

Dear Colleague

LEICESTERSHIRE SCHOOLS' FORUM

I would like to invite you to a meeting of the Leicestershire Schools' Forum to be held on **Wednesday, 20 June 2018 at 2.00 pm at Beaumanor Hall, Beaumanor Drive, Woodhouse, Leicestershire** with the room being available from 1.30 pm pm.

Please see below for the agenda for the meeting.

Yours sincerely

Karen Brown / Bryn Emerson (Tel. 0116 305 6432)

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AGENDA

<u>Item</u>	<u>Paper</u>
1. Apologies for absence/Substitutions.	
2. Minutes of the Meeting held on 28 February 2018 (previously circulated) and matters arising.	1
3. 2017/18 Schools Budget Outturn	2
4. Revised Scheme for Financing Schools	3
5. Position Statement on Funding School Growth	4
6. Any other business.	
7. Date of next meeting.	

Monday 24 September

Monday 26 November

All dates from 2.00 – 4.00 pm at Beaumanor Hall

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Minutes of a meeting of the Leicestershire Schools' Forum held at Beaumanor Hall on Wednesday 28 February 2018 at 2.00 pm

Present

Callum Orr	Secondary Academies Headteacher
Chris Parkinson	Secondary Academies Headteacher
Dan Neal	Secondary Academies Headteacher
Julie McBrearty	Secondary Academies Headteacher
Suzanne Uprichard	Secondary Academies Governor / PRU
Bill Nash	Secondary Maintained Governor
Ros Hopkins	Special Maintained Headteacher
Jo Blackburn	Primary Academy Headteacher
Jane McKay	Primary Academy Headteacher
Jean Lewis	Primary Academy Governor
David Thomas	Primary Academy Governor
Karen Allen	Primary Maintained Headteacher
Martin Turnham	Primary Maintained Headteacher
Vanessa Jones	Primary Maintained Governor
Chris Davies	Roman Catholic Representative
Graham Bett	DNCC Representative

In attendance

Ivan Ould, Lead Member, Children and Family Services
 Jane Moore, Assistant Director, Education and Early Help
 David Atterbury, Head of Service, Education Sufficiency
 Alison Bradley, Head of Service, Education Quality and Inclusion
 Jenny Lawrence, Finance Business Partner, Corporate Resources

		Action
1.	<p>Apologies for Absence/Substitutions</p> <p>Apologies for absence were received from Nick Goforth (Dan Neal substituting), Kath Kelly (Julie McBrearty substituting), Paul Meredith, Edy O'Connor, Bill Nash, Heather Hall, David Hedley and Chris Swan.</p>	
2.	<p>Minutes and Matters Arising</p> <p>The minutes of the meeting held on Monday 4 December 2017 were agreed.</p> <p><u>Matters Arising</u></p> <p>Jenny Lawrence made reference to the final paragraph on page 4 of the Schools' Forum pack relating to "the baseline budget for 2019/20 will be</p>	

2018/19 school budgets". Jenny clarified that it was for protection and the baseline will be 2017/18 in terms of minimum increase per pupil and 2018/19 for the funding ceiling.

Karen Allen commented that the previous minutes did not fully reflect the reasons why primary Forum members went against the LA proposal in terms of:

1. There had not been a radical benefit for changing the formula.
2. The proportion of children the schools were representing was a small % of children.

Karen Allen asked for some clarify about the outcome of the primary funding consultation which is outlined below.

	No of Schools	% total Pupils	% pupils within responding schools
Option 1 – Align with NFF with the exclusion of sparsity			
Primary	15	12%	49%
Secondary	22	43%	75%
Option 2 – Follow NFF principles but adjust for lump sum, prior attainment and Deprivation sparsity			
Primary	35	12%	51%
Secondary	7	24%	25%

Alison Bradley confirmed that the issue regarding governors communicating with their groups has been resolved through Governor Development Service.

3. High Needs Update

Jane Moore introduced the report which sets out the position in respect of high needs expenditure and actions that are being taken to address increasing costs.

Jane outlined the priorities for the SEND Strategy priorities 2017 to 2020 which have been agreed and sit under this strategy. The High Needs budget was overspent in 2016/17 by £2.5M with placement costs being the biggest expenditure. For 2017/18 the budget was increased and the current forecast is £1.5M overspent.

Jane gave background information on the SEND placement costs and the individual provision Leicestershire currently provide. A High Needs Project has now been established to look at budgets within the High Needs budget in order to identify savings.

Jane said that there were six workstreams under the project, one of which is the Specialist Teaching Service. A review of this service will be launched in mid-March and will offer a more effective structure. Jane added that significant work has been carried out on a traded offer and once restructured a paper will be presented to Forum giving a clearer overview of the trading offer.

Jane referred to Children with Medical Needs workstream which is an area of significant overspend. Jane added that mental health and anxiety were areas of concern as the local authority have to rely on private providers to support children who are not able to be in school. The current budget position is unsustainable and therefore work will be carried out to review every case and to look at the longer-term options.

The workstream of SEN Sufficiency and Provision has involved developing local provision for children with higher functioning needs through Maplewell and Birchwood which has been well received. Secondary resource bases are already in place in Wigston and Shepshed and further resource bases have been agreed at Rawlins Academy, Hinckley Academy and Wigston All Saints Primary. Jane outlined that significant work has been carried out to develop provision in the area of hearing impaired, conversations have been started with the behaviour partnerships about developing Emotional Social Mental Health provision and as part of the early years restructure additional provision to support children early on is being worked on. For the post-16 area two independent colleges are working with the local authority on the offering to post-16 students.

Jean Lewis asked about the definition of post-16 and whether this was up to the age of 19. Jenny commented before SEND reform SEN for local authorities related to 2-19 but this extended under reform to 0-25. Jane commented that there a lot of issues about the transitions and co-working with Adults is taking place. In addition, Jane said that she was currently working on a transitions policy. Ros Hopkins commented that the 19-25 provision needs to be developed if the direction is to come away from this. There are a minority of young people with complex needs which cannot be met in the FE sector. They would need to continue independent high quality provision which is not a clear alternative.

Jane informed the meeting that additional capacity will be added to the SEN Service to support the increased numbers of children coming through the system. The changes include an additional SEN Officer to work in a person centred way with a view to preparing for adulthood and the post 16 SENCO to be mainstreamed. The SEN Service will be reviewed so it is fit for the future.

Callum Orr expressed his thanks and appreciation to Jane on the areas of development which will make a massive difference. Jane added that there was a real commitment to drive this forward and will ensure communication with schools continues.

Graham Bett echoed Callum Orr's comment. Graham referred to the trading within STS which will require moderating. Jane acknowledged Graham's comment and said that moderation will take place as there is huge competition in that area. Part of the STS review would be the core offer and what can be traded. Jane referred to a previous paper on STS Traded Service supported by Schools' Forum and would like to revisit this again at the next meeting in June. Graham commented that internal trading between schools and the County Council should be retained.

JM –
next
meeting

	<p>Karen Allen shared a concern raised by LPH colleagues that children with ESMH, ASD or an undiagnosed disorder are not able to get timely support and funding to meet their needs and as a result complex children exclusions have increased and this situation will only get worse. Jane acknowledged the comment and said that part of the development is to increase resources to support these children.</p> <p>School's Forum noted the paper.</p>	
4.	<p>2018/19 Schools' Budget</p> <p>Jenny Lawrence presented a paper on the 2018/19 Dedicated Schools Grant Settlement for Leicestershire and the 2018/19 Schools Budget. The report builds upon a number of reports to the introduction of the National Funding Formula.</p> <p>Jenny explained the background to the funding system in terms of how it is received into the local authority and the role of the Schools' Forum in setting the 2018/19 Schools budget.</p> <p>Jenny referred to the Dedicated Schools Grant (paragraphs 20-21) section in the paper and highlighted to the Forum members that the high needs grant will not be confirmed until May 2018. Forum members were also asked to note that the final grant for Early Years is not expected to be confirmed until May 2019.</p> <p>In terms of ranking for the DSG Schools' block Leicestershire is the 23rd lowest funded for the primary pupil rate and third lowest for secondary.</p> <p>Jenny referred to paragraph 26 which sets out the formula basis for high needs funding. For Leicestershire this results in a minor increase in funding for 2018/19 but includes c£4M of protection funding which is not guaranteed in the long term. Jenny asked Forum members to recognise this.</p> <p>The Central Services Block of the DSG is a separate block for the first time in 2018/19. It funds historic financial commitments related to schools such as pre-retirement costs and ongoing centrally retained functions such as school place planning and other statutory requirements.</p> <p>Paragraphs 37-44 sets out the school funding formula proposals for 2018/19 and 2019/20 which were considered and approved by the County Council's Cabinet on 9 January 2018. The budgets were submitted to the ESFA and a query was received in respect of the funding held as growth. The position of the local authority was provided and this was accepted by the ESFA who have confirmed that the formula appears compliant with the funding regulations.</p> <p>The Key Stage 3 rate per pupil was discussed at a previous Schools' Forum. The NFF figures issued by ESFA in July 2017 included schools with only KS3 pupils receiving the higher per pupil minimum funding as for KS4 which was thought to be an error. As funding guidance sets out a weighted calculation for secondary schools with no KS4 pupils based</p>	

on weighting the primary and secondary minimum per pupil funding rates, however Leicestershire high schools have no primary year groups. This position was queried with the ESFA who confirmed that there is ambiguity in the wording of the guidance and stated they would prefer that the KS3 minimum per pupil entitlement be funded and not the higher rate but cannot insist on this. The 2018/19 Leicestershire Formula applies the KS3 minimum per pupil funding rates for KS3 only schools. The affected schools have been advised that this higher rate may only be applicable for 2018/19 and KS3 only schools may fall to the lower rate in 2019/20.

Jenny highlighted the rebalancing of the formula on the Age Weighted Pupil Unit (AWPU) and the impact of the floors and ceiling impact. For 2018/19 there is a positive adjustment which has been reflected in the formula by an increase in the ceiling to 3.2% against 3.0% included within the NFF.

The DfE issued a paper in February 2018 on expected inflationary pressure on school budgets over 2018/19 and 2019/20. Local calculations suggest that the cost of support staff could increase by 4.5% (including pay award, NI and superannuation) but there was no information on the teaching award.

Paragraphs 51-57 sets out the schools' approach to growth which is the most significant financial risk for the schools block whilst the ESFA have yet to set out their approach to funding this past 2018/19. Jenny will be attending a workshop to discuss how growth should be funded.

Pupil Premium rates are unchanged with the exception of the Pupil Premium Plus for Looked After Children which has increased from £1,900 to £2,300. There is no change to the Early Years provider budgets.

Jenny referred to the Dedicated Schools Grant Reserve table (paragraphs 66 – 69) which refers to the overspend on high needs for this year and 2018/19 and deficits reverting to the local authority from maintained schools entering into sponsored academy arrangements.

Jenny mentioned the SEND Provision Capital Grant which was announced during 2017/18 by the DfE and confirmed at £0.709M for the next three years on the basis that the local authority will make changes to SEND provision.

Karen Allen thanked Jenny for her report and invited comments from the Forum members.

Callum Orr asked where the amount per pupil for AWPU (£4,385.81) had come from. Jenny stated that these are the national rates set by the DfE within the 'Schools Block National Funding Formula: Technical Note' issued in September 2017, this figure appears to have been rounded by the DfE to £4,386 in high level information issued by them. One of the things that had not been fully understood in schools is that the minimum amount per pupil and AWPU rate are different.

David Thomas asked Jenny if she could quantify the additional funding the KS3 only schools would get as a result of being funded at KS4 minimum per pupil rates. Jenny agreed to confirm this in the minutes. ***The value in the Leicestershire formula for 2018/19 is confirmed as £698,898.***

Graham Bett referred to paragraph 57 and asked how this decision is made. Jenny confirmed that retention in unallocated growth funding decision had been a Cabinet decision and a further decision may be necessary if Schools Forum did not agree retention and the local authority were to seek adjudication from the Secretary of State.

Jenny referred to Item 2 in paragraph 17. To create a fund for pupil growth in order to support the local authority's duty for place planning and agree the criteria for maintained schools and academies to access this fund. Martin Turnham asked how the budget will be allocated. Jenny referred to the School Growth policy which was agreed at Schools' Forum in 2016. Martin raised an individual issue regarding the value per primary pupil based upon pupil characteristics recorded within the October 2016 census and also asked whether it would be possible to revisit the policy. Jenny commented that school growth in the Financial Regulations and Operational guidance and the DfE's view is that general demographic growth is met within school budgets and growth policies applied to the basic need for additional school places. Jenny added that the DfE's views are awaited on their approach for 2019/20 and the local authority will be part of that conversation.

David Thomas asked if the policy agreed in January 2016 would stand for one year. Karen Allen commented the national formula would now change this. Jenny commented that it was part of school growth and the national funding formula overtook it. .

Callum Orr asked what the £1.3M provides for. Jenny outlined the two distinct areas of growth i) explicit which was for additional pupils in new and expanding schools and ii) implicit such as the variations in pupil numbers reflected age range change protection. Jenny added that the funding cannot be delegated as a one-off and if it goes into the formula, the budget may not be able to be adjusted for the following year. Callum commented that this would change when the national funding formula changes.

Chris Parkinson commented that funding school growth was temporary followed by decline and queried why the use of this funding has been set aside to support age range changes. Jenny commented that age range change has been supported by DSG and in the new formula is included in the funding identified as growth within the 2018/19 DSG settlement. The surplus is as a result of reduced costs of age range changes and rates in 2018/19 and arises as a result of the methodology used by the DfE for 'baselining' 2017/18 spend and these factors being funded at historic cost.

Graham Bett asked whether part of the growth money was from AWPU. Jenny confirmed it is within the schools' block. Graham stated that the local authority could have given this funding to pupils in the system.

	<p>Growth policy – is what being proposed is it the norm across authorities. Jenny commented that it is.</p> <p>David Atterbury explained that new growth was not predominantly coming out of Leicestershire schools. There are other factors such as birth increases, new schools therefore new houses and pupils coming out of areas besides Leicestershire.</p> <p>9 voted in favour of a budget to retain a budget to fund school growth, 5 voted against and there was 1 abstention.</p> <p>Schools’ Forum approved the establishment of a budget to fund school growth (Paragraph 17, Item 2)</p> <p>In response to a query from Dan Neal Jenny explained that the premature retirement budget met historic costs of teachers’ pensions, some going back many years. A query was raised regarding the miscellaneous amount of £248,000. Jenny explained that £150K was for commissioning teaching schools and £100K was for school effectiveness. A Forum member asked about the assessment impact of this funding. Jane outlined the work being carried out to look at the commissioning arrangements for maintained schools causing concern.</p> <p>Schools’ Forum approved the retention of budgets to meet the prescribed statutory duties of the local authority and to meet historic costs (Paragraph 17, Items 3 and 4)</p> <p>Schools’ Forum approved the centrally retained early years funding (paragraph 17 Item 5)</p> <p>Martin Turnham raised his concerns of the use of the notional SEN budget which may not be sufficient to provide £6K particularly if a school is hard pressed for funding. Jenny explained that the mechanism adopted allowed additional payments to schools if this was the case. Karen Allen added that SENA are advising parents that they are entitled to 15 hours. Jane agreed to discuss this with SENA.</p> <p>David Thomas commented that the special high needs should be available for local special need – notional SEN budget for low level. Jane commented that this is looked at through the SEND Strategy Board.</p> <p>Schools’ Forum approved the action to be taken in respect of schools where the Special Educational Needs (SEN) notional budget is insufficient to meet the aggregated value of High Needs Funding Element 2 (Paragraph 59)</p>	
4.	<p>Any Other Business</p> <p>There was no further business.</p>	

5.	Date of Next Meetings The following meeting dates were agreed: Wednesday 20 June Monday 24 September Monday 26 November All dates from 2.00 – 4.00 pm at Beaumanor Hall	
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SCHOOLS FORUM

2017/18 SCHOOLS BUDGET OUTTURN

20 JUNE 2018

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	x

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 2017/18 Schools Budget outturn position and confirms the Dedicated Schools Grant (DSG) Reserve and its intended use.

Recommendations

2. That Schools Forum note the financial outturn for the 2017/18 Schools Budget (paragraphs 4 - 9).
3. That Schools Forum note the level of DSG reserve (paragraphs 10 - 13).

2017/18 Schools Budget Outturn

4. The 2017/18 Outturn position for the Children and Young People's Department 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 funding blocks.
5. Overall the Schools Budget overspent by £0.7m, a reduction of £0.7m from the position reported to Schools Forum in February. The following table provides an analysis of the overspend and also presents the position on the LA budget;

	2016/17 Budget	Total (Under) / Over Spend		Schools Block	Early Years Block	High Needs Block	LA Block
	£,000	£,000	%	£,000	£,000	£,000	£,000
Directorate	832	516	62%	0	0	0	516
Safeguarding Assurance	2,106	197	9%	0	0	0	197
Children in Care	30,183	3,825	13%	0	0	0	3,825
Field Social Work	9,533	1,332	14%	0	0	0	1,332
Targeted Early Help	10,457	-718	-7%	0	0	0	-718
Education Sufficiency	1,204	168	14%	-50	0	250	-31
Education Quality and Improvement	4,291	-1,102	-26%	0	-475	56	-682
SEND & Children with Disabilities	65,083	513	1%	0	0	635	-122
Business Support	5,492	-317	6%	0	0	0	-317
Other - DSG	-67,503	265	0%	138	0	191	-65
Total	61,679	4,681	7.5%	88	-475	1,133	3,935

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

Service Area	Variance		
	£,000	%	
Early Years Block			
Free Entitlement to Early Education	-468	-103.7%	Unused contingency for the roll out of the 30 hours extended entitlement
High Needs Block			
Special Educational Needs	270	0.5%	A combination of factors – a managed change of mix

			resulting in an Independent Schools £1.6m underspend. Post 16 £0.3m overspend, Special schools & academies and special units overspend £1.6m
Education of Children with Medical Needs	257	44.1%	Increased demand
Specialist Services to Vulnerable Groups	365	10.7%	Delay in delivery of savings
<u>Schools Block</u>	140	n/a	Growth funding funded from the set aside for within the DSG reserves

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. However initial data suggest that maintained school balances have increased by c£0.7m (Primary -£300k, Secondary +£250k, Special +£780k). Whilst school balances may be seen as an indicator of financial health, given the number of schools that have converted to academy status it is not possible to gain an overview of all schools.
8. Schools Forum has historically received a report annually setting out the balances of individual maintained schools, no report will be tabled for 2017/18 given that this will only include less than 50% of Leicestershire schools, such information for academies is not published by the DfE and as the limited data does not allow for any assessment of school financial health to be undertaken it is proposed not to bring this information to Schools Forum.
9. The DSG overspend has been met from the DSG reserve, the local authority's Medium Term Financial Strategy (MTFS) makes no provision for any additional funding to support DSG from Council resources.

Dedicated Schools Grant Reserve

10. An updated position on the DSG reserve was incorporated into the 2017/18 Schools Budget report presented to Schools Forum on 9 February 2017. This position was based upon the financial forecast at period 9 and identified a balance of £1.395m (3.4% of 2017/18 grant), the outturn confirms a balance of £2.228m (5.4% of 2017/18 grant);

	Estimate £,000	Actual £,000	Variance £,000
Balance Brought Forward	2,795	2,795	0
DSG Overspend	(1,400)	(746)	(654)
Rates and other adjustments	0	179	(179)
Balance Carried Forward to 2018/19	1,395	2,228	(833)

11. The reserve is earmarked and can only be used to support defined expenditure falling to DSG as set out within the Schools and Early Years Finance Regulations. It will be maintained to mitigate against any future DSG overspend and to meet any cost of deficits reverting to the local authority as maintained schools enter into sponsored academy arrangements. In previous years the reserve has also been used to meet the revenue growth costs of new schools, from April 2018 the local authority has established, with Schools Forum approval, a growth fund of £1.3m for this purpose and also the cost associated with age range change.
12. It should also be noted that two blocks of the DSG remain unconfirmed for 2018/19. The DfE have deferred confirmation of the High Needs Block from May to June, and the Early Years Block will not be confirmed until June 2019. The reserve will also need to mitigate any financial impact arising from differences in the final settlements
13. It should be noted that the DSG reserve has been accumulated from previous years underspends in the high needs and early years blocks and also the impact of rate changes usually associated with rate rebates.

High Needs Block

14. The High Needs Block overspent by £1.1m in 2017/18, of this £0.3m related to SEN Placements. Despite an overspend in placement costs the pattern of provision has moved away from Independent Providers which recorded an underspend of £1.6m with overspends across other providers including special schools including the full year impact of additional ASD places at Maplewell and Birchwood. A further overspend in Post 16 provision of £0.3m was also recorded.
15. Further budget overspends were recorded for provision for children with medical needs and Specialist Teaching Services where delays in the service review meant that the 2017/18 savings target was not achieved.
16. Demand for high needs services continues to increase, projections for 2018/19 and the following two years identify the need for £1.5m savings in 2018/19 against the level of grant estimated (£2.3m 2019/20 and £2.7m 2020/21). It is estimated that these will be achieved through the continued development of ASD provision where All Saints Wigston, Hinckley Academy and Rawlins Community College will open during 2018/19. Additionally savings are estimated to accrue from transition to post 16 and also through challenge to the cost of places through independent providers.
17. Nationally it is widely reported that the High Needs Block is insufficient to meet the demands for the services it funds, regionally authorities are reporting an expectation that DSG reserves will be fully utilised by the close of the 2018/19 financial year. The DfE are firmly stating that they cannot confirm funding levels post 2019/20 pending the next Comprehensive Spending Review. It should also be noted that the High Needs National Funding Formula results in Leicestershire receiving £4m less than the current level of spend, the DfE are also silent on how long and at what level protection will be for the future.

Impact of Local Authority Policy Changes

18. School Forum previously agreed charging structures for autism Services (22 February 2016) and HI and VI services (21 June 2016). Forum will be aware that a

review of all Specialist Teaching Services is underway which will include the approach to traded services and the relationship with the funding system which requires schools to meet the first £6,000 of a pupil's additional Needs. This work will be a key priority for the new service manager but has yet to be scoped, as such there will be no changes to the current approach and level of charges until this work is completed.

Impact of Government Policy for 2018/19 Onwards

19. The MTFs has, and continues to, require the Schools Budget to be set at the level of DSG with no financial contribution from the Council. This requires the local authority to consider future issues that may give rise to a call on DSG and plan accordingly.
20. The policy of the Government continues to impact on the roles and responsibilities of local authorities and schools in some manner whether through policy or funding changes. The most significant policy for school funding will be any intentions on the implementation of a national funding formula and the overall level of school funding.

Conclusions

21. The allocation of the DSG reserve will be monitored throughout 2018/19 in line with the monthly budget monitoring process and against the financial implications from any national changes in funding and responsibilities and any changing demand for services.
22. An appropriate reserve is retained as a contingency, however addressing the increasing demand and cost of supporting pupils with SEND remains a significant financial risk

Resource Implications

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

Equal Opportunity Issues

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

Background Papers

Report to Schools Forum 28 February 2018, 2018/19 Schools Budget
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=5391&Ver=4>

Report to Schools Forum 22 February 2016, Charging for Autism Outreach Services
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MID=4457#A146983>

Report to Schools Forum 21 June 2016; Charging for HI and VI Services
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MID=4458#A148213>

Officer to Contact

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SCHOOLS FORUM

The Leicestershire Scheme for Financing Schools

20 June 2018

Content Applicable to;		School Phase;	
Maintained Primary and Secondary 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	
		Academy Members	
		All Schools Forum	

1. This report sets out changes to the content of the Leicestershire Scheme for Financing Schools as a result of a directed revision by the Secretary of State.

Recommendations

2. That Schools Forum approve the revised Leicestershire Scheme for Financing Schools

Background

3. The Leicestershire Scheme for Financing Schools (the Scheme) sets out the financial relationship between the local authority and its schools. It also sets out the requirement placed upon the governing body of maintained to ensure that financial relationship, and the requirements it places, are delivered. Failure to

adhere to the Scheme is grounds upon which local authorities can suspend delegated budgets.

4. The Scheme is a statutory document and is part described by the Secretary of State but also sets out local procedures and requirements. The Secretary of State can at any point direct local authorities to make a revision to the Scheme, changes to the local elements of the scheme.
5. In March 2018 the Secretary of State (SoS) issued a direction to the Scheme which prohibits local authorities from granting loans to maintained school for the purposes of meeting a deficit budget, this is not the practice in Leicestershire and no loans exist for this purpose. In addition some minor local changes have been made largely to outdated references in order to bring the scheme up to date.
6. The Scheme for Financing Schools relates only to maintained schools, academies operate under a different framework as set out in the funding agreement. The amended Scheme is attached as Appendix 1.

Changes Effected to the Scheme for Financing Schools

7. The following changes have been made;
 - a. Paragraph 2.2 – local change to reflect current systems and procedures
 - b. Paragraphs 2.7 & 2.13 – removal of the reference to the Audit Commission effected by the directed revision
 - c. Paragraph 2.9 – local change to reflect current systems and procedures
 - d. Paragraph 2.24 – local change to reflect current systems and procedures
 - e. Paragraph 4.7 – clarification on the treatment of balances for closing and replacement schools effected by the directed revision
 - f. Paragraph 4.10 – local change to reflect current systems and procedures
 - g. Paragraph 4.12 – restriction on the local authority loan scheme limiting loans solely to capital purchases and removing the ability to grant loans to cover school deficits and allow the SoS to determine a loan that doesn't meet the new requirements to remain with the local authority on academy conversion. Effected by the directed revision.
 - h. Paragraph 6.1 – update to the process for de-delegation of funding, change to reflect the current finance regulations
 - i. Paragraph 6.2.15 – amended to reflect EHCP's, effected by directed revision
 - j. Paragraph 6.2.21 – ability to charge maintained schools for admission appeals, added to reflect revised DfE guidance
 - k. Paragraph 11.9 - amended to reflect EHCP's, effected by directed revision
 - l. Paragraph 13.2 – removal of requirement to submit an annual statement on community activities, local change to reflect current system and procedures
 - m. Annex 1, paragraph 1 – paragraph added to reflect current financial regulations, effected by directed revision
8. Whilst generally the directed revision substantially restricts the ability of a governing bodies to access loans through the local authority, there will be no operational impact on either the local authority of its schools.

9. The local changes purely update a number of references and reflect current operational practice and systems, they have no impact upon the relationship between the local authority and its schools and / or requirements.

Resource Implications

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

Equal Opportunity Issues

11. There are no equal opportunity issues arising directly from this report

Officers to Contact

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LEICESTERSHIRE COUNTY COUNCIL

**SCHEME
FOR
FINANCING SCHOOLS**

LEICESTERSHIRE SCHEME FOR FINANCING SCHOOLS

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- 1.6 Delegation of powers to the headteacher
- 1.7 Maintenance of Schools

2. FINANCIAL CONTROLS

- 2.1 Application of financial controls to schools
- 2.2 Provision of financial information and reports
- 2.3 Payment of salaries; payment of bills
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Annex 1 Responsibility for Redundancy and Early Retirement Costs

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 substantially or persistently breached, or if the budget share has not 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)

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 and 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 its 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.
- 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 pay scales 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 recommends 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 multiple years.

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 School Financial Value Standard,
- c) 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.

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 claw back 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 authority 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 annually.

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 on submission of a monthly VAT accounting return. 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 claw back

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 Corporate 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 Corporate 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 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.

4.3 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

4.4 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

4.5 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.

4.6 Writing off deficits

The Authority has no power to write off the deficit balance, or any part of it, of any school.

4.7 Balances of closing and replacement schools

Where in a funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes, 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.

4.8 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 have 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 may be required to financial report to the Authority for monitoring purposes. The financial report should contain references to the progress made on the actions to reduce the financial deficit.

(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 may provide loans to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that will have a benefit to the school lasting more than one financial or academic year. Loans may not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

The Secretary of State under powers contained within paragraph 13 (4) (d) of Schedule 1 to the Academies Act 2010 may make a direction to the effect that any loan made to fund a deficit does not transfer, either in full or part, to the new Academy school

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 dependent 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 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 an Education, Health and Care Plan 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.
- 6.2.21 Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

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

Where 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 an Education, Health and Care Plan. 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.

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 to be identified.

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. The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree.
2. 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.
3. 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.
4. 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:

- 4.1 if a school has decided to offer more generous terms than the authority's policy;
- 4.2 if a school is otherwise acting outside the local authority's policy;
- 4.3 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;
- 4.4 where staffing reductions arise from a deficit caused by factors within the school's control
- 4.5 where the school has excess surplus balances and no agreed plan to use these
- 4.6 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:

- 4.7 where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact upon standards
- 4.8 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
- 4.9 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

- 4.10 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
5. 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.
 6. 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.
 7. 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

School Growth – Position Statement

20 June 2018

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		Secondary	X
Local Authority		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 sets out the current position locally and nationally in respect of funding school growth.

Recommendations

2. That Schools Forum notes the position as set out in this report
3. That Schools Forum comment on the approach and timescale to be followed for a revision of the current policy on funding school growth

Introduction

4. Schools Forum has discussed the issue of funding school growth on a number of occasions, this report sets out the Leicestershire policy for funding school growth, the

operational issues it has presented and the national direction of travel by the Department for Education (DfE).

5. At this point no revision to the current policy which is attached as Appendix 1 for information is proposed. No revision will be undertaken until further guidance is issued by the DfE until the proposals for 2019/20 school funding are confirmed which is anticipated in July.

Background

6. The School and Early Years Finance Regulations require local authorities to fund schools on the basis of pupil numbers taken from the October School census immediately before the funding period (lagged funding), as such they make no allowance for any increase in pupil numbers whether by changes in demographics, reorganisation including adding and removing age groups, or the basic need for additional school places.
7. A growth policy may differentiate between school phases but applies equally to mainstream schools and academies. It does not apply to special schools where growth is addressed through the annual place commissioning process.
8. The DfE set out the following criteria to be funded from local authorities' growth fund;
 - To support growth in pre-16 pupil numbers to meet basic need –funded under the current policy
 - To support additional classes needed to meet the infant class size regulation - this funding was delegated to schools under 2013 school funding reform at the request of primary schools
 - To meet the costs of new schools – funded under the current policy
9. The DfE state that a growth fund may not be used to support:
 - Schools in financial difficulty
 - General growth due to popularity; which is managed through lagged funding
10. Additionally the DFE set out the circumstances where it would expect local authorities to request permission from the Secretary of State to vary pupil numbers as:
 - There has been, or is going to be, a reorganisation – approval has been granted for age range change
 - A school has changed, or is going to change its admission limit – maybe funded under current policy if the change has been requested by the local authority in order to meet the basic need for additional school places
11. There are no other circumstances with the funding system recognised by the DfE as requiring funding outside the lagged pupil number system and no reference to additional funding for demographic growth. The current policy makes provision for general growth in pupil numbers in some circumstances and is out of line with current DfE guidance.
12. Approvals for the current Leicestershire approach to growth are:

- Annually by the Secretary of State in respect of age range changes, mechanism approved locally by Cabinet 15 October 2013
 - Growth funding policy approved by Schools Forum – 14 January 2016
 - Retention of 2018/19 £1.3m Growth Fund approved by Schools Forum 28 February 2018
13. Under the 2018/19 school funding reforms the DfE have funded growth as a separate element within the Schools Block Dedicated Schools Grant and includes;
- Explicit growth – being funding set aside through a falling roll fund and growth funds
 - Implicit growth – being adjustments to the pupil number count to allocate formula funding – for Leicestershire this applies to the aggregate pupil number changes as a result of age range change and new schools which, as a reduction in funding requirement for 2018/19 can be used to fund growth in other schools.

Local authorities have been funded on the basis of historic cost for 2018/19.

14. The DfE stated that they wished to move to a formulaic approach to funding local authorities for school growth in 2019/20, it is expected that their intentions will be published in July. However in formulating that approach they have engaged with local authorities in its development but based on a very narrow set of aims being;
- To provide resources for local authorities to meet their sufficiency duty when there is a significant growth in pupil numbers
 - Is transparent, consistent and simple
 - Is cost efficient
 - Is consistent with wider principles of the national funding formula

The Current Leicestershire Policy

15. School growth in Leicestershire has predominantly occurred in the recent three years, the current policy was adopted in order to support the opening of Fossebrook Primary in September 2016. It has been used to fund significant expansions at a number of primary schools. The trigger for demographic growth has yet to be reached.
16. Its operation has, as far as the local authority is aware, not created any significant operational issues for new schools. It has been difficult however to support major school expansion i.e. an additional form of entry or the need to establish additional classes. This is as a result of the school funding system whereby new schools are funded on pupil estimates by the DfE until such time they have a full contingent of year groups, unlike expanding schools who are funded within the lagged funding system affecting multi-years but only receive a one off funding allocation.
17. In respect of age range changes the local authority will continue to seek annual approval of the current funding mechanism for schools undertaking or affected by age range changes.

18. It seems therefore appropriate that the current policy should be reviewed, however that needs to be aligned with the DfE's expectations and to reflect the issues associated with the current policy.

Review Timeline and Scope

19. Any new policy would need to be approved by Schools Forum following consultation with schools. It is expected that the funding to be received to fund this policy be based on historic spend and lagged data, or a combination of both. From a local authority perspective it must be affordable and cannot result in allocations to schools in excess of the funding received, it also has to ensure that schools have sufficient funding to operate. This will be a difficult balance to achieve.
20. It seems appropriate to link the policy for funding growth to the local authority's capital programme which is driven by the sufficiency duty i.e. to provide additional school places where there is a basic need to do so. Consideration will need to be given to the significant expansion of schools and the difficulties in effectively adding additional classes on an annual basis as expansion rolls through the school years.
21. The DfE published criteria for allocation of growth fund set out the following features which would be deemed compliant, criteria may differentiate between school phases and may include one or more, of the following;
- Support where an academy has agreed with the local authority to provide an extra class in order to meet basic need in the area (either as a bulge class or as an ongoing commitment)
 - *Additional support where a school has extended its age range (the majority of funding would be paid through the funding formula through a variation in pupil numbers)*
 - Support where school has temporarily increased its PAN, by a minimum number of pupils, in agreement of the local authority
 - *Support for KS1 classes where overall pupil numbers exceed a multiple of 30, by a minimum number of pupils*
 - Pre-opening costs, initial equipping allowance or diseconomies of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response of basic need

The criteria above in italics denote areas where appropriate funding mechanisms exist and will not be considered within the policy review. Age range changes have their own funding mechanism, KS1 funding is not covered within the current policy as funding was fully delegated.

22. The local authority will consider the DfE funding approach, together with the policy revision in order to begin discussions and inform consultation with schools over the autumn term with a revised policy being adopted for the commencement of the 2019/20 financial year.

Resource Implications

23. Without knowing the methodology by which local authorities will be funded in this area, it isn't possible to quantify the resource implications from this review. It will be necessary to review the policy alongside the local authorities expectation of pupil number growth arising from the significant housing developments across

Leicestershire planned over the medium to long term. This will be completed as any new policy is developed.

Background Papers

Report to Cabinet – 15 October 2013, Funding Schools Affected by Age Range Changes
<http://politics.leics.gov.uk/documents/s87449/Funding%20Schools%20Affected%20By%20Age%20Range%20Changes.pdf>

Report to Schools Forum – 14 January 2016, Policy for Funding School Growth
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=4562&Ver=4>

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Leicestershire County CouncilPolicy for Funding New Schools and Pupil Growth*(Approved January 2016)***Policy Background**

Maintained schools and academies receive funding for pupils registered on the October school census only. This means that an increased pupil number reflected in that count is not recognised for funding until the following financial year. Schools therefore have a funding lag where costs may be incurred but revenue is not reflected in the school budget until;

- April of the following year for maintained schools
- September of the following year for an academy

This policy sets out the instances in which revenue funding may be allocated in schools outside the delegated budget for meeting the costs of additional pupils in new classes.

Local authorities are able to retain funding from the Schools Block Dedicated Schools Grant (DSG) to allocate funding to schools where in the view of the authority it is essential to establish additional classrooms, this may be in newly opened or existing schools. Such funding must be allocated on an objective basis and must retain equality between maintained schools and academies. In creating such a fund a balance must be achieved between retaining sufficient funding to allow planned expansion in schools, either as a result of overall demographic growth or housing development, and ensuring that delegated school budgets are maximised.

The school funding system operates on a single pupil count, no school ever receives funding for every pupil for the period in which they are registered on a school roll, all schools will encounter some changes in pupil numbers in any given financial year.

This policy makes provision in limited circumstances to provide additional funding for schools by setting a one off contribution to schools in addition to the delegated school budget in the year additional classes become operational. For the following year schools will receive additional funding via the school funding formula for the additional pupils.

This policy makes provisions only for the following circumstances;

Opening schools – a new school opening or adding additional year groups until its opening age range is met. Funding is allocated to meet the cost of pupils prior to the school receiving funding based on the school census data for those pupils. Diseconomies of scale funding will also be provided in the years the school is adding year groups until its full age range is achieved.

Additional school places – open schools, where the local authority agrees, there is a need for additional classrooms as a result of demographic or housing growth where the local authority that meet the criteria set out within this policy. If the criteria of the policy are

met schools a one off payment in lieu of additional costs a school may incur from the additional pupils prior to the school receiving funding based on the school census data.

The policy only provides for growth funding for schools for which Leicestershire County Council is required to fund under the School and Early Years Finance (England) Regulations.

This policy makes no provision for;

Schools, Academies and Free Schools funded by other bodies - The policy does not apply to any schools that are directly, on a temporary or permanent basis, funded by alternative bodies such as the Education Funding Agency (EFA) or the Skills Funding Agency (SFA)

Schools expanding age range – in this instance there is no increase in the overall need for school places. The school growth policy does not apply and schools will be funded in accordance with the requirement to request approval to vary pupil numbers in accordance with the Schools and Early Years (England) Finance regulations and the agreed local authority process in place for the appropriate year.

Infant class sizes – funding for ensuring that schools are not in breach of the infant class size regulations was, following consultation with schools, fully delegated to all maintained schools and academies in 2013, schools are expected to accommodate the requirement within the schools delegated budget.

Opening Schools

1. In accordance with the School and Early Years Finance (England) Regulations the funding for an opening school will be by the application of the local authority's school funding formula for each pupil estimated to be on roll in the September of each year until such time the school has a full contingent of year groups.
2. The number of pupils to be funded will be agreed with the operator of each school on an annual basis. This estimate will be agreed in January immediately preceding the opening of the school or the addition of new classes in order to be reflected in the local authority's school budget formula submission to the EFA.
3. The agreed pupil estimate will be adjusted each year, until the school has admitted all year groups, to reflect actual admissions i.e. if actual pupils exceed the estimate a positive adjustment will be made to the following funding period. Conversely if the estimate is higher than actual pupil numbers a negative adjustment will be made to the following funding period.
4. The basis for the pupil number estimate will be taken from the tender documents submitted by the operator of the schools in their application. This may be adjusted for relevant data held by the local authority and / or the school operator.
5. A start up grant of £125,000 will be provided to the school in its first year of opening.

6. A diseconomies of scale grant of £9,525 will be paid to reflect the cost of equipping a new classroom to ensure a suitable teaching and learning environment for each year group added in year two and each subsequent year where these items are not provided through the capital investment in the school. This reflects the provision of the following equipment;

	£
Whiteboard	£70
Interactive whiteboard	£3,500
Teacher laptop	£800
2 computers for pupils	£1,400
Classroom desks and chairs	£1,350
Teacher desk and chair	£325
Trays and cabinets	£270
Bookcases	£620
Cupboards	£890
Filing cabinet	£75
Art rack	£225
Total	£9,250

7. The above list is not a recommendation for the equipment required to create a suitable learning environment (where not already provided) nor is the school required to use the grant in this manner. The school is free to use the funding in the way they feel will best meet the needs of the incoming pupils.

Additional Places / Classes in Open Schools / Academies

8. The local authority may make a one off payment to maintained schools and academies in the following instances;
- Where the local authority carries out a formal consultation and approves an increase in the capacity of a school
 - Where a school/academy carries out a formal consultation and approves an increase in capacity at either the request of the local authority or supported by the local authority
 - Where a school / academy admits significant increase of 15% in pupils from that recorded on the preceding October school census to meet demographic demand and / or demand from new housing developments at the request of the local authority. The increase in numbers will be calculated by the net movement taking into account pupils leaving and joining
 - Where the local authority is making capital provision with its Medium Term Financial Strategy to deliver additional classroom space
 - The provision of additional classroom space meets the local authorities priorities as set out within its school place planning strategy

8. No allocation will be made to a maintained school/academy where the maintained school/academy;
 - Has surplus places and then takes children up to the Planned Admission Number (PAN)
 - Admits over PAN at their own choice
 - Adopts a PAN which will result in pupil numbers in excess of the Net Capacity Assessment
 - Admits extra pupils where those pupils have a reasonable alternative school place with or without an associated increase in PAN
 - Is directed and/or requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc.
 - Provides an additional infant class to meet class size legislation
 - The increase in pupil numbers are the result of mid- term admissions from other Leicestershire schools
 - The increase in pupils is the result of an age range change and the school is admitting a new year group

9. A one off grant of £50,000 will be allocated to schools that meet the following criteria;
 - The school has considered the organisation of classes and the local authority agrees that the set-up of an additional class is the only option available
 - Where the admission of additional pupils over 10% of the October census creates a cost pressure within the school that cannot be managed within the resources available in the school

10. Schools qualifying for school growth as a result of expansion for basic needs purposes will be assessed through the school place planning processes by the application of the criteria detailed in this policy. The approval of funding will take place in the local authorities Corporate Schools Group which considers all aspects of school place planning.

11. Grant allocations will be reported to the Schools Forum, the report will detail the grant and also the criteria under which it is allocated.

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