

Dear Colleague

LEICESTERSHIRE SCHOOLS' FORUM

I would like to invite you to a meeting of the Leicestershire Schools' Forum to be held on **Monday, 28 September 2020 at 2.00 pm via Teams**

Please see below for the agenda for the meeting.

Yours sincerely

Karen Brown (Tel. 0116 305 6340)

E-Mail **karen.m.brown@leics.gov.uk**

AGENDA

<u>Item</u>	<u>Paper</u>
1. Election of Chair and Vice Chair	
2. Apologies for absence/Substitutions.	
3. Membership Update - if you could share the latest position	
4. Minutes of the Meeting held on 12 February 2020 (previously circulated) and matters arising.	4
5. Financial Transparency in maintained schools - August 2020 Directed Revision document (appendix 1)	5
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8. Any other business.	
9. Date of next meeting.	

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**Minutes of a meeting of the Leicestershire Schools Forum held at Beaumanor Hall
on Wednesday 12 February 2020 at 2.00 pm**

Present

Chris Parkinson	Secondary Academies Headteacher
Kath Kelly	Secondary Academies Headteacher
Jon Mellor	Secondary Academies Headteacher
Chris Swan	Secondary Academies Governor
Martin Towers	Secondary Academies Governor
Steve McDonald	Secondary Academies Governor
Suzanne Uprichard	PRU Representative
Jane McKay	Primary Academy Headteacher
Karen Allen	Primary Maintained Headteacher
Troy Jenkinson	Primary Maintained Headteacher
David Thomas	Primary Academy Governor
Ros Hopkins	Special Academy Headteacher
Graham Bett	DNCC Representative

In attendance

Jane Moore, Director of Children and Family Services
Deborah Taylor, Assistant Lead Member, Children and Family Services
Jenny Lawrence, Finance Business Partner, Corporate Resources

		Action
1.	<p>Apologies for absence/Substitutions</p> <p>Apologies for absence were received from Dawn Whitmore, Catherine Drury, Dave Hedley, Mr Ould CC, Carolyn Lewis, James Tickle, Zoe Wortley, Julie McBrearty, Clare Allen, David Atterbury and Alison Bradley.</p> <p>Jon Mellor was substituting for James Tickle and Deborah Taylor for Mr Ould.</p>	
2.	<p>Minutes and Matters Arising</p> <p>The minutes of the meeting held on Wednesday 6 November 2019 were agreed.</p>	
3.	<p>2020/21 Schools Budget</p> <p>Jenny Lawrence presented a report on the 2020/21 Dedicated Schools Grant Settlement for Leicestershire and the 2020/21 Schools Budget. The report builds upon a number of reports presented through the 2019/20 financial year.</p>	

Jenny referred to paragraphs 10-13 which sets out 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 2020/21 Schools budget.

Jenny referred to paragraph 15 which sets out the purpose and scope of the 2020/21 Schools Budget and the action required. Jenny highlighted the funding for the local authority in order to meet prescribed statutory duties placed upon it; these were admissions, asset management and central support services. This largely consists of recharges from services outside the Children and Families Department that support budgets funded from DSG such as finance, ICT and property. Jenny said that item 4 is an area of concern for the local authority as funding has been reduced – the costs relate to previous premature retirement costs which will not reduce in line with the grant reduction.

Jenny highlighted the importance of paragraph 16 as in previous years Schools Forum approval has been required to carry forward a deficit on the Schools Block to be met from the following year's budget. The DfE has laid down new legislation that confirms local authorities are now required to carry any deficit forward. In addition, legislation now states that local authorities may contribute to the deficit with the permission of the Secretary of State. The option of local authorities to top up the dedicated schools grant has been very much reduced.

Paragraph 17 states that the local authority will be required to seek adjudication from the Secretary of State should approval from Schools Forum not be granted for the centrally funded items.

Paragraph 18 outlines that the budget for copyright licences is held centrally which funds all academies and maintained schools and is £509,100.

Discussion took place on the dedicated schools grant in terms of the new requirements. Jenny commented that the Secretary of State was now in control of the grant - if the DSG hits a deficit the local authority will have to establish a deficit recovery plan which was already in place through the High Needs Development Plan as it is the high needs element of the grant that is the only area overspending. Schools Forum asked for the last sentence of paragraph 16 - The latter of these changes effectively prohibits local authorities from contributing to DSG and to fund any DSG deficit to be clarified. Clarification – *the Secretary of State has set out that the grant is ringfenced and whilst it will be possible for local authorities to contribute to the grant with Secretary of State permission, the laying of the legislation meant that such a permission is unlikely although this has not been tested.*

Ros Hopkins asked if the deficit area being discussed was schools deficits. Jenny confirmed it was a deficit on dedicated schools grants.

Chris Parkinson asked about contributions to school growth. Jenny commented that school growth is a direct allocation to the local authority to meet the revenue costs arising from the need to commission additional school places. The local authority can only contribute to the

DSG with permission of the Secretary of State. Jenny set out that local authorities have to meet the cost of the additional pupils between September and March before the school triggers DSG funding, it is also required to meet pre-opening and dis-economies of scale funding. Jenny said that the DSG reserve is managed within the same blocks as it is funded and the local authority is managing a high needs deficit school growth where there will be a call on funding in the future. Any deficit on the schools block as a result of insufficient growth would need to be managed in the same way.

Paragraph 19 sets out the Dedicated Schools Grant settlement for Leicestershire. Within the schools' block there is £417.9m which is supporting £415M for school formula funding. The School Funding Formula has been submitted to the ESFA for approval. School growth is an allocation through the National Funding Formula (NFF) within each local authority's schools block.

Jenny outlined that 2020/21 continues the movement towards an NFF for schools which attributes units of funding to pupil characteristics. Jenny outlined what the grant settlement for 2020/21 is based on and added there is a cash increase overall of 6% in respect of school formula funding for Leicestershire.

The Central School Services Block funds historic financial costs. The allocation is reducing and the DfE is committed to reducing this element of funding. However, this element of funding meets the cost of historic premature retirement costs for teaching staff that will remain long after funding is reduced. Overall this is a decrease of 4% over the 2019/20 baseline.

The High Needs Block continues to use the 2013/14 formula and there are no changes. The grant allocation for 2020/21 includes the additional funding announced in September 2019. There is a DfE review on SEND currently and part of the review should be to revisit the formula.

The vast majority for the Early Years funding block of £35.5m is for providers – funds for Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds. The hourly rate is known for 2020/21 but not the funding allocation. The grant will be updated in July 2020 for the January census and again in June 2021 for the January 2021 census. The final grant will not be confirmed until June 2021. The estimated settlement is almost £532m.

Jenny referred to Paragraph 20 which sets out the estimated funding gap of £11m and the expectation that local authorities are required to submit a recovery plan to the DfE. The DfE have now confirmed that they do not require a formal deficit recovery plan but will require some information from local authorities and they will be having conversations to ensure local authorities are managing.

Graham Bett asked if the local authority had drawn up a recovery plan on the DSG. Jane Moore stated that it had not. We have collectively a high needs recovery plan as high needs is the only area with the deficit – the challenge is the recovery plan does not cover the deficit and will be sent

back.

Kath Kelly stated that this was wide pressure on other areas. Jane said that because of the high needs block and if other parts of DSG is going into the deficit we would have to come up with up with a plan that covers everything.

Jenny commented that the schools block could go into deficit. Ros Hopkins asked about the High Needs Development Plan. Jane stated that it was brought and discussed at Schools Forum on a number of occasions. Ros asked if it was the same plan shared at the high needs board. Jane confirmed it was. Ros stated she was not clear on whether this included the review of place fees at Units. Jane confirmed that it did.

Ros said that details of change of planned funding within the high needs block funding is not shared. Jane stated that this was not developed and are looking at a number of different settings and the cost of that. Jane commented that the whole system review was scoping up at the moment. Ros said that changes in per place funding completely changes her budget planning. Jane stated that nothing will happen quickly. Jenny commented that data research being carried out currently sits under the commission element of the high needs plan. Ros asked that special schools be consulted in the fact finding about how much and why things are cost. Jane stated that special schools will be involved.

Jenny commented that 2020/21 NFF minimum per pupil funding is mandatory. The 2020 Leicestershire Formula adopted the NFF in full. The DfE have stated that in 2019/20 80% of authorities have adopted the NFF with no local changes.

School funding remains a 'soft' school funding formula for 2020/21. The DfE have confirmed their intention to move to a 'hard' formula as soon as possible which is not an issue in Leicestershire as replicating that now.

David Thomas asked if a soft formula is in place can a transfer between blocks take place. Jenny confirmed this, it is expected that under a hard formula this would not be possible and that the role of schools and the local authority's role in school funding is uncertain.

Jenny stated that the rising cost of providing SEND services is set out in the graph in paragraph 24. The majority is special schools and units. The High Needs development plan was approved in December where expenditure was forecast to exceed the £6m grant.

Jenny said that the DfE has removed the need for Schools Forum to approve a carry forward of a deficit and prohibited local authorities from contributing to DSG. This will however require local authorities to set aside revenue funding to offset the liability. Discussions are taking place nationally on how local authorities can do this.

Nationally schools will receive a minimum per pupil increase of 1.84% per pupil in mainstream schools. Jenny commented that this was the most generous settlement since 2010 but still give concerns to some schools because of cost increase in terms of teachers pay.

2020/21 is the third year of the NFF – only mainstream schools and academies will see that increase; no increase in specialist providers. Jenny added that this has been and continues to be raised with the DfE.

Jenny explained how the data is used to determine the number of pupils with Lower Prior Attainment funding which is based upon the Early Years Foundation Stage Profile (EYFS). This first cohort passed into secondary school in autumn 2019, so the 2020/21 data is the first year that did not include this early cohort with its higher LPA rates. The number of primary pupils attracting LPA funding has therefore fallen, whilst this may result in LPA funding being lower than in previous years. This is of a concern. Jenny commented that the NFF was always intended to reflect pupil data changes.

Suzanne Uprichard commented that this will affect small primary schools far more if there is a fluctuation in funding. Jenny commented schools have been advised that they need to consider the financial impact of all pupil data within their budget planning.

David Thomas referred to paragraph 40 and asked if it is a bigger issue reflected in Leicestershire. Jenny commented that it was difficult to know because we look at the financial planning data for maintained schools. Jenny added that we routinely see that schools set five year budgets that are in balance in year 1, move to deficit in year 2 and then deficit grows from year 3. However, the data shows that schools have reported that position for each of the last three years but have avoided the escalating deficits they predicted.

Kath Kelly said that key expectations around the expenditure model is 2% on staffing and are told to assume income will flatline. Definitely going to hit that as income not known in advance. How do we support to put things that we will accurately reflect the future budget planning? Jenny said that some of the work in the project that we are running on school financial planning backs that up really well.

Jenny referred to paragraph 48 – Funding School Growth. The cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary depending on size and opening arrangements. There are 29 new schools expected to be built in Leicestershire in the medium to long term. The new housing developments have come on later than earlier and some developers are being accelerated. Jenny said that the revenue requirement for new schools is difficult to assess as it is dependent on a number of factors. Expenditure is expected to rise annually - £5m - £6m per year and annual underspends in growth funding will be set aside in the DSG Earmarked Fund to meet this peak. This position will be closely monitored.

Schools Forum agreed the revised Growth Policy in September 2019. Growth fund supports mainstream schools and cannot be used to fund specialist provision as deemed a transfer from schools block to high needs. Section 106 is totally outside of this.

David Thomas - £3.37M – different points of time. Budget for school growth is confirmed at £3.1m

Jenny referred to Paragraph 52 and said that the expected DSG reserve is expected to reach £19M deficit in 2020/21. David Thomas commented that 2019/20 was £1.7M at March 2020. Jenny said 2019/20 adding to it with schools block underspend, early years under spend but high needs block taken out again.

The expected position on the DSG reserve and its individual blocks is set out in the following table;

	Schools £,000	Early Years £,000	High Needs £,000	Total £,000
1 April 2019	1,279	502	(73)	1,708
P10 Variance	2,111	(340)	(7,784)	(6,013)
31 March 2020 Forecast	3,390	162	(7,857)	(4,305)

Jenny outlined that the Notional SEN budget is a subset of what comes through the formula. The table sets out how it is calculated in Leicestershire. The Notional SEN budget is not calculated the same way in local authorities.

The DfE have announced increased Pupil Premium rates for 2020/21. Currently we cannot give schools values as will be driven by the 2020 census.

Paragraph 62 sets out the Early Years Provider funding rates. The base rate has increased and there is a risk of going into deficit. Discussion had previously taken place on how the deficit would be sorted.

Paragraph 64 sets out the full context of the financial challenges facing the Department. The table on page 27 shows the draft capital programme - additional school places by basic need grant from the DfE but also Section 106 payments. For 2020/21 the basic need grant has nearly been spent and 2021/22 will be available in the spring.

Graham Bett referred to growth/saving table on page 25 and asked what the reduction in social care placement costs were referring to. Jane commented that this was reducing the spend on the social services budget for Looked After Children. This involved looking at residential provision in the same way it was being looked at for SEND.

Troy Jenkinson asked about the current figures for LAC. Jane commented that if nothing is done in the next four years based on the money that needs to be spent there will be a £20m overspend. Jane commented that growth has been agreed but work to look at how to reduce the demand in turn will be carried out. There is growth within the EPS Service and the SENA service due to growth in demand for EHCP's. Jane added that some of the growth lines around social workers are also costing more.

	<p>Chris Parkinson raised the point of what would be the impact on the NFF if everyone was brought up to the maximum area cost adjustment. Paragraph 21 needed adjusting to reflect this. Jane commented that there was similar work on social care budgets – disproportionately lower than other local authorities - Leicestershire still the lowest funded across the board.</p> <p>Schools Forum approved the retention of the budget to fund future school growth (paragraph 15.2) – 12 in favour.</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 14, items 3 and 4) – 12 in favour</p> <p>Schools Forum approved the centrally retained early years funding of £1.856m (paragraph 14, item 5) – 12 in favour</p> <p>Schools Forum noted the number and average cost of commissioned places for children and young people with High Needs (paragraph 23).</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 (Paragraphs 55 - 57) – 10 in favour, 2 abstentions</p> <p>Schools Forum noted the average per pupil funding to be taken into account for recoupment for excluded pupils and other purposes (Paragraph 58)</p> <p>Schools Forum noted the payment rates for the Early Years Funding formula (Paragraph 62)</p>	
4.	<p>Any Other Business</p> <p>2020/21 National Funding Formula</p> <p>Jenny reported that a lot of telephone calls had been received as a result of the DfE publication on the 2020/21 NFF. The original settlement produced a table for NFF formula for schools based on 2018 data. The DfE published it on the website as a more accessible way of looking it. Jenny stated that it is not using out of date data. The recommendation is not to use this and to use the S251 statement and gag information instead.</p>	
5.	<p>Date of Next Meeting</p> <p>Wednesday 17 June 2020, 2.00 pm, Beaumanor Hall Monday 28 September 2020, 2.00 pm, Beaumanor Hall</p>	

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SCHOOLS FORUM

Financial Transparency of Maintained Schools

28 September 2020

Content Applicable to;		School Phase;	
Maintained Primary / Secondary / Special Schools	Yes	Pre School	No
Academies	No	Foundation Stage	Yes
PVI Settings	No	Primary	Yes
Local Authority	Yes	Secondary	Yes
		Post 16	No
		High Needs	No

Purpose of Report

Content Requires;		By;	
Noting	Yes	Maintained Primary School Members	Yes
Decision	Yes	Maintained Secondary School Members	Yes
		Maintained Special School Members	Yes
		Academy Members	No
		All Schools Forum	No

1. This report sets out some changes in financial reporting for local authorities and maintained schools following the Department of Education (DfE) consultation on financial transparency of local authority maintained schools which reported in July 2020.
2. The outcome of the consultation has resulted in the Secretary of State directing a revision to the Scheme for Financing Schools which sets out the financial relationship between the local authority and the schools it maintains. The changes are set out in this report for approval.

The changes set out in this report apply only to local authority maintained schools and are not applicable to academies where similar requirements are already in place either through the Academies Financial Handbook or Funding Agreements.

Recommendations

3. That Schools Forum note the new reporting requirements for both local authorities and maintained schools
4. That Schools Forum approve the revised Scheme for Financing Schools and its retrospective application from 24 August 2020.

Background

5. The DfE launched a consultation which ran from 17 July to 30 September 2019 which put forward a number of proposed changes to the financial transparency arrangements for local authorities and maintained schools with the objective of aligning processes with those already in place in academy trusts. The consultation reported in July 2020 and implements a number of new requirements some of which apply to the 2020/21 financial year with others to follow in 2021/22.
6. The change to be implemented are:
 1. The DfE will publish the names of local authorities if they fail to meet 3 or more deadlines for the following returns. It should be noted that a) and c) are dependent upon schools making a timely submission of information to the LA.
 - a. School Financial Value Standard (SFVS)
 - b. Dedicated Schools Grant assurance statement
 - c. Consistent financial reporting
 - d. Section 251 Budget
 - e. Section 251 Outturn.
 2. The DfE will collect information on the number of maintained schools with suspended budgets or operating under a Notice of Financial Concern.
 3. The DfE will collect information of the amounts recovered by the LA following fraud investigations.
 4. A directed revision to the Scheme for Financing Schools to make it a requirement for maintained schools to submit three-year budget plans.
 5. Schools will be required to report any Related Party Transactions through their SFVS submission.
 6. A directed revision to the Scheme of Financing Schools requiring schools to submit a recovery plan to the local authority when their deficit rises above 5%.
 7. The DfE will collect information on the number of recovery plans from each local authority.
 8. The DfE will formalise an approach to working with local authorities in respect of these requirements and the manner in which they manage schools with deficit budgets which may include;
 - a. Sharing published data on school balances

- b. Using data and evidence-based requests from local authorities to ensure support is focused where it is needed.
 - c. Requesting action plans from local authorities in which the number or proportion of deficits over 5% is above a certain level.
9. Maintained schools will be required annually to publish the number of individuals earning over £100k in £10k bandings.
 10. Maintained schools will be required to publish a link to the schools financial benchmarking website annually on their own website.
7. The consultation also considered implementing changes to local authority's internal audit processes but has not implemented this aspect.
 8. Most changes will apply to the 2020/21 financial year, further details and guidance will be provided to schools on their role in the implementation of these new measures.

The Leicestershire Scheme for Financing Schools.

9. Changes to the Scheme for Financing Schools are made in two ways 1) revisions are 'directed' by the Secretary of State, local authorities have no power to amend these and 2) local changes to reflect local systems and processes. The approval for any local changes in the Scheme for Financing Schools (the Scheme) is vested in the Schools Forum. Changes in the Scheme apply only to maintained schools, therefore decisions are taken only by maintained schools representatives of the Schools Forum.
10. The proposed Scheme is set out in Appendix 1 of this report with all changes highlighted in a 'Tracked Changes' format. The changes enact to the two directed revisions as set out above;
 1. The requirement for maintained schools to submit three year budget plans to the local authority
 2. The requirement for maintained schools to submit recovery plans where deficits in any one year exceed 5%.
11. A further change responds to an earlier directed revision in relation allowing maintained schools to enter into the DfE's Risk Protection Arrangements which was previously only available to academies.
12. The Scheme has been reviewed to ensure that all terminology is up to date and that its provisions appropriately reflect the current financial and management environments and some minor changes in wording have been made

Resource Implications

13. The changes implemented through the financial transparency requirements will increase the workload of local authorities. The DfE have stated that a direct grant will be made available to reflect this increased workload although no details are known on how this will be allocated. An assessment to the resource need as a result of these changes is underway.

Equal Opportunity Issues

14. None specifically related to this report. However it should be noted that the changes implemented as set out in paragraph 6 of this report will align a number of financial reporting requirements in maintained schools with those in place for academies.

Background Papers

Financial Transparency of local authority maintained schools and academy trusts.
Government consultation response – Department for Education July 2020

<https://www.gov.uk/government/consultations/financial-transparency-of-la-maintained-schools-and-academy-trusts>

Officers to Contact

Jenny Lawrence

Finance Business Partner

Email: Jenny.Lawrence@Leics.gov.uk

Tel: 0116 3056401

LEICESTERSHIRE COUNTY COUNCIL

SCHEME

FOR

FINANCING SCHOOLS

LEICESTERSHIRE SCHEME FOR FINANCING SCHOOLS**LIST OF CONTENTS****SECTION 1****1. INTRODUCTION**

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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.

From the 2020/21 financial year schools will be required to submit a financial forecast that covers 3 financial years

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 from April 1 2021 the following two financial years, and the assumptions underpinning the budget plan. Schools must 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

Three year Multi Forecasts will be considered by the local authority and 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 and other reporting requirements,
- 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 operating structure and current expenditure, in order to 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

Schools may wish 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 are required to hold 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 and to publish the register on the school website.

2.17 Purchasing, tendering and contracting requirements

Schools are required to abide by the Authority's financial regulations and standing orders in all 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 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.
- d) Or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions.

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 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 may not 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 this 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 and academies.

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 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 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 schools, 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:

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 this payment..

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 payment 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 and are recommended to undertake monthly cash flow forecasts to assist bank account management.

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)

Schools may use any scheme that the Secretary of State makes available to all schools without specific approval.

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)

All schools must submit a recovery plan to the local authority when their revenue deficit exceeds 5% of their S251 revenue budget for the financial year to which the deficit applies. This threshold will apply to the level of deficit over each of the first three years of the plan. The 5% threshold is a mandatory threshold set by the DfE, the local authority will also seek deficit recovery plans lower than this threshold.

Schools should adhere to any supplementary guidance issued by the local authority for the preparation, submission and monitoring of deficit recovery plans.

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 and

Skills Funding Agency (EFSA) 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

From April 1 2020 Schools may join the Secretary of State's risk protection arrangement (RPA). Schools may do this individually when any insurance contract of which they are part expires.

Schools may join the RPA collectively by agreeing de-delegation of funding annually through the Schools Forum when setting the Schools Budget in February.

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.

11.13 Risk Management

Schools should identify and record risks within their school through the maintenance of a risk register. This should identify the key risks that may affect the day to day and future running of the school and consider operational, financial, and political risks alongside the mitigating actions to be delivered. The risk register should be kept under regular review by the governing body.

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.

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SCHOOLS FORUM

2021/22 School and High Needs Funding

28 September 2020

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	Yes	Pre School	No
Academies	Yes	Foundation Stage	Yes
PVI Settings	No	Primary	Yes
Special Schools / Academies	Yes	Secondary	Yes
Local Authority	Yes	Post 16	No
		High Needs	Yes

Purpose of Report

Content Requires;		By;	
Noting	Yes	Maintained Primary School Members	Yes
Decision		Maintained Secondary School Members	Yes
		Maintained Special School Members	Yes
		Academy Members	Yes
		All Schools Forum	No

1. This report sets out the schools and high needs funding arrangements for 2021/22. Whilst some detail remains lacking this report sets out the settlement information announced by the Department for Education (DfE) in July to be used by schools in their financial planning processes.

Recommendations

2. That Schools Forum note the contents of this report and highlight it's content to the groups represented by Members.

Background

3. The DfE announced the provisional settlements for the Schools, Central School services and High Needs Blocks of the Dedicated Schools Grant (DSG) in July. The

announcement included the publication of indicative school allocations under the National Funding Formula (NFF)

2021/ 2022 National Funding Formula

4. There is no change to the structure of the 2021/22 NFF but two technical changes have been implemented;
 - a) Funding for the teachers' pay grant and the teachers' pension employers grant has been added to schools' NFF allocations through an increase in the minimum per pupil funding levels.
 - b) The Income Deprivation Affecting Children Index (IDACI) data has been updated for the most recent 2019 data.

It isn't currently possible to determine the impact of these changes as the DfE has not as yet made the data on individual schools available to local authorities.

5. The DfE have confirmed their intention to move to a 'hard' NFF, i.e. one where school allocations are calculated nationally rather than by local authorities, and will 'shortly' put forward proposals for consultation.
6. It should be noted that the NFF allocation published by the DfE will not be the budgets received by schools in 2021/22. Firstly the indicative allocations and based on the October 2019 census and will be updated in December for the 2020 data, and secondly they do not include premises funding which remains outside the formula.
7. Overall the values for the formula factors have increased by 3%, Appendix 1 sets out the funding rates.. The formula factors are pupil driven and schools will not all receive an overall increase of 3% in their overall budget. However schools are guaranteed an increase of 2% in pupil-led funding.
8. The indicative information shows the following position for Leicestershire maintained schools and academies:

	Primary		Secondary	
	No of Schools	% of Schools	No of schools	% of schools
Minimum per pupil increase 2%	91	40%	4	9%
Increase per pupil 2.1% - 4%	49	22%	38	84%
Increase per pupil 4.1% - 9%	81	36%	3	7%
Increase per pupil over 9%	5	2%	0	n/a

As seen above a significant number of schools remain on the funding floor i.e. at the minimum increase. In a pure formula with no guaranteed increase in funding as seen in recent settlements these schools are financially vulnerable, without the guaranteed per pupil increase these schools would not have received additional funding in 2021/22.

9. An additional increase in the sparsity values has been made, the DfE reference this as a first step to expanding and improving the NFF for small and remote schools. Despite a significant number of small and remote schools in Leicestershire only 15

primary and 1 secondary school were eligible for sparsity funding in 2020/21. In previous funding consultations the Leicestershire response has set out that sparsity funding does not achieve the objectives set by the DfE.

10. The minimum per pupil funding rates for schools have been set at £4,180 per primary pupil, £5,215 per KS3 pupil and £5,715 per KS4 pupil. These are increased over the rates set out in 2019 to account for the transfer of the teacher pay and pension grants. The transfer has been made at 2019/20 rates and there will be no further increase for the 2020 teacher pay award. Academies will continue to receive pay and pension grants directly from the DfE for April to August 2021.
11. Whilst final funding for schools will be dependent upon pupil numbers and their characteristics recorded in the October 2020 census the rates payable to Leicestershire are fixed at £4,351 per primary pupil and £5,510 per secondary pupil. School budgets will need to be delivered within this funding envelope, in order to achieve this nationally the Minimum Funding Guarantee has been set between +0.5% and +2.0%.
12. Whilst the final Schools Block settlement will not be received until December 2020 and final school budgets submitted to the Education and Skills Funding Agency (ESFA) in January 2021, schools are able to, and should, use the settlement information within medium term financial plans.
13. The local authorities funding allocation for mainstream school growth will not be conformed until December.

High Needs

14. Nationally high needs funding has increased by £730m (10%). Local authorities are guaranteed a minimum increase of 8% per head of population and are capped at a 12% increase. Leicestershire remains on the funding floor and receives an increase of 8%.
15. Funding is also transferred to high needs for the teachers pay and pension grants and lifts the basic funding rate per pupil by £660. It should be noted that this is the only increase in the per pupil funding levels since the high needs formula was introduced in 2013 and funding for special schools and top-up funding for mainstream schools remains at 2013 levels.
16. Special schools will receive protection on both place led and top-up funding. The arrangements for this are unclear and will be set out in September.
17. In cash terms DSG increases by £7.8m of which c£1.1m is transferred funding from the former teachers' pay and pension grant. Whilst this net increase in funding is welcomed it is insufficient to return the high needs budget to a balanced position and a deficit on high needs continues to be forecast for the medium term
18. Unlike the NFF for mainstream schools there is no mechanism to move the former pay and pension grants funding into special school budgets without a change to the funding mechanism. The intention is that for 2020/21, pending a review of the special school funding mechanism, that the local authority will continue to pay the funding to schools in addition to the formula.

19. It remains possible to seek a transfer of 0.5% of the Schools Block (excluding pay grant transfers) to High Needs with Schools Forum approval, and the approval of the Secretary of State for amounts in excess of this or where the Schools Forum do not approve.
20. As set out in the September 2019 consultation on a School Block Transfer to High Needs, the minimum per pupil funding rates result in any such transfer affecting only those schools the NFF funds in excess of those rates who are largely schools with the highest level of additional funding most usually as a result of high levels of deprivation. This position is unchanged for 2021/22. As such no schools block transfer is being considered for 2021/22 but the local authority has written to the Schools Minister asking for flexibility in these rates in order to consider future transfers should the future funding framework make provision to do so.

Central Schools Services Block

21. There is a national increase of 3.8% in the overall level of funding, the grant is allocated in two separate elements.
22. The provisional settlements is unclear on the two elements that are separately calculated to determine the grant allocation;
 - a) The settlement for on-going responsibilities is increased by 6.45% per pupil,
 - b) Funding for historic commitments is being reduced by 20% but a guarantee is in place in order that funding doesn't decrease below the commitment to meet former teacher employment costs. The methodology for this is unclear but it is estimated that the loss could be between £65,000 and £185,00 dependent upon methodology. Historic commitments includes a contribution to the School Improvement function.

The impact of these changes cannot be accurately assessed until the settlement is confirmed.

Resource Implications

23. This report sets out the headlines of the provisional settlement for both schools and the local authority. Further detail is required in order to understand the potential impact on individual schools.
24. It should be noted that the indicative allocations for individual schools published by the DfE are not the budget allocations schools will receive for 2021/22 and purely serve to illustrate the impact of the next stage towards the implementation of the NFF.

Equal Opportunity Issues

25. There are no equal opportunity issues arising directly from this report which presents analysis of national funding changes implemented by the DfE.

Background Papers

Department for Education - National Funding Formula Tables for Schools and High Needs 2021 to 2022

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2021-to-2022>

Department for Education – The national funding formula for schools and high needs 2021 – 2022

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

Officers to Contact

Jenny Lawrence

Finance Business Partner – Corporate Resources

Email: jenny.lawrence@leics.gov.uk

Tel: 01163056401

2021/22 National Funding Formula Values

Source – Department for Education – The national funding formula for schools and high needs 2021 – 2022

Funding Factors	Unit values	Total Funding (including ACA)	Proportion of core total
Basic per-pupil funding		£24,525m	73.1%
Age Weighted Pupil Unit (AWPU): Primary	£2,747	£12,722m	37.9%
Age Weighted Pupil Unit (AWPU): Secondary - KS3	£3,863	£6,823m	20.3%
Age Weighted Pupil Unit (AWPU): Secondary - KS4	£4,386	£4,793m	14.3%
Minimum per pupil funding level	NA	£187m	0.6%
Additional needs funding		£5,922m	17.6%
Deprivation		£3,022m	9.0%
Current FSM top up (Pupils currently claiming FSM at the last census): Primary	£440	£287m	0.9%
Current FSM top up (Pupils currently claiming FSM at the last census): Secondary	£440	£171m	0.5%
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Primary	£540	£608m	1.8%
FSM6 (Any pupil that has ever claimed FSM in the past 6 years): Secondary	£785	£646m	1.9%
IDACI band F: Primary	£200	£95m	0.3%
IDACI band F: Secondary	£290	£82m	0.2%
IDACI band E: Primary	£240	£102m	0.3%
IDACI band E: Secondary	£390	£98m	0.3%
IDACI band D: Primary	£360	£131m	0.4%
IDACI band D: Secondary	£515	£110m	0.3%
IDACI band C: Primary	£390	£123m	0.4%
IDACI band C: Secondary	£560	£104m	0.3%
IDACI band B: Primary	£420	£166m	0.5%
IDACI band B: Secondary	£600	£139m	0.4%
IDACI band A: Primary	£575	£89m	0.3%
IDACI band A: Secondary	£810	£70m	0.2%
Low prior attainment		£2,472m	7.4%
Low prior attainment: Primary	£1,022	£1,548m	4.6%
Low prior attainment: Secondary	£1,550	£924m	2.8%
English as an additional language		£407m	1.2%
English as an additional language: Primary	£515	£301m	0.9%
English as an additional language: Secondary	£1,385	£106m	0.3%
Mobility		£21m	0.1%
School led funding		£2,933m	8.8%
Lump sum		£2,266m	6.8%
Lump sum: Primary	£110,000	£1,884m	5.6%
Lump sum: Secondary	£110,000	£383m	1.1%
Sparsity		£25m	0.1%
Sparsity: Primary	£25,000	£21m	0.1%
Sparsity: Secondary	£65,000	£5m	0.0%
Premises		£641m	1.9%
<i>Area Cost Adjustment: A multiplier that is applied to basic per pupil, additional needs and school led funding (ACA is already included in each of the factor subtotals)</i>		£831m	
Core Total (Excluding funding floor)		£33,380m	
Funding Floor		£681m	
Total (including funding floor)		£34,061m	



SCHOOLS FORUM

High Needs Update

28 September 2020

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

Purpose of Report

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

1. This report sets out the current position with regard to the High Needs Development Plan and the current financial forecast. The report sets out the systematic issues within the SEND environment and the growing recognition and the financial position being a symptom of that rather than a pure financial management issue.

Background

2. The financial position of the High Needs Block (HNB) and the issues creating that position has been set out in a number of reports to Schools Forum over a number of years.

3. The financial position has been updated to reflect the trend in provision from 2019/20, updated average unit costs from 2019/20, forecast 2020/21 expenditure and the provisional 2021/22 High Needs Dedicated Schools Grant (DSG) settlement.

The National Perspective

4. Concern continues to grow nationally about the sustainability of the current SEND system both in terms of provision and funding.
5. The national financial picture is worsening, and research shows that the gap between High Needs DSG and expenditure is growing;
 - In October 2019 the House of Commons Education Committee contends that the DfE set local authorities up to fail by making serious errors in the way it administered funding for SEND reform and failing to provide extra money when it was needed.
 - In July 2019 the Education Committee reported that funding for SEND as 'completely inadequate' with local authorities facing a funding shortfall in excess of £1.0bn by 2021.
 - The County Councils Network reports for the period 2016 -2019 that the national high needs overspend has increased by 83% and that 28 of 33 authorities responding to their survey expected a high needs deficit in 2020/21.
6. The research is consistent in its view that there is no single reason for the problem and reports high needs deficits as a system wide problem rather than a pure financial issue. It lists amongst its contributory factors:
 - The implementation of the Children and Families Act 2014. This increased the age range to be supported from 2 – 19 to 0 -25 without an associated increase in funding. It also raised parental expectations on the support available.
 - The nature of SEND legislation gives weight to parental preference for placements in tribunal decisions which fetters the ability to maintain a threshold for Education Health and Care Plans (EHCP) assessments or control the entrants into independent places.
 - Pressure on school budgets where levels of funding were frozen between 2010 and 2019, this has resulted in schools being less able to support children and young people with SEND without recourse to additional local authority funding.
 - School funding reform which in 2013 introduced a new system for funding SEND within schools through the establishment of a threshold whereby local authorities are required to provide additional funding to schools where the additional cost of a pupils needs exceed £6,000. This threshold has not increased leaving the burden of cost increases falling to local authorities. This was a significant change in Leicestershire who pre 2013 had fully delegated funding low level, high incidence SEND and early support to schools.
 - Schools Funding reform also introduced the National Funding Formula for High Needs. Within the formula the focus remains on historic levels of spend and has not reflected the growing demand and costs.

- Demand for SEND support is growing at a higher rate than demographic growth and the average unit cost of provision is growing.
 - High Needs and School budgets are meeting too high a proportion of costs that should be met by Health.
 - The combination of the policy frameworks for funding and performance for schools have created an environment in which mainstream schools are not rewarded and incentivised for being inclusive.
 - Local authorities have around 85% of their spend tied to individual pupils and placements which cannot be released in the short term, this limits the ability to deliver savings
7. The research undertaken by the Isos Partnership for the LGA is probably the most far reaching in terms of the overall SEND system and draws several conclusions and suggests that irrespective of the level of funding the problems currently being encountered cannot be resolved by purely increasing funding levels;
- *' It is the contention on this research that there are structural features of the current SEND system which mean that there will continue to be a significant risk of overspending the high needs block, even if budgets were very significantly increased.'*
 - *'Local authorities have all the responsibility for maintaining high needs expenditure within budget, and yet have no hard levers with which to effect this. The continued viability of the system relies too much on the ability of local government to cajole partners to enter into collaborative, inclusive approach to developing and delivering local provision for SEND, without the powers to sustain such an approach in face of misaligned incentives.'*

High Needs Dedicated School Block

8. The National Funding Formula for High Needs Funding was introduced in 2013. The formula is unresponsive to pupil numbers and therefore the increasing demand upon it. The provisional 2021/22 settlement shows the following distribution:
- 36% is allocated on the level of historic spend
 - 10% is allocated on the numbers of pupils within specialist provision.
 - 2% is allocated through the funding floor
 - 31% is allocated on pupil population. It is worth noting that the allocation used the 2 -19 population and not the 0 – 25 population it provides for
 - 21% is allocated through other proxy indicators of SEND i.e. deprivation, children with bad health, low attainment and Free School Meals

In 2013/14, the first year of the new formula, Leicestershire's expenditure was almost 1% below funding, for 2020/21 expenditure is 14% in excess of the grant despite the grant including c£10m of funding generated from headroom, prior to the restriction on movements being introduced in 2018/19, from the Schools Block now baselined within High Needs.

9. The formulaic allocation reflects the expected incidence of SEND within the population rather than the numbers of pupils supported and their individual needs. DfE Benchmarking data compares expenditure to the DSG allocations, this shows Leicestershire below statistical neighbours in terms of need as measured by the formula factors but higher on both expenditure and the number of Education Health and Care Plans.
10. This position is deemed to be the result of the Leicestershire dependence upon Independent Special School (ISP) placements, an issue the High Needs Development Plan is seeking to address, and the increase in pupils with Communication and Interaction (C & I) and Social Emotional Mental Health (SEMH) Needs for which there is no proxy indicator of need within the formula.
11. The following chart compares SEND revenue expenditure with performance against other County Councils. Authorities in the top right quadrant are high performing and low spending. The table below shows Leicestershire's overall rank for performance and expenditure on these services.

Theme	Performance rank of 33 (1 is highest performing)	Net expenditure rank of 33 (33 is lowest spending)
SEND	2	18

Performance by Theme



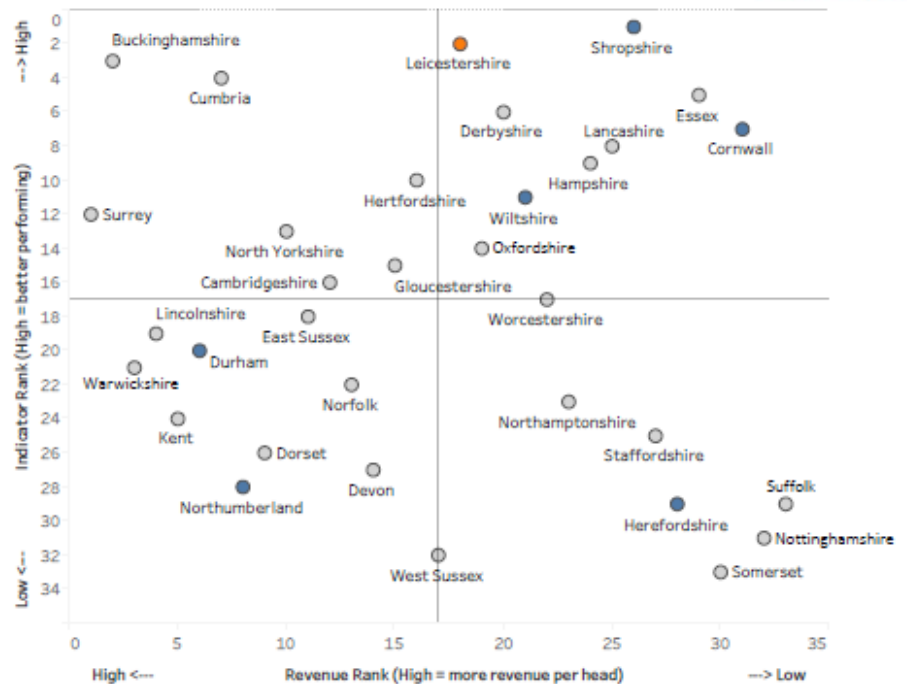
Theme
SEND

Comparator
 Revenue
 Deprivation

How to Read This Chart

The chart shows performance by theme compared to net expenditure per head.

The chart is divided up into quadrants based upon average rank for all indicators (vertical axis) and net revenue expenditure per head (horizontal axis) for county councils. Authorities in the top right quadrant are high performing and low spending, while authorities in the bottom left are low performing and high spending. Unitary counties are represented by blue dots.

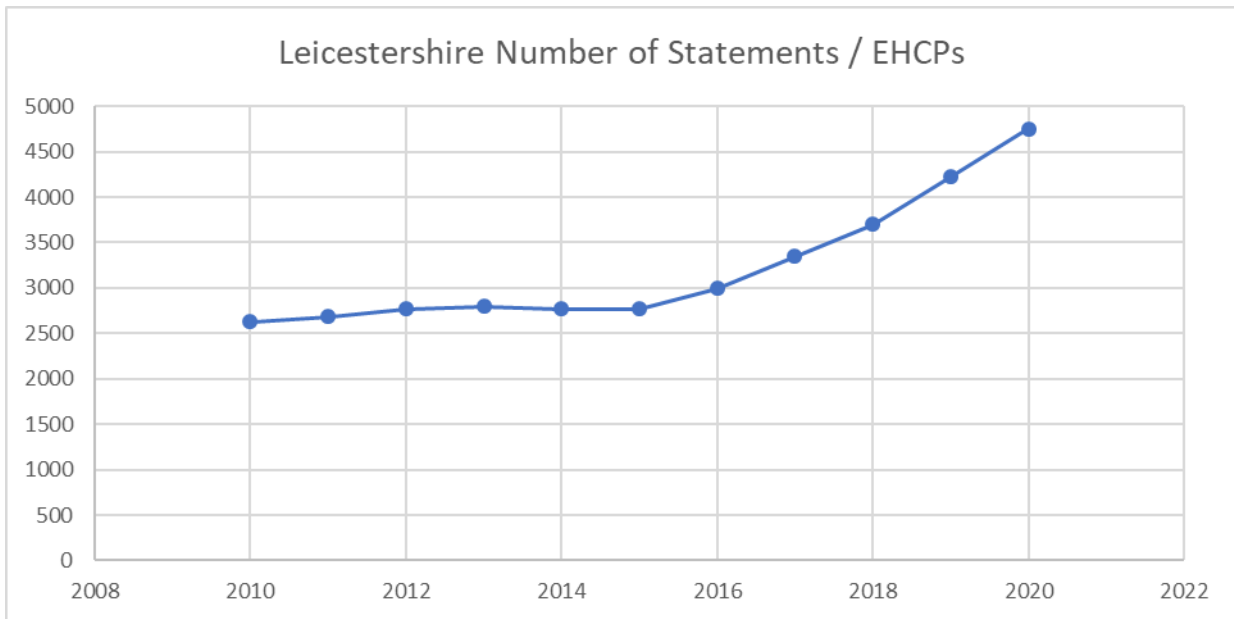


Source: LAIT, ASCOF, Fingertips, various. Produced by the Business Intelligence Service, Leicestershire County Council, 2020.

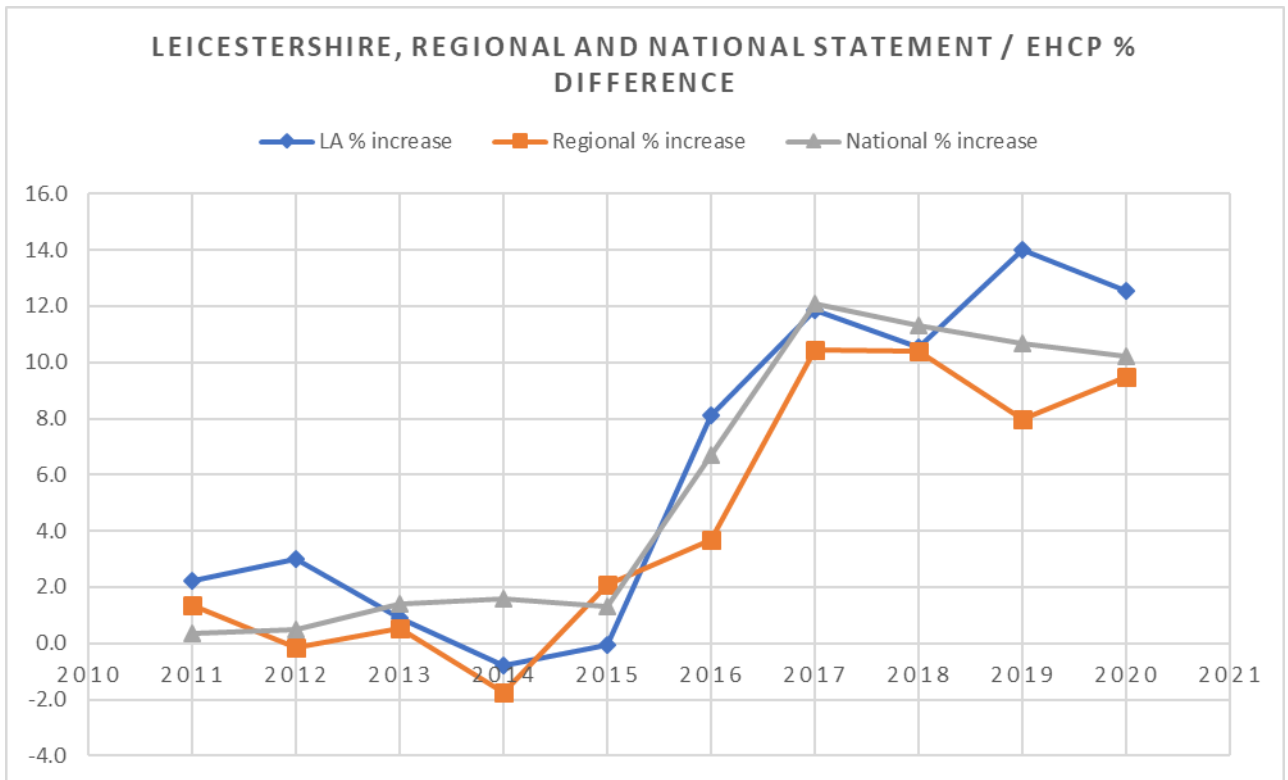
Demand

12. Demand for EHCP's is growing both locally and nationally. The 2020 SEN2 data issued by the DfE identifies that the rate of growth increased in 2015/16

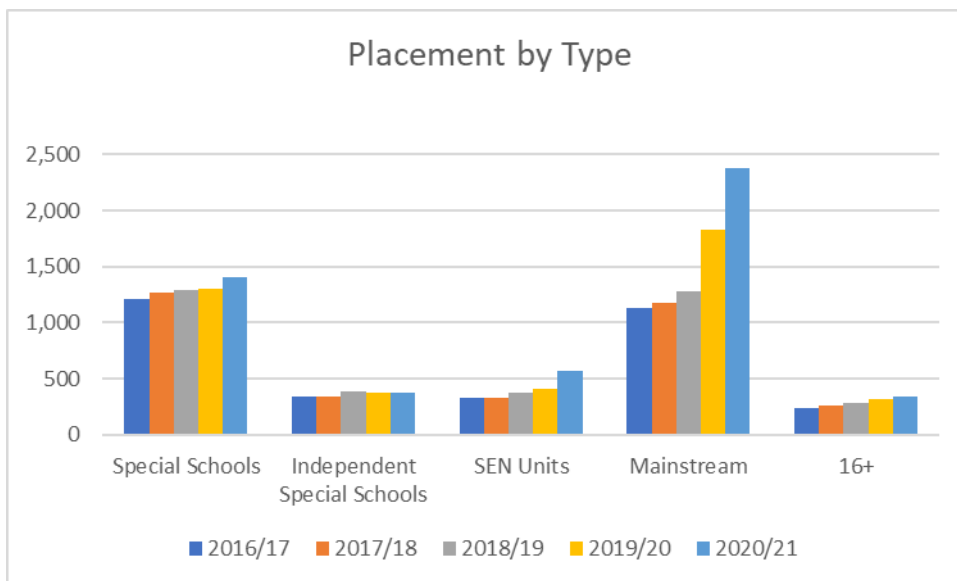
following the implementation of SEND reform. The following table shows the number of EHCP's, and prior to SEND reform Statements of Special Educational Needs;



13. This pattern of growth is also seen in the national data where a Leicestershire, regional and national position can be compared;



14. Only headline data from the 2020 SEN2 data has been published meaning that comparison on needs and its incidence within the pupil population cannot be compared, but high level conclusions can be drawn;
- In January 2020 the number of EHCP's had risen to 4,751, an annual increase of 12.5% and the rate of growth exceeds that within the general population.
 - The rate of increase in growth from the previous year was 19.5%. This is higher than the regional and national increase but lower than that seen in 2019 of 65%.
15. In terms of provision, as a result of capital investment of c£30m, it can be seen that the placement mix is beginning to change, the number of pupils within higher cost Independent Special Schools is no longer growing and a higher proportion of pupils are having needs met within either mainstream schools (an increase from 35% 2016/17 to 73% 2020/21) or units attached to mainstream schools (an increase from 10% in 2016/17 to 18% in 2020/21). It is forecast that the numbers of pupils placed in Independent Special Schools will fall over the medium term as the new special schools planned for the County begin to admit pupils.

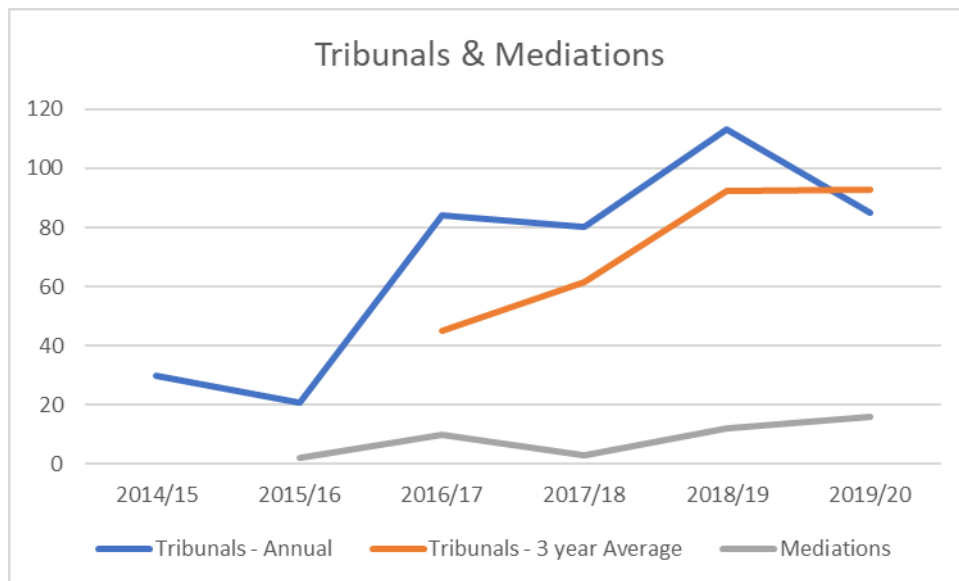


16. It can also be seen from the above table that the capital investment is resulting in a growth in placements within local specialist provision which has stabilised the number of independent school places, but also that the rate of growth in mainstream provision is accelerating significantly and 2019/20 saw the number of supported packages increase by 67%.

External Influences

17. Parental expectations have a significant impact on the type of placement specified within the EHCP. Parents have the right to express a preference for the school they wish their child to attend. The outcome of tribunals and

mediation may result in the decision of the local authority being effectively overruled and impact on the placements and its costs. The trend of tribunals and mediations is shown in the following table.



The 2020/21 Budget Position

18. DSG is a ring-fenced grant and local authorities are required to carry forward any surplus or deficit to be met from future years grant. The DSG Earmarked Fund recorded an overall deficit of £4m for 2019/20, a £7m deficit on high needs being offset by a surplus from the Schools Budget as a result of funding for pupil growth being retained to meet future commitments.
19. The High Needs Budget is forecast to further overspend by c£11m in 2020/21 resulting in an overall deficit of £18m at the end of the financial year. Placement costs account for 90% of all high needs expenditure, movements in numbers and type of placement can therefore have a significant impact on the level of expenditure. At this point of the financial year it is difficult to assess whether the trend in provision is as forecast given changes in destinations at transition points between academic years and expected pupil destinations.
20. Covid-19 has disrupted workflow and the number of requests for assessment have fallen significantly, as schools begin to reopen in the autumn it is expected that this position will reverse. Additionally the pandemic may have had a detrimental impact on pupils both in terms of mental health and their ability to learn which may manifest through increased needs that may require additional support and the number of EHCP's is likely to rise further.

The Medium Term Financial Position

21. The Department for Education announced the provisional Schools Budget settlement for 2020/21 on 20 July which includes an increase of £730m nationally with all authorities receiving a minimum increase of 8% and a maximum of 12%. At the funding floor Leicestershire receives the lower increase. Whilst on a cash basis the provisional High Needs DSG has increased by £7.8m the increase includes a transfer of a specific grant to meet the additional costs incurred by schools in respect of teacher pay and pension increases.
22. The revised financial forecast reflecting the provisional 2021/22 settlement for the MTFs period is set out in the following table;

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
High Needs Funding	-74,752	-74,752	-74,752	-74,752
Placement Costs	79,118	88,724	94,604	100,883
Other HNB Cost	8,708	8,708	8,708	8,708
Commissioning Cost - New Places	3,669	1,061	254	0
Project Costs	767	1,368	898	0
Total Expenditure	92,262	99,861	104,464	109,591
Funding Gap Pre Savings	17,510	25,109	29,712	34,839
Funding Changes	0	-6,651	-13,651	-11,651
Demand Savings	-102	-4,447	-5,076	-5,577
Cost Reduction Savings	-6,367	-10,039	-11,947	-11,983
Total Savings	-6,469	-21,137	-30,674	-29,211
Annual Revenue Funding Gap	11,041	3,972	-962	5,628
2019/20 High Needs Deficit Brought Forward	7,062			
Cummulative Funding Gap	18,103	22,075	21,112	26,740

23. Assumptions on the rate of pupil growth and average unit costs have been factored into the plan based on current trends, these are reviewed on a quarterly basis.
24. The DfE have enacted legislation to require local authorities to carry forward a DSG deficit to be met from future years grant. In the interim the deficit position is being temporarily cash flowed by the County Council's General Fund. However, the current plan does not fully recover the deficit in the medium term and the long term financial position is of concern.

25. Under the terms and conditions of DSG a local authority with a DSG deficit '*...must co-operate with the DfE in handling that situation*'. There is no definition of '*co-operate*' but it is expected that this will include providing information on the plan to rectify the situation, meetings with officials from the DfE and a requirement to report to the Schools Forum. The most recent guidance from the DfE sets out a recognition that some local authorities will not be able to pay off an historic deficit over the next few years and that where that is the case the DfE will require '*convincing evidence*' to support that position. Discussions with DfE indicate that they will first look for authorities to meet in year expenditure from DSG however, the current financial plan does not achieve an in year balanced position. No view can be formed on the nature of the discussion with the DfE or any requirement(s) they may wish to impose.
26. The DfE are clearly placing the resolution of DSG deficits with local authorities and are often contradictory in their expectations. With insufficient funding to eradicate deficits local authorities are required to set aside General Fund revenue to financially back the deficit.

Planned Savings

27. The financial plan includes a number of savings which are tracked monthly through the High Needs Block Programme Board and CFS DMT Change Board. All savings are supported by management information presented through dashboards which are used to monitor progress.

Savings are defined in three key groups – funding, demand and cost reduction:

28. **Funding Savings** –are set out in the following table and include increased DSG as set out in the July 2020 provisional settlement together with expectations for 2022/23 arising from the three year settlement announced in July 2019. The impact of the 2022/23 settlement is unknown;

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
Increased DSG - Provisional July Settlement		-7,807	-12,807	-12,807
Increased DSG - Pay Grant to Special Schools		1,156	1,156	1,156
Schools Block Transfer - 0.5% Schools Block DSG			-2,000	
Potential Funding Savings	0	-6,651	-13,651	-11,651

The provisional settlement includes a transfer of former pay and pensions received by special schools through a specific grant, this reduces the overall funding to the local authority as it will need to be passported to special schools through their funding rates.

29. When Schools Forum discussed the proposed Schools Block Transfer for 2020/21 at its meeting in September 2019 it gave a commitment to work with the local authority to reduce high needs spend, in doing this a number schools have agreed to open enhanced resource bases which are contributing to reducing cost. However the gap between high needs expenditure and funding

remains and a deficit of £26.7m is forecast over the period of the Development Plan. When the County Council's Cabinet agreed not to pursue a transfer for 2020/21 the potential for such a transfer in future years was not ruled out.

30. The introduction of the minimum per pupil funding levels and their subsequent mandatory nature means that it isn't possible for all schools to take an equal impact of any Schools Block Transfer. The schools significantly affected are those with high levels of additional funding, most usually those with high levels of deprivation funding, these schools are most likely to have higher proportions of pupils with SEND. Schools funded at the minimum per pupil funding level are unaffected by any transfer and those schools with a funding increase between 2.1% and 4% could only contribute any funding the received above the minimum per pupil levels. Whilst the precise impact would be dependent on the methodology used to remove the funding from the overall Schools Budget and the October census data it is likely that just 89 (33%) schools would be affected by any transfer.
31. The local authority is seeking the view of the DfE in the potential to vary the minimum per pupil funding levels. Should this not be ruled out discussions will be undertaken with schools to consider how such a transfer may be able to be undertaken in 2022/23. The financial plan therefore continues to include a potential transfer of £2m from the Schools Block to High Needs for 2022/23, no transfer will be sought for 2021/22.
32. At the meeting of the Schools Forum on 30 September 2019, schools committed to work with the local authority to reduce the DSG deficit and as a result a number have, or will shortly be, opening SEN units to reduce the cost of placements. Further work is underway developing inclusive practices which will reduce the number of pupils financially supported through High Needs funding.
33. **Demand Savings** – are set out in the following table and are actions where there is the ability to influence the rate of growth in the number of pupils financially supported through the high needs block

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
Action 2 - reduce number of children in Independent Special Schools.	-102	-277	-452	-610
25% of all children in SEMH / C & I Pupils in Units to move to more inclusive setting		-195	-480	-765
Slow the rate of growth in post 16 EHCP's		-60	-105	-163
Reduce proportion of repeat referrals	0	-801	-801	-801
Reduction in proportion of 3 year old assessment requests	0	-357	-357	-357
Improved Consistency in decision making	0	-1,710	-1,710	-1,710
Reduce the number of referrals entering SENA	0	-1,047	-1,171	-1,171
Total - Potential Demand Savings	-102	-4,447	-5,076	-5,577

34. **Cost Reduction Savings** – are set out in the following table and are actions where there is the ability to influence the average unit cost per type of placement.

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000
Develop Local Provision	-5,732	-7,954	-8,124	-8,160
Action 6 - Transfers from Ind / Special at transition points	0	-224	-244	-244
Whole School Review - Overall Reduction in average unit cost of EHCP's	0	0	-506	-506
Increase consistency of decision making and allocation of resources	0	-586	-586	-586
Realignment of ASD Unit Funding - 2018 Units	-82	-300	-300	-300
15% Hours Reduction on EHCP's over 25 Hours	-423	-845	-1,267	-1,267
5% contract efficiency on ISP's 1% year 1 rising to 5% year	-130	-130	-920	-920
Total - Potential Cost Reduction Savings	-6,367	-10,039	-11,947	-11,983

The High Needs Development Plan

35. A transformation project led through the authorities Transformation Unit focuses on a system wide approach and has implemented activities across a wide range of teams but with the golden thread of impacting two key high level variables. Firstly, the overall number of EHCPs and secondly reducing the average unit cost of those EHCPs. The programme is constantly examining best practice from elsewhere and analysing existing service data to look for further opportunities and currently consists of activity such as;

- A focus on contractual spend with Independent Specialist Providers – Learning from the successful interventions in learning disability in the Adults and Communities (A&C) Department as well as regional best practice, this activity focuses on forensically understanding our key supplier as businesses and providers with a view to achieving a % efficiency on the contracts. There is also work to review current Service Level Agreements across resource units.
- Developing a wider inclusion offer – Focusing downstream and on the prevention agenda the programme has delivered products which give schools to tools to not rely on EHCPs. These tools are both universal, for example a revising the local offer, as well as targeted through creating new pathways such as the graduated response.
- Ensuring existing plans are appropriately resourced – Reviewing the existing allocation of resources to plans and reviewing those against the current needs of the children within mainstream and also exploring with children and their parents or guardians around moving to more inclusive provision.

- Developing a culture of continuous improvement in the Special Educational Needs Assessment (SENA) service - Learning from the methodology deployed in the external intervention in A&C combined with experience elsewhere, the programme focus on a series on understanding, measuring, changing and monitoring a series of 'variables' which impact on the main cost drivers, for example the % of referrals able to be supported within an EHCP. By reviewing processes, introducing better Management Information and embedding improvement cycles across all areas of the service with the aim of better understanding of demand and its drivers to improve consistency in the allocation of resources.
36. Each of these activities is firstly underpinned by a well-defined benefits profile that outlines the baseline, target and methodology for calculating the benefit as well as providing robust management information for the programme board and DMT. Secondly a comprehensive communications plan has been designed and is currently being delivered to ensure that each activity is well communicated with schools and partners.
37. The High Needs Development Plan is monitored through the High Needs Block Programme Board where detailed information on savings delivery and actions being taken. The Board also reports to the CFS DMT. Additionally, monthly progress meetings are held with the Director of Corporate Resources and Assistant Director – Strategic Finance and Property.

The Sufficiency Programme

38. In addition to the transformation project a comprehensive sufficiency plan is in place to develop further SEND places commenced in Autumn 2018. The plan is predicated on delivering the right number of places and at the right time, in each locality to meet emerging needs, whilst also enabling the maximum level of inclusion in mainstream schools.
39. The plan so far comprises 35 separate projects including;
- the development of new resource bases in mainstream schools (to meet Communication and Interaction, and Social Emotional and Mental Health needs),
 - the expansion of existing special schools,
 - the development of three new schools in Barwell, Blaby and Shepshed to meet the needs of C&I and SEMH pupils.
 - the re-location of Oakfield Short Stay school to new locations in Barwell and Shepshed to facilitate the Blaby special school
 - the provision of a new Hearing Impaired Unit in Oadby.
40. By the Autumn term the plan will have provided an extra 459 SEND places, with a further 75 to be delivered between 2021 and 2023. The 2020/21 capital programme commits £17.78m to the programme. Work is now in progress to develop a second phase of the plan to deliver a business case to support the

delivery of a further 78 places (comprising 5 schemes) at a cost of circa £6million.

41. The additional places provided have been largely taken up by new demand which has limited the ability for places to be taken by pupils moving from higher cost provision as anticipated in the original plan but have helped to restrict further growth in the number of pupils placed in independent provision. However, the places have resulted in cost avoidance estimated to be £5.7m in 2020/21 rising to £8.2m, taking into account start-up costs the overall benefit to the programme is £3.3m in 2022/23 as without the additional places higher cost independent provision would have been required. Analysis is underway to ascertain any financial impact arising from changes to opening dates for the new provision and occupancy levels is currently being undertaken
42. The new resource bases are underpinned by robust legal agreements to ensure adequate financial and other controls exist, and responsibilities for delivery and quality of provision are made clear. Detailed work has also been commissioned to develop a forecasting model to help determine the future demand for SEND places, taking account of demographic changes and new housing growth to inform future planning.

Conclusions

43. Whilst the High Needs Development Plan is delivering savings and efficiencies it does not recover the financial position. Whilst it may be possible to identify further actions that will deliver additional savings, with placement expenditure the majority of high needs spend, population growth and the concerns set out in this report with regard to the national SEND system it is difficult to envisage how the issues can be resolved in the medium term without national changes to the overall SEND system.
44. The High Needs Block Programme Board continues to challenge all aspects of the Development Plan and explore additional areas for additional savings and efficiencies and seeks to identify and establish best practice across services.
45. The business case for the High Needs Development Plan was externally reviewed in December 2018 which made a number of recommendations that have informed its development and delivery. Management information has been developed to allow performance to be monitored against all aspects of the plan with growth and savings being subject to regular review. Growth in the number of EHCP's continues and is greater than that envisaged at the commencement of the programme of work. However growth currently is within mainstream schools at lower costs whilst the number of higher cost independent special schools has plateaued and is expected to show reductions over the medium term.
46. The medium term financial position is recast on a quarterly basis to reflect the most recent service patterns and trends. However a further external review and

challenge to review the actions and assumptions within the plan may be beneficial to give independent assurance on its risks and opportunities.

47. In its response to the growing SEND crisis the DfE launched a review of the 2014 SEND reforms in 2019, , a key strand of the review is considering how current accountability and funding structures influence cross sector working. however, this review has not yet reported and nationally concerns about the sustainability of the current system and its funding continue to grow. The DfE in their response to the Education Committees report on SEND the DfE state that the SEND system must improve, the response identifies a number of areas for improvement but it is unclear when, or if, these will be delivered.

Officers to Contact

Jane Moore, Director of Children and Family Services

Tel: 01163052038

Email; Jane.More@Leics.gov.uk

Paula Sumner, Assistant Director, Education and SEND

Tel: 01163059614

Email; Paula.Sumner@Leics.gov.uk

Jenny Lawrence, Finance Business Partner

Tel: 01163056401

Email; Jenny.Lawrence@Leics.gov.uk