Director - People. Licensed deficit plans below this level will be approved by the LA’s Schools Finance Team.</p> <p>➤ In cases where a school/PRU finishes the financial year in deficit the situation should be corrected by the end of the following financial year.</p>	<b>Addition</b> at beginning of paragraph “Schools/PRUs with a revenue deficit of more than 5% must, in addition to completing an application for a licensed deficit, submit a recovery plan to the LA Schools Finance Team.”										

Reason for the Amendment	Section	Current Requirement	Amended Requirement
LA Proposed revision	Annex J – Challenge and Support Process for Schools with Deficit Budgets (continued)	<ul style="list-style-type: none"> <li>➤ In exceptional circumstances a deficit proposed by the governing body may be agreed by the Executive Director People to phase the restoration of a fully balanced budget normally over a two or three year period.</li> <li>➤ In both cases the schools/PRUs must complete the Application for a Licensed Deficit (see Appendix 1)</li> </ul> <p>See Flowchart</p> <p>Under Step 4: Based on these submissions and the actual year end reported position of the schools/PRUs, a tri-annual report will be produced highlighting the challenge and support identified for each school/PRU and their progress in moving towards a balanced position.</p>	<p><b>Addition)</b> “ ... and, if a schools/PRU’s revenue deficit at the on of 31<sup>st</sup> March of each year is more than 5%, submit a recovery plan to the LA Schools Finance Team.”</p> <p><b>(Amendment)</b> Flowchart updated to reflect process</p> <p><b>Removed</b></p>