

Appendix A5

Use of temporary funding sources and proposed redesignations of the Traded With Schools reserve to facilitate temporary support for LA Maintained Schools and Nurseries in financial difficulty

1. The Council's Chief Financial Officer is responsible for ensuring the adequacy of the financial organisation and accounting procedures in all maintained schools.
2. The financial regulations for schools with delegated budgets and the Scheme for Financing Schools, requires governing bodies to set balanced budgets. In cases where, despite the best efforts of the school, this is not possible, in the short to medium term, a governing body may apply to the Authority for a 'Licensed Deficit'. If approved the deficit is temporarily funded through the collective surplus of school balances.
3. The maximum proportion of the collective surplus of school balances held by the Authority which may be used to back the licensing of deficits shall not exceed 40%. However, the combined effect of the pandemic, rising staff costs, inflation and rising energy costs, has had a significant impact on school balances and reduced the ability to approve licensed deficits.
4. Except in the instance of a school closure, local authorities have no power to write off the deficit of a school and having considered the challenging financial climate for the sector and the financial health of mainstream schools and nurseries, the Authority with the approval of the Schools Forum (see [\(Public Pack\)Agenda Document for Bristol Schools Forum, 26/09/2023 17:00](#) agenda item 4, page 8), in providing financial support, has made an express provision of specific funds, from alternative school related sources, which may be used to back the licensing of deficits, in exceptional circumstances for a period of up to 5 years.
5. This is funded as outlined in the table below (and may be subject to further increases as other relevant funds become available) and whilst a separate fund with minor variations, will supplement the funds as outlined in paragraph 3 above and 4.9.5 of the Scheme for Financing Schools.

Temporary Funding Source

Schools Block - Closed Schools (DSG)	£517,000
De- Delegation – Schools in Financial Difficulty	£335,000
TWS Reserves (LA)	£250,000
Total Temporary Funding Source	£1,102,000

6. The utilisation of this designated fund will be monitored and reported back to Schools Forum quarterly. Regular reviews will take place to ensure schools remain focused on improving its financial health to warrant a safe and affordable education service delivery to the children and young people in the City.

Summary

Cabinet is asked to note the temporary funding sources totalling £1.1m and approve the proposed redesignation of the Traded with School reserve of £0.250m to facilitate temporary support for LA Maintained Schools and nurseries in financial difficulty.