

Dear Colleague

LEICESTERSHIRE SCHOOLS' FORUM

I would like to invite you to a meeting of the Leicestershire Schools' Forum to be held on **Thursday, 20 June 2013 at 1.30 pm at Beaumanor Hall, Beaumanor Drive, Woodhouse, Leicestershire** with the room being available from 1.00 pm.

Please see below for the agenda for the meeting.

Yours sincerely

Maria Bates (Tel. 0116 305 6667)

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AGENDA

| <u>Item</u> | <u>Paper</u> |
|---|--------------|
| 1. Apologies for absence/Substitutions. | |
| 2. Minutes of the Previous Meeting and matters arising. | 2 |
| 3. Update on Behaviour Partnerships. | 3 |
| 4. Revised Leicestershire Scheme for Financing Schools. | 4 |
| 5. Schools Forum Membership - September 2013 | 5 |
| 6. 2012/13 Schools Budget Outturn | 6 |
| 7. School Funding Arrangements 2014/15 | 7 |
| 8. Any other business. | |
| 9. Dates of future meetings. | |

Monday 8th July – 2.30pm – Beaumanor Hall

Wednesday 18th September 2.00pm – Beaumanor Hall

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Minutes of a meeting of the Leicestershire Schools' Forum held at Beaumanor Hall on Thursday, 21 February 2013.

Present

In the chair

Tim Moralee

Secondary Academies Headteacher / PRU

Karen Allen

Primary Maintained Headteacher

John Bassford

Secondary Maintained Governor

Graham Bett

Secondary Academies Headteacher

John Herbert

Secondary Academies Governor

Julie Kennedy

Primary Academies Governor

Jean Lewis

Primary Maintained Governor

Kathryn McGovern

Primary Academies Headteacher

Brian Myatt

Secondary Academies Headteacher

Andy Reeve

Joint Consultative Committee

Heather Sewell

Primary Maintained Headteacher

Sonia Singleton

Secondary Academies Headteacher

David Thomas

Primary Maintained Governor

In attendance

Lesley Hagger

Assistant Director - CYPS, Strategic Initiatives

1. Apologies for absence/Substitutions.

Apologies were received from:

Andrew Munro, David Lloyd, JoAnne Rees, Sue Horn, Tony Gelsthorpe

2. Minutes of the Meeting held on 4th December 2012 (previously circulated) and matters arising.

The minutes of the meeting held on 4th December 2012 were agreed with the following amendments:

Page 2 - LA previously able to make adjustment but no longer able

Page 3 – Funding Union Facilities Time – from the Headteacher's briefing, as a result of the decision made that Union reps are to be made redundant therefore have we made a wrong decision? A summary of the list of consequences could have made a difference of opinion. LH reported that the original had been discussed prior to the meeting. TM replied that they had discussed opinions before decisions were made and debated alternatives.

3. Early Years Single Funding Formula

Michelle Nicholls and Jane Norman attended for this item. MN gave a brief outline of the paper and the following recommendation made:

To approve the implementation of Option 2 of the report.

No one voted against the recommendation, 15 approved and there was 1 abstention.

4. 2013-14 Schools Budget

JL lead the meeting through the paper and the following were noted:-

- There would be significant changes from April 2013.
- Paragraph 11, item 1 – this had already been decided on 20 September.
- Paragraph 11, item2 – the proposed budget makes no provision in the new budget.
- Paragraph 11, item 3 – historic commitments are as per the paper.
- Paragraph 11, item 5 – School Forum have to approve Early Years expenditure re eligibility of pupils for an early years place and/or free school meals.
- Question – School Improvement Service, where does this budget go now as it was a commissioning budget? This will remain a commissioning budget for intervention and considered by the EEB. There is no capital settlement for 2013/14 yet and the expectation that current method of funding basic need will continue.
- Paragraphs 12 – 16 recaps the background. The DfE are expecting turbulence and the desire is to move to a new system. All changes being implemented in 2012/13 and the Leicestershire review will need to take into account the new DfE review.
- Paragraph 17 – settlement is now schools, high needs and early years. The high needs block now includes post 16.
- Paragraph 22 – final settlement detailed NQT induction transfer from LA to schools. The 2013/14 budget introduces two new financial risks. i) provision for 2 year olds in September; ii) 16-24 year olds transfer.

Question – how do we organise sharing the budget with FE sector? Answer – bring the process together to see what it looks like and note there is no request for it to sit with Forum. This is LA commissioning budget and there is no role for FE to participate in Forum.

Question – how do you estimate the high needs of people? Answer – there is lots of data to identify high needs budget but we won't know until September therefore some flexibility is built into it.

- Dedicated Schools Grant Reserve – There are changes to the position reported in June 2012, now reporting an underspend in SEN. The Academy conversion rate is estimated. £1.5m has been set aside for broadband contract but we are over prudent. £75k set aside to fund schools unable to deal with maternity cover but only used £14k. One Academy refusing to be responsible for deficit on school budget so provision for academy deficits is increased. There is a delay in the action plan for locality support services. There are significant issues around the PRU budget. £35k needs to be made available to fund the remaining LA commitments on a NQT induction contract.

TM – The behaviour partnerships are in early stages of discussion and want to include benefits to for primaries and the PRU. A resolution is required.

LH – is keen to talk about this and move quickly with schools across all stages. SLF (Supporting Leicestershire Families) to be brought into discussions too.

A discussion is to take place outside of this meeting as to where is the capacity for the above.

J Bassford – endorses and supports all of the above as there is a need to put money and resource into young please early on in life.

J Brooks – agrees support for younger students, special school and support outreach.

BM – a strategy is required as being reactive before being proactive. More money to be put into the PRU as there are more long stay pupils now.

JL – funding proposed for the PRU is transitional in order to address the changes as a result of school funding reform and is not long term.

- Paragraphs 33-45 – working with schools re transitional funding. JL to clarify the basic amount paid for any child and additional needs to come from the school budget. Have annually a notional SEN budget calculation with a percentage of deprivation funding and other factors spent on special needs. JL explained the information is taken from the teaching and learning hours for a child which produced a schedule to the school re how much funding there is for a specific child. There are no enhanced packages any more as the above replaces it. High needs budget information will be available in a couple of weeks.
- Paragraph 46 – see appendix 3. Clarity is required re copyright licences. DT – the figures on appendix 3 are different to what was sent out in February. JL explained that the ceiling for MFG (minimum funding guarantee) has been adjusted to 4% as there have lots of changes and pupil data changes when pupil numbers change. This has moved from 1.5% to 1.4%.
- Paragraphs 54-57 – the LA has no authority over this.
- Paragraph 58 – some funding has moved to the Dedicated Schools Grant.
- Paragraph 62-64 – the child is identified by their post code.
- Paragraphs 65-70 – LACSEG Grant – in September 2013 this will be replaced by the Education Services Grant paid to Academies and the LA. Councillor Ould reported that we face extremely difficult times as we are the lowest funded authority.
- Paragraphs 71-75 – conclusions – this is a challenging budget; feedback to groups re the changes is required; there is no certainty what is happening in 2014.

Proposal to accept the recommendations x 12

Opposition to the paper – none

Abstention to the paper – none.

The Chair thanked JL for producing the paper.

5. Review of 2013-14 School funding arrangements

JL asked for any comments to be forward to her by the end of next week and the response date to submit the form is 26th March.

6. Any other business.

i) KMcG –change of age range funding arrangements i.e. 10+ schools; EFA; bringing Year 6 back. JL is meeting with the EFA next Tuesday. The funding issue is one for the EFA to resolve

Can the LA or EFA change this dispute – this is now the LA.

It would be useful to JL to receive information before the meeting on Tuesday.

David Atterbury and JL are pursuing a solution.

- ii) Councillor Ivan Ould was disappointed that he had not received any hard examples of schools with financial difficulties to take to London. Some members of Forum were not aware that they had to do this and it was agreed to take the matter back to LPH, LSH and LSSH.
- iii) Excellence Partnership – there is fantastic progress and the partnership is working well.
- iv) Academy process – It is noted that they have to make accounts public and show the highest paid staff and adhere to all accounting and disclosure requirements.

7. Date of next meeting.

20th June at 1.30pm at Beaumanor Hall

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SCHOOLS FORUM

Update on Behaviour Partnerships

Thursday 20th June 2013

| Content Applicable to; | | School Phase; | |
|--|---|----------------------|---|
| Maintained Primary and Secondary Schools | ✓ | Pre School | |
| Academies | ✓ | Foundation Stage | |
| PVI Settings | | Primary | ✓ |
| Special Schools / Academies | ✓ | Secondary | ✓ |
| Local Authority | ✓ | Post 16 | |
| | | High Needs | ✓ |

Purpose of Report

| Content Requires; | | By; | |
|--------------------------|---|-------------------------------------|---|
| Noting | ✓ | Maintained Primary School Members | ✓ |
| Decision | | Maintained Secondary School Members | ✓ |
| | | Maintained Special School Members | ✓ |
| | | Academy Members | ✓ |
| | | All Schools Forum | ✓ |

1. This report presents an update on the development of behaviour partnerships in Leicestershire.

Recommendation

Schools Forum is recommended to note the report.

Introduction

2. This report deals with provision for children who have behaviour difficulties and for a variety of reasons, struggle with the disciplinary regimes in mainstream schools. The

Local Authority has a duty to educate all children, including those who cannot attend mainstream schools because they have been excluded because of continuing behavioural issues. Such provision has traditionally been made in small units called Pupil Referral Units. Leicestershire makes such provision for Primary and Secondary Pupils at Oakfield school in Blaby.

Background

3. Behaviour partnerships were first set up in 2005 in Leicestershire in response to the need to ensure fair and equitable access to education for vulnerable and challenging children, and to manage access to the Pupil Referral Unit (with responsibility for educating children unable to attend mainstream schools because of behavioural issues) and Behaviour Support Services. Five partnership areas linked to school development groups and district council areas were established, and partnership meetings attended by headteachers. Meetings were chaired and led by a peer headteacher. The co-operative working between schools in supporting vulnerable and challenging children has been highly effective, reducing secondary permanent exclusions from 120 a year to 26 a year over three years, and maintaining this low level ever since.
4. In February 2011, Schools Forum endorsed proposals to further develop the five partnerships across the County, to devolve funding for key stage 4 alternative programmes to those partnerships, to underpin this new working arrangement with a memorandum of understanding, and a charging policy.
5. In Summer 2012, the Cabinet took the further decision to close the centrally managed Behaviour Support Services. This decision was the subject of consultation with schools, with two separate consultation exercises demonstrating a clear preference amongst schools for the delegation/devolvement of this funding and responsibility to schools. The services will close at the end of August 2013. Two services are affected. The Locality Support Service which provides behaviour support advice and training to primary and secondary schools, and the Commissioning and Personalised Programmes Service which manages key Stage 4 Alternative Provision. Schools Funding Reform required the funding for behaviour support services (unless schools chose to allow it to be centrally retained) to be delegated. Schools Forum have approved the delegation of the funding for the former service to all schools funding has been partially devolved to partnerships for the latter service since February 2011.
6. There has been discussion with the partnerships about the extent of the devolvement of both funding and responsibility. Funds would need to be held centrally should any commissioning responsibility for provision fall back on the local authority. A partnership agreement is currently being developed assumes that no such responsibility return from partnerships to the LA, allowing full devolvement to partnerships. Greater efficiencies accrue from having one commissioning mechanism in each area rather than a dual system.

Resource Implications

7. The cessation of the Locality Support Service has lead to the following amounts per pupil being delegated to schools from April 13:
 - Primary £6.43

- Key Stage 3 £30.53
- Key Stage 4 £11.27

Schools can choose to contribute to the work of behaviour partnerships using some, all, or more than these sums.

Devolved Funding to Partnerships

8. The funding devolved to partnerships is based on the costs of commissioning alternative provision at key stage 4, and the additional funding derived from the cessation of the Commissioning and Personalised Programmes Service in August 13.

- Partnership Funding 2012-13 £851,754
- Funding 2013-2014 £1,276,754

It should be noted that the level of funding devolved in excess of the 2013/14 approved budget, commitment has been given that funding will be devolved at the current level of expenditure. This is supported by the DSG reserve for 2013/14 but will need a sustainable solution to be found in setting the 2014/15 High Needs Budget

Funding Allocations among Partnerships

The funding formula used to allocate resources among partnerships is based on pupil numbers in each school and disadvantage:

$$(NOR)/100 + 2.5*(IMD)^1$$

The formula distributed funding among partnerships as follows:

- Charnwood North 16.92%
- Charnwood South 10.75%
- Hinckley and Bosworth 20.27%
- Melton 7.73%
- NW Leics 13.45%
- South Leics 30.87%

This formula will need to be revised to provide the 2014/15 devolved funding. IMD data is not routinely collected at individual school level, it is appropriate that the devolved allocation is supported through the information provided to the local authority in the dataset issued by the EFA for school delegated budgets

¹ This formula was agreed with Partnership Chairs on 7/6/07. NOR= Number on Roll, IMD= Index of Multiple Deprivation. Data was taken from the School Census 2008.

Equal Opportunity Issues

9. The Statutory School Admissions Policy contains a requirement on all schools to abide by a locally agreed Fair Access Protocol. This document sets out procedures to ensure that vulnerable young people obtain a school place quickly when they move between schools, and that the distribution of challenging children between schools is fair and equitable. Behaviour Partnerships work closely with the School Admissions and Pupil Services to operate these arrangements.
10. Not surprisingly, young people with challenging behaviour are at risk of underachievement. The Commissioning and Personalised Programmes team has shown that such young people can achieve if they gain the right support. Average GCSE point scores for students supported by the team have risen from 22.9 in 2007-08 to 110.8 in 2011-12. This five fold rise was achieved on the back of highly personalised programmes, delivered flexibly, with intensive supported, by experienced and talented staff.

Background Papers

Schools Forum Feb 2011: Proposal to Establish Behaviour Partnerships based on existing Area Placement and Support Panels

Cabinet 20th Dec 2011: Authorisation for the Director of Children's Services to consult on changes to services, including a 10% reduction in behaviour support services.

Cabinet 26th March 2012: Cabinet considers report of five member scrutiny panel on SEN

Cabinet 8th May 2012: Cabinet approves future direction of the CYPS including service restructure and future role of behaviour partnerships.

Schools Forum 20th Feb 2013: Decision taken to provide transitional funding to Oakfield as a result of School Funding Reform when considering the 2013/14 Schools Budget

Officers to Contact

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SCHOOLS FORUM

Proposed Amendments to the Leicestershire Scheme for Financing Schools

20 June 2013

| Content Applicable to; | | School Phase; | |
|-----------------------------|---|------------------|---|
| Maintained Schools | X | Pre School | |
| Academies | | Foundation Stage | X |
| PVI Settings | | Primary | X |
| Special Schools / Academies | | Secondary | X |
| Local Authority | | Post 16 | |
| | | High Needs | |

Purpose of Report

| Content Requires; | | By; | |
|-------------------|---|-------------------------------------|---|
| Noting | | Maintained Primary School Members | X |
| Decision | X | Maintained Secondary School Members | X |
| | | Maintained Special School Members | X |
| | | Academy Members | |
| | | All Schools Forum | |

1. This report presents changes to the Leicestershire Scheme for Financing Schools which are necessary as a result of a directed revision by the Secretary of State for Education.

Recommendation

2. That Schools Forum approve the revised Scheme for Financing Schools to be retrospectively applied to 1st April 2013.

Background

3. The Scheme for Financing Schools sets out the financial relationship between a local authority and the schools it maintains, it is not applicable to Academies who have their own separate financial framework.
4. Much of the scheme is prescribed by the Department of Education (DfE) although there is flexibility to incorporate locally agreed changes following consultation with all schools. The proposed changes are largely the result of a directed revision by the Secretary of State issued in March 2013 to ensure that the scheme is reflective of current legislation and school funding reform.
5. The document proposes two local changes;
 - Paragraph 2.23 clarifies that the local authority may issue a financial Notice of Concern to a school converting to sponsored academy status and a closing school. This is to ensure that the local authority is able to protect its financial position through involvement within the school's financial management to prevent a deficit position which would fall to be charged to Dedicated Schools Grant (DSG).
 - Paragraph 4.12 clarifies the treatment of local authority loans to schools upon academy conversion. Loans will become payable in full unless the local authority agrees to maintain the former repayment schedule.
6. The revised document was issued for consultation on 5th April and consultation closed on May 20th. No comments were received from schools.
7. The proposed Scheme is shown as Appendix 1.

Resource Implications

8. There are no resource implications directly arising from this report.

Equal Opportunity Implications

9. There are no equal opportunities implications directly arising from this report.

Officer to Contact

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LEICESTERSHIRE COUNTY COUNCIL

SCHEME

FOR

FINANCING SCHOOLS

LEICESTERSHIRE SCHEME FOR FINANCING SCHOOLS

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THE OUTLINE SCHEME

1. INTRODUCTION

1.1 The Funding Framework : Main Features

The funding framework, which replaces Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (the Act).

Under this legislation, local authorities determine for themselves the size of their Schools Budget and their non-schools education budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Local authorities may deduct funds from their Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained items is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools Budget is retained centrally (although earmarked allocations may be made to schools).

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to provisions of this scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for the purposes of their school¹ and for any additional purposes prescribed by the Secretary of State in regulations made under s. 50 of the act.

An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been

¹ Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act)

substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the School Standards and Framework Act 1998) but in that case there is no right of appeal.

Each authority is obliged to publish, each year, a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools;

After each financial year the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. The detailed publication requirements for financial statements and for schemes are set out in directions issued by the Secretary of State, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that the revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The role of the scheme

This scheme sets out the financial relationship between the Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

1.3 Application of the scheme to the Authority and maintained schools

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units maintained by the Authority. It does not apply to schools situated in the authority's area which are maintained by another authority, nor does it apply to academies.

1.4 Publication of the scheme

Regulations require that the scheme is published and any revisions to it on a website accessible to the general public together with a statement that the revised scheme comes into force on that date.

1.5 Revision of the scheme

All proposed revisions must be submitted to the Schools Forum for approval by members of the Forum representing maintained schools. Where the Schools Forum does not approve them, or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

1.6 Delegation of powers to the headteacher

Each Governing body is asked to consider the extent to which it wishes to delegate its powers to the headteacher, and to record its decision (and any revisions) in the minutes of the governing body.

1.7 Maintenance of Schools

The Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

2. FINANCIAL CONTROLS

2.1. Application of financial controls to schools

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring.

Certain of these are directly referred to in this scheme while others are included in other guidance issued by the Authority.

2.2 Provision of financial information and reports

Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority.

The details of these requirements are set out below:

- Bank Account (BA) returns
- Certification of bank balance at year end.
- Information as specified by the Chief Finance Officer relating to the Construction Industry Tax Deduction Scheme to enable the County Council to meet its statutory requirements.
- Information as specified by the Chief Finance Officer relating to payment of salaries / wages and relevant deductions to enable the County Council to meet its statutory requirements. This only applies to schools that have opted out from using the County Council's payroll service.
- Termly financial monitoring reports providing income and expenditure and forecast outturn budget position in the format prescribed by the Authority.

2.3 Payment of salaries; payment of bills

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll system.

Governing bodies entered into payroll contracts with providers other than with the Authority, or choosing to run their payrolls 'in-house', shall ensure that payments to all employees are in accordance with the terms and conditions of employment and payscales for each employee as recognised by Leicestershire County Council.

The governing body must ensure compliance with all legal requirements in relation to the HM Revenues and Customs, Department of Work and Pensions, the Local Government Pension Scheme, the Teacher Pension Scheme and other government agencies as applicable.

Any financial liability arising from non compliance to adhere to payroll procedures and statutory requirements will fall to be met from the school's budget share.

2.4 Control of assets

Each school must maintain an inventory of its moveable non-capital assets worth more than £1,000, in a form determined by the authority, and setting out the basic authorisation procedures for disposal of assets. Schools are free to determine arrangements for assets worth £1,000 or below. However, the Authority recommends that a register of all assets be maintained as prescribed below.

2.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued annually by the authority in relation to accounting policies and year-end procedures.

2.6 Writing off of debts

Governing bodies are only authorised to write off debts up to a level stipulated by the Chief Finance Officer.

The current limit is set at debts up to and including £250 (per debtor).

In the case of larger debts the school must carry out the following procedure:

- Consult with the Chief Finance Officer by lodging a request for write off with the Director of Children and Young People's Service

2.7 Basis of accounting

Reports and accounts furnished to the Authority must be on an accruals basis. Schools may choose to operate either a cash or accruals based system for the purposes of internal reporting. The Authority, OFSTED and Audit Commission recommend that schools adopt an accruals based internal reporting system.

2.8 Submission of budget plans

Each school is required to submit an annual budget plan, formally approved by the governing body or a committee of a governing body to the Authority by 31st May

The format of the annual budget plan will be consistent with the requirements of the Consistent Financial Reporting Framework.

The budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Schools may take account of any estimated balances from the previous financial year when formulating the current year's budget plan

The authority will also require the submission of revised plans. Such revised plans shall not be required at intervals of less than three months.

The Authority will supply schools with all income and expenditure data that it

holds and which is necessary to efficient planning by schools.

2.9 Submission of Financial Forecasts

Schools may be required to submit a financial forecast that covers each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

Multi Year Forecasts may be used for the following purposes:

- a) To confirm that schools are undertaking effective financial planning,
- b) To support the LA's responsibility for declaring schools' adherence to the Financial Management Standard in Schools,
- c) To support the LA's balance control mechanism,
- d) To support the LA's deficit budget planning mechanism.

2.10 Efficiency and value for Money

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements.

It is for heads and governors to determine at school level how to secure better value for money. There are significant variations in efficiency between similar schools so it important that schools review their current expenditure, compare it to other schools and consider how to make improvements.

2.11 Operating Leases

When looking to procure assets the school should consider lease or buy decisions. Should schools consider leasing provides the best value solution advice should be sought from the investments section at the local authority. Schools may only enter into leasing agreements where these have been approved by the local authority prior to entering into any such arrangements

2.12 Virement

Schools are free to vire between budget heads in the expenditure of their budget shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required.

2.13 Audit: General

Schools are required to co-operate both with auditors employed by the Authority (internal audit) and auditors appointed to audit the Authority itself (external audit).

In regard to internal audit, all schools come within the audit regime determined

by the Chief Financial Officer.

In relation to external audit all schools come within the local authorities external audit regime as determined by the Audit Commission.

2.14 Separate external audits

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the local authorities internal and external auditors.

2.15 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school.

Procedures for furnishing these audit certificates and advice on the handling of such voluntary and private funds has been prepared by Internal Audit

2.16 Register of business interests

The governing body of each school is required to maintain a register, which lists for each member of the governing body, the headteacher and any member of staff with influence over financial decisions, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff, parents and the Authority.

2.17 Purchasing, tendering and contracting requirements

Schools are required to abide by the Authority's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes the need for schools to assess in advance, where relevant, the health and safety competence of contractors, taking account of the authorities policies and procedures.

Schools are not permitted to obtain fewer than three tenders of quotations in respect of any contract with a value exceeding £10,000 in any one year.

Schools may disapply any section of those regulations and/or standing orders which would require them to;

- a) To do anything incompatible with any provisions of the scheme, any statutory provision or any EU Procurement Directive;
- b) To seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year,

- c) To select suppliers only from an approved list.

2.18 Application of contracts to schools

Schools have the right to opt out of Authority arranged contracts.

Governing bodies are empowered under paragraph 3 of schedule 10 to the School and Standards Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and owner of funds in the budget share. Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations - for example, contracts made by aided or foundation schools for the employment of staff.

2.19 Contingent Liabilities

Schools may not enter into grant arrangements where the terms and conditions of the grant place restrictions (contingent liabilities) on the land owner's title to the land e.g. that an asset delivered from the grant should remain in place for a number of years, a requirement that funding is returned if the grant conditions are not met or the facilities cease to operate. Schools do not have the legal power to accept liabilities on land not owned by them and any grant bids containing such liabilities should be approved by the local authority **before** they are submitted.

2.20 Central funds and earmarking

The Authority is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used: and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. The Authority may require that earmarked funds must be returned to the Authority if not spent in accordance with the stipulated rules. The Authority will not enforce any interest clawback charges from individual schools regarding retrieved earmarked funds.

2.21 Spending for the purposes of the school

Governing bodies are free to spend budget shares for the purposes of the school, subject to regulations made by the Secretary of State, and the provisions

contained within the scheme, subject to the school's ability to fund such expenditure from the annual revenue budget or through an approved planned deficit budget agreed with the Authority.

Amounts spent by governing bodies on community facilities under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Additionally the Schools Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2002 (amended by the School Budget Shares (Prescribed Purposes) (England) Regulations 2010 allow school to spend their budgets on pupils who are on the roll of other maintained schools.

2.22 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998.

If the expected capital expenditure from the budget share in any one year will exceed £15,000, the governing body must notify the Authority and take into account any advice from the Director of Children and Young People's Service as to the merits of the proposed expenditure. The reason for this requirement is to help ensure compliance with the current School Premises Regulations, DfE Construction Standards and health and safety legislation.

Where the premises are owned by the Authority or the school has voluntary controlled status, then the governing body shall seek the consent of the Authority to the proposed works, but such consent can be withheld only on health and safety grounds.

2.23 Notice of Concern

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children and Young People's Service, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Authority or school.

The local authority reserves the right to issue a notice of concern to schools converting to a sponsored academy status and to schools issued with closure notices where it is deemed necessary to protect the financial position of the authority.

The notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include:

- a) Insisting that relevant staff undertake appropriate training to address any identified weakness in the financial management of the school;
- b) Insisting that an appropriately trained / qualified person chairs the finance committee of the governing body;
- c) Placing more stringent restrictions or conditions on the day to day financial management of the school other than the scheme requires for all schools – such as the provision of monthly accounts to the authority;
- d) Insisting on Authority officers attending regular financial monitoring meetings at the school;
- e) Requiring the governing body to buy into a local authorities financial management systems;
- f) Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example requiring a school to submit income projections and / or financial monitoring reports on such activities.

The notice will state what the requirements are and the way in which and the time by which the requirements must be complied with in order for the notice to be withdrawn. The notice will also state the actions that the authority may take where the governing body does not comply with the notice.

The notice will not be used in place of withdrawal of financial delegation where that is the appropriate action to be taken.

Where a notice of concern has been issued, the notice will be withdrawn at the point at which the governing body are compliant with the requirements of the notice

2.24 Schools Financial Value Standard

All authority maintained schools (including nursery schools and Pupil Referral Units (PRU's) that have a delegated budget) must demonstrate compliance with the Schools Financial value Standards (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time of the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the form to the local authority before 31st March 2013 and annually thereafter

2.25 Fraud

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must inform all staff of school policies and procedures relating to fraud and theft, the controls in place to prevent them and the consequences of breaching those controls. This information must also be included in the induction for new staff and governors.

3. **INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

For the purposes of this section, Budget Share includes any place-led funding for special school, SEN units, enhanced resource bases and pupil referral units.

3.1 Frequency of instalments

The budget share will be made available to governing bodies monthly.

Top up payments for pupils with high needs will be made monthly on and payable for each academic day in each calendar month.

3.2 Proportion of budget share payable at each instalment

3.2.1 Monthly Budget Share

The proportion of the budget share to be made available to schools shall be calculated as:

3.2.2 Calculation of Non-Employee Related Budget

The amount to be transferred to the school bank account will be based on the school's budget, as approved by the Governors. Details of this budget should be returned to the Strategic Finance Service by the specified date each year, using standard forms issued by the Finance Service which will show sub headings for employee related and other costs, together with a verification of the bank balance.

The total funds to be transferred to the school bank account will include the unspent balance of the Section 251 budget not already in the bank from the previous financial year, which the school wishes to use to fund non-employee expenditure in the current financial year.

The amount transferred to the school bank account in April each year will be based on 10% of the school's formula budget allocation pending the receipt of the school budget. Non-compliance with the deadline may adversely affect your drip-feed.

3.2.3 Transfers to School Bank Accounts

In each financial year, the amount relating to non-employee expenditure will be transferred to school bank accounts in twelve monthly instalments. Schools taking part in the scheme will be notified by the Strategic Finance Service of the date in each month on which the transfer will be made following receipt of the Budget Intention form.

The percentage of the total non- employee budget transferred (approximately on the 15th day of each month) will be as follows:

| | |
|-----------------|----|
| April - June | 9% |
| July - February | 8% |

March 9%

There will be three exceptions to this rule:

- (i) Schools which have to pay examination fees in April will receive the amount assessed for examination fees within the formula, plus 9% of the remaining non salary budget with their 1st monthly instalment.
- (ii) The balance carried forward will be transferred as a lump sum to the school's bank account. (This will be the unspent balance of the Section 52 budget not already in the bank account).
- (iii) Refunds of VAT will be made by cheque on submission of a monthly VAT accounting return. The procedure for reclaiming VAT is set out in Sections 2 Part L. of this document. For this reason it is important that BA returns are submitted on a monthly basis.

3.3 Schools processing Payroll via Local Bank Accounts

Schools that process salary payments through their local bank account will receive the amount of salary expenditure into the school bank account. The payment will be made on the last but one working day of the month in 12 equal monthly payments. The employee / non-employee split is updated following receipt of the school budget intention.

3.4 Interest clawback

The LA will deduct from budget share instalments an amount equal to the estimated interest lost by the LA in making available the budget share in advance of the normal monthly cycle (see 3.2 above). The calculation basis of the deduction, taking account of the frequency options offered by the scheme, is:

3.4.1 Interest will be calculated on a daily basis and credited/debited to the school on a quarterly basis.

3.4.2 The schools drip feed will be adjusted where necessary.

3.4.3 The rate of interest paid/received by schools will be:

- Balances between £1-£29,999 – 1½% below Nat West base rate
- Balances above £30,000 – 1% below Nat West base rate.

3.5 Interest on late budget share payments

The LA will add interest to late payments of budget share instalments, where such late payment is the result of LA error. The calculation of interest payment will be in line with that stipulated in 3.3.above.

3.6 Budget shares for closing schools

Budget shares of schools for which approval for discontinuation has been secured, will be made available until closure on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

3.7 Bank and building society accounts

All schools may have an external bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within an Authority contract which makes other provision.

Any school wishing to opt for its own bank account or transfer bank to a different institution may only do so after giving a period of notice (two months). However arrangements for a new bank account may only be made with effect from the beginning of each financial year.

As appropriate, the school or Authority will make arrangements to enable a newly opened bank account to receive immediate transfer of estimated balance for the school to that account.

3.8 Restrictions on accounts

Accounts may only be held for the purpose of receiving budget share payments.

Any school closing an account used to receive its budget share and opening another must select a new bank or building society and seek approval from the Director of Resources via the Children and Young People's Service, even if the closed account was not with an institution on that list.

Schools may bank with any UK financial institution which satisfies at least the following minimum criteria in respect of credit ratings given by either Fitch and Moody's (the two most relevant credit rating agencies for UK institutions). For the avoidance of doubt, meeting the criteria for only one of the agencies is sufficient but both the long term and short term ratings must be met for one of the agencies. Wholly owned subsidiaries of a UK financial institution which meet the minimum criteria are also acceptable:

Minimum acceptable ratings by **FITCH** are:

Short term F1 (so F1+ and F1 are acceptable)

Long term A (so AAA, AA+, AA, AA-, A+ and A are acceptable)

Minimum acceptable ratings by **MOODY'S** are:

Short term P-2 (so P-1 and P-2 are acceptable)

Long term A2 (so Aaa, Aa, Aa1, Aa2, Aa3, A, A1 and A2 are acceptable)

The County Council will continue with the arrangements negotiated with the NatWest bank whereby the accounts are in the name of the Leicestershire

County Council but specific to each school, for schools that wish to use such arrangements.

Schools having bank accounts for the purpose of budget share payments with banks prior to 1 April 2011 may retain these accounts.

Cheque signatories for the school bank account are restricted to Authority / school employees and current members of the governing body. The governing body will formally agree the named individuals who will act as cheque signatories for the school bank account and any changes thereafter. The governing body is also required to formally stipulate the levels of delegated authority for each signatory in relation to authorising cheques and the use of purchasing cards.

Schools may opt to have the account in its own name rather than of the Authority. However, if a school opts for such an account, it is required to ensure that the bank mandate stipulates that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

Schools must not allow bank accounts held for the receipt and payment of official funds become overdrawn.

Schools must have regard to the requirements of the Guidance for Managing Local Bank Accounts issued by the Authority.

3.9 Borrowing by schools

Finance leases are deemed borrowing, governing bodies should not enter into any finance lease without the approval of the Secretary of State and must also notify the Director of Resources of their intentions.

Before contacting the Secretary of State, the governing body is obliged to inform the Authority of its intention to borrow money as it will have impact on the overall County Council's capital financing requirement and prudential indicators. The Authority will need to receive adequate assurances regarding the purpose of the loan and the ability to afford the repayments.

These restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the schools delegated budget, but schools are free to agree a charge for a service which the Trustees or foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the authority when repaying loans.

This provision does not apply to loan schemes run by the authority (section 4.11)

3.10 Purchasing Cards

Whilst credit cards are deemed borrowing which are regarded as borrowing procurement cards are permitted for use. Schools should consider whether the use of procurement cards offer efficiencies within the purchasing process.

3.11 Other provisions

The Authority has formulated separate detailed rules and guidance in respect of other aspects of banking arrangements, which must be followed and is supplementary to the provisions within the scheme.

4. THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1 The right to carry forward surplus balances

Schools carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

4.2 Controls on Surplus Balances

4.2.1 Surplus balances held by schools are permitted under this scheme and may be held as committed balances as defined within the Consistent Financial Reporting Framework. For the purposes of the balance control mechanism committed and uncommitted balances are considered by the balance control mechanism a) – c) which are adjusted for any approved exception applied by paragraph 4.2.5

Surplus balances are subject to the following restrictions:

- a) the Authority shall calculate by 31 July each year the surplus revenue balance, if any, held by the school as at the preceding 31 March. For this purpose the revenue balance will be the sum of items BO1 – Committed Revenue Balance and BO2 – Uncommitted Revenue Balance as defined in the Consistent Financial Reporting Framework;
- b) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be an exception permitted by the authority as listed by paragraph 4.2.5 of the scheme, and which the authority is satisfied are properly assigned;
- c) if the result of steps a-b is a sum greater than 7% of the total revenue balance as defined within the Consistent Financial Reporting Framework for secondary schools or 10% of the total revenue balance as defined within the Consistent Financial Reporting Framework for primary and special schools (the acceptable level), or £30,000 (where that is greater than the percentage threshold) adjusted for any items agreed by the local authority as specified in paragraph 4.2.5.

The Consistent Financial Reporting Framework defines the calculation of balances as – Balance brought forward from the previous year divided by total revenue income (CFR Codes IO1 – I15)

4.2.3 The Schools Forum will receive and consider an annual report from the Director of Children and Young People's Service detailing for each school;

- School balances as defined under the Consistent Financial Reporting Framework
- Details of those schools with excess revenue balances

4.2.4 Schools with a revenue surplus, as defined by paragraph 4.2.1 a- c, at the 31st March, in excess of 7% for secondary schools or 10% for primary and special schools, or £30,000 where that is greater than the percentage threshold, will have that amount deducted from its budget share for the current year.

Funds held in relation to a school's exercise of the powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share school as permitted by the Authority.

The total of any amounts deducted from the schools' budget shares by the Authority under this provision will be applied to the Schools Budget of the Authority.

4.2.5 Only amounts related to the following expenditure items may be held outside the acceptable limits of 10% and 7% for the purpose of calculating surplus balances;

- a) Planned contributions to major projects where agreed with the Local Authority where they are time limited, reflected in the School development Plan and do not exceed 10% of the schools revenue calculated per paragraph 4.2.1 (c) for the year the exception is sought;
- b) Funding held by individual schools on behalf of partnerships, development groups or clusters;
- c) Earmarked and specific grants

Schools should refer to the guidance issued by the Local Authority on the application of these exceptions.

4.3 Interest on surplus balances

Balances held by the Authority on behalf of schools (i.e. individual school bank accounts) will attract interest as set out within the Guidance for Managing School Bank Accounts issued by the Authority.

4.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share

4.5 Planning for deficit budgets

Schools may only plan for a deficit budget in accordance with the terms of para 4.10 below, defined as being where available resources are insufficient to meet planned expenditure. For this purpose the deficit balance will be calculated as

the sum of items BO1 – Committed Revenue Balance and BO2 – Uncommitted Revenue Balance as defined in the Consistent Financial Reporting Framework

4.6 Charging of interest on deficit balances

In normal circumstances interest will be charged on deficit balances. The Authority may waive interest charges. Each case will be considered on its merits. Account will be taken of whether the deficit arose from factors outside of the schools' control.

4.7 Writing off deficits

The Authority has no power to write off the deficit balance of any school.

4.8 Balances of closing and replacement schools

When a school closes any balance (whether surplus or deficit) shall revert to the Authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

Where a school records a deficit budget when converting to academy status under section (4)(1)(a) of the Academies Act 2010 that deficit will be eliminated through the use of centrally retained schools budget and approved by the Schools Forum.

However, the Authority has the power under the regulations to take a course, which has the same net effect as transfer for 'replacement' schools. The Authority may transfer sums, which are equal to or less than the balances of relevant closing schools to successor schools.

4.9 Support for Schools in Financial Difficulty

Expenditure on special schools, pupil referral units and maintained schools may only be provided from a centrally held budget specified for this purpose from a de-delegated contingency budget only where agreed by the Schools Forum. The authority reserves the ability to provide funding from the high needs block to support schools with exceptional high needs costs.

4.9 Borrowing for agreed purposes

The general provision in para 3.9 above forbidding Governing bodies to borrow money shall not apply to schemes run by the Authority as set out in section 4.11 below.

4.10 Deficit budget planning (licensed deficits)

The Authority may permit schools to plan for a deficit budget in particular circumstances that are described below:

A school is unable to set a balanced budget in any one financial year due to:

- A deficit arising from the previous financial year.
- Increase / reduction in the number of pupils.
- Changes in the formulae that have a negative financial impact on the school's budget.
- Overall reduction in revenue funding compared to previous financial year.
- Other reasons that has a negative financial impact on the school's budget.

The detailed arrangements applying to this scheme are as set out below:

(i) Period of Budget Planning

A school may plan for a deficit budget for a period of up to five financial years. It is expected that most budget plans will be for two financial years and in extreme circumstances they will extend to between three to five years.

(ii) Formal Approval of Budget Plans

Budget plans for a period of up to three financial years will be considered for approval by the Director of Children and Young People's Service. The Cabinet or its nominated representatives will consider any extension to an approved budget plan that takes it over a period of three years for approval.

Budget Plans for a period greater than three years will be considered for approval by the Cabinet or its nominated representatives.

(iii) Provision of Information for Budget Planning

A school needs to provide the following information to the Director of Children and Young People's Service:

- Reasons for planning a deficit budget.
- Annual income and expenditure forecasts for the proposed period of the budget plan.
- Details of the proposed action to reduce budget deficit over the period of the plan (inclusive of financial amounts)

(iv) Governing Body Approval

A governing body is required to formally approve a deficit budget plan prior to it being submitted to the Authority for consideration.

(v) Deficit Budget Plan Review

Once a deficit budget plan is approved the school is required to provide a termly financial report to the Authority for monitoring purposes. The termly financial report should contain references to the progress made on

the actions to reduce the financial deficit. This is in keeping with the normal requirement for schools to provide termly financial monitoring statements to the local authority.

(vi) Deficit Amount

Deficit plans are not expected to exceed 5% of the schools total Section 251 budget amount. The 5% limit may be extended (to a maximum of 10%) where there are extreme circumstances and the school has an action plan to repay the Authority during the agreed period.

4.11 Deficit budgets and Academy transfer

_____ The local authority will adhere to statutory guidance and any supplementary guidance issued by the Department for Education (DfE), the Education Funding Agency (EFA) or any other appropriate body in determining the appropriate treatment of any school deficit at the point of transfer to an Academy.

The closing balances of maintained schools on conversion to academy status will be calculated in accordance with the basis defined at paragraph 4.2.1a

4.12 Loan schemes

The Authority shall provide a form of loan arrangement for schools which, may not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the Authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. This scheme may be used in conjunction with the deficit budget planning processes with the approval of the Director of Children and Young People's Service.

The intention of the Scheme is to enable schools to use their resources effectively over a period of years to achieve long term strategies in line with development plans and as an aid to strategic financial management.

The detailed arrangements applying to this scheme are set out below:

- (i) The Authority will consider loan request from schools on the basis of individual merit of each case. The school must be able to clearly demonstrate that:
 - loan repayments are affordable
 - the school will benefit educationally from the additional expenditure through obtaining a loan
- (ii) The Authority will charge interest on loans taken out by schools. The rate of interest is 1% below the Nat West Bank PLC's base rate.
- (iii) The maximum amount of loan outstanding or approved deficit must not exceed 7% of the schools annual revenue budget

Total cumulative loans will not exceed 40% of the Authorities total school balances

Local authority loans will become repayable in full at the point a maintained schools converts to academy status unless the local authority agrees to maintain the former repayment schedule.

5. INCOME

5.1 Income from lettings

Schools may retain income from lettings of the school premises that would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. However, schools whose premises are owned by the Authority shall be required to have regard to directions issued by the Authority as to the use of school premises, as permitted under the School and Standards Framework Act 1998 for various categories of schools. This includes the continuing provision for the Authority to use school facilities on up to two occasions each year for the purpose of meetings arranged by the Authority.

Income from lettings of school premises may not be paid into voluntary or private funds held by the school.

5.2 Income from fees and charges

Schools may retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the Authority. Governing bodies are required to approve a charging policy under section 23 of the Guide to the Law for School Governors.

Income from boarding charges is collected on behalf of the Authority and should not exceed that needed to provide board and lodging for the pupils concerned.

5.3 Income from fund-raising activities

Schools may retain income from fund-raising activities.

5.4 Income from the sale of assets

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

5.5 Administrative procedures for the collection of income

Because of the potential VAT implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the Authority has

established administrative procedures for the collection of income. Schools should have regard to financial procedure rules issued by the Authority.

5.6 Purposes for which income may be used

Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.

6 THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

The budget share of a school may be charged by the Authority without the consent of the governing body only in circumstances set out in 6.2 below, but shall notify a school when it has been done.

Where salaries of school based staff are charged directly to school budgets, the charge is at actual cost.

Schools are reminded that the Authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

For each of the circumstances listed the authority must be able to demonstrate that expenditure has been necessarily incurred the expenditure to be charges to the budget share, the position on charging therefore may vary dependant upon the category of school.

In some cases the ability to charge budget shares depends upon the authority having given prior advice to the governing body.

Local authorities may de-delegate funding for permitted services without the express permission of teh governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

6.2 Circumstances in which charges may be made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed Authority advice.
- 6.2.3 Awards by courts and employment tribunals against the Authority, or out of court settlements arise as a result of action or inaction by the governing body that is contrary to advice that has been given by the Authority.
- 6.2.4 Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from schools' budget shares, where the premises are owned by the Authority or the school has voluntary controlled status.

- 6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority.
- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to the Director of Children and Young People's Service and the result is that monies are owed by the school to the Authority.
- 6.2.8 Recovery of penalties or charges imposed on the Authority by the Board of Inland Revenue, the Contributions Agency or HM Revenue and Customs, Teachers' Pensions, the Environment Agency and other statutory bodies as a result of school negligence and/or failure to abide to statutory guidance and procedures.
- 6.2.9 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions), but subject to the Authority not being able to charge in respect of errors that occurred more than 2 years previous to their being identified.
- 6.2.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs that are incurred by the Authority as a result of legal actions that arise because the governing body did not accept the advice of the Authority.
- 6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teachers pensions remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and / or specific funding for a pupil with high needs.
- 6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.

- 6.2.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the Authority where a school enters into a lease arrangement without the prior approval of the Authority.
- 6.2.20 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

7. TAXATION

7.1 Value Added Tax

HM Revenue and Customs have agreed that VAT incurred by schools when spending any funding made available by the authority is treated as being incurred by the authority and qualifies for reclaim by the authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. See also section 13 – community facilities.

The Authority has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts reclaimed through these procedures will be passed back to the school. Separate supplementary guidance is issued by the Authority.

7.2 External Grants

The activities to be delivered by the grant may impact upon the VAT recovery ability of the local authority. Schools should seek advice from the local authority's VAT Officer where external funding sources such as grants are being sought before entering into any agreement. Schools should also be aware of the issues of contingent liabilities.

7.3 CITS (Construction Industry Scheme)

Schools are required to abide by procedures issued by the Authority in connection with CIS.

8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of services from centrally retained budgets

The Authority shall determine on what basis services from centrally retained funds will be provided to schools, including existing Premature Retirement Costs and redundancy payments for school based staff. The Authority is debarred from discriminating in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

8.2 Timescales for the provision of services bought back from the Authority using delegated budgets

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Authority shall be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. However contracts for the supply of catering services may be extended to a period of seven years.

Where services have been delegated to schools, the Authority is required to offer its services at prices which are intended to generate income which is no less than the cost of providing those services. (i.e. at break-even or a surplus)

8.3 Packaging

The Authority may provide any services for which funding has been delegated. But where the Authority is offering the service on a buyback basis it must do so in a way that does not unreasonably restrict schools' freedom of choice among the services available. Where practicable, buyback will include provision on a service-by-service basis as well as in packages of services.

8.4 Service level agreements

8.4.1 If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.4.2 Services, if offered at all by the Authority, shall be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements.

8.4.3 Centrally arranged premises and liability insurance are excluded from these requirements as to service supply, as the limitations envisaged may be impractical for insurance purposes.

8.5 Teachers' Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVC's) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school, which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVC's) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

9. PFI/PPP

The Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

10. INSURANCE

10.1 Insurance cover

If funds for insurance are delegated to any school, the Authority will require the school to demonstrate that cover relevant to an local authorities insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority. If the Authority has to make arrangements to obtain additional cover, the costs will be charged to the schools' delegated budgets.

The cost of insurance related to the exercise of the Community Facilities power cannot be met from the schools delegated school budget.

Further information on appropriate levels of cover for schools making their own arrangements can be obtained from the County Council's Insurance Section.

11. MISCELLANEOUS

11.1 Right of access to information

Governing bodies shall supply to the Authority all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school, or to meet any statutory / other reporting requirements of the County Council.

11.2 Liability of governors

Under s.50(7) of the School Standards and Framework Act 1998 the governing body is a corporate body, governors of maintained schools will not incur personal liability in the exercise of their power to spend the schools delegated budget share provided they act in good faith.

11.3 Governors' expenses

The Authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses

Only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors. Where expenses are paid an annual report should be presented to the governing body detailing all payments.

Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority.

11.5 Health and Safety

In expending the school's budget share, governing bodies are required to have due regard to duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

11.6 Right of attendance for Chief Finance Officer

Governing bodies are required to permit the Chief Finance Officer (or a representative of the Chief Finance Officer) of the Authority to attend meetings

of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The Chief Finance Officer's attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine. Prior notice of attendance will be given unless it is impracticable to do so.

11.7 Delegation to new schools

The Authority is empowered to delegate selectively and optionally to the governing bodies of schools, which have yet to receive delegated budgets.

The Authority has the power to delegate some spending powers to a temporary governing body of a new school before it has a delegated budget.

11.9 Special Educational Needs

Governing Bodies are required to use their best endeavours in spending the budget share, to meet the Special Educational Needs of all pupils on the school's roll.

The Authority is committed to making appropriate provision for pupils with special needs irrespective of whether the individual pupil has a Statement of Special Educational Needs. For the majority of pupils, this provision is funded through schools' delegated budgets.

The authority provides schools with an annual calculation of its notional SEN budget, this however should not be seen as either expected expenditure or an expenditure target. It is for governing bodies to determine the appropriate level of expenditure to meet the needs of all pupils on the school roll.

11.10 Interest on late payments

Schools are reminded that the County Council has a statutory duty under the Late Payment of Commercial Debt (Interest) Act 1998, to pay its creditors within thirty days of the amount being due or as contractually specified.

11.11 'Whistleblowing'

The procedure for persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with are contained in guidance issued by the Authority.

11.12 Child Protection

Where child protection issues are concerned, there is likely to be a need for schools to release staff to attend child protection case conferences and other related events. The Authority has not retained any funding centrally for this item and therefore funding for this activity is contained within the overall delegation of funds to schools.

12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 Delegation to Schools

The Authority delegates all funding for repairs and maintenance to schools. Capital expenditure is retained by the Authority with the exception of Devolved Formula Capital.

Expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes which is in line with the CIPFA Code of Practice on Local Authority Accounting.

12.2 Voluntary Aided Schools

For voluntary aided schools, the liability for repairs and maintenance (albeit by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends upon the di minimis limit applied by the DfE to categorises such work, not the di minimis limit used by the authority.

SECTION 13 – COMMUNITY FACILITIES

13.1 Introduction

Schools which choose to exercise the power conferred by s.27(1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28(2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies connected with exercise of the power, and a school must have regard to that.

However, under Section 28 (1), the main limitations and restrictions on the power will be in the maintaining local authorities scheme for financing schools made under Section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extends the coverage of schemes to the powers of Governing Bodies to provide community facilities.

Schools are therefore subject to the prohibitions, restrictions and limitations set out in the following section of this scheme.

This section of the scheme does not extend to joint-use arrangements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult & community learning.

Mismanagement of the community facilities power can be grounds for the suspension of the right to a delegated budget.

13.2 Consultation Requirements

It is a requirement under Section 28 (4) of the Education Act 2002 that before exercising the community facilities power, Governing Bodies must consult the local authority and have regard to advice given to them by their Authority.

However, where governing bodies comply and evidence the following requirements, a formal consultation with the Authority will not be required. Governing Bodies must:

- a) Maintain a register of all activities being undertaken under the Community Facilities power. The register should contain a brief description of the activity and the rationale for why the activity is exercised under the community facilities power.
- b) Ensure that each activity is supported by a business plan which demonstrates that the activity is financially sustainable
- c) Ensure that the responsibility for management of activities undertaken under the Community Facilities power is appropriately delegated.
- d) Ensure that routine financial monitoring is undertaken, and is routinely

reported to the Governing Body, for all activities undertaken within the Community Facilities power

- e) Ensure that the provision of activities undertaken under the Community Facilities power does not jeopardise the delivery of education to pupils registered at the school.

The Governing Body must provide an annual statement prior to the commencement of the financial year to the Director of Children and Young People's Service declaring compliance with the requirements set out in a – e above.

Where Governing Bodies seek the views of the Authority on plans to utilise the community facilities power, the Authority will provide advice within 6 weeks.

13.3 Funding Agreements – authority Powers

The provision of community facilities may be dependent on a funding agreement between the school and a third party. Any such agreement needs to be submitted to the Authority for its comments, a minimum of 8 weeks before the agreement is planned to commence.

The LA may not impose a veto on such third party agreements. However if an agreement has been concluded against the wishes of the Authority, or has been concluded without informing the Authority, and if the agreement in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

13.4 Other prohibitions, restrictions and limitations

Where there is good reason for the Authority to believe that a proposed community facilities project carries significant financial risks, the Authority will require the Governing Body concerned to:

- either a) carry out the activity concerned through the vehicle of a limited company formed for the purpose
- and/or b) obtain indemnity insurance for risks associated with the project.

13.5 Supply of Financial Information

Governing Bodies shall ensure all financial transactions associated with the exercise of the community facilities power are fully reflected and reported within the school accounts as required by The Consistent Financial Reporting Framework.

The Authority may require additional information on activities to enable the impact of such activities on the VAT Partial Exemption position of the authority.

In the event of any cause for concern as to the schools management of the

financial consequences of the exercise of the community facilities power, the Authority may give notice to the Governing Body of the requirement for:

- a) monthly (or other periods deemed appropriate by the Authority) statements and forecasts
- b) a recovery plan for the activity in question

13.6 Audit

The Governing Body is required to grant access to all records connected with the community facilities provided to facilitate internal and external audit of income and expenditure.

Access for audit purposes must be available irrespective of whether the activity is provided directly by the Governing Body or by a third party operating with or on behalf of the Governing Body.

The audit requirements for this area of work will be as those applied in respect of voluntary and private funds (see paragraph 2.13) where schools maintain a separate bank account for community activities. Where community activities operate through the official bank account, Leicestershire County Council internal audit processes will apply.

If a Governing Body is operating a Limited company, there will be a need to engage its own external auditors.

Any cost arising from either an internal or external audit of community activities are not a legitimate charge to the school budget and must be a charge to community focused activities.

13.7 Treatment of income and surpluses

Except where there is an agreement with the Authority or a third party to the contrary, all net income derived from community facilities will be retained by the school in the community facilities budget.

End of year balances will be carried forward as a separate community facilities balance. Deficit balances must be carried forward and cannot be transferred into the School's budget share. Transfer of some or all of any surplus into the school's budget share balance is subject to approval by the Authority.

Should the Authority cease to maintain a school its community fund balances revert to the Authority unless there is some previously alternative arrangement made with a funding provider and agreed by the Authority. If there is a deficit on community facilities the Authority may only recover funds to meet third part liabilities from any accumulated community facilities surplus.

13.8 Health and Safety Matters

All Health and Safety requirements in relation to the operation of the school will also apply to community facilities provided by the Governing Body, the cost of which will be met by the Governing Body.

The costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day must be met from the income derived from the activity. Governing bodies are free to pass on any such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

The Governing Body is responsible for ensuring that adequate arrangements are made for insurance against risks arising from the exercising of the community facilities power.

Governing Bodies are required to seek the advice of the Authority before finalising any insurance arrangements for community facilities.

The LA may undertake its own assessment of the insurance arrangements made by the Governing Body in respect of community facilities. If the Authority judges that the arrangements made by the school are inadequate, the LA may make arrangements itself and require schools to meet the additional cost.

13.10 Taxation

In exercising the community facilities power the governing body should seek the advice of the Authority on any issues relating to the possible imposition of Value added Tax on expenditure in connection with community facilities, including the use of the Authority VAT reclaim facility.

If any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in the school's own bank account, the school may be held liable for payment of income tax and national insurance, in line with Inland Revenue rules.

Schools should follow Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11 Banking

Schools may maintain separate bank accounts for school budget share and activities connected with the exercise of the community facilities power.

Bank accounts will be subject to the same restrictions as those applied to school budget share accounts as detailed in paragraph 3.8.

Schools are subject to the same borrowing restrictions for the community facilities power as within the main scheme (paragraph 3.9). Schools may only

borrow money with the written permission of the Secretary of State and must notify the Authority in advance of its intentions.

Annex 1Responsibility for Redundancy and Early Retirement Costs

1. This annex sets out what is specified in legislation and examples where it is appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget.
2. Under Section 37 of the 2002 Education Act premature retirement costs must be charged to the school's delegated budget whilst redundancy costs must be charged to the local authority's budget. In the former case the local authority has to agree otherwise for costs to be centrally funded while in the latter case, there has to be good reason for it not to be centrally funded, and that cannot include having no redundancy policy.
3. The following examples below indicate the situations in which exceptions to the default position might be taken;

Charge of dismissal / resignation costs to delegated school budget;

- 3.1 if a school has decided to offer more generous terms than the authority's policy;
- 3.2 if a school is otherwise acting outside the local authority's policy;
- 3.3 where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit;
- 3.4 where staffing reductions arise from a deficit caused by factors within the school's control
- 3.5 where the school has excess surplus balances and no agreed plan to use these
- 3.6 where a school has refused to engage with the local authority's redeployment policy

Charge of premature retirement costs to local authority non-schools budget;

- 3.7 where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact upon standards
- 3.8 where a school is closing, does not have sufficient balances to meet the cost and where the central Schools Budget does not have capacity to absorb the deficit
- 3.9 where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale

- 3.10 where a school is in special measures, does not have excessive balances and employment of the relevant staff is being / has been terminated as a result of local authority or government intervention to improve standards
4. Costs of new early retirements or redundancies can be charged to the central part of the Schools Budget if the Schools Forum agree and the local authority can demonstrate that the revenue savings achieved by termination of a contract of employment are equal or greater than the costs incurred. The Schools Forum must agree to any increase in this budget over the previous financial year. If the Schools Forum does not agree with the local authority's proposal. Then the authority can appeal to the Secretary of State. The Schools Forum will also be required to consider and approve any instance where the additional expenditure resulted in a breach of the central expenditure limit, whereby central expenditure increases faster than the Schools Budget as a whole.
 5. For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.
 6. Schools entering into pooling arrangements to fund post either in full or part should ensure that these arrangements define what the exit arrangements should be, in particular ensuring that any redundancy costs are shared across partners where they fail to be met from the local authority.



SCHOOLS FORUM

Revised Membership of the Leicestershire Schools Forum

June 20 2013

| Content Applicable to; | | School Phase; | |
|--|---|------------------|---|
| Maintained Primary and Secondary Schools | X | Pre School | X |
| Academies | X | Foundation Stage | X |
| PVI Settings | X | Primary | X |
| Special Schools / Academies | X | Secondary | X |
| Local Authority | X | Post 16 | X |
| | | High Needs | |

Purpose of Report

| Content Requires; | | By; | |
|-------------------|---|-------------------------------------|---|
| Noting | X | Maintained Primary School Members | |
| Decision | X | Maintained Secondary School Members | |
| | | Maintained Special School Members | |
| | | Academy Members | |
| | | All Schools Forum | X |

1. This report presents the Local Authority's proposals for the membership of the Schools Forum From October 2013.

Recommendations

2. That Schools Forum notes the revised membership numbers to reflect the current proportionality of pupils within each school phase
3. That Academy Members consider their membership and election process and inform the local authority of their intentions by the end of the summer term.

Introduction

4. The Schools Forums (England) Regulations 2012 require that Schools Forum be split between school, academy and non-schools members and that membership be proportionate to the pupils within each of these groups. As the result of schools

moving to academy status this requires an annual review of membership with the number of pupils within each school phase.

Background

5. At the meeting of the County Council's Cabinet on 26 July 2011 the Director of Children and Young People's Service, in conjunction with the Cabinet Lead Member, was authorised to effect the changes in the proportionality of Schools Forum membership at the commencement of each academic year.
6. Membership of Schools Forum was amended in September 2012 which reflected the appropriate Forum membership and also the changes required to reflect schools funding reform.
7. The Department for Education (DfE) are also effecting changes to the Schools Forum regulations requiring membership from the Post 16 education sector. It would appear appropriate that this change is effected at the same time as the proportionality changes.

Current Constitution

8. In determining the correct proportion of membership pupils in academies and in those schools converted, in the process of conversion and those consulting on conversion have all been taken into account in redefining membership which will be relevant to September 2014.
9. Whilst representation is by the number of pupils in each school phase there are some exceptions within the revised membership;
 - Maintained Secondary schools – although the number of pupils by calculation does not generate a place, this phase must be represented. Maintained secondary schools will be approached by the local authority to nominate their member which may be a governor or a headteacher.
 - Special schools – maintained schools and academies must be represented, with one member each the local authority will approach special schools for them to nominate their representative which may be a headteacher or a governor.

To ensure all school stakeholders are represented the 2013 membership is increased by one.

10. Taking into account pupil numbers and the Schools Forum regulations the current 2013 membership is detailed in the following table;

| Membership Group | Current Membership | Revised Membership | Change |
|---|---------------------------|---------------------------|---------------|
| <u>Elected Schools Members (including academies)</u> | | | |
| Maintained School Governors - Primary | 2 | 2 | 0 |
| Maintained School Headteachers - Primary | 5 | 4 | -1 |

| | | | |
|--|-----------|-----------|-----------|
| Academy Headteachers or Governors - Primary | 2 | 4 | +2 |
| Maintained School Headteacher - Secondary | 1 | } | |
| Maintained School Governor – Secondary | 1 | | 1 |
| Academy Representatives – Secondary | 7 | 8 | +1 |
| Maintained School - Headteacher / Governor - Special | 1 | 1 | 0 |
| Academy Representative – Special | 1 | 1 | 0 |
| <u>Appointed Non School Members</u> | | | |
| Catholic Diocese | 1 | 1 | 0 |
| Church of England Diocese | 1 | 1 | 0 |
| Early Years PVI provider | 1 | 1 | 0 |
| Pupil Referral Unit | 1 | 1 | 0 |
| Trade Union | 1 | 1 | 0 |
| Post 16 Provider | 1 | 1 | 0 |
| Total | 26 | 27 | +1 |

11. In line with the current constitution the Association of Leicestershire Governors will be approached to operate the election for primary governors and the Leicestershire Primary Heads for the maintained primary headteacher representatives.
12. Much discussion surrounded the local authorities 2012 proposals not to distinguish between headteachers and governors in the academy membership. The local authorities view was that this decision is appropriately vested with academies but in making that decision be attention should be paid to having a balanced representation on the group overall and that all stakeholders are represented, governors are a significant stakeholder.
13. A letter has been received from the Association of Leicestershire Governors (ALG), shown as App 1, raising the issue of academy governor representation and the importance of having governor representatives from academies. The letter positions ALG as the appropriate body to undertake governor elections in academies. The letter also expresses concerns on the process for seeking academy membership and whether academies sought nominations or undertook an election process for the current membership, it should be noted that the constitution does not state that academy members will be elected by ALG but by academies.

14. The local authority remains of the view that a decision on academy membership is for academies to determine and will amend the constitution according to the view expressed by academies.
15. Due to timescales academy members were largely appointed however, in terms of election process Schools Forum regulation 6 (1) states that;
'Academies members must be elected to the schools forum by the proprietors of the academies in the authority's area'.
There is no definition on 'proprietor' in the regulations, it can be viewed that this term is defining a member of the Academy Trust or a member of the governing body. The local authority will write to academy contacts in all school phases to make them aware of the need to consider how their interests are represented.
16. Academy members should consider the comments raised by ALG and determine firstly whether there should be a recognised split between headteachers and governors and secondly whether any governor election should be operated by ALG. Academies should inform the local authority of their intentions over membership and the process to elect members by the end of the summer term. It should be noted that under regulation 4 (3) if an election does not take place by a date set by the local authority, the authority is required to appoint academies members to the Schools Forum, this date is July 12th.
17. Should academies determine that they wish for governor representation an election process could be administered by ALG as reflected in their letter, by academies or could be facilitated through the local authority if no other process is in place.
18. For academy headteacher representatives the local authority will approach Leicestershire primary and secondary head groups to operate the appropriate elections.

Resource Implications

19. There are no direct resource implications arising from this report. It should be noted that the administration costs of maintaining the Schools Forum may increase if the number of elected groups increases and / or the local authority is required to undertake membership elections.

Equal Opportunity Issues

20. There are no equal opportunities issues arising from this report.

Background Papers

Schools Forum, 4 December 2012 – Schools Forum Constitution
Cabinet, 26 July 2012 – Schools Forum Constitution

Officers to Contact

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Tel; 0116 305 6401

ALG**Association of Leicestershire Governors***Working better together*

6, Gilstead Close
Thurnby
Leicester
LE7 9QD

24th May 2013

Jenny Lawrence
Finance Business Partner
CYPS
County Hall
Glenfield

Dear Jenny,

We exchanged correspondence last year about the constitution of the Schools' Forum and expressed a wish to be involved in discussions about the re-constitution which will be required this September.

Last year the Association remained responsible for electing the governor representatives from maintained schools, but not those of academies. We do not know how academy governors were elected (or even if they were elected) or indeed how the balance between heads and governors was determined.

The Association continues to represent all governors in the County whether in academies or maintained schools and is keen to see the original balance between heads and governors maintained on Schools' Forum. We recognise that the past year has been one of transition and expediency; due process was not always possible.

We recognise the current constitution shows academy representatives to be "elected via Leicestershire academies". The Schools Forum Regulations are more specific that the representatives must be elected by the proprietors of the academies in the area. The regulations do not define "proprietor" but, using the common meaning of owner, it is reasonable to deduce that the members of each academy trust are the closest to the definition in the Regulations. As most academy trust members are governors, we would like the opportunity to influence the balance of Forum between heads and governors and organise elections for academy governors. We are not aware of any other representative body which has more relevant claims, if you think there is one please let us know.

There may well be other associated issues regarding the re-constitution of Forum and we'd welcome the opportunity to be involved in the discussions. We have a meeting arranged

with Ian Knight and GDS on Tuesday 4th June at 9.30am. If it were convenient for you we could meet after that meeting at about 11.00am.

We look forward to working with you to produce a meaningful outcome and I look forward to your early response.

Yours sincerely,

Sylvia Bosworth
Chairman ALG



SCHOOLS FORUM

2012/13 SCHOOLS BUDGET OUTTURN

20 JUNE 2013

| Content Applicable to; | | School Phase; | |
|--|---|------------------|---|
| Maintained Primary and Secondary Schools | x | Pre School | x |
| Academies | x | Foundation Stage | x |
| PVI Settings | x | Primary | x |
| Special Schools / Academies | x | Secondary | x |
| Local Authority | x | Post 16 | |
| | | High Needs | |

Purpose of Report

| Content Requires; | | By; | |
|-------------------|---|-------------------------------------|---|
| Noting | x | Maintained Primary School Members | |
| Decision | | Maintained Secondary School Members | |
| | | Maintained Special School Members | |
| | | Academy Members | |
| | | All Schools Forum | x |

1. This report presents the 2012/13 Schools Budget outturn position for 2012/13 and confirms the Dedicated Schools Grant (DSG) Reserve.

Recommendation

2. That Schools Forum note the financial outturn for the 2012/13 Schools Budget (paragraphs 5 & 6).
3. That Schools Forum note the level of DSG reserve and it's recommended deployment (paragraphs 9-14).

2012/13 Schools Budget Outturn

4. The 2012/13 Outturn position for the Children and Young People's Service is summarised in the following table. This table presents both the Local Authority and Schools Budget for completeness but the report presents detail only for the Schools Budget.
5. Overall the Schools Budget underspent by £2.471m. DSG gains on Academy conversion as a result of rates and insurance adjustments contribute a further £1.601m to the DSG underspend. The combined impact is a DSG underspend of £4.072m;

| | 2012/13 Budget | Total (Under) / Over Spend | | Variance Schools Block | Variance LA Block |
|------------------------|-----------------------|-----------------------------------|----------------|-------------------------------|--------------------------|
| | £,000 | £,000 | % | £,000 | £,000 |
| Directorate | 818 | (106) | (12.9%) | (18) | (88) |
| Universal Services | 19,868 | (260) | (1.3%) | 10 | (270) |
| Targeted Services | 27,786 | (2,692) | (9.7%) | (2,149) | (543) |
| Strategic Initiatives | 6,595 | (1,563) | (23.7%) | (486) | (1,077) |
| Specialist Services | 33,536 | 1,276 | 3.8% | 0 | 1,276 |
| CYPS Other | (45,654) | (1,545) | (3.4%) | 172 | (1,716) |
| DSG Academy Adjustment | | (1,601) | n/a | (1,601) | 0 |
| Total | 42,949 | (6,491) | (15.1%) | (4,072) | (2,418) |

6. The major variances within the School Budget are detailed below;

| Service Area | Variance | | |
|---------------------------|-----------------|----------|--|
| | £,000 | % | |
| Nursery Education Funding | (162) | (0.1%) | The free entitlement to nursery education is 38 weeks per academic year. The number of school days in a financial year is variable, this is a managed underspend which will carry forward resources to meet the increased number of school days in the 2013/14 financial year. |
| Harnessing Technology | 180 | 0 | Financial commitment to the former embc contract ceased in October 2012, £1.5m was retained within |

| | | | |
|-----------------------------|---------|---------|---|
| | | | the DSG reserve to meet uneven costs between the 2011/12 and 2012/13 financial years to offset this overspend resulting in the £1.5m remaining in reserves as detailed in the meeting of February 21st. |
| Special Educational Needs | (2,047) | (11.9%) | The number of new out county placements has been reduced as a result of the increase in capacity at Birchwood and the development of autism outreach service both delivered through invests to save schemes. The stringent management of contracts for out county places has also contributed to this underspend. |
| Autism Intensive Support | (156) | (40.1%) | Savings on utilities and staffing arising from the opening of the Braunstone unit |
| Behaviour Support | 150 | 4.0% | Savings target not achieved. Project currently considering the future of the service which will result in additional devolved funding to Behaviour Partnerships from September 2013. Current level of expenditure will be maintained |
| Insurance | (141) | (18.9%) | Reduced insurance costs as a result of academy conversion |
| School Budget Contingencies | (295) | (57.5%) | Reduced level of calls on budget. This budget is delegated in 2013/14. |
| Dedicated Schools Grant | 171 | (0.4%) | Additional 2012/13 grant is offset by LACSEG recoupment |
| Dedicated Schools Grant | (1,601) | N/A | <p>The Leicestershire funding formula funds school rates at actual cost, an academy has charitable status and can claim 80% tax relief on its rates cost. As a result when the EFA recoup funding from local authorities on academy conversion they remove the amount that they need to pay them i.e. 20% of the actual cost, the remaining 80% funding is left with the local authority.</p> <p>This DSG gain will be less in 2013/14 as the reduction in rates at the point of academy conversion has been factored into school</p> |

| | | | |
|--|--|--|---|
| | | | budgets from their expected conversion date. It should be noted however that where schools have delayed conversion rates within their delegated budget are insufficient to meet costs, Rates adjustments are now retrospective but the EFA have been approached to determine whether they will allow the allocation of funding in year for those schools most severely affected by this and rental costs. |
|--|--|--|---|

7. It is not possible to present headline data on the level of school balances until the return of the Consistent Financial Reporting returns due to the local authority in mid-June and the subsequent isolation of balances that may be held on behalf of academies where the financial closedown of the former maintained school accounts has yet to be completed. Schools Forum will receive the full detail of school balances at its meeting in September.
8. As a ringfenced grant, Dedicated Schools Grant (DSG) may only be used for the purpose of the Schools Budget and any underspend must be carried forward to future funding periods. It is necessary to carry forward two specific budget underspends as a result of an increased number of school days in 2013/14;
- Nursery Education Funding £162,000
 - Special Educational Needs £96,000

The remaining underspend will transfer to the DSG reserve.

Dedicated Schools Grant Reserve

9. An updated position on the DSG reserve was incorporated into the 2013/14 Schools Budget report presented to Schools Forum on 21 February 2013. This position was based upon the financial forecast at period 9 and identified a balance (after 2013/14 allocations to services) of £1.913m, under spends and carry forwards change this position as shown in the following table;

| | £,000 | Narrative |
|---|--------------|---|
| Balance as at 21 February 2013 | 1,913 | Projected balance per period 9 budget monitoring and after allocations to 2013/14 budget per report to Schools Forum 21/2/13 – 2013/14 Schools Budget |
| Post February Movements; | | |
| Increased DSG release - rates and insurance adjustments | (147) | Total rates and insurance adjustment on academy conversion estimated at £1.748m in February was £1.062m on outturn |
| Increase in Underspend from the position | 1,454 | The projected underspend increased over the final periods of the financial year. The significant |

| | | |
|---|--------------|---|
| reported in February | | variance being SEN expenditure which underspent by £2.027m at outturn (£1.115m period 9 projection) as a result of management actions and invest to save projects. |
| Special Educational Needs Carry Forward | (96) | To even out uneven expenditure patterns created as a result of the movement in school days in the 2013/14 financial year. Under the new funding system schools receive top up funding based upon school days. |
| Nursery Education Funding Carry Forward | (162) | To even out uneven expenditure patterns created as a result of the movement in school days in the 2013/14 financial year. |
| Revised DSG Balance | 2,962 | 2012/13 year end position |
| 2013/14 Allocation of Funding; | | |
| Provision for cost of education for children with medical needs | (377) | <p>In setting the 2013/14 Schools Budget no provision was made for meeting the education needs of pupils on medical grounds as information suggested that these costs would be fully met by local authorities with Hospital School provision, the risks associated with this were identified in the budget setting report. It is becoming clear that there will be costs associated with 'off ward' provision which is more aligned with alternative provision.</p> <p>Discussions are still being held with Leicester City Council who are the largest service provider and it would be prudent to make budget provision of £350k plus £27k to continue the employment of a co-ordinator to ensure the local authorities statutory responsibilities in this area are fulfilled.</p> |
| Provision for Deficits – Sponsored academy conversion | (500) | <p>Provision currently sits at £2m. The risk of exposure to school deficits can't be judged until all school Consistent Financial Reporting Returns have been received at the end of June.</p> <p>Experience in other authorities has identified that where schools deemed to be under performing are required to convert as a sponsored academy, academy sponsors are often either unwilling or unable to accept costs associated with some contracts and where staffing levels require reduction as a result of the change. Where these fall to the school the likelihood is that the school would have a deficit on conversion which would fall to be met by the local authority.</p> <p>This position will need to be reviewed following confirmation of school balances as discussions</p> |

| | | |
|--|--------------|--|
| | | with academy sponsors are undertaken but a further allocation to the reserve should be made. |
| Behaviour Support | (200) | Behaviour Partnerships will take responsibility for commissioned and personalised programmes for KS3 from September 2013. This funding is notionally earmarked to provide resource should it be necessary to provide some additional funding to ensure sufficient capacity to enable the effective transfer of this responsibility |
| Revised Unallocated DSG Balance 1st April 2013 | 1,885 | To be held in contingency |

10. In previous years it has been possible to use one off reserve funding to meet costs arising from pump priming projects such as for school improvement to prepare schools to develop capacity for school to school support and to raise achievement at Key Stage 3. Under school funding reform local authorities are prohibited from increased expenditure on certain budget items, as Leicestershire recorded no expenditure to combined budgets in 2012/13 it is now prohibited from using the DSG reserve in this manner.
11. As a one off resource it is not possible to add further delegation to schools as this would require maintaining this funding through delegated budget in future which would not be possible.
12. There remain a number of key risks within the 2013/14 budget;
 - The impact on SEN budgets arising from raising the participation age in September 2013.
 - The Wolf report and the move to a vocational curriculum offer.
 - The transfer of post 16 high needs responsibilities. The transfer to DSG funding takes no account of an increased, and increasing, number of students.
 - Any changes in high need funding, specifically element 3 payments, as a result of the return to a demand led funding system based upon costs.
 - Any increased volume of special educational needs placements.
 - The roll out of the nursery education offer to 2 year olds from September 2013.

Two risks have reduced from the budget setting report;

- Residual costs of hospital school provision have been reduced through the allocation of DSG reserves to this area, this will however require a long term solution to meeting the costs of alternative provision for pupils with medical needs.
- It was anticipated that costs would increase from non-maintained special schools and independent specialist providers, this has reduced through an increased DSG allocation for the high needs block to reflect the former grants received.

13. The budget setting exercises for the School Budget was completed in December and January in line with the Education funding Agency (EFA) timescales. In setting individual school budgets account was taken to schools proposed academy conversion rates in determining the value for non-domestic rates incorporated into individual budgets. Since this point a number of schools have delayed conversion which results in a rates allocation less than expected bills. Under school funding reform any adjustments are retrospective and will be made in 2014/15. An unsuccessful approach was made to the EFA to determine whether it will be possible to make any in year adjustments where schools are significantly affected by this, some of which may have to set deficit budgets in 2013/14 until retrospective funding is received in the 2014/15 school budget.
14. Given the risks within the budget it is proposed that the DSG reserve of £1.885m be retained until these risks can be quantified, 2013/14 school funding reform limits its use and it cannot be used for recurrent expenditure. This will allow a strategic approach to be taken which will also be able to consider any future changes in the school funding system for 2014/15

Resource Implications

15. All resource implications are contained within the body of the report.

Equal Opportunity Issues

16. There are no equality issues arising directly from this report.

Background Papers

2013/14 Schools Budget Report – Schools Forum 21 February 2013

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SCHOOLS FORUM

School Funding 2014/15

June 20 2013

| Content Applicable to; | | School Phase; | |
|--|---|------------------|---|
| Maintained Primary and Secondary Schools | X | Pre School | |
| Academies | X | Foundation Stage | X |
| PVI Settings | | Primary | X |
| Special Schools / Academies | X | Secondary | X |
| Local Authority | | Post 16 | |
| | | High Needs | |

Purpose of Report

| Content Requires; | | By; | |
|-------------------|---|-------------------------------------|---|
| Noting | X | Maintained Primary School Members | |
| Decision | X | Maintained Secondary School Members | |
| | | Maintained Special School Members | |
| | | Academy Members | |
| | | All Schools Forum | X |

1. This report presents the DfE's proposals for school funding for 2014/15 and sets out the timescale in order that the local authority can respond to the proposals

Recommendation

2. That the Schools Forum note the potential changes to the formula for funding schools for 2014/15.
3. That Schools Forum agree the re-establishment of a formula working group in order to engage schools in any proposals for changes to the school funding formula for 2014/15.
4. Note the requirements of the Education Funding Agency in respect of funding age range changes.

Introduction

5. The Department for Education (DfE) launched a review of the 2013/14 school funding arrangements through a consultation in February which closed in March. Schools Forum considered the headlines from that consultation and the local authorities proposed response to it at its meeting on 21 February.
6. The outcome of that consultation has now been published and the analysis of local authority school funding formulae within at and the changes proposed for 2014/15 require a review of the Leicestershire formula. Schools Forum has already expressed its desire for a review in its meeting on September 2012. This report sets out the proposed timetable for reviewing the formula alongside the new requirements to be introduced in 2014/15.
7. This report also presents the Education Funding Agency (EFA) requirements in funding age range changes in Leicestershire schools from April 2014.

Background

8. The DfE continue to struggle with attained the correct balance between the move to a national funding formula whilst ensuring there are no unacceptable consequences for schools. It is expected that the Comprehensive Spending Review (CSR) will continue to provide protection to education budgets but the settlement will maintain the 'cash flat' approach.
9. The requirements for 2014/15 are shown in the following table with the initial assessment of the implications of the requirement on the Leicestershire Formula;

| 2014/15 Change | Impact on Leicestershire Formula |
|---|--|
| A minimum basic per pupil entitlement of £2,000 primary pupils and for secondary £3,000 | No impact, both unit values are in excess of this limit |
| A minimum threshold of pupil led funding of 80% | The current formula delivers 86% of funding by pupil led factors. However any changes to the formula factors may impact upon the pupil led elements this reducing or increasing this percentage |
| An option for local authorities to adopt a sparsity factor to target funding at small rural schools | The factor takes into account the number of pupils who for the school in question is their nearest school. A calculation is then undertaken to determine the distance to their 2 nd nearest school. If for primary the number on roll is less than 150 and the average distance is less than 2 miles , 600 on roll and 3 miles for secondary pupils, that school is eligible for sparsity funding. Modelling needs to be completed to understand what, if any, benefit this factor may have but it should be recognised that if a factor were to be adopted the funding would need to be reallocated |

| 2014/15 Change | Impact on Leicestershire Formula |
|---|---|
| | <p>from current formula factors without showing any impact on the minimum per pupil threshold. The full definition of this factor is shown as Appendix 1.</p> <p>The significant non pupil led factor within the current formula is the fixed lump sum.</p> |
| <p>Prior attainment</p> <ul style="list-style-type: none"> • indicator for secondary changes from any pupil not achieving level 4 in English <u>or</u> Maths to any pupil not reaching level 4 in English <u>and</u> Maths • for key stage 1 pupils will qualify where they have not achieved a good level of development in all 12 prime areas of learning as well as maths and literacy | <p>The impact of these changes will need to be tested in modelling</p> |
| <p>A maximum threshold for the lump sum of £175,000 and for a differential lump sum by school phase.</p> <p>In addition schools that are amalgamating may retain the equivalent of 85% of two lump sums for the financial year following the year in which they merge</p> | <p>The current lump sum is within this threshold but at the higher end of the values used nationally. Modelling should consider whether this value remains appropriate and whether a differential rate should be used.</p> <p>No school amalgamations are planned, however some schools, maintained and academies, have expressed the view that the lump sum is one reason they are not pursuing this option.</p> |
| <p>Looked after Children – indicator changed to any child who has been looked after for one day or more</p> | <p>This factor is not used given the low levels of children in care in Leicestershire</p> |
| <p>Pupil Mobility – factor changes to those schools that have 10% or more mobile pupils</p> | <p>This factor is not used and is not relevant to Leicestershire schools</p> |
| <p>Schools with falling rolls – local authorities will be able to retain a central fund to support schools with a high percentage of empty places that are required to meet future</p> | <p>Leicestershire does not hold a growth fund. This type of funding was previously held as school budget contingencies which is now delegated. The creation of such a fund would require additional resources or some level of funding in delegated budgets which may give MFG issues.</p> |

| 2014/15 Change | Impact on Leicestershire Formula |
|---|---|
| increases in pupil numbers | |
| Introduces the £6,000 threshold for high needs pupils as a mandatory threshold rather than the current recommendation | No implications, this threshold was fully implemented in 2013/14 |
| Place led funding for post 16 pupils in special schools and academies will reduce from £11,164 to £10,000 | This will not have any financial implications as top-up funding will be enhanced. Change is subject to approval of the draft regulations. |

11. It is not possible to undertake comprehensive modelling on these changes until the EFA issues the Authority Proforma Toolkit (APT) that contains all the initial data upon which local authorities must build their formula which is expected before the end of June. It is recommended that the working group of school business managers, headteachers convened to implement the 2013/14 proposals is reformed to challenge and validate the local authorities approach and recommendations. Schools Forum would need to nominate its representative and it will be necessary to include a representative from an academy subject to age range changes.

Issues for Consideration

12. In reviewing the formula there are a number of things that need to be taken into consideration, especially given that the formula changes for 2013/14 were largely driven by a mapping exercise where old elements of the formula were 'fitted' to the new allowable elements:
- 12.1 Deprivation – Analysis of the level of deprivation within the 2013/14 formula identifies that 5.6% of the formula is allocated with reference to deprivation factors. There is no directly identifiable measure of deprivation within the School Block settlement, however the last time this was measurable within the DSG settlement a total of 6.6% was notionally deemed to relate to deprivation.
- 12.2 Lump Sum – For 2013/14 this was set at £150,000 for all schools, the 2014/15 arrangements allow for differential rates for school phases. Should it be deemed that further deprivation funding should be allocated and / or that the sparsity factor is adopted then the value of the lump sum will need to be reduced. The operational guidance for the 2014/15 arrangements set out that the lump sum is not intended to be set at a level to meet all fixed costs but should provide the additional funding required by unavoidable small schools which could not operate purely on pupil led funding.
- Further views of the EFA on the lump sum are that it is not intended, and should not be used, to offer additional funding to schools which have fewer pupils on roll because they are unpopular and that they do not wish to see added complexity to the factor, so it cannot vary according to school size.
- 12.3 Sparsity – Whilst this is a complex factor which may not be easily understood at school level, the review of the formula should consider whether this should be used and whether the associated reduction in the lump sum to provide the resource to implement it provides better protection for small schools.

12.4 Growing Schools - For 2014/15 it is possible for local authorities to hold a 'small fund' centrally to support schools with falling rolls where places may be needed in future years. No such growth fund was held in 2013/14, it is not anticipated that such a fund will be necessary in 2014/15 but should be considered against the measures necessary for funding age range changes which is considered further later in this report.

12.5 Rent – An exceptional factor was requested in 2013/14 to allow funding to continue for schools who incur payments for rent of external premises, the use of the factor was subsequently restricted by the EFA to 5% of schools. Given the few school that receive such payments the continued use of this factor should be considered

13. Any changes will again be subject to challenging timescales and will again require an appropriate balance between modelling and consultation. The initial timescale for review and implementation is;

| | |
|---|---|
| June 20 2013 | Schools Forum agree establishment of formula working group |
| June 2013 | EFA issue the Authority Proforma Tool (APT) |
| June – July 2013 | Formula working group meets to formula proposals for consultation with school at the beginning of the Autumn term |
| August 28 th to 13 th September 11 th | Consultation with schools |
| 18 th September 2013 | Schools Forum meets to recommend the formula changes and to Cabinet. Note – the timescales will result in the local authority not being able to publish reports one week in advance |
| October 9 th 2013 | Report recommending changes to Cabinet Published |
| October 16 th 2013 | Cabinet agrees proposals |
| October 31 st 2013 | 2014/15 Pro-forma submitted to EFA |
| November 2013 | EFA validation of the local authorities proposed formula |
| December 2013 | EFA publish final dataset for October Census |
| 21 st January 2014 | Submission of final school budget proforma to EFA |
| 28 th February 2014 | Deadline for LA's to confirm budgets to maintained schools |
| 31 st March 2014 | Deadline for EFA to confirm academy budgets. |

14. Relevant Schools Forum members will also be required to take decisions:

- to de-delegate funding for services for maintained schools
- on budgets that can be centrally retained by the local authority before allocating the schools formula
- on budgets to be centrally retained before allocation of the formula where no increase in expenditure is permissible

Decisions were taken for 2013/14 but need to be reconsidered on an annual basis.

15. There are no significant changes to the high needs funding system for 2014/15 although there is a desire by the DfE to move place led funding to an academic year basis. The outcome of the consultation identifies a wide range of variation within authorities notional SEN budgets, this will need to be considered within the formula working group. The EFA guidance also refers to the need for local authorities to work with schools and academies on ensuring that schools understand the high needs system and a role for the Schools Forum in that communication. Anecdotal feedback from Leicestershire schools shows a substantial understanding of the system and that they were appropriately prepared for the changes.
16. It is essential in moving forward that all Schools Forum members ensure that they communicate the changes with the groups they represent and whether any other channels of communication, other than the public accessibility to reports and outcomes of meetings, facilitate better communication.

Age Range Changes

17. A number of academies have implemented age range changes post conversion and funding for the additional pupils has been the subject of much debate through the local authority, the EFA and in Schools Forum. The census date and the academic year funding received by academies means that additional year groups recorded in October 2013 will not generate additional funding until the 2014/15 academic year. Hence an academy has these additional pupils on roll for a full year before receiving funding. A time lag would also be present for any maintained school in this position, although they would receive funding in the following April as a result of financial year budgets. It should also be noted that schools with the associated decreased number on roll continue to receive funding for the higher number of pupils although they will be in other schools.
18. The EFA have funded the additional pupils in academies for the 2013/14 academic year but has very clearly stated this is a one off solution and that the expectation is that the local authority will identify a sustainable long term solution for similar changes in future years.
19. The solution the EFA are requiring Leicestershire to implement is for the local authority to apply to the Secretary of State for approval to vary the numbers used within the formula calculation for affected schools under Regulation 25(f) of the School and Early Years (England) Regulations. Early communication with the EFA states that '*... Ministers have made it clear that they expect to see a locally agreed solution to this in 2014/15*'
20. The operational guidance for 2014/15 funding issued by the EFA reinforces this approach, this guidance states:

'We also expect authorities to request approval to vary the pupil numbers used for specific schools where;

 - *A school has changed, or is going to change, its age range either by adding or losing year groups.*

In these cases, they should use a weighted average of pupil numbers, taking into account the changes in pupil numbers from the new academic year. If this is not

done, we reserve the right to adjust amounts recouped to enable us to properly fund academies.

The EFA, if the pupil number adjustment is not made, retains the right to remove DSG from the local authority to fund the increased academy budget. There is therefore no real option other than to request the change in pupil numbers.

21. The variation would in essence reintroduce the mechanism used to fund the changes of the Melton and Vale of Belvoir review whereby pupils were funded on a part year basis i.e. for the financial year schools received 5/12 funding for pupils registered at the previous census and 7/12 based on the expected September number on roll.
22. The local authority also receives its funding allocation based upon the number on roll from the previous census and will not receive any additional DSG to grant increased budgets to schools retaining additional year groups in September 2014, to undertake such a change therefore requires a cash neutral position to be adopted.
23. In the Melton and Vale of Belvoir review cash neutrality was achieved by allocating additional funding for those schools expanding by reducing funding in schools where the number on roll was being reduced. This was an effective mechanism because of the contained nature of that review, the position with academy age range changes is very different in that the age range changes cross a number schools some of which will not be involved in any such change.
24. With the expectation of:
 - a cash flat DSG settlement in 2014/15 Leicestershire
 - the expansion of the two year old offer to nursery education to the 40% most deprived 2 year olds in September 2014
 - any impact of provider costs within the PVI sectors for the free entitlement to nursery education for 3 and 4 year olds
 - the unfunded increase in post 16 pupils with learning difficulties which will have a full year impact in 2014/14

Leicestershire is not in a position to provide additional funding to ease the impact of this change. Whilst some DSG reserve is retained it is not expected that this will be sufficient to provide additional funding in the year of change, especially given the on-going appetite in schools to make such changes.

25. Academies with increasing rolls have planned for the pupil number increase, the historic feeder schools either to or from the academy who will see reduced funding in 2014/15 will not have been taken into account this change in their medium term financial planning. A reduction in funding will have the potential to create financial difficulties, especially given that some of schools who will be affected are already in the process of delivering challenging deficit recovery plans.
26. Work is underway to understand the pupil movements created both in September 2013 (although funded by the EFA) and 2014 and what impact there may be on the Minimum Funding Guarantee which will need to be considered alongside the financial implications. It may also be necessary to seek a variation to the operation of the MFG as a result of these changes.
27. It is relatively simple to identify the additional numbers being retained by expanding schools. It is much more complex to identify the schools these pupils would have attended if the changes had not been implemented, it will be necessary to use data

from previous school admissions to determine the school with the associated reducing roll. Early modelling identifies pupils from across the county boundary where and where there is no admissions pattern; this will not allow a cash neutral implementation and would need to be funded from the Dedicated Schools Grant (DSG) reserve if funding cannot be withdrawn from other expenditure areas.

28. It is not clear how the financial year budget would be converted to the academy budget based on the academic year or the impact of DSG recoupment for academy funding, further discussions will need to be undertaken with the EFA to establish this position and its impact on DSG recoupment.
29. There is an expectation that consultation will be undertaken with schools on the impact of adopting the pupil number variation which will also be approved locally. With the ability of the EFA to recoup DSG if these changes are not made, the local authority is in a position where it has little alternative, consultation may need to surround how schools can respond to the significant challenges and the pupil numbers to be used.
30. The timetable set by the EFA for 2014/15 funding gives two opportunities for applications for both pupil number variations and MFG exclusions:
 - 30 June 2013 – this is before the modelling has been completed, no consultation will have been undertaken with schools and it will not be possible to have briefed affected schools on the issues. It is also not in line with the formula consultation process set out earlier in the report and the formal timetable for achieving local approval for any formula changes
 - 30 September – This is exceptionally close to the formal approval of the formula although will allow consultation with schools

Resource Implications

31. The high level resource implications are contained within the main body of report but further detailed modelling is required to ascertain the implications on the DSG settlement and for individual schools.

Equal Opportunity Issues

32. There are no direct equal opportunities issues within this report, an equality impact assessment will need to be completed on any changes to the formula or the pupil numbers used within it.

Background Papers

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00221523/school-funding-and-high-needs-funding-arrangements-2014-15>

Cabinet 16 October 2012, Proposed School Funding Formula for Primary and Maintained Schools

Schools Forum 20 September 2012, 2013/14 School Funding Formula – Primary & Secondary Schools

Schools Forum 7 September 2012, School Funding Reform

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The Sparsity Factor

Source: 2014/15 Revenue Funding Arrangements: Operational Guidance for Local Authorities. Education Funding Agency, June 2013

1. Funding may be targeted at schools that have been identified by the Department's sparsity factor. This factor measures the distance that pupils live from their nearest second school. This has been calculated using pupil and school postcode coordinates from the October Pupil level and School level Census. For each school we have identified the pupils that live nearest to it, and have then calculated the distance they live from their nearest second school (for the purposes of this factor, selective schools, such as grammar schools, are not considered when identifying the second nearest school). We then calculate the mean distance for these pupils, and this is the school's sparsity distance. A worked example is provided below;
 - School A is the closest school for 50 pupils (although this is not necessarily the school they attend).
 - The distance that these 50 pupils live from their second nearest school is calculated.
 - The mean distance is calculated for these 50 pupils. This is the sparsity factor for school A.

2. We will provide the school level measure for each school. A school may attract sparsity funding if it is:
 - Primary and has fewer than 150 pupils and an average distance greater than or equal to 2 miles.
 - Secondary, Middle or All through and has fewer than 600 pupils and an average distance greater than or equal to 3 miles.

Local authorities may, if they wish, reduce the pupil numbers and distance criteria, but the limits above may not be increased.

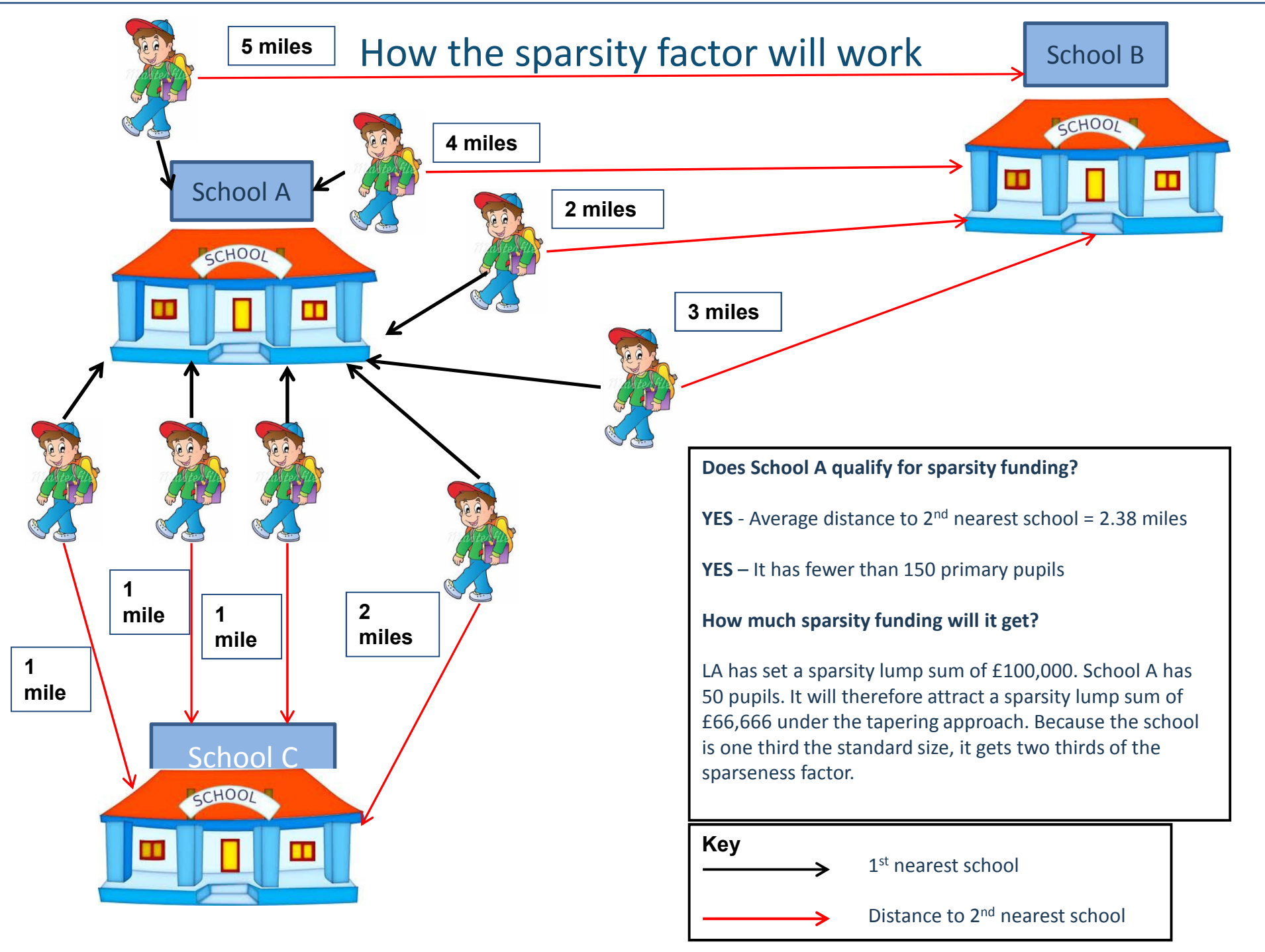
3. The maximum permitted value of the sparsity factor is £100,000 per school. Authorities can allocate this either as a lump sum to all the schools identified as sparse, or a tapered amount related to school size. The tapering works so that, for the 150 pupil cap, a school with 75 pupils will receive half the value set by the authority, a school with 30 pupils will receive 80% of the value and a school with 120 pupils will receive 20% of the value. The tapering for any school can be calculated as follows:
 - $(\text{Authority sparsity value}) \times (1 - \frac{\text{funded NOR}}{\text{Authority cap size}})$

4. Worked examples are provided below showing whether a school would receive sparsity funding and how much funding they would receive (theses assume the authority has not adjusted the distance threshold or the cap size):
 - School A is a primary school with a sparsity distance of 1.8 miles. As this distance is less than the primary distance threshold of 2 school miles school A is not eligible for sparsity funding.
 - School B is a primary school with a sparsity distance of 2.2 miles and 200 pupils. This distance is greater than the primary distance threshold, but the

number of pupils is greater than the size cap and so school B is not eligible for sparsity funding.

- School C is a primary school with a sparsity factor of 2.2 miles and 130 pupils. The school is eligible for sparsity funding. The school sets a sparsity value of £100,000 and has decided to allocate funding as a lump sum. School C is allocated £100,000.
 - School D is a primary school with a sparsity distance of 2.2 miles and 120 pupils. The school is eligible for sparsity funding. The authority sets a sparsity value of £100,000 and has decided to allocate funding as a tapered amount related to school size. School D is allocated £20,000 (20% of the authority sparsity value).
5. The sparsity distance for each school has been calculated as the crow flies distances. Local authorities are able to make exceptional applications for schools that would have had significantly higher distances if road distances had been used instead of crow flies distances.
 6. Sparsity distances will be produced for all schools in the schools block database and these distances will be made available to each authority. If a school opens after the sparsity distances have been calculated then the authority can make an exceptional application for the school. The process is the same for schools that are affected by neighbouring schools closing. We will not reproduce the calculations in year, as for individual schools it should be possible to make a reasonable estimate for one year. We do not expect that an existing school, qualifying for sparsity funding, would lose that funding in year if a new school opened. Exceptional applications should be agreed with the relevant Schools Forum, and submitted to the EFA to seek approval.

How the sparsity factor will work



Does School A qualify for sparsity funding?

YES - Average distance to 2nd nearest school = 2.38 miles

YES – It has fewer than 150 primary pupils

How much sparsity funding will it get?

LA has set a sparsity lump sum of £100,000. School A has 50 pupils. It will therefore attract a sparsity lump sum of £66,666 under the tapering approach. Because the school is one third the standard size, it gets two thirds of the sparseness factor.

Key

→ 1st nearest school

→ Distance to 2nd nearest school

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