

To:  
All Members of the Schools Forum

Schools Forum  
Agenda/December18  
Your Ref:

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30<sup>th</sup> November 2018

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### NOTICE OF MEETING - SCHOOLS FORUM

A meeting of the Schools Forum will be held on **Thursday 6<sup>th</sup> December, in the Council Chamber, Civic Centre**. The Agenda for the meeting is set out below.

#### AGENDA

1.	<b>WELCOME AND APOLOGIES</b>
2.	<b>MINUTES OF THE MEETING HELD ON 18 OCTOBER 2018</b> INCLUDING MATTERS ARISING FROM THE MINUTES
3.	<b>SCHOOLS FORUM MEMBERSHIP UPDATE</b> - CONFIRMATION OF REPRESENTATION
4.	<b>DSG BUDGET MONITORING 2018/19 - Claire White</b>
5.	<b>DSG BUDGET SETTING 2019/20 - Claire White</b> INCLUDING CONSULTATION ON TRANSFERRING SCHOOLS BLOCK FUNDING TO HIGH NEEDS
6.	<b>GROWTH FUND 2019/2020 - Claire White</b>
7.	<b>FINALISATION of SCHOOL FORMULA PROPOSALS FOR 2019/2020 - Claire White</b>
8.	<b>SEND STRATEGY UPDATE - Stephen Kitchman</b>
9.	<b>APPROVAL OF SCHEME FOR FINANCING SCHOOLS - Claire White</b>
10.	<b>AGENDA ITEMS FOR FUTURE MEETINGS</b> (STANDING ITEM) <i>Finalisation of Schools Formula (setting the funding values) &amp; de-delegations</i> <i>High Needs Budget 2019/20</i> <i>Central School Services Budget 2019/20</i> <i>Early Years Budget 2019/20</i>
11.	<b>ANY OTHER BUSINESS</b> <i>Next Meeting : 17th January 2019 at 5pm Civic Centre – Council Chamber</i>

**Minutes of Schools' Forum Meeting  
18<sup>th</sup> October 2018 at John Madjeski Academy, Reading**

**Present:** Ita McGullion - Manager of Kennet Day Nursery  
 Justin McMinn - Head Teacher of E P Collier  
 Cathy Doberska - Head of English Martyrs  
 John Cosgrove - Head of Christ the King  
 Peter Kayes - Governor at Ridgeway (Chair)  
 Richard Rolfe - Governor at Micklands  
 Karen Edwards - Head of The Heights  
 Stieve butler - Head Teacher of Meadow Park  
 Isabelle Sandy - Business Manager at Kendrick  
 Ashley Robson - Head Teacher of Reading School  
 Annal Nayyar - finance Director of Bayliss Trust (Reading Girls)  
 Andrew Johnson - Head Teacher of Maiden Erlegh (Reading)  
 Ali McNamara - NUT  
 Mandy Wilton - Head of Cranbury College  
 Phil Davies - Prospect School  
 Claire Brock - Prospect School

**RBC:** Claire White - Interim Education & Schools Business Partner  
 Paul Wagstaff - Head of Education  
 Aimee Trimmer - Early Years  
 Rhiannon Schoepe - minute taker

**Apologies:** Jo Budge - Head Teacher of Blagdon Nursery  
 Tonia Crossman - Head of Emmer Green  
 Tracey Green - Avenue Finance Director  
 Cllr Ashley Pearce - Lead Member for Education

**STANDING ITEMS**

<b>1.</b>	<b>Welcome and Apologies</b>
	<p>The Chair welcomed everyone to the meeting.          Claire White welcomed to the Schools Forum as the Interim Education &amp; Schools Business Partner.</p> <p>Apologies were noted.</p> <p>In the absence of the Vice Chair Ashley Robson (Head Teacher from Reading) agreed to act as Chair of the meeting to call for nominations for the Chair of the Forum for the coming two years. Peter Kayes was duly nominated and seconded and with no other nominations reappointed as Chair. Ashley then vacated the Chair back to Peter Kayes.</p>
<b>2.</b>	<b>Minutes of the meeting held on 12<sup>th</sup> July 2018</b>
	<p>Minutes were agreed from 12<sup>th</sup> July 2018.</p> <p>A query was raised on the vacancy for a governor at maintained nursery level on Schools Forum - Jo Budge to follow up on an interested member.</p> <p>It is noted that the proposal to support schools with a higher level of EHCPs than our statistical neighbours as set out in Appendix B on the High Needs update has been accepted, and will apply from September 2018.</p>

<b>3.</b>	<b>Schools Forum Membership Update</b>
	<p>There are currently four vacancies outstanding as well as two members' whose term of office has expired (Tonia Crossman &amp; Joanne Harper).</p> <p>It was noted that Secondary academies can only have five votes but more members can attend. UTC are able to have another member attend to replace Joanne Harper.</p> <p>Out of the available 23 positions within Schools Forum, 19 are currently filled.</p>
<b>4.</b>	<b>DSG Budget Monitoring 2018 - 2019</b>
	<p>Claire White presented.</p> <p>It was noted that there are two changes from the report circulated in July</p> <ul style="list-style-type: none"> <li>- Revised DSG</li> <li>- High Needs Block</li> </ul> <p>Table 1 shows the revised DSG Allocation for 18/19.</p> <p>The change in the schools block is due to recoupment of funds (£728k) as New Christ Church has become an Academy. These funds will be transferred to the ESFA therefore will not impact on the DSG budget.</p> <p>Early Years Block has a £872k reduction due to decrease in take up of places in comparison to the January 17 census. It is assumed that expenditure will also decrease due to this.</p> <p>High Needs Block is confirmed to recoup £139k due to additional High Needs places in academies (in July's report) and the import/export adjustment (the difference in the numbers of children placed in Reading from other Local Authorities and Reading children being placed in other Local Authorities). Overall, Reading is a net exporter.</p> <p>Overall there is a reduction of £1.9m to the DSG allocation. The 17/18 Early Years difference in claw back gives an additional £366k available in 18/19 which will give a net change of £1.5m overall.</p> <p>18/19 expenditure is summarised in Table 2, with further details in Appendix 2. This is a different format to how Schools Forum usually receives the information. The lines in the table are still based on the Section 251 return, but are split into the different funding blocks in order to clearly show the surplus or deficit within each block.</p> <p>7.4: Top up funding has increased and the number of pupils receiving top ups is now at 1,361 (October 2018), a rise of 195 since March 18.</p> <p>Discussion:</p> <p>Reading will look to repay DSG over a number of years. Last year, a clear strategy was developed to reduce spend on High Needs Block; it is nationally recognised that EHCPs are increasing year on year and there are many high cost placements out of borough.</p> <p>The operation so far has been partially successful. Plans are in place and needs have been identified in order to plan appropriately.</p>

	<p>A SEN commissioner will work with providers to bring High Needs costs down.</p> <p>50.5% of pupils with SEND are in other LA schools. So far, Blessed Hugh and The Avenue have expanded their provision for children with additional needs. Reading has also looked to seek permission for ASC in primary schools.</p> <p>A new special free school with 150 places for children with complex needs is being proposed in conjunction with Wokingham and West Berkshire Councils.</p> <p>There is a revised process to maintain a handle on these SEN transport costs as well as a consultation for post-16 pupils.</p> <p>Table 3 details a projection in which the deficit decreases over the next three years.</p> <p>The detail behind the strategy plans for schools have been requested by Schools Forum to see where points are succeeding or failing. SEND reports in the past have been detailed but with no financial links. Paul Wagstaff will include financial information in the next written high needs update report coming to Schools Forum in December.</p> <p>The update was noted by Schools Forum.</p> <p>There is a current petition to Damian Hinds about SEND - noted to look at and sign if interested.</p> <p><b>The report and revised DSG allocations were noted.</b></p>
5.	<p><b>DSG Budget Setting Strategy for 2019 - 2020</b></p>
	<p>Claire White presented.</p> <p>The Schools Revenue Funding Operational Guide and High Needs Funding Operational Guide 19/20 for DSG has been published and the Early Years operational guide is due in late November. From 19/20, ESFA will require a report from any Local Authority with a DSG deficit of more than 1%, detailing how it plans to balance the account.</p> <p>Table 1 sets out the revised DSG allocations for 18/19 and projections for 19/20. Schools Block funding is up by £1.3m and High Needs Block up by £.35m assuming no change in pupil numbers. Reading has had a minimum increase in funding this year for its high needs</p> <p>It is proposed School Forum consults on transferring 0.5% of Schools Block budget to High Needs Block again for 19/20. Further details on de-delegations detailed at the bottom of 6.1 will be brought to Schools Forum in December.</p> <p>Table 2 sets out the budgets funded from the Central School Services Block DSG allocation. £680k is received for historic commitments. It is expected to see these come down over the year. If not, DFE will reduce DSG funding. Further details on this will come back to Schools Forum in December. Assuming 19/20 expenditure remained the same as 18/19, there will be a shortfall of £88k due to copyright licenses being funded from Schools Block in 18/19.</p> <p>There has been no information yet in regards to Early Years Block. The setting of provider funding rates will be carefully managed and take into account any over/underspends. Lump sum funding for maintained nurseries is currently transitional, it is not known how long this will continue. Single formula rates are expected to stay the same. A detailed plan will be brought to Schools Forum in January 19.</p> <p>Table 3 sets out High Needs Block estimates. The estimated 19/20 expenditure of £19.4m is currently the same as the in-year allocation. At this point it is assumed costs will be met during the year through funding.</p> <p>Table 4 sets out the High Needs Block Savings required. One off funding can be used to repay</p>

	<p>the deficit if the predicted costs are contained within the in-year allocation. It is proposed Schools Forum consult to moving 0.5% from Schools Block to High Needs Block. Individual top-ups will stay the same, there is no inflationary increase. West Berkshire and Wokingham are looking to have a common agreement in regards to top-ups.</p> <p>A vote was held as to whether Schools Forum should consult on a proposal to transfer 0.5% of Schools Block funding to the High Needs Block. <b>This was agreed with no-one against.</b></p> <p><b>The report was noted</b></p>
6.	<p><b>School Formula Proposals for 2019 - 2020</b></p>
	<p>Claire White presented.</p> <p>Schools Forum is asked to review the current approach for the allocation of funding.</p> <p>There will be an increase in funding in 19/20 due to the minimum per pupil increase. Next year will be the 2<sup>nd</sup> year of operating the 'soft formula'. The government has extended this arrangement to also cover 20/21. The biggest impact of the national funding formula in Reading is the shift of funding from primary to secondary, and a shift from basic entitlement to additional needs and a higher lump sum. Due to this Reading are taking a transitional approach. Due to the application of the minimum funding guarantee of 0.5%, no school will lose funding (unless there has been a drop in pupil numbers).</p> <p>There will be no national change in 19/20 to values for each of the formula factors and no inflationary increase will be added.</p> <p>Growth funding element will have a formula rather than being budget based. Reading would get less funding due to this change.</p> <p>The DSG funding for premises and mobility factors will be allocated in accordance to actual 18/19 budget.</p> <p>There is a reduction in Low Prior Attainment factor from £1,050 to £1,022</p> <p>The minimum per pupil funding levels will increase by £200 for both primary and secondary.</p> <p>A new funding floor factor of 1% per pupil on 17/18 baseline has been introduced; however, as Reading is taking a transitional approach it makes more financial sense for Reading to continue using the 0.5% minimum funding guarantee as this will be based on 18/19.</p> <p>Table 1 sets out the Indicative Schools Block DSG allocation for 19/20.</p> <p>Both primary and secondary units of funding have been confirmed, this is an increase on last year of £1.3m, totalling £88.1m. The units of funding have been calculated using the October 17 census data; however final pupil numbers will be taken from the October 18 census.</p> <p>Table 2 sets out the Indicative Funding Available for School Formula allocations. This will be the basis of the formula modelling. The total available to allocate is £86.83m. This calculation also assumes that the 0.5% minimum per pupil increase is guaranteed and applied.</p> <p>There is a proposal for transitional rates to be applied for 19/20 which will allow Reading to increase formula values closer to the NFF. Appendix 2 sets out the NFF values in more detail. Table 3 sets out the Cost of Formula Funding Scenarios in comparison to the estimated funding available of £86.83m.</p> <p>Scenario B proposed as the baseline with all factors at the proposed transitional rates. Scenario A is ideal however this would leave a shortfall of -£1.125m. These figures assume that 0.5% of Schools Block funding transfers to the High Needs Block. Tables on Appendices 3a and 3b show for each scenario the total funding for each school and the level of increases.</p>

	<p>It was agreed to send the report to schools to receive their comments on the approach, i.e. using the transitional rates in Scenario B, but moving to scenario E if more funding was available.</p> <p>It was raised whether the working party should be reconvened to look at the extension? Given the limited time available it was suggested that Schools' Forum members including those who had been on the working party previously should consult colleagues to ensure that there was a good response to the consultation that took everyone's views into account. The proposal will be discussed and would have to be agreed at December's School Forum. It was noted that the settlement provided less funding that would be required to fully implement the national formula.</p> <p><b>Members noted the indicative allocations</b></p> <p><b>Members agreed that the formular factor values as presented be the basis of a wider consultation with all schools</b></p> <p><b>The options available if additional funding is available were noted</b></p> <p><b>Members agreed that the proposals be circulted to all schools for comment and consideration at the December Schools' Forum.</b></p>
<b>7.</b>	<b>SEND Strategy</b>
	<p>Paul Wagstaff gave a verbal report:</p> <p>The last full strategy update was July 18, the next update will follow in December's School Forum.</p> <p>A SEN strategy group meeting will be held in the next few weeks.</p> <p>So far, there have been two initiatives which will roll out next half term; funding for schools with a high proportion of EHC plans and proposals to prevent pupils with SEND from being at risk of permanent exclusion.</p> <p>Reading has permission to go to primary schools with consultations for two new ASD units. These units will take up to 10 children each. Papers are currently being finalised and will be sent to schools with a clear timeline as well as questions for them to consider. Decisions are due by the spring term. This will be a phased process and recruitment for additional staff will be discussed in the spring term.</p> <p>There is also a proposal for new free special school. This will take up to 150 pupils with complex needs and ASD. Wokingham and West Berkshire also have a significant need in this area. Both Local Authorities have given their support to the proposal. This unit will start at secondary and then expand into primary provision in accordance with current needs. Other schools and providers will bid to run the school on our behalf. A response on this proposal is due early 2019. There will be place planning to commission admissions fairly.</p>
<b>8.</b>	<b>Scheme For Financing Schools</b>
	<p>Claire White presenting</p> <p>The last update to the scheme was January 2014. The updated scheme will be sent to all maintained schools for consultation and brought back to Schools Forum in December to be agreed.</p> <p>Appendix 1 details the current scheme with any changes highlighted. Green signifies statutory</p>

	<p>changes while yellow signifies local discretionary changes.</p> <p>The main statutory changes are around the purpose of loans and updated wording. The main local discretionary changes are in regards to budget plans, voluntary funds, surplus balances and school deficits.</p> <p>Discussion: The new deadline for budget plan submissions of 1<sup>st</sup> May is dependent on how early schools receive their budgets. The change also details a requirement to submit full 3 - 5 year plans. The earlier deadline and increased budgetary forecasting would have an effect on the schools' own workload around this date.</p> <p>The discussion was noted.</p> <p><b>It was agreed</b> that the updated scheme will go out to consultation to be returned in December.</p>
<b>9.</b>	<b>Strategy for Schools In Deficit</b>
	<p>Paul Wagstaff presented</p> <p>The procedures for schools in deficit need to be tightened up. There has already been one school with a deficit of £260k (this school is moving to academy status).</p> <p>Where schools might be moving into deficit, there will be early notification to the Local Authority in order for it to work with schools in a timely manner and look at potential repayment plans. We wish to avoid significant short term budget cuts for schools with a large deficit, of which will decrease the quality of learning.</p> <p>Schools will have an initial budget meeting followed by a six month review. If there are bigger issues, there may be a need for closer monitoring. After this, the Local Authority may intervene and potentially remove the schools' financial powers. This has been done to three schools thus far. The Local Authority want to work with schools to agree the parameters of spending until the school is in a position to take back delegation. We need to protect schools in order to prevent this situation.</p> <p>Reading do not want to cut the quality of schools, there will be a case by case basis for any plans. This strategy sits alongside the policy set out in the revised scheme for financing schools which is going out to consultation with schools.</p>
<b>10.</b>	<b>Agenda Items For Future Meetings</b>
	<p>The next meeting will be held on 6<sup>th</sup> December 2018 (5pm) at the Civic Centre.</p> <p>Finalisation of 2019 - 2020 Schools Formula Review of DSG budget 2019 - 2020 Finalisation of Scheme of Financing Schools</p>
<b>11.</b>	<b>Any Other Business</b>
	<p>There have been three documents circulated regarding the Schools Forum Operational Guide. These have recently been updated by DFE, however no real changes have been made. The summary document gives a summary of powers and responsibilities of Schools Forum.</p>

	The structure of Schools Forum has been discussed in Paper 3. Reading Schools Forum follows the guidance set by DFE.
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**Agenda Item 3:**

SCHOOLS FORUM MEMBERSHIP						Dec-18		
Group / Sub Group	Votes	Position	Name	School	First elected / appointed to SF	Last elected / appointed to SF	Period of office as member	Due for re-election / appointment
<b>Members</b>								
Nursery (3)	1	Head teacher	Jo Budge	Blagdon Nursery	Jan-17	Jan-17	1 yr	Jan-19
	2	Governor	Vacant				4 yrs	
	3	PVIs	Ita McGullion	Kennet Day Nursery	Oct-17	Oct-17	On-going	n/a
Maintained Primary (7)	4	Head teacher	Vacant				1 yr	
	5	Head teacher	Justine McMinn	EP Collier	Nov-13	Jan-17	1 yr	Jan-19
	6	Head teacher	Cathy Doberska	English Martyrs	Jul-18	Jul-18	1 yr	Jul-19
	7	Head teacher **	John Cosgrove	Christ the King	Oct-14	Jan-17	1 yr	Jan-19
	8	Head teacher	Tonia Crossman	Emmer Green	May-17	May-17	1 yr	May-18
	9	Governor *	Peter Kayes	The Ridgeway	Mar-07	Dec-16	4 yrs	Dec-20
	10	Governor	Richard Rolfe	Micklands	Dec-16	Dec-16	4 yrs	Dec-20
Academy Primary (3)	11	Member	Karen Edwards	The Heights	Jul-18	Jul-18	1 Yr	Jul-19
	12		Stieve Butler	Meadow Park	Jul-17	Jul-18	1 Yr	Jul-19
	13		Vacant				1 Yr	
Maintained Secondary (1)	14	Head teacher	Simon Utley	Blessed Hugh Faringdon	Jan-17	Jan-17	1 yr	n/a
Academy Secondary (5)	15 16 17 18 19	Member	Isabelle Sandy	Kendrick	Feb-12	Mar-18	1 Yr	Mar-19
			Ashley Robson	Reading	Feb-12	Mar-18	1 Yr	Mar-19
			Rachel Cave	Highdown	Feb-12	Mar-18	1 Yr	Mar-19
			Phil Davies	Prospect	Feb-12	Mar-18	1 Yr	Mar-19
			Laura Ellenor	John Madjeski	Jan-17	Mar-18	1 Yr	Mar-19
			Annal Nayyar	Reading Girls	Dec-17	Dec-17	1 Yr	Dec-18
			Joanne Harper	UTC	Dec-13	Dec-15	1 Yr	Dec-16
Andy Johnson	Maiden Earlegh in Reading	Jan-18	Jan-18	1 Yr	Jan-19			
			The Wren			1 yr		
Maintained Special (1)	20	Head teacher	Vacant	Holybrook Phoenix			1 yr	
Academy Special (1)	21	Member	Tracey Green	The Avenue	Mar-18	Mar-18	1 Yr	Mar-19
Alternative (1)	22	Alternative	Mandy Wilton	Cranbury College			On-going	n/a
Trades Unions (1)	23	Trades Unions	Ali McNamara	Unions			On-going	n/a

**Non Members**

Observer	-	RBC	Cllr Ashley Pearce, Lead Member for Education					
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\* Chair

\*\* Vice chair

**READING BOROUGH COUNCIL**  
**REPORT BY FINANCIAL SERVICES**

<b>TO:</b>	Reading Schools Forum		
<b>DATE:</b>	6 <sup>th</sup> December 2018	<b>AGENDA ITEM:</b>	4
<b>TITLE:</b>	Dedicated Schools Grant (DSG) Budget Monitoring 2018/19		
<b>SERVICE:</b>	Children's, Education & Early Help Services	<b>WARDS:</b>	All
<b>AUTHOR:</b>	Claire White	<b>TEL:</b>	0118 937 4161
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## 1. PURPOSE AND SUMMARY OF REPORT

1.1 This report updates the latest in year financial position.

## 2. RECOMMENDED ACTION FOR SCHOOLS FORUM

2.1 **NOTE:** The 2018/19 budget monitoring position, in particular the pressure in the high needs block and the future years profile to balance the budget.

## 3 POLICY CONTEXT

3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

## 4 BACKGROUND

4.1 The Dedicated Schools Grant (DSG) is a ring fenced grant and can only be spent on school/pupil activity, as defined by the School and Early Years Finance (England) Regulations (2018).

4.2 The DSG is split between four different funding blocks - schools, central school services, early years, and high needs. Each Council's allocation is largely based upon actual pupil numbers from the October pupil count proceeding the actual financial year. Although separate allocations are received for each block, transfers are allowed between blocks but subject to certain restrictions.

- 4.3 Most of the grant is allocated to schools - the Individual School's Budget (ISB) or delegated budget - this is mainly formula driven; the remainder is the Centrally Retained School's Budget - the non-delegated budget.
- 4.4 Overspends on the DSG are carried forward and are a first call on the new year's allocation of DSG. Underspends on the DSG are carried forward to support the future year's school's budget.
- 4.5 The Authority must ensure that DSG is correctly spent and has to report the outturn position as to inform the impact upon the following year's budget position. The budget monitoring of the Authority distinguishes between how services are funded, namely by DSG or by the Local Authority.
- 4.6 The LA receives its DSG allocation gross (including allocations relating to academies and post 16 provision), and then the Education & Skills Funding Agency (ESFA) recoups the actual budget for these settings to pay them direct, leaving a net or LA allocation.

## 5. DSG ALLOCATION 2018/19

- 5.1 DSG allocations will change in year due to academy conversions during the year and the ESFA will update the 2018/19 LA grant when conversions have been completed. Allocations in the Early Years and High Needs Block are updated in late July 2018 by the ESFA. The original and current allocation is summarised in Table 1 below, with a detailed breakdown of the calculations provided in Appendix 1.

**Table 1: RBC's original and revised (current) DSG allocations for 2018-19**

Block	Original DSG Allocation 2018/19			Revised DSG Allocation 2018/19			Change (£m)
	Gross DSG Allocations (£m)	Less Recoupment relating to Academies/ Post 16 (£m)	Total LA DSG Allocations (£m)	Gross DSG Allocations (£m)	Less Recoupment relating to Academies/ Post 16 (£m)	Total LA DSG Allocations (£m)	Total DSG (£m) Available
Schools Block	86.824	-39.877	46.947	86.824	-40.605	46.219	-0.728
Central Schools Block	1.305		1.305	1.305		1.305	0
Early Years Block	13.432		13.432	12.560		12.560	-0.872
High Needs Block	19.296	-1.618	17.678	19.128	-1.757	17.371	-0.307
<b>Total</b>	<b>120.857</b>	<b>-41.495</b>	<b>79.362</b>	<b>119.817</b>	<b>-42.362</b>	<b>77.455</b>	<b>-1.907</b>
17/18 EY adjustment						0.366	0.366
<b>Total Available</b>						<b>77.821</b>	<b>-1.541</b>

- 5.2 As part of the budget setting, it was agreed that there would be a transfer of £434k from the Schools Block to the High Needs Block towards the high needs deficit, plus central licences are being met from the Schools Block allocation.
- 5.3 The DSG the Council receives will be reduced at the next adjustment date following the conversion of St Mary & All Saints to an Academy on 1<sup>st</sup> November, though this has no overall impact on the budget.
- 5.4 The impacts from the in-year revisions are:
- High needs block funding reduced due to the import/export adjustment (additional pupils placed in settings outside Reading) and increase in the number of places funded in academies, which is deducted from our allocation. This adds to the deficit in this block.
  - Early years funding has been reduced in line with the January 2018 early years census. This *may* impact if the actual take up of places is greater.
  - The adjustment relating to the 2017/18 early years funding is due to the actual clawback being less than the provision made in the accounts, so this is additional funding available in 2018/19 and is currently unallocated.

There should be no further changes to the DSG allocation which will have an impact on the budget in the current financial year.

## **6. DSG BUDGET MONITORING 2018/19 UPDATE**

- 6.1 Every Local Authority has to produce the Section 251 (S251) Budget and Outturn per year. The S251 Budget is uploaded onto the council website every April. Link: <http://www.reading.gov.uk/section251-budget-statements>. (Other Education and Children's budget data are also within the S251 statement).
- 6.2 Appendix 2 contains the latest in year budget monitoring position for the DSG, split between the four funding blocks, and broken down by the reporting lines for the DSG section of S251.
- 6.3 Appendix 3 contains brief notes on what is included in each line of the budget report.
- 6.4 Table 2 summarises the current overall position per block as at the end of November 2018. The position has not changed significantly since the last report.

**Table 2: Summary Budget Monitoring Position – as at November 2018**

	Original Budget (£m)	Virements £m	Current Budget (£m)	Forecast Outturn £m	Variance £m
Schools Block	46.409	-0.728	45.681	45.485	-0.196
Central Schools Block	1.408	0	1.408	1.408	0
Early Years Block	13.432	-0.872	12.560	12.560	0
High Needs Block	18.112	0	18.112	21.154	3.043
<b>Sub Total - Net Expenditure</b>	<b>79.360</b>	<b>-1.600</b>	<b>77.760</b>	<b>80.607</b>	<b>2.847</b>
DSG Allocation	79.361	-1.541	77.821	77.821	0
<b>Balance Over/(Under) Allocated</b>	<b>-0.002</b>	<b>-0.059</b>	<b>-0.061</b>	<b>2.786</b>	<b>2.847</b>

6.5 The current forecast is that the year will close with a £2.786m deficit on the DSG against a revised budget of £0.061m surplus i.e. in-year expenditure plus pay back of brought forward deficit will not be met by the in-year allocation of grant. The over spend is all on the high needs block, and it is assumed that the additional allocation in the early years block (set out in paragraph 5.4) and the under spend in the schools block is not required specifically in these blocks and will go towards offsetting the deficit.

## 7. VARIANCES

### 7.1 Schools Block (SB)

- There will only be a variance on primary and secondary school delegated allocations if the actual business rates bills vary from the budget. There are a few rating revaluations going through at the moment, so the year end position can be confirmed in January.
- The Growth Fund for 2018/19 has been set at £900k; allocations confirmed total £804k with no requirement for the contingency set aside. The Falling Rolls fund of £100k will not be used. The overall under spend for these funds is £196k.
- De-delegations are contributions to central services and unlikely to overspend as the LA would pick this up.

### 7.2 Central Schools Services Block (CSSB)

- Most of the central school services budgets are classed as contributions and the majority of areas will not be overspent as the LA would pick up any over spends. There will be no variance on copyright licences, as this is a national contract agreed in advance.

### 7.3 Early Years Block (EYB)

- The majority of Early Years Funding (97%) is relating to the free early year's entitlement for 2, 3 and 4 year olds. The budget is based on the hours funded in the January 2018 census at the set hourly rate. The DSG funding due to be received is based on an average of the January 2018 and 2019 census numbers, so in theory, as expenditure is based on the actual uptake of entitlement for each term, any increase or decrease in numbers during the year compared to the January 2018 census should be funded, or

funding will be clawed back (by the ESFA) in the following year if there is an over allocation. This assumes that the January census represents a close average for the whole year. A forecast will be possible once all the autumn payments have been made to providers; the current report assumes there will be no variance.

- The maintained nursery grant received within the DSG has been reduced by £53k (due to a reduction in numbers between January 2017 and January 2018), though this amount will not be clawed back from the nursery schools. This may result in a pressure, though at the moment it is assumed that the overall reduction in take up and thus expenditure will offset this.
- Other budgets that pay for central spend are mainly contributions as agreed at the budget setting, and will not have a variance.
- The Early Years adjustment to the DSG of £366k (referred to in paragraph 5.4) is unallocated, which if not required in the early years block, will offset over spends in the high needs block.

#### 7.4 High Needs Block (HNB)

- The High Needs Block has been overspending for many years and the LA has introduced SEND projects (Strands) to implement future SEN processes/resource building and help achieve the reduction of the DSG deficit that stood at £2.9m at 31<sup>st</sup> March 2018. Details of progress on these projects come under a separate report.
- The LA has also invested some funds to improve the SEND commissioning element that will review SEND placements/Contracts. This will complement the work that the Strands are doing.
- The over spend for 2018/19 is currently forecast to be £3.3m after also taking into account the actual deficit brought forward and the revised DSG allocation for the year. The forecast for top ups has been updated taking into account all the transition changes for the new academic year, and this overspend has now increased by £600k from early September and by £1m since July.
- The number of pupils receiving top up funding has risen from 1,166 in March, to 1,199 in July, and is now in November at 1,410, an increase of 244 pupils since March.

- The overall current over spend position of the HNB is made up as follows:

Difference between budgeted deficit b/f and actual deficit b/f	£0.666m
Top up funding - forecast over spend	£2.376m
Other forecast overspends	<u>£0.000m</u>
Total Expenditure budget over spend	<b>£3.042m</b>
Add: Reduction in DSG HNB allocation	<u>£0.307m</u>
Total over spend on HNB	<b><u>£3.349m</u></b>

#### 7.5 Overall Position and Future Years' Forecast

- The LA is forecasting a £2.8m overspend on the DSG by the end of March 2019, made up of £3.3m HNB less £0.3m contingency in EYB and £0.2m underspend in the SB. The HNB should not see further significant increases this financial year now all the academic year changes have been assessed, and as the high needs strategy starts to take effect. Any possible pressures

in the EYB should be met by the EYB contingency. Any final under spend in the EYB and SB could go towards offsetting the HNB.

- Table 3 shows the latest view on the continuing impact of the High Needs pressure. *This is based on all positive variances going towards the High Needs deficit*

**Table 3: DSG Surpluses and Deficits by Block**

	B/Fwd	HNB	EYB	SB	Budget Deficit Repaid	Total
Year	£m	£m	£m	£m	£m	£m
14-15 Actual	(0.371)	1.220	(0.793)	(0.056)	0.000	0.000
15-16 Actual	0.000	2.111	0.000	(0.054)	0.000	2.057
16-17 Actual	2.057	2.010	0.000	0.169	(0.839)	3.397
17-18 Actual	3.397	1.873	(0.323)	(0.327)	(1.759)	2.860
18-19 Estimate	2.860	2.683	(0.366)	(0.198)	(2.193)	2.786
19-20 Forecast	2.786	2.539	0.000	0.000	(2.786)	2.539
20-21 Forecast	2.539	1.790	0.000	0.000	(2.539)	1.790
21-22 Forecast	1.790	(0.166)	0.000	0.000	(1.790)	(0.166)

- The table assumes that in year expenditure in the next two years will not increase beyond the current year forecast and that some savings are realised as impact of the strategy takes effect. It is assumed that the other blocks will continue to balance on an annual basis.
- On this basis, the deficit will be repaid by 2021/22 and some investment in provision can start to be made.
- Note that from next year, the LA will be required to report deficits of 1% or more of the total DSG allocation to the DfE (by the end of June 2019). Recovery plans will need to be discussed with and agreed by the Schools' Forum. The expectation is that the DSG will be brought back into balance within three years.

## Appendices

Appendix 1 - DSG Allocation 2018/19

Appendix 2 - Summary DSG Budget Report

Appendix 3 - Additional Information per service

## Appendix 1 - DSG Allocations 2018/19

DSG Allocation 2018/19 - July 2018 update					
	December 2017 Notification		July 2018 Notification		Change
<b>Schools Block</b>					
Pupil Numbers Primary	13,320.0		13,320.0		
Rate	£3,938.01		£3,938.01		
Allocation		£52,454,293		£52,454,293	£0
Pupil Numbers Secondary	6,057.0		6,057.0		
Rate	£5,105.75		£5,105.75		
Allocation		£30,925,528		£30,925,528	£0
Growth Funding		£3,443,696		£3,443,696	£0
Premises Funding					
<b>Gross Allocation</b>		<b>£86,823,517</b>		<b>£86,823,517</b>	<b>£0</b>
Academy Recoupment		-£39,876,799		-£40,604,564	-£727,765
actual funding rounding adjustment		-£18		£47	£65
<b>Schools Block Net Total</b>		<b>£46,946,700</b>		<b>£46,219,000</b>	<b>-£727,700</b>
<b>Central School Services Block</b>					
Pupil Numbers	19,377		19,377		
Rate	£32.27		£32.27		
Allocation		£625,296		£625,296	£0
Historic Commitments		£680,000		£680,000	£0
actual funding rounding adjustment		4		-£296	-£300
<b>Central School Services Block Net Total</b>		<b>£1,305,300</b>		<b>£1,305,000</b>	<b>-£300</b>
<b>High Needs Block</b>					
Formula		£20,156,112		£20,156,112	£0
Place Numbers - Special Schools	215.0		215.0		
Place Numbers - Alternative Provision	41.0		41.0		
	256.0		256.0		
Rate	£4,208.94		£4,208.94		
Allocation		£1,077,489		£1,077,489	£0
Import/Export Adjustment	-323		-351		
Rate	£6,000.00		£6,000.00		
Allocation		-£1,938,000		-£2,106,000	-£168,000
<b>Gross Allocation</b>		<b>£19,295,601</b>		<b>£19,127,601</b>	<b>-£168,000</b>
Recoupment - academy/post 16 places		-£1,618,000		-£1,756,993	-£138,993
actual funding rounding adjustment		-1		£392	£393
<b>High Needs Block Net Total</b>		<b>£17,677,600</b>		<b>£17,371,000</b>	<b>-£306,600</b>
<b>Early Years Block</b>					
3 & 4 year olds Universal - Schools	1,457.0		1,396.0		
3 & 4 year olds Universal - PVI	1,617.4		1,496.0		
3 & 4 year olds Additional - Schools	837.6		198.4		
3 & 4 year olds Additional - PVI			628.7		
<b>Total</b>	<b>3,912</b>		<b>3,719</b>		
Rate	£5.14		£5.14		
Allocation - Universal - Schools		£4,268,719		£4,090,001	-£178,718
Allocation - Universal - PVI		£4,738,746		£4,382,981	-£355,766
Allocation - Additional - Schools		£2,454,000		£581,272	-£1,872,728
Allocation - Additional - PVI		£0		£1,841,965	£1,841,965
2 year olds - schools	24.0		67.0		
2 year olds - PVI	424.4		314.1		
<b>Total</b>	<b>448.4</b>		<b>381.1</b>		
Rate	£5.74		£5.74		
Allocation		£1,467,173		£1,246,883	-£220,290
PPG - schools	271.7		226.0		
PPG - PVI	185.2		120.4		
<b>Total</b>	<b>456.9</b>		<b>346.4</b>		
Rate	£0.53		£0.53		
Allocation		£138,020		£104,647	-£33,373
DAF - eligible pupils	54.0		54.0		
Rate	£615.00		£615.00		
Allocation		£33,210		£33,210	£0
Maintained Nursery Grant		£331,883		£278,895	-£52,988
actual funding rounding adjustment		48		£145	£97
<b>Early Years Block Net Total</b>		<b>£13,431,800</b>		<b>£12,560,000</b>	<b>-£871,801</b>
<b>SUMMARY NET IN YEAR ALLOCATION</b>					
Schools Block		£46,946,700		£46,219,000	-£727,700
Central School Services Block		£1,305,300		£1,305,000	-£300
High Needs Block		£17,677,600		£17,371,000	-£306,600
Early Years Block		£13,431,800		£12,560,000	-£871,801
<b>TOTAL DSG ALLOCATION IN YEAR</b>		<b>£79,361,400</b>		<b>£77,454,999</b>	<b>-£1,906,401</b>
<i>(CHECK TO GRANT NOTIFICATION RECEIVED)</i>		<i>£79,254,000</i>		<i>£77,455,000</i>	
<b>Grant Adjustments</b>					
Early years clawback for 2017/18 (difference in provision made)				£365,840	
Transfer from School Block		-£434,000		-£434,000	
Transfer from School Block		-£102,300		-£102,300	
Transfer to CSSB		£102,300		£102,300	
Transfer to HN Block		£434,000		£434,000	
<b>DSG AVAILABLE</b>					
Schools Block		£46,410,400		£45,682,700	
Central School Services Block		£1,407,600		£1,407,300	
High Needs Block		£18,111,600		£17,805,000	
Early Years Block		£13,431,800		£12,925,840	
<b>TOTAL DSG AVAILABLE</b>		<b>£79,361,400</b>		<b>£77,820,839</b>	



## Appendix 2 - Summary DSG Budget Report

Summary DSG Budget Monitoring Report - as at 30 November 2018								
new line	S251 Line	Description	Original Budget £m	Virements £m	Current Budget £m	Forecast Outturn £m	Variance £m	old line
<b>Schools Block</b>								
1	1.0.1 (p)	Individual Schools Budget - Maintained Schools	44.930	-0.728	44.202	44.202	0.000	25
2	1.4.5	Falling Rolls Fund	0.100	0.000	0.100	0.000	-0.100	18
3	1.4.10	Growth Fund	0.900	0.000	0.900	0.804	-0.096	20
4	1.1.2	Behaviour Support Services (de-delegation)	0.178	0.000	0.178	0.178	0.000	1
5	1.1.3	Support to UPEG and Bilingual Learners (de-delegation)	0.040	0.000	0.040	0.040	0.000	2
6	1.1.9	Staff costs supply cover (trade unions) (de-delegation)	0.045	0.000	0.045	0.045	0.000	3
7	1.1.10	School Improvement (de-delegation)	0.141	0.000	0.141	0.141	0.000	4
8	1.6.4	Statutory/regulatory Duties (ESG) (de-delegation)	0.075	0.000	0.075	0.075	0.000	23
9		<b>Sub Total Schools Block Net Expenditure</b>	<b>46.409</b>	<b>-0.728</b>	<b>45.681</b>	<b>45.485</b>	<b>-0.196</b>	
10		Schools Block DSG Allocation	46.410	-0.728	45.683	45.683	0.000	
11		<b>Balance Over / (Under) Allocated</b>	<b>-0.002</b>	<b>0.000</b>	<b>-0.002</b>	<b>-0.198</b>	<b>-0.196</b>	
<b>Central Schools Services Block</b>								
12	1.4.1	Contribution to combined budgets	0.630	0.000	0.630	0.630	0.000	15
13	1.4.2	School admissions	0.215	0.000	0.215	0.215	0.000	16
14	1.4.3	Servicing of schools forum	0.020	0.000	0.020	0.020	0.000	17
15	1.4.7	Prudential borrowing costs	0.050	0.000	0.050	0.050	0.000	19
16	1.4.14	Other Items (copyright licences)	0.102	0.000	0.102	0.102	0.000	22
17	1.5.3	Statutory/regulatory Duties (ESG)	0.390	0.000	0.390	0.390	0.000	23
18		<b>Sub Total Central School Services Block Net Expend</b>	<b>1.408</b>	<b>0.000</b>	<b>1.408</b>	<b>1.408</b>	<b>0.000</b>	
19		Central School Services Block DSG Allocation	1.408	-0.000	1.407	1.407	0.000	
20		<b>Balance Over / (Under) Allocated</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	
<b>Early Years Block</b>								
21	1.0.1 (p)	Early Years Funding (free entitlement)	12.750	-0.872	11.878	11.878	0.000	25/27
22	1.2.8 (p)	Support for inclusion	0.100	0.000	0.100	0.100	0.000	12
23	1.2.5 (p)	SEN support services	0.182	0.000	0.182	0.182	0.000	9
24	1.3.1	Central expenditure on early years entitlement	0.400	0.000	0.400	0.400	0.000	14
25		<b>Sub Total Early Years Block Net Expenditure</b>	<b>13.432</b>	<b>-0.872</b>	<b>12.560</b>	<b>12.560</b>	<b>0.000</b>	
26		Early Years Block DSG Allocation	13.432	-0.506	12.926	12.926	0.000	
27		<b>Balance Over / (Under) Allocated</b>	<b>-0.000</b>	<b>-0.366</b>	<b>-0.366</b>	<b>-0.366</b>	<b>0.000</b>	
<b>High Needs Block</b>								
28	1.0.2 (p)	SEN placements (first £10k)	2.197	0.000	2.197	2.197	0.000	26
29	1.2.1	Top up funding - maintained schools	4.675	0.000	4.675	5.321	0.646	5
30	1.2.2	Top up funding - Academies, Free Schools and Colleges	3.900	0.000	3.900	5.456	1.556	6
31	1.2.3	Top up and other funding - non maintained & independent prov	2.900	0.000	2.900	3.074	0.174	7
32	1.2.4	Additional high needs targeted funding	0.192	0.000	0.192	0.192	0.000	8
33	1.2.5 (p)	SEN support services	0.370	0.000	0.370	0.370	0.000	9
34	1.2.6	Hospital education services	0.198	0.000	0.198	0.198	0.000	10
35	1.2.7/1.2.12	Other alternative provision services	0.292	0.000	0.292	0.292	0.000	11
36	1.2.8 (p)	Support for inclusion	0.750	0.000	0.750	0.750	0.000	12
37	1.2.13	Therapies and other health related services	0.345	0.000	0.345	0.345	0.000	13
38	1.4.11	SEN Transport	0.100	0.000	0.100	0.100	0.000	21
39		Repayment of DSG deficit from previous year	2.193	0.000	2.193	2.860	0.666	28
40		<b>Sub Total High Needs Block Net Expenditure</b>	<b>18.112</b>	<b>0.000</b>	<b>18.112</b>	<b>21.154</b>	<b>3.043</b>	
41		High Needs Block DSG Allocation	18.112	-0.307	17.805	17.805	0.000	
42		<b>Balance Over / (Under) Allocated</b>	<b>0.000</b>	<b>0.307</b>	<b>0.307</b>	<b>3.349</b>	<b>3.043</b>	
43		<b>Total All Blocks Net Expenditure</b>	<b>79.360</b>	<b>-1.600</b>	<b>77.760</b>	<b>80.607</b>	<b>2.847</b>	
44		Total DSG Allocation Available	79.361	-1.541	77.821	77.821	0.000	
45		<b>Balance - Deficit / (surplus) In Year</b>	<b>-0.002</b>	<b>-0.059</b>	<b>-0.061</b>	<b>2.786</b>	<b>2.847</b>	
<b>Memorandum - Budgets Recouped from Gross DSG Allocation</b>								
46	1.0.1 (p)	Individual Schools Budget - Academies	39.877	0.728	40.605	40.605	0.000	
47	1.0.2 (p)	SEN placements - Academies & Post 16	1.618	0.139	1.757	1.757	0.000	
48		<b>Total DSG Recouped</b>	<b>41.495</b>	<b>0.867</b>	<b>42.361</b>	<b>42.361</b>	<b>0.000</b>	

### Appendix 3: Additional information for Appendix 2 table

#### Explanations of DSG reporting lines.

#### **SCHOOLS BLOCK**

Line 1 - Individual School Budget - Schools formula budget for maintained Primary's and Secondary's.

Line 2 - Falling Rolls Fund - The falling rolls budget, was originally set-up for Secondary schools that had more than 30 pupil reduction in Year 7 from one year to the next. This will be reviewed and adapted for Primary's with Schools' Forum.

Line 3 - Growth fund - The growth fund budget is for schools with exceptional pupil number growth in the autumn term and is allocated to schools based on the criteria set by Schools' Forum.

#### **DE-DELEGATIONS - Maintained Primary or/and Secondary Schools Only:**

Line 4 - Behaviour Support Services - Passported to Cranbury College to supply this service.

Line 5 - Support to UPEG and Bilingual Learners - Also known as Equality services. This service is closing down from July 2018.

Line 6 - Staff Costs to Supply Union Cover - Union support with supply cover for union duties.

Line 7 - School Improvement - To fund staff and Projects within the service.

Line 8 - Statutory/regulatory duties - formally known as the Education Services Grant, for duties carried out by the LA on behalf of all maintained schools.

#### **CENTRAL SCHOOLS SERVICES BLOCK**

Line 12 - Combined Budgets - cover areas such as Commissioning, school improvement advisors, MASH (Multi Agency Safeguarding Hub), virtual school for looked after children, Early Help - children action teams that covers family workers, Welfare, CAMHs and Education Psychology.

Line 13 - School Admissions - contribution towards Admissions for all Reading Schools.

Line 14 - Servicing of Schools Forum - Preparation for Schools forum.

Line 15 - Prudential Borrowing costs - Borrowing costs for schools capital programme has historically been and will be funded by borrowing over many years. This is a small contribution to the overall borrowing costs.

Line 16 - Other Items - Copyright licences - national contract, purchased on behalf of all schools.

Line 17 - Statutory/regulatory duties - formally known as the Education Services Grant, for duties carried out by the LA for all schools, including academies.

### **EARLY YEARS BLOCK**

Line 21 - Early Years formula funding - 2,3 & 4 year old free entitlement funding including deprivation and early Years pupil premium and other early years grants relating to maintained nurseries and disability.

Line 22 - Support for Inclusion (combined with line 36) - Early Years Cluster funding and central staffing in Education department. Supports inclusion of children in early year's settings, supporting inclusive practices and resources that enable young children with SEND to have their needs met in these settings.

Line 23 - SEN Support Services (combined with line 33) - provision for early years settings.

Line 24 - Central Expenditure on Children under 5 - Early Years Team Staff and other central early years budgets.

### **SEN /HIGH NEEDS BLOCK**

Line 28 - SEN Placements - Placement funding for pre 16 maintained Resources (first £6k), special Schools (first £10k), and alternative provision (Cranbury College).

Line 29 - Top-up funding for maintained providers - EHCP top-ups for maintained early years, primary, secondary, special and alternative provisions within any LA that has a Reading financial responsibility for the EHCP. This also includes Pupils without EHCPs in Pupil referral units

Line 30 - Top-up funding for Academies and Colleges - EHCP top-ups for Academies, free schools and colleges within the Early years, primary, secondary, special, alternative and college provisions within any LA that has a Reading financial responsibility for the EHCP

Line 31 - Top-up funding and other funding - non maintained and Independents - EHCP Top-ups for Independent and non-maintained special schools.

Line 32 - Top-up funding additional - Includes Nursery Provision (Snowflakes) and some projects relating to pupils.

Line 33 - SEN Support Services (combined with line 23) - This includes Sensory Consortium (joint arrangement with other Berkshire LAs), Portage and ASD Outreach commissioned to Christ The King.

Line 34 - Hospital Education Services - This includes Hospital Education unit at Royal Berkshire Hospital and Education for Pupils in Tier 4 CAMHS specialist independent mental health hospital provision which is commissioned by NHS England

Line 35 - Other Alternative Provisions - this includes Cranbury Post 16 provision and Dingley Contract.

Line 36 - Support for Inclusion (combined with line 22) - New Inclusion fund, and central staffing (2 posts) in Education department, one for statutory functions including monitoring exclusions and one for ASD advisory support. Includes Manor inclusion project, hard to place and cluster funding. Also traveller education and virtual school children looked after.

Line 37 - Therapies and other Health Related services - Contribution towards Speech and Language, Occupational and Physio therapy. Jointly funded with the Clinical Commissioning Group.

Line 38 - SEN Transport - Contributions to SEN School Travel

Line 39 - Repayment of deficit (17-18 C/FWD) - Overall £2.860m deficit has been reported to the DfE as Reading's carry forward on DSG. This is where the £2.193m deficit budget sits that includes minus 0.5% reductions from schools in 16-17 and 17-18 and 0.5% lump sum removed from Schools block in 18-19.

#### RECOUPMENT

Line 46 - Individual School Budget - School formula budgets recouped for primary and secondary academies.

Line 47 - SEN Placements - Placement funding recouped for post 16 places (at £6k per place), and academy resource unit places (£6k) and special school places (£10k).

**READING BOROUGH COUNCIL**  
**REPORT BY FINANCIAL SERVICES**

<b>TO:</b>	Reading Schools Forum		
<b>DATE:</b>	6 <sup>th</sup> December 2018	<b>AGENDA ITEM:</b>	5
<b>TITLE:</b>	Dedicated Schools Grant (DSG) Budget Setting for 2019/20		
<b>SERVICE:</b>	Children's, Education & Early Help Services	<b>WARDS:</b>	All
<b>AUTHOR:</b>	Claire White	<b>TEL:</b>	0118 937 4161
<b>JOB TITLE:</b>	Interim Education & Schools Business Partner	<b>E-MAIL:</b>	claire.white@reading.gov.uk

## 1. PURPOSE AND SUMMARY OF REPORT

- 1.1 This report sets out the estimated funding to be received through the Dedicated Schools Grant (DSG) in 2019/20, and sets out what is required in setting the budget for each block.

## 2. RECOMMENDED ACTION FOR SCHOOLS FORUM

- 2.1 **NOTE:** The DSG allocations likely to be received by block in 2019/20 (5.1).
- 2.2 **AGREE:** the transfer of 0.5% of funding (£447,000) from the schools block to the high needs block in 2019/20 (6.1).
- 2.3 **NOTE:** The actions and timescale required in setting the 2019/20 budget for each DSG block.

## 3 POLICY CONTEXT

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

## 4 BACKGROUND

- 4.4 The DSG funds both maintained schools and academies and is ring fenced for school/pupil activity. The grant allocation is largely based upon actual pupil numbers from the October pupil count proceeding the actual financial year. The grant received is notionally split between four funding blocks - schools, central school services, early years, and high needs - and its use is split between the:

- Individual School’s Budget (ISB) or delegated budget - this is mainly formula driven;
  - Centrally Retained School’s Budget - the non-delegated budget.
- There is some limited flexibility in transferring funding between blocks.

- 4.5 Overspends on the DSG are carried forward and are a first call on the new year’s allocation of DSG. Underspends on the DSG are carried forward to support the future year’s school’s budget. The Authority must therefore monitor the outturn position as to inform the impact upon the new financial year’s budget position. The budget monitoring of the Authority distinguishes between how services are funded, namely by DSG or by the Local Authority.
- 4.6 The methodology for allocating the DSG to local authorities changed significantly in 2018/19, with new national funding formula introduced for each of the schools, central school services, and high needs blocks. The early years block was funded by a new national formula from 2017/18.
- 4.7 The Authority must ensure that DSG is correctly deployed in accordance with the conditions of grant and the School and Early Years Finance (England) Regulations. The arrangements for 2019/20 are detailed by the Education and Skills Funding Agency (ESFA) in the “Schools revenue funding 2019 to 2020 operational guide” published in July 2018, the “High needs funding 2019 to 2020 operational guide” published in September 2018, and the “Early years entitlements: local authority funding of providers operational guidance for 2019 to 2020” published in November 2018. From 2019/20, ESFA will require a report from any LA that has a DSG deficit of more than 1% as at 31 March 2019, to explain how it plans to bring the DSG account back into balance.

## 5 DSG ALLOCATION FOR 2019/20

- 5.1 Appendix 1 of this report sets out the detailed calculation of Reading’s DSG. Although funding rates for all the blocks are now set for 2019/20, the pupil numbers the rates are calculated on will be based on the October 2018 census or later. Based on draft October 2018 pupil numbers for the schools and central schools services blocks, and current pupil numbers for the other blocks, the allocations are estimated as shown in Table 1, which also compares to the 2018/19 allocations.

**Table 1: RBC’s DSG allocations for 2018/19 (revised) and 2019/20 (estimated)**

Block	DSG Allocations prior to recoupment		
	2018/19 Revised (£m)	2019/20 Estimated (£m)	Change (£m)
Schools Block (includes ISB)	86.824	89.530	+2.706
Central School Services Block	1.305	1.330	+0.025
Early Years Block	12.560	12.560	0
High Needs Block	19.128	19.476	+0.348
<b>Total (Gross)</b>	<b>119.816</b>	<b>122.896</b>	<b>+3.079</b>

- 5.2 Overall, the 2019/20 allocation is set to increase by over £3m, assuming pupil numbers in the early years and high needs blocks don't reduce. The new national formula for schools has given a further increase for Reading in the schools block of £1.276m on a like for like basis, the remainder of the increase being through the increase in pupil numbers. The high needs formula delivers a minimum increase of 0.5% to the base funding.
- 5.3 The allocations for the schools and central schools services blocks will be confirmed by mid-December. The final elements of the high needs block are confirmed in March. The local authority will need to estimate the early years block based on the January 2019 census; it is not confirmed until after the January 2020 census.
- 5.3 Recoupment for academy schools and post 16 high needs places is deducted from the gross allocation; though note that from August 2019, the funding for post 16 high needs places will no longer be recouped for maintained schools. The only impact recoupment has on the budget will be if there are additional places to be funded in high needs settings which will be deducted from the gross allocation (there is no additional funding for growth in number of places). The DSG is adjusted in year for new academy conversions, but this has a neutral impact.
- 5.4 The following paragraphs set out the 2019/20 budget setting and decisions that will be required in each funding block.

## 6. BUDGET SETTING BY FUNDING BLOCK

### 6.1 Schools Block

This block consists of the individual school budget shares to primary and secondary mainstream schools allocated to schools through the school funding formula. The proposed funding formula for 2019/20 is covered in a separate report. All funding in this block is allocated out to schools, other than funding top sliced for the growth fund and falling rolls fund, which is also detailed in a separate report. As all available funding is allocated out to schools, this block will balance.

Transfers of funding from this block are subject to the following conditions:

- Local authorities (LAs) may transfer up to 0.5% of their schools block funding into another block, with the approval of Schools' Forum. This is approximately £447k.
- LAs wishing to transfer should consult with all maintained schools and academies, and the Schools' Forum should take into account the views of schools before giving their approval.
- If the local authority wishes to move more than 0.5%, or if the Schools' Forum has turned down a proposal to transfer but the LA still wishes to proceed, they must submit a disapplication request to the Secretary of State.

Appendix 2 contains the consultation that went out to all schools on transferring 0.5% of the schools block DSG allocation to the high needs block.

Eight schools replied to the consultation - Caversham Park, English Martyrs, EP Collier, Geoffrey Field Infant, Holy Brook, Maiden Erleigh, Micklands, St Michaels, and Thameside. All agreed with the proposal. The following additional comments were provided:

- I feel this gradual plan to reduce the deficit is the best solution, especially with an annual review to reassess the situation given the uncertainty of other financial factors affecting.
- We are pleased that there is a plan in place to address the High Needs deficit.
- We agree 'Yes' to 0.5% going into the high needs block as this school is reliant on top-ups.

The document sets out the background and reasoning for the transfer, and as no school has sent in an objection, it is **proposed that this funding transfer is agreed, for the sum of £447,000.**

#### De-delegations

There are a limited number of central services that maintained mainstream schools can opt to de-delegate from their budget allocation. This decision is made by the relevant members on Schools Forum for their school phase (it is not the same as a buy back which is an individual school decision). This is an annual decision, and the final decision for 2019/20 will need to be made at the January 2019 meeting of the Schools' Forum.

The services offered for de-delegation in 2018/19 and the current budgets, are shown in Table 2. A separate report will return to Schools' Forum in January containing details of the services being offered for 2019/20. The decision on whether to de-delegate these budgets will need to be made at the January meeting. Note that the Equality service ceased in July 2018, following the decision made last year not to continue with it. The option for primary schools to re-instate de-delegation of funding for schools in financial difficulty will be offered.

**Table 2: De-delegations**

Service	Primary (£'000)	De-delegation (£)	Secondary £'000	De-delegation (£)
Behaviour Support	178	£126.24 per FSM pupil	-	-
Equality Services	40	£19.69 per EAL pupil	-	-
Union duties	45	£4.31 per pupil	-	-
School Improvement	131	£12.58 per pupil	10	£12.58 per pupil
General Duties formerly met by the Education Services Grant	75	£7.18 per pupil	5	£7.18 per pupil
<b>Total</b>	<b>469</b>		<b>15</b>	



## 6.2 Central School Services Block

The central block was separated out from the schools block in 2018/19, and is funded on a per pupil rate, so the funding allocation received can fluctuate depending on the number of pupils. In addition, £680k is received for historic commitments. Schools' Forum approval is required for most services funded by this block. Table 2 sets out the services Reading currently fund from this block, and the 2018/19 budget.

**Table 3: Budgets funded from the Central School Services Block DSG allocation**

Service	2018/19 Budget (£'000)	Approval Required by Schools Forum	Restrictions
Admissions	215	Yes	None
Servicing of Schools' Forum	20	Yes	None
Copyright Licences	102	No	None
Statutory/Regulatory services e.g. finance	390	Yes	None
Prudential Borrowing (historic commitment)	50	Yes	Cannot exceed previous budget & no new commitments
Contribution to Commissioning (historic commitment)	15	Yes	Cannot exceed previous budget & no new commitments
Contribution to School Improvement (historic commitment)	116	Yes	Cannot exceed previous budget & no new commitments
Contribution to Early Help Services (historic commitment)	224	Yes	Cannot exceed previous budget & no new commitments
Contribution to Children's Social Care (historic commitment)	136	Yes	Cannot exceed previous budget & no new commitments
Contribution to LAC Education (historic commitment)	139	Yes	Cannot exceed previous budget & no new commitments
<b>Total</b>	<b>1,407</b>		

Assuming the 2019/20 budget remained the same as 2018/19 at £1.407m, compared to the likely funding allocation of £1.330k there would be a shortfall

in this block of £77k. This is because copyright licences were funded from the schools block in 2018/19.

Note that it is the ESFAs expectation that spending on historic commitments (funding allocated at the same level as in 2018/19) will reduce over time as contracts and other commitments reach their end points. The ESFA intend to monitor this position. From 2020/21 it is expected that the ESFA will start to reduce the historic commitments element of the funding allocation.

These budgets are currently being reviewed, with the intention to reduce each of the historical commitments by around 10% in order to balance this block. The budget for copyright licences will be provided by the ESFA in December, and estimates for admissions, servicing of schools forum and statutory/regulatory services are due to be finalised in January.

### 6.3 Early Years Block

Funding for the early years block is determined by the number of 2, 3 & 4 year olds recorded in the January census - 5/12 from the January falling in the previous financial year, and 7/12 in the January falling in the current financial year. The assumption is therefore that January numbers reflect the average position for the year, with lower numbers in the autumn, building up to the highest numbers in the summer term; this is because the free entitlement commences the term following the child's birthday. Providers receive funding based on their actual take up each term, so it is unlikely that the DSG funding received will ever match the actual spend, and this needs to be carefully managed. Pressure on this block will occur if the January census data is not an average take up for the whole year. The same methodology applies to pupil premium funding and the disability access fund (DAF).

When setting the provider funding rates the above needs to be borne in mind, with any deficit or surplus from the previous year taken into account. The intention is to balance this block

Lump sum funding is also received for maintained nursery schools. This is supplementary transitional funding, and at this stage it is not known how long this will continue for, but it is still payable in 2019/20. The amount received is adjusted if pupil numbers change, and for 2018/19 the amount has gone down due to nursery school numbers falling. The intention will be to pay the nursery schools this funding based on the same methodology on which it is received, and this is likely to be a lower amount than in 2018/19.

All providers are already receiving the single formula rate (of £4.80 per hour) for 3 & 4 year olds, which is compulsory by 2019/20. The current 2 year old rate paid to providers is £5.55 per hour. DSG funding rates for this block in 2019/20 have now been confirmed as the same as 2018/19 by the ESFA alongside the operational guidance. It is probable that the rates paid to providers will stay the same.

Centrally retained funding from the early years block are subject to a 95% pass through rate - this means that up to 5% can be retained, and this includes any transfers of funding out of this block (there were none in 2018/19). As DSG

funding will fluctuate according to pupil numbers, the amount available for central services can be affected and needs to be carefully managed. As nursery numbers have decreased between 2017 and 2018, this *may* have an impact on the amount available for central services in 2019/20. The centrally retained budget in 2018/19 totals £580k compared to a revised allocation in 2018/19 of £12.6m, so the pass through rate is still comfortably within the limit.

As the budget needs to be based on the January census, a detailed budget plan for the early years block will be brought to Schools' Forum in March 2019 for approval.

#### 6.4 High Needs Block

The bulk of funding to be received for high needs in 2019/20 is already fixed, with the remainder of funding estimated - to be based on actual pupil numbers in special schools (October 2018 census), and import/export adjustments based on the 2018/19 academic year to be informed by July 2019 (for Reading this is a deduction in funding). This is based on high needs places provided in Reading to other LAs less high needs places accessed by Reading pupils in other LAs. The total allocation for 2019/20 represents a 3.1% increase over the equivalent 2017/18 baseline. The allocation for Hospital education is under review with the intention to replace the current historical spend with a formulaic factor - the allocation for this factor may therefore change, but no LA will see a reduction.

From 2019/20 LAs will be responsible for the funding of special free school places and a funding transfer will be made to reflect this. This means that LAs will therefore have to fund any increases to the place funding for these settings from their DSG allocation. Reading will therefore be funding Thames Valley School out of its DSG allocation.

As the current year budget monitoring shows, pressures in this block have not yet slowed down, with the number of pupils receiving EHCPs which the Council is legally obliged to fund, continuing to grow, and the inflationary increases applied by the providers continuing to rise at a much greater rate than the increase in funding received. It is hoped that the high needs strategy in place will start to curb this growth and possibly start reducing spend.

In 2018/19, there was a 0.5% transfer of funding from the schools block, and this is also the proposal for 2019/20. Underspends in other blocks in 2017/18 have also been used to offset the deficit, and this is an option for any under spends in other blocks in 2018/19, subject to Schools' Forum approval.

Assuming expenditure in 2019/20 and 2020/21 does not increase above the current forecast for 2018/19, the position on the high needs block will be as shown in Table 3. These figures also assume that the 0.5% transfer of funding from the schools' block is approved for 2019/20, that under spends in 2018/19 will go towards the high needs deficit, and that savings from the high needs strategy start to materialise. Note that the figures are gross of recoupment for academies and post 16. A cautious estimate of the strategy savings has been used, though there is the potential that the savings could be greater if the numbers of pupils in receipt of EHCPs do not continue to rise at the current

level. Based on all these assumptions, by 2020/21 the deficit should be paid back.

**Table 3: High Needs Block Estimates**

High Needs Block Budget	2018/19 Forecast (£m)	2019/20 Estimated (£m)	2020/21 Estimated (£m)	2021/22 Estimated (£m)
Place Funding	4.310	4.310	4.310	4.310
Top Ups	13.832	13.832	13.832	13.832
Centrally Retained	1.910	1.910	1.910	1.910
Less in year savings		-0.376	-0.977	-1.836
<b>Expenditure prior to repayment of deficit</b>	<b>20.052</b>	<b>19.676</b>	<b>19.075</b>	<b>18.216</b>
Add: Repayment of previous year deficit	2.860	2.786	2.539	1.790
<b>Total Expenditure</b>	<b>22.912</b>	<b>22.462</b>	<b>21.614</b>	<b>20.006</b>
DSG in year Allocation	19.128	19.476	19.824	20.172
Transfer from other blocks	0.434	0.447		
Possible under spends in other blocks	0.564			
<b>Total Funding</b>	<b>20.126</b>	<b>19.923</b>	<b>19.824</b>	<b>20.172</b>
<b>Net Position deficit</b>	<b>2.786</b>	<b>2.539</b>	<b>1.790</b>	<b>-0.166</b>

Place funding budgets will be set according to the requirements at each high needs setting. For academies, the High Needs Place review has been completed and submitted to the ESFA.

Top up budgets will be set in accordance with the latest number and level of placements, less any savings expected from the opening of new (cheaper) in house settings.

Table 4 sets out a breakdown of the centrally retained high needs budgets for 2018/19. Each will need to be reviewed in terms of their relative impact and whether the funding would have better impact spent elsewhere, or whether the budget should be removed and realise a saving.

**Table 4: High Needs Block Central Budgets**

High Needs Block Budget Centrally Retained Budgets	2018/19 Budget (£m)
Hospital School (Cranbury College)	147,500
Tier 4 Medical Fees (CAMHS)	20,000
Inclusion Fund - schools with high % of EHCPs	250,000
Inclusion Fund - hard to place	50,000
Inclusion Fund - project at Manor School	100,000
Inclusion Fund - contribution to early years (in addition to £100k in early years)	50,000

Inclusion support staff	140,700
Contribution to Dingley (in addition to £40k from early years)	25,000
Snowflakes early years provision	100,000
Sensory Consortium - Berkshire joint arrangement	300,000
NHS contract	345,000
Travellers	35,000
ASD outreach (Christ the King)	40,000
Contribution to Virtual School (children looked after)	127,600
SEN transport contribution	100,000
Central Establishment Charges	79,000
<b>Total</b>	<b>1,909,800</b>

All the high needs budgets will be reviewed and Schools Forum will be consulted on these in the January meeting, with a final decision to be made at the March meeting.

## Appendices

Appendix 1 - DSG Allocation 2019/20 - Estimate

Appendix 2 - Consultation Document on Transferring 0.5% of Funding from Schools Block to High Needs Block

## Appendix 1 - DSG Allocation 2019/20 - Estimate

	Actual Allocation 2018/19		Estimated Allocation 2019/20	
	July 2018 Notification		Autumn Estimate 2018 (2)	
<b>Schools Block</b>				
Pupil Numbers Primary	13,320.0		13,315.0	
Rate	£3,938.01		£3,971.23	
Allocation		£52,454,293		£52,876,927
Pupil Numbers Secondary	6,057.0		6,414.0	
Rate	£5,105.75		£5,223.35	
Allocation		£30,925,528		£33,502,567
Growth Funding		£3,443,696		£1,658,000
Premises & Mobility Funding				£1,492,369
<b>Gross Allocation</b>		<b>£86,823,517</b>		<b>£89,529,863</b>
Academy Recoupment		-£40,604,564		-£40,604,564
actual funding rounding adjustment		£47		
<b>Schools Block Net Total</b>		<b>£46,219,000</b>		<b>£48,925,299</b>
<b>Central School Services Block</b>				
Pupil Numbers	19,377		19,729	
Rate	£32.27		£32.97	
Allocation		£625,296		£650,465
Historic Commitments		£680,000		£680,000
actual funding rounding adjustment		-£296		
<b>Central School Services Block Net Total</b>		<b>£1,305,000</b>		<b>£1,330,465</b>
<b>High Needs Block</b>				
Formula		£20,156,112		£20,321,842
Place Numbers - Special Schools	215.0		215.0	
Place Numbers - Alternative Provision	41.0		41.0	
Rate	256.0		256.0	
Allocation	£4,208.94	£1,077,489	£4,208.94	£1,077,489
Import/Export Adjustment				
Rate	-351		-351	
Allocation	£6,000.00	-£2,106,000	£6,000.00	-£2,106,000
Hospital Funding				£182,810
<b>Gross Allocation</b>		<b>£19,127,601</b>		<b>£19,476,141</b>
Recoupment - academy/post 16 places		-£1,756,993		-£1,756,993
actual funding rounding adjustment		£392		
<b>High Needs Block Net Total</b>		<b>£17,371,000</b>		<b>£17,719,148</b>
<b>Early Years Block</b>				
3 & 4 year olds Universal - Schools	1,396.0		1,396.0	
3 & 4 year olds Universal - PVI	1,496.0		1,496.0	
3 & 4 year olds Additional - Schools	198.4		198.4	
3 & 4 year olds Additional - PVI	628.7		628.7	
Total	3,719		3,719	
Rate	£5.14		£5.14	
Allocation		£10,896,219		£10,896,219
2 year olds - schools	67.0		67.0	
2 year olds - PVI	314.1		314.1	
Total	381.1		381.1	
Rate	£5.74		£5.74	
Allocation		£1,246,883		£1,246,883
PPG - schools	226.0		226.0	
PPG - PVI	120.4		120.4	
Total	346.4		346.4	
Rate	£0.53		£0.53	
Allocation		£104,647		£104,647
DAF - eligible pupils	54.0		54.0	
Rate	£615.00		£615.00	
Allocation		£33,210		£33,210
Maintained Nursery Grant		£278,895		£278,895
actual funding rounding adjustment		£145		£145
<b>Early Years Block Net Total</b>		<b>£12,560,000</b>		<b>£12,560,000</b>
<b>SUMMARY GROSS IN YEAR ALLOCATION</b>				
Schools Block		86,823,517		89,529,863
Central School Services Block		1,305,000		1,330,465
High Needs Block		19,127,601		19,476,141
Early Years Block		12,560,000		12,560,000
<b>TOTAL GROSS DSG ALLOCATION IN YEAR</b>		<b>£119,816,117</b>		<b>£122,896,469</b>
<b>SUMMARY NET IN YEAR ALLOCATION</b>				
Schools Block		£46,219,000		£48,925,299
Central School Services Block		£1,305,000		£1,330,465
High Needs Block		£17,371,000		£17,719,148
Early Years Block		£12,560,000		£12,560,000
<b>TOTAL NET DSG ALLOCATION IN YEAR</b>		<b>£77,454,999</b>		<b>£80,534,912</b>

## **Consultation with Schools**

### **Proposal to move 0.5% of funding from the Schools' Block to the High Needs Block in 2019/20**

#### **Introduction to the Proposal**

Funding for the schools budget is met from the Dedicated Schools Grant (DSG). This grant is received in four notional blocks - schools, central school services, high needs and early years. Although the blocks are not ring fenced, there are conditions attached around transferring funds between certain blocks.

Reading Borough Council is proposing to transfer funding from the Schools Block to the High Needs Block in 2019/20, and this is subject to the following conditions:

- Local authorities (LAs) may transfer up to 0.5% of their schools block funding into another block, with the approval of Schools' Forum.
- LAs wishing to transfer should consult with all maintained schools and academies, and the Schools' Forum should take into account the views of schools before giving their approval.
- If the local authority wishes to move more than 0.5%, or if the Schools' Forum has turned down a proposal to transfer but the LA still wishes to proceed, they must submit a disapplication request to the Secretary of State.

In 2018/19 the LA transferred 0.5% following a consultation with schools in December 2017 and the agreement of Schools' Forum. This was a one year decision only, and this document sets out the background for the LAs proposal to transfer a further 0.5% in 2019/20 towards repaying the high needs block deficit.

The transfer of 0.5% would equate to approximately £440k. The actual amount will not be known until mid-December when the DfE notifies the LA of the final school block allocation for 2019/20.

#### **Background to the High Needs Block Deficit**

The High Needs Block has been in a deficit position for a number of years, and although spending has now started to reduce, the underlying deficit still needs to be repaid.

In 2018/19 the schools block has seen a significant cash increase in its allocation compared to the high needs block - £4.299m (5.1%) annual increase in the schools & central block compared to £0.938m (5.1%) annual increase in the high needs block. In

2019/20 the current estimate is £1.276m (1.5%) increase in the schools block and £0.348m (1.8%) increase in the high needs block.

The majority of high needs block funding is allocated directly to schools for providing support for children and young people with special education needs and disabilities (SEND) from age 0 to 25. This is mainly place and top up funding for individual children with high needs in mainstream schools, resource units, special schools, and alternative provision (including pupil referral units). It covers the cost of educating Reading pupils both within Reading and in other local authority schools, placements in non-maintained special schools, and also independent special schools. The local authority also has responsibility to use high needs funding to support young people with SEND in further education colleges up to the age of 25 years. Other areas of expenditure include hospital tuition, travellers' support, looked after children, and central support such as outreach to support schools, ASC support, plus contracts with health (for therapies) and the sensory consortium.

The deficit has arisen due to significant increases in the numbers of pupils requiring support, increases in complexity of need which costs more, and annual increases in the cost of this provision above the level of inflation (in relation to pupils placed in provision outside the Borough). The grant received to fund these increases has in no way been sufficient to cover the actual cost of the increasing demand. This is a national trend, and not limited to just Reading.

Table 1 provides the numbers of pupils being supported by the high needs budget over the past seven years:

<b>Table 1</b>	<b>Number</b>	<b>% increase From previous yr</b>	<b>% increase from Oct 12</b>
October 2012	874		
October 2013	895	2.4 %	
October 2014	919	2.7 %	5.1 %
October 2015	991	7.8 %	13.4 %
October 2016	1,048	5.7 %	19.9 %
October 2017	1,126	7.4 %	28.8 %
September 2018	1,252	11.2 %	43.2 %

Table 2 provides a breakdown of total high needs expenditure and how much of this relates to top up funding, over the last three years, plus the estimate for next year:

<b>Table 2</b>	<b>2016/17 Actual £'000</b>	<b>2017/18 Actual £'000</b>	<b>2018/19 Forecast £'000</b>	<b>2019/20 Estimate £'000</b>
Top Ups	13,378	12,436	13,222	13,222
Other	5,492	5,924	6,209	6,209
<b>Total High Needs</b>	<b>18,870</b>	<b>18,360</b>	<b>19,431</b>	<b>19,431</b>
<i>% year on year Increase</i>	<i>1.3 %</i>	<i>-2.7 %</i>	<i>5.8 %</i>	<i>0 %</i>

Table 3 provides a breakdown of the funding available for the high needs budget over the last three years, plus the estimate for next year:



<b>Table 3</b>	<b>2016/17 Actual £'000</b>	<b>2017/18 Actual £'000</b>	<b>2018/19 Forecast £'000</b>	<b>2019/20 Estimate £'000</b>
In year High Needs DSG Allocation	16,830	18,190	19,128	19,476
% increase	0.7 %	8.0 %	5.1 %	1.8 %
Transfers from other blocks incl. schools	700	707	434 365	0
Deficit Balance b/f	-2,057	-3,397	-2,860	-2,364
<b>Total In Year Funding Available</b>	<b>15,473</b>	<b>15,500</b>	<b>17,067</b>	<b>17,112</b>
Deficit Balance c/f	-3,397	-2,860	-2,364	-2,319

The following can be noted from the above tables:

- The numbers of pupils receiving support from the high needs budget has continued to rise, and at a significant rate since 2015/16.
- Between 2017 and 2018 the number of pupils receiving support has increased by 11.2%, yet the grant has increased by only 5.1%.
- Despite the increase in demand and costs, expenditure has managed to be contained and not seen as high increases as the demand would suggest.
- The deficit is reducing.
- In year spending is now almost met by the in-year grant.

If expenditure can continue to be contained within each year's funding allocation, the problem is reduced to clearing the built up deficit.

## High Needs Strategy to Reduce Costs

Because Reading is a small LA, high proportions (55%) of our high needs pupils with ASC are placed in schools outside the LA, which tends to be significantly more expensive than in-house provision. A SEND strategy has been put in place, with one of the strands being to increase and improve in-house provision. The aim is to increase local provision appropriate to meet the complex needs of some pupils with SEND, thereby reducing the need for external placements and the associated transport costs. The aim is to improve the diversity and range of provision for parents locally, thereby reducing the need for high cost placements elsewhere so that monies saved can be redirected to support local schools in better meeting pupils' needs. A SEND Strategy Board with members drawn from all key partners monitors the implementation of the strategy. The main cost savings arising from the strategy are as follows:

1. Two new primary ASC provisions in mainstream are currently being sought and funded through re-direction of current resources, increasing provision for up to an additional 20 pupils with ASC being taught in local mainstream primary schools with enhanced provision for ASC. This will potentially reduce the cost of out of borough placements being sought. Reduced cost by paying for in county placements compared to out of county placements: 20 places x £20,000 per pupil = £400,000 per annum when fully operational. The aim is to have these provisions in place by September-December 2019.

2. Collaboration with West Berkshire and Wokingham to bid for a 150 place new free special school housed within Reading Borough. Reduced cost by paying for in-borough placements compared to out of borough high cost placements in independent schools: 80 places x £33,000 = £2,640,000 per annum when fully operational. Wokingham and West Berkshire will also have places at the school allocated on a commissioned basis. If approved, the first group of secondary pupils would be admitted in 2019.
3. A commissioning officer has been appointed - to control increases to costs of current contracts - particularly the most expensive ones.
4. Controlling the increases in numbers of external placements through inclusion funding - by keeping more children in mainstream: 8 pupils x £25,000 = £200,000 per annum. This is happening from September 2018.

It will take a while for the full financial impact of these strands of the strategy to take effect, which is why it makes sense to make a payment from the schools block whilst there are ongoing increases to this funding block and the transition to the national funding formula is still taking place. With the combination of savings from the strategy, and contributions from the schools block and under spends from other blocks if there are any, the deficit could be repaid by 2021/22, as shown in Table 4. Without the contribution it will take at least a year longer.

Table 4	2019/20 Forecast £'000	2020/21 Forecast £'000	2021/22 Forecast £'000
Estimated High Needs Funding	19,476	19,824	19,923
Add: Transfer from Schools Block	440	0	0
Less: Deficit b/f	-2,364	-1,569	-466
Less: Current Expenditure	-19,431	-19,431	-19,431
Add: Strategy savings	310	710	710
<b>Total Deficit to c/f</b>	<b>-1,569</b>	<b>-466</b>	<b>736</b>

The earlier the deficit can be repaid, the earlier the funding going into schools to support high needs pupils can be increased and be closer to the actual cost of provision - which will be of benefit to all schools.

## Impact of this Proposal

This is a one year request only. The position will be reviewed again in a year's time.

There will **not be any** reduction to current mainstream school budgets (at a per pupil level) if this proposal goes ahead. All schools will still receive the minimum increases to their budget allocation in 2019/20. The direct financial impact will therefore be on schools due to gain additional funding through the transitional introduction of the national funding formula - i.e. they will not receive as much of a gain as they could. As an example, the difference could be as shown in the formula exemplifications set out in the October school forum report by comparing scenario B to scenario E (which assumed the transfer would take place, but that scenario E is not affordable). The impact is therefore less of a cash increase for schools not receiving minimum funding

guarantee or minimum pupil funding. Both these guarantees will still be honoured if the proposal goes ahead, so for these lower funded schools there will be no financial impact.

By agreeing to the transfer, this will clear the deficit sooner, and with the current strategy in place to reduce costs, should mean that in a couple of years' time there will be more high needs funding available to improve provision, which could include being able to increase top up values.

By not agreeing to the transfer, the LA will need to make more severe cuts to high needs services - which could include **reducing** current top up values in the short term or charging schools for all non-statutory services - which will impact on all schools and the most vulnerable pupils, irrelevant on whether they are on minimum funding.

## To Vote on this Proposal

To vote on this proposal, please reply to the email containing this proposal (to [Claire.white@reading.gov.uk](mailto:Claire.white@reading.gov.uk)) stating either:

**YES, I agree to the proposal to transfer 0.5% of funding from the SB to HNB**  
or

**NO, I do not agree to the proposal to transfer 0.5% of funding from the SB to HNB**  
and add comments to explain your reasoning if you so wish, in order to help Schools Forum make its decision.

Please reply by **Friday 23<sup>rd</sup> November**.

Schools Forum will then consider the responses at their meeting on 6th December 2018, before making its final decision on whether to approve this proposal.

**READING BOROUGH COUNCIL**  
**REPORT BY FINANCIAL SERVICES**

<b>TO:</b>	Reading Schools Forum		
<b>DATE:</b>	6 <sup>th</sup> December 2018	<b>AGENDA ITEM:</b>	5
<b>TITLE:</b>	Growth Fund & Falling Rolls Fund 2019/20		
<b>SERVICE:</b>	Children's, Education & Early Help Services	<b>WARDS:</b>	All
<b>AUTHOR:</b>	Claire White	<b>TEL:</b>	0118 937 4161
<b>JOB TITLE:</b>	Interim Education & Schools Business Partner	<b>E-MAIL:</b>	claire.white@reading.gov.uk

## **2. PURPOSE AND SUMMARY OF REPORT**

- 1.2 This report sets out the proposal for the operation of the growth fund and falling rolls fund in 2019/20, and the estimated budget requirement compared to the funding due to be received for this purpose through the Dedicated Schools Grant (DSG). All Schools' Forum Members are required to approve the criteria and budget for these funds.

### **2. RECOMMENDED ACTION FOR SCHOOLS FORUM**

- 2.1 **NOTE:** The DSG allocation likely to be received for this purpose in 2019/20 (paragraph 4.6).
- 2.2 **AGREE:** The criteria and funding calculation to be applied for the allocation of Growth Funding in 2019/20 (paragraph 5.7).
- 2.3 **AGREE:** The removal of the Falling Rolls Fund in 2019/20 and consider the reinstatement of the Schools in Financial Difficulty de-delegation (paragraphs 6.8 & 6.9).
- 2.4 **AGREE:** The budget (to be met from the Schools Block) for the Growth Fund for 2019/20 (paragraph 7.2).

## **3 POLICY CONTEXT**

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

## **4 FUNDING ALLOCATION FOR GROWTH IN 2019/20**

- 4.8 Growth funding enables local authorities to support schools with significant in-year pupil number growth which is not recognised by the lagged school formula

funding system. Up until 2018/19 the schools block DSG has included funding for growth and falling rolls based on the previous year's budget set by the local authority. From 2019/20, this element of funding will be allocated using a new formula based on lagged growth data, but local authorities will still manage their growth funding locally.

- 4.9 This element of funding is not ring fenced for this purpose, and local authorities can still top slice the overall school block funding to fund pupil number growth and the falling rolls fund budget for needs over and above this allocation.
- 4.10 The formula for allocating this funding to local authorities in 2019/20 is as follows:

Growth is measured within each "middle layer super output area" (MSOA). These smaller areas will detect pockets of growth within the wider local authority area - in Reading there are 17 MSOAs. Increases in pupil numbers between October 2017 and October 2018 in each of these areas are counted; only positive increases are counted, so a local authority with positive growth in one area balanced out by negative growth in another will still receive funding.

The growth factor values applied are as follows:

£1,370 for each primary growth pupil

£2,050 for each secondary growth pupil

New school lump sum: £65,000 for each brand new school which opened in the previous year.

- 4.11 It is not expected that local authorities will replicate these rates in their local arrangements, as this is just a proxy methodology to allocate funding for overall growth in the area and not at individual school level.
- 4.12 Protection is applied so that no local authority's growth allocation will fall by more than 0.5% of their overall 2018/19 schools block funding. Gains will be up to a maximum increase of 50% compared to the 2018/19 growth allocation, with gains above this scaled by a factor of 50%.
- 4.13 Using draft pupil number data from the October 2018 census, the allocation through this new methodology totals £1.124m. As this is a significant reduction compared to the 2018/19 allocation of £2.092m, the funding floor protection applies. The allocation for 2019/20 is therefore likely to be **£1.658m**, which is after applying the maximum reduction of 0.5% of the 2018/19 schools block DSG allocation.

## 5 GROWTH FUND PROPOSAL FOR 2019/20

- 5.1 The growth fund can only be used for the following purposes:
- To support growth in pre-16 pupil numbers to **meet basic need**.
  - To support additional classes needed to meet the infant class size regulation.
  - To meet the cost of new schools.

- 5.2 New/growing schools, where the change is permanent and is a significant change to numbers, can be funded through the school formula by adjusting the pupil numbers. The funding to support this will still be met from the growth fund.
- 5.3 The growth fund cannot be used to support general growth due to popularity, which is managed through lagged funding.
- 5.4 Local Authorities are responsible for funding these needs for all schools in their area, both new and existing. They should all be funded using the same criteria, which must be agreed by the Schools' Forum. The Schools Forum must also agree on the total size of the fund for each phase, and receive updates on the use of the funding.
- 5.5 Criteria for allocating growth funding should contain clear objective trigger points, and a clear formula for calculating allocations.
- 5.6 The criteria agreed for 2018/19 is as follows:
- 1) For each expanding school or school taking a new bulge class from the following September: Number of additional pupils x average funding rate per pupil x 7/12 (or a full 12 months if an academy). The average funding rate per pupil is calculated by taking the total formula funding for all schools in each phase and dividing by the total pupil numbers for each phase. In 2018/19 these rates are £3,962 primary and £5,098 primary. There is no ceiling placed on the funding each school can receive. So a class of 30 additional pupils equates to £118,860 for a primary class and £152,940 for a secondary class.
  - 2) If a school faces exceptional costs as a result of agreeing to expand, and it would be unreasonable for the school to meet these costs from its delegated budget, the school can apply to Schools Forum contingency panel for additional funding.
  - 3) There is no provision for infant class size funding.
  - 4) New/growing schools including extending the age range are funded through the school formula.
- 5.7 Given the reduction in funding available in 2019/20, it is **proposed** to amend the criteria for next year as follows:
- 1) Where a school has agreed with the local authority to provide an extra class in order to meet basic need in the area, either as a bulge class or as an ongoing commitment, additional funding will be allocated as follows:  
Each additional class (irrelevant of the number of pupils) will attract additional funding of £65,000 (primary) or £85,000 (secondary) x 7/12. Academies will be funded for the full academic year. This will cover the cost of the additional teacher and other essential resources required ***until formula funding catches up.***
- The funding will be allocated in the Autumn term when the new class is instated (if a school does not need an extra class due to lower than forecast numbers, then no additional funding will be payable).

Although this funding may result in less funding than the current criteria would deliver, it is greater than the amount being used to allocate the DSG funding to local authorities and is deemed to be a fair reflection of the additional costs.

- 2) New/growing schools including extending the age range are funded through the school formula, by varying the pupil numbers based on the expected class size (usually 30). New schools opening in response to basic need, will, in the first year of opening be allocated £65,000 per class (primary) or £85,000 per class (secondary), plus the relevant school formula lump sum, plus an additional one-off grant of £65,000 for pre-opening, set up, and diseconomies costs. Thereafter they will be funded through the school formula.

## 6. FALLING ROLLS FUND PROPOSAL FOR 2019/20

- 6.1 Local authorities can set aside funding from the schools block for a falling rolls fund. This fund can only be used to support **good** schools with falling rolls where local planning data shows that **the surplus places will be needed within the next three financial years**. Its purpose is therefore to prevent a redundancy, if the pupil numbers would require a reduction in class numbers in the short term only (i.e. is due to a population dip). The fund cannot be used to support schools with falling rolls due to unpopularity, and where the school needs to downsize.
- 6.2 The Schools Forum should agree the value of the fund and the criteria for allocation. The criteria should contain clear objective trigger points for qualification, and a clear formula for calculating allocations.
- 6.3 Note that if a school meets the criteria, funding is paid in the financial/academic year following the October census that the data is based on, due to the fact that funding is retrospective i.e. a reduction in pupil numbers in the autumn term will impact on funding in the following financial/academic year.
- 6.4 The criteria agreed for 2018/19 is as follows:
  - 1) The school must be judged Good or Outstanding at their last Ofsted inspection (this is a mandatory requirement).
  - 2) Surplus capacity exceeds 30 pupils or 20% of the published admission number.
  - 3) Local planning data shows a requirement for at least 50% of the surplus places within the next 2 years.
  - 4) Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort.
  - 5) The school will need to make redundancies in order to contain spending within its formula budget.
  - 6) The school does not have a surplus balance in excess of 5% of its school budget share at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018 (or the relevant academic years in the case of academies).
  - 7) Schools meeting the criteria will be able to prepare a business case that, after checking by officers, will be submitted to Schools' Forum for

a decision taking into account the funding available in the falling rolls fund. Any agreed funding will be for a specified number of surplus places (within the planned admission number) at 75% of the relevant AWPU rate.

- 6.5 Only one school has ever qualified for this fund in previous years. Not many local authorities operate a Falling Rolls fund, mainly because it doesn't entirely make sense within the guidelines provided by the DfE. If a school has a one off drop in pupil numbers for one school year, that lower number is highly likely to remain for that year group through their life in the school. It is unlikely that the school would take additional pupils in the following year to make up the total number on roll.
- 6.6 As it is only payable to good or outstanding schools, it is also unfair that some schools with a falling roll would not be eligible.
- 6.7 If funding was to be provided to the school to "make up" the shortfall in numbers for that year group, this would be required for a full seven years (primary) - therefore it is not short term and wouldn't meet the criteria, and is not efficient use of funding.
- 6.8 Schools should instead be encouraged to reorganise, and if necessary reduce the number of classes and teachers. As funding is retrospective, schools have 7/12 (or one year for an academy) of funding at the higher level which can be used as transition funding. Even if a redundancy occurred, this would cost significantly less than running the additional class for several years. When the total numbers increase again the school may then be eligible for growth funding in the first year of the increase to pay for reinstating the new class and teacher.
- 6.9 It is therefore proposed to remove the falling rolls fund. However, an alternative to supporting schools with falling rolls would be to reinstate the schools in financial difficulty de-delegated fund for maintained primary schools. This fund would be to assist schools with reorganisation costs to reduce a deficit or avoid going into deficit. This proposal will be brought to the January meeting of the Schools Forum.

## 7 BUDGET FOR GROWTH & FALLING ROLLS FUND 2019/20

- 7.1 Appendix 1 provides the calculations for determining the estimated budget requirement for growth funding in 2019/20.
- 7.2 It is proposed that the budget be set as follows:

	<b>2019/20 £</b>
New/Growing Schools - Formula Funding	1,356,000
New School - opening September 19	167,100
Existing schools - Bulge/growth	390,300
<b>Total</b>	<b>1,913,400</b>
DSG Funding Available	1,658,000
<b>Shortfall - top slice from school block</b>	<b>255,400</b>



7.3 Even by reducing the level of funding allocations there is a shortfall compared to the DSG allocated for this purpose, and this will be met by top slicing the schools block before allocating the remainder to schools through the formula. There is therefore little scope for considering higher sums.

## **Appendices**

Appendix 1 - Budget Calculation for Growth Fund

## Appendix 1 - Budget Calculation for Growth Fund 2019/20

### New Growing Schools

Civitas - additional 60 pupils in formula funding from September 2019 (pro rata = 35)

The Heights - additional 50 pupils in formula funding from September 2019 (pro rata = 29.16)

Maiden Erleigh - additional 180 pupils in formula funding from September 2019 (pro rata = 105)

The Wren - additional 180 pupils in formula funding from September 2019 (pro rata = 105)

The additional pro rata pupil numbers will attract the full formula funding specific to each school, which roughly equates to the following:

Civitas - £138,000

The Heights - £94,000

Maiden Erleigh - £552,000

The Wren - £572,000

**TOTAL £1,356,000**

### New Primary School - opening September 2019

Fixed sum per class - £65,000

Formula lump sum - £110,000

Annual Total - £175,000

7/12 from September = £102,083

Add one off lump sum - £65,000

**TOTAL £167,083**

### Existing Growing Schools/Bulge Years

#### Academies to be funded April to August 2019 (on 2018/19 methodology)

Churchend - 1 additional class from September 2018 -  $£3,962 \times 30 \times 5/12 = £49,525$

Highdown - 1 additional class from September 2018 -  $£5,098 \times 30 \times 5/12 = £63,725$

#### Additional classes from September 2019

Southcote - 1 additional class from September 2019 -  $£65,000 \times 7/12 = £37,917$

Ridgeway - 2 additional classes from September 2019 -  $£130,000 \times 7/12 = £75,833$

Churchend - 1 additional class from September 2019 -  $£65,000 \times 7/12 = £37,917$

Primary contingency - 2 additional classes from September 2019 -  $£130,000 \times 7/12 = £75,833$

Secondary contingency - 1 additional class from September 2019 -  $£85,000 \times 7/12 = £49,583$

**TOTAL £390,333**

## READING BOROUGH COUNCIL

### REPORT BY FINANCIAL SERVICES

<b>TO:</b>	Reading Schools Forum		
<b>DATE:</b>	6 December 2018	<b>AGENDA ITEM:</b>	7
<b>TITLE:</b>	School Block Funding and School Funding Formula 2019/20		
<b>SERVICE:</b>	Children's, Education & Early Help Services	<b>WARDS:</b>	All
<b>AUTHOR:</b>	Claire White	<b>TEL:</b>	0118 937 4161
<b>JOB TITLE:</b>	Interim Education and Schools Business Partner	<b>E-MAIL:</b>	claire.white@reading.gov.uk

#### 1. PURPOSE AND SUMMARY OF REPORT

- 1.1 This report is an update of the one brought to the October meeting of the Schools' Forum. It sets out the national changes and the latest estimated funding allocation for the schools block element of the Dedicated Schools Grant (DSG) for 2019/20.
- 1.2 In January 2018, the Schools' Forum agreed to a transitional approach in moving to the national funding formula (NFF) and 2019/20 will be the second year. Following the consultation with all schools, this report also sets out the proposed approach to be taken for the allocation of funding to individual schools through the school formula.

#### 2. RECOMMENDED ACTION FOR SCHOOLS FORUM

- 2.1 **NOTE:** the latest estimated schools block DSG allocation for 2019/20 (6.1 & 6.2).
- 2.2 **NOTE:** the response to the consultation (7.8).
- 2.3 **AGREE:** the principle that the school formula factor values will be set as a minimum at the transitional rates set out in Appendix 2 (7.3).
- 2.4 **NOTE:** the final decision will be made at the January meeting when all the final data and information has been made available.

#### 3. POLICY CONTEXT

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

## 4. BACKGROUND

- 4.1 The National Funding Formula (NFF) for funding schools was implemented by the Government starting in 2018/19. The new formula uses mainly the same factors as previously used, but sets a national funding £ value to each factor. Some local authorities will have an area cost adjustment (ACA) applied to these values (for Reading the ACA is 1.03406). During the transitional period, there is also a minimum funding guarantee per pupil, a funding cap on significant gains, and a funding floor protection. This formula is applied to each individual school, and the totals for each school within a local authority are then aggregated and converted to a funding rate per local authority by dividing by the number of pupils - using the previous year data. Thus in 2018/19 funding nationally has been redistributed to each local authority according to the individual needs and characteristics of their schools - albeit that there are the transitional protections in place.
- 4.2 Although the Government has invested an additional £1.3 billion to school and high needs funding across 2018/19 and 2019/20, not all schools gain funding through the new formula. Therefore a funding cap of 3% per year is applied to schools with significant gains, and a minimum per pupil increase of 0.5% is applied in both 2018/19 and 2019/20. Overall, Reading schools saw an increase to their funding in 2018/19.
- 4.3 For the financial years 2018/19 and 2019/20 this operates as a “soft” formula, which means that funding *based* on the NFF is distributed to each local authority, who then set the factors and the funding rates to use in their local formula in consultation with their Schools Forum and schools. This then determines the individual school budget for every school in their area (including academies and free schools).
- 4.4 In many local authorities this represented a significant change to their existing formula, so the two years allows for a gradual transition to the national rates, with the expectation that all schools will be on national rates in 2020/21. However, the Government has confirmed that this local arrangement is now extended up to 2021, and *local authorities will continue to determine the local formula in 2020/21.*
- 4.5 In Reading the biggest impact has been a shift of funding from primary to secondary, and within the formula a shift from the basic entitlement to deprivation, low prior attainment, and a higher lump sum. However, due to the application of the minimum funding guarantee, all schools gain funding (on a per pupil basis).

4.6 Reading Borough Council (RBC) is taking a transitional approach to implementing the NFF, as proposed and favoured following consultation with schools and the Schools' Forum in Autumn 2017. Nationally in 2018/19, 41 local authorities have mirrored the national rates, with a further 73 moving every one of their factor values closer to the national ones (as per RBC).

4.7 Further information can be found in the policy document <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs> and operational guidance <https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>

## 5. NATIONAL CHANGES FOR 2019/20

5.1 There are no changes to the factors that comprise the formula, and most funding rates remain the same. ***No inflationary increase has been added.***

5.2 The growth funding element (funding to support schools with significant in-year pupil number growth) is now to be based on a formula rather than historical budget.

5.3 The DSG funding for premises (mainly business rates) and mobility factors will be allocated according to actual budget in 2018/19.

5.4 The primary low prior attainment factor value has been reduced from £1,050 to £1,022, due to the changes in the Early Years Foundation Stage Profile assessment since 2013, adding a year group each year to the cohort of pupils measured using the new methodology (in order to maintain the total proportion of spend on this factor).

5.5 The minimum per pupil funding levels will increase from £4,600 to £4,800 for secondary, and from £3,300 to £3,500 for primary, as originally set out. For Key stage 4 only schools it will be £5,100, and for Key stage 3 only schools it will be £4,600.

5.6 Within the local formula arrangements, a new funding floor factor has been introduced to enable an increase of 1% per pupil against the 2017/18 baseline, and capping and scaling can now be applied to the gains cap. These both reflect the methodology used in the NFF for allocating funding to the LA.

## 6. ESTIMATED SCHOOL BLOCK FUNDING ALLOCATION

6.1 The Schools Block allocation will be confirmed by the DfE by mid-December. Table 1 sets out the estimated funding based on the draft October 2018 census, and the 2018/19 allocation for comparison purposes.

**Table 1: Estimated Schools Block DSG Allocation for 2019/20**

	2018/19 Actual		2019/20 Estimate	
		Funding £		Funding £
Primary Unit of Funding (PUF)	£3,938.01		£3,971.23	
<i>Primary Pupil Numbers</i>	13,320	52,455,000	13,315	52,877,000
Secondary Unit of Funding (SUF)	£5,105.75		£5,223.35	
<i>Secondary Pupil Numbers</i>	6,057	30,926,000	6,414	33,503,000
Business Rates		1,147,000		1,185,000
Split Site/Rents		92,000		92,000
Mobility		112,000		214,000
Growth funding factor		2,092,000		1,658,000
<b>TOTAL</b>		<b>86,824,000</b>		<b>89,529,000</b>

6.2 The estimated allocation for 2019/20 totals £89.5m, compared to an allocation of £86.8m in 2018/19, an increase of £2.7m. This is due to an increase in the primary and secondary units of funding (now being based on the October 2017 pupil characteristic data rather than October 2016); the mobility and business rates funding allocations matching the 2018/19 actual budgets (rather than 2017/18 budgets); an increase in secondary pupils; but offset by a reduction in growth funding which is now based on a new methodology. Details on the new growth factor are set out in a separate report.

6.3 Note that even if the local authority wished to mirror the NFF in its local formula this would be difficult to achieve within the actual schools block DSG funding allocation received for the following reasons:

1. Actual pupil characteristics (such as deprivation and prior attainment) in the October 2018 census is likely to be different to the October 2017 census used in determining the PUF and SUF for the DSG formula funding.
2. Growth funding and falling rolls requirement may be greater than the amount allocated through the new formula, particularly if the local authority varies the pupil numbers it funds through the local formula. Note that the growth formula is a proxy for overall costs at LA level and is not based on need at individual schools, and there is no expectation for LAs to use this methodology at individual school level, but to continue with their current arrangements.
3. Actual business rates and other local premises factors used in the local formula allocations may be greater than the amount allocated through the DSG formula allocation.
4. Funding requirements in other blocks such as high needs, requiring a transfer of funding out of the schools block, will reduce funding available.

5. An over spend in the previous financial year will be a first call on resources e.g. business rate revaluations/changes compared to the original allocation but funded in year, or an over spend in growth funding. An under spend can be added to the resources available.

6.4 Table 2 sets out an estimate of the schools block funding that will be available to allocate to schools through the school formula, and has been used in the latest formula modelling.

**Table 2: Estimated Funding Available for School Formula Allocations**

	<b>£'000</b>
Estimated Schools Block DSG Funding to be Received	89,529
Add/Less: underspend/overspend b/f from 2018/19	0
Less: growth & falling rolls funding requirement	-1,916
Less: transfer to high needs block	-445
<b>Total Available for School Formula</b>	<b>87,168</b>

6.5 It is unlikely that there will be an over spend to carry forward from 2018/19 to be met from the 2019/20 allocation. There may be a small under spend, and this will be confirmed in January once all business rate adjustments and growth fund payments have been made. The growth funding requirement for 2019/20 is detailed in a separate report.

6.6 The budget setting report details the proposal to transfer 0.5% schools block funding to the high needs block, on which all schools have been consulted on. The modelling assumes that this will go ahead.

## **7. PROPOSAL FOR THE 2019/20 LOCAL SCHOOL FORMULA**

7.1 The funding formula factors allowed in 2019/20 are set out in Appendix 1 (from the Schools Revenue Funding 2019 to 2020 Operational Guide). Reading use all the factors except Sparsity (as no school in Reading is eligible) and Looked After Children (which is not included in the national formula as the pupil premium plus rates were increased to replace any previous use of this factor). Private finance initiative contracts and London fringe do not apply to Reading.

7.2 The NFF values for each factor are set out in Appendix 2, alongside the historical values and values proposed for 2019/20.

7.3 Reading is already using all the NFF factors, so no changes to factors are proposed. In 2018/19 Reading moved many of the factor values onto the NFF values, but without the area cost adjustment (ACA) applied. In order to continue with the transitional approach as agreed by Schools' Forum last year, no change is proposed to this principle. The values already at NFF values will remain for 2019/20, and the following changes will bring the other factor values closer to or on to the NFF (pre ACA) values as originally envisaged:

- Primary Basic Entitlement: reduce from £2,950 to £2,841 (which is the NFF value with ACA added).
- Prior Attainment: increase to NFF values, Primary from £950 to £1,022 and Secondary from £1,300 to £1,550.
- English as an additional language: Primary to reduce from £600 to £515 as per the NFF reduction for 2019/20.
- Lump sum: increase to NFF value from £85,000 to £110,000.
- Minimum per pupil level: to honour the NFF promise by increasing the Primary minimum from £3,300 to £3,500 and the Secondary minimum from £4,600 to £4,800.
- To apply a minimum funding guarantee (MFG) of 0.5% to ensure every school receives an increase *per pupil*, even if a school does not gain from the revised formula values. The maximum MFG allowed is 0.5%, so even if there was additional funding available this could not be increased. Most primary schools receive the MFG because of the reduction to the basic entitlement.

7.4 In 2018/19, no cap was applied to schools gaining funding, as so few schools gained more than the 3% which the NFF sets as the funding cap. This still applies in 2019/20, so the same principle is proposed. If the cap of 3% was applied, it would remove just £13k from five schools (two primary and three secondary).

7.5 New for 2019/20 is the ability to apply the funding floor factor - a minimum of 1% increase per pupil compared to the 2017/18 baseline. This is similar to the 0.5% year on year minimum funding guarantee (MFG), and by applying one it reduces the other. The net effect is negligible for Reading schools, but due to the transitional approach being taken it makes more sense to apply the 0.5% positive MFG per year on year and this will offer more protection to schools when compared to their 2018/19 allocation. A 0.5% MFG is therefore being proposed.

7.6 For the purpose of the consultation, the above principles were applied to the formula on a like for like basis (i.e. using the same pupil numbers as the 2018/19 formula). This was affordable with some funding left over. Although all schools gained, for primary schools the gains are not as large as in 2018/19, as the formula moves closer to the national rates.

7.7 The consultation set out the principle that as a minimum these transitional factor values are applied for 2019/20. If after applying the final formula data and on receipt of the final funding allocations there actually is funding left over, this would give options to increase some formula values up to the NFF



values *including* the ACA. A number of scenarios for allocating additional funding were included in the previous report.

7.8 Only six schools responded to the consultation - Caversham Park, English Martyrs, EP Collier, Geoffrey Field Infants, Maiden Erleigh, and Thameside. All agreed with the principle, but for obvious reasons were keen for additional funding as shown in the other scenarios. Comments received were as follows:

- Given that our school as a secondary still gets significantly less compared to the full implementation of the NFF (in the model a difference of £111k) we would urge Schools forum to adopt and implement **option C** (factors at the NFF rates except secondary basic entitlement and primary prior attainment) rather than **option B**. This reduces the difference between what the school would get and the full implementation of the NFF to £76k. We believe this is a fairer outcome for our students and will still be within the envelope of affordability for the LA.
- We support your proposal for the transitional funding. However, would like to point out that if the National Funding Formula with ACA was applied, it would be more beneficial to our school and this marginal difference of income could be the tipping point between whether we could submit a balanced budget or not.
- I feel the 2018/19 budget plan was a good way for schools to prepare for the adjustments required for the implementation of the NFF and would be happy to progress with Scenario B for the same reason.
- We have no objections or comments to add to this consultation.
- We think Appendix 3a Scenario E, which looks basically the same as scenario A but specifying that if formula funding needs to be reduced in order to balance payments with grant available any reduction in formula funding will be borne by secondary schools. I think that would be fair as the move to this national formula generally benefits secondary schools in Reading while primary schools lose out before MFG protections.

7.9 The formula on this basis (i.e. applying the formula funding values set out in Appendix 2) has now been run using the draft October 2018 pupil numbers, also adding the estimated numbers for the four schools (Civitas, The Heights, Maiden Erleigh, The Wren) receiving growth funding via the formula (utilising £1.4m of the growth funding allocation), and using estimated business rates for 2019/20. Appendix 3 shows the impact.

7.10 The formula allocations for all schools total £88.38m compared to likely funding available of £88.52m after taking off growth funding paid outside the formula (£560k) and transfer of funding to the high needs block (£445k). Schools losing funding are those with reductions in pupil numbers which is not protected in any way; these schools all gain on a per pupil level.

7.11 It appears therefore that there will be enough funding available to use these factor values, with the possibility of a small amount of additional funding (£140k). However, this will depend on the following:

- The final DSG funding allocation.
- Whether there is likely to be an over or under spend from 2018/19.
- Changes to other data used in the formula from the October 2018 census (such as deprivation and prior attainment), as only the pupil number changes have been modelled, being the only data currently available.
- Final business rates estimate. It has been assumed that the increase in business rates will be a similar level to the 2018/19 increase (3%). An estimate of rates bills can be made in January when the Valuation Office Agency confirms the new multipliers.
- Whether the revised growth funding proposal is agreed by Schools' Forum (at the lower rates).
- Whether the transfer of 0.5% funding from the Schools Block to the High Needs Block is agreed by Schools' Forum.

7.12 The formula containing the final data, and options/models for the distribution of any additional funding also containing the final data will be brought to the January meeting of the Schools' Forum for approval. The formula is required to be submitted to the ESFA by no later than 21<sup>st</sup> January 2019.

7.13 The funding rates for the DSG and the local school formula will apply for 2019/20 only. Although it has been confirmed that the school formula will still be determined locally in 2020/21, the funding values will be subject to the next Government spending review.

7.14 The Government is still working on refining certain elements of the formula in order to prepare for a full NFF. This includes growth funding (moving away from lagged funding), mobility & premises (to replace historic spending), low prior attainment (to better target funding to need), and sparsity (refinement of the distance measure).

## **8. APPENDICES**

Appendix 1 - Local Authority Allowable Funding Formula Factors for 2019/20

Appendix 2 - Formula Factor Funding Values

Appendix 3 - Formula Exemplifications using October 2018 pupil numbers

**Appendix 1 - Local Authority Allowable Funding Formula Factors for 2019/20**  
 (Source: ESFA Schools revenue funding 2019 to 2020 operational guide July 2018)

Funding factor	Description and further information
<p><b>1. Basic entitlement</b>                      A compulsory factor</p>	<p>This factor assigns funding on the basis of individual pupils, with the number of pupils for each school or academy based on the October pupil census</p> <ul style="list-style-type: none"> <li>• funding is allocated according to an age-weighted pupil unit (AWPU)</li> <li>• there is a single rate for primary age pupils, which must be at least £2,000</li> <li>• there can be different rates for KS3 and KS4, with a minimum of £3,000 for each</li> <li>• local authorities can choose to increase the pupil number count for schools with higher reception pupil numbers in January 2018, rather than the October 2017 census</li> <li>• we do not include reception uplift in the national funding formula; local authorities currently using a reception uplift factor should consider whether to do so in 2019 to 2020</li> <li>• schools with reception uplift will not be financially disadvantaged in the national funding formula calculations, as the funding will remain in their baselines</li> </ul>
<p><b>2. Deprivation</b>                      A compulsory factor</p>	<p>Local authorities can use free school meals (FSM), the income deprivation affecting children index (IDACI), or both, to calculate the deprivation factor</p> <ul style="list-style-type: none"> <li>• we measure eligibility for current FSM using the previous October census, and Ever6 FSM (pupils entitled to free meals at any time in the last 6 years) from the previous January census</li> <li>• local authorities using FSM to calculate deprivation can choose to use either current FSM, Ever6 FSM, or both</li> <li>• the IDACI measure uses 6 bands, and different values can be attached to each band; different unit values can be used for primary and secondary within each band</li> <li>• we will automatically set the FSM Ever6 ratio equal to the current FSM ratio for schools where the FSM Ever6 rate is recorded as lower than the current FSM rate</li> </ul>

Funding factor	Description and further information
<p><b>3. Prior attainment</b> An optional factor (used by most local authorities)</p>	<p>The prior attainment factor acts as a proxy indicator for low level, high incidence, special educational needs</p> <ul style="list-style-type: none"> <li>we will confirm a separate weighting for new year 7 pupils later in the year</li> </ul> <p>We have included more information in the prior attainment section of the guidance.</p>
<p><b>4. Looked-after children (LAC)</b> An optional factor</p>	<p>Local authorities can apply a single unit value for any child who has been looked after for one day or more, as recorded on the LA SSSDA903 return at 31 March 2018</p> <ul style="list-style-type: none"> <li>we map this data to schools using the January school census to identify the number of LAC in each school or academy</li> <li>we do not use a LAC factor in the national funding formula. Instead, we increased the pupil premium plus rate from 2018 to 2019 from £1,900 to £2,300. Local authorities currently using this factor should consider whether to do so in 2019 to 2020</li> </ul>
<p><b>5. English as an additional language (EAL)</b> An optional factor</p>	<p>Pupils identified in the October census with a first language other than English may attract funding for up to three years after they enter the statutory school system</p> <ul style="list-style-type: none"> <li>local authorities can choose to use indicators based on one, two, or three years, and there can be separate unit values for primary and secondary</li> <li>we have used three years in the national funding formula; local authorities should consider this when setting their local formula.</li> </ul>
<p><b>6. Pupil mobility</b> An optional factor</p>	<p>This measure counts pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils)</p> <ul style="list-style-type: none"> <li>there is a 10% threshold, and funding is allocated based on the proportion above the threshold (for example, a school with 12% mobility will attract pupil mobility funding for 2% of pupils)</li> </ul>
<p><b>7. Sparsity</b> An optional factor</p>	<p>Schools that are eligible for sparsity funding must meet two criteria</p> <ul style="list-style-type: none"> <li>they are located in areas where pupils would have to</li> </ul>

Funding factor	Description and further information
	<p>travel a significant distance to an alternative should the school close</p> <ul style="list-style-type: none"> <li>• they are small schools</li> </ul> <p>This factor now allows for a sparsity taper to mirror the methodology used as part of the national funding formula. We have included more information in the sparsity section of the guidance.</p>
<p><b>8. Lump sum</b> An optional factor (used by all local authorities)</p>	<p>Local authorities can set a flat lump sum for all phases, or differentiate the sums for primary and secondary.</p> <ul style="list-style-type: none"> <li>• local authorities should give middle schools a weighted average, based on the number of year groups in each phase</li> <li>• the maximum lump sum is £175,000, even for schools that receive a London fringe uplift</li> </ul> <p>We have included more information in the lump sum section of the guidance, including information for amalgamated schools.</p>
<p><b>9. Split sites</b> An optional factor</p>	<p>The purpose of this factor is to support schools that have unavoidable extra costs because the school buildings are on separate sites</p> <ul style="list-style-type: none"> <li>• allocations must be based on objective criteria for the definition of a split site, and for how much is paid</li> </ul> <p>We have included more information in the split sites section of the guidance.</p>
<p><b>10. Rates</b> An optional factor (used by all local authorities)</p>	<p>Local authorities must fund rates at their estimate of the actual cost</p> <ul style="list-style-type: none"> <li>• local authorities can make adjustments to rates during the financial year, but this must be done outside of the funding formula</li> <li>• for example, an additional allocation could be made to a school (funded by balances brought forward)</li> <li>• this should be reflected in the Section 251 outturn statement, and in each school's accounts</li> <li>• the effect on the school would be zero, since any rates adjustment will be offset by a change in the cost of the rates</li> </ul>
<p><b>11. Private finance initiative (PFI) contracts</b></p>	<p>The purpose of this factor is to support schools that have unavoidable extra premises costs, because they are a PFI school, and to cover situations where the PFI 'affordability gap'</p>

Funding factor	Description and further information
An optional factor	<p>is delegated and paid back to the local authority.</p> <p>We have included more information in the PFI section of the guidance.</p>
<p><b>12. London fringe</b> An optional factor, applicable only for five local authorities (Buckinghamshire, Essex, Hertfordshire, Kent, and West Sussex)</p>	<p>The purpose of this factor is to support schools that have higher costs because they are in the London fringe area, and only part of the local authority is in this area. The multiplier is applied to the 6 pupil-led factors, the lump sum factor, and the sparsity factor.</p> <p>The factor can be applied in one of two ways, not both</p> <ul style="list-style-type: none"> <li>• as a multiplier of 1.0156 <ul style="list-style-type: none"> <li>• details of these calculations are in the technical specification for the schools block dataset.</li> </ul> </li> <li>• as a multiplier of the differential of the area cost adjustment of fringe and non-fringe zones within the local authority <ul style="list-style-type: none"> <li>• this mirrors the national funding formula calculation; the differentials are: <ul style="list-style-type: none"> <li>▪ Buckinghamshire: 1.0175</li> <li>▪ Essex: 1.0335</li> <li>▪ Hertfordshire: 1.0302</li> <li>▪ Kent: 1.0364</li> <li>▪ West Sussex: 1.0561</li> </ul> </li> </ul> </li> </ul>
<p><b>13. Exceptional premises factors</b> An optional factor</p>	<p>Local authorities can apply to ESFA to use exceptional factors relating to school premises, for example, for rents, or joint-use sports facilities</p> <ul style="list-style-type: none"> <li>• exceptional factors must relate to premises costs</li> <li>• local authorities should only submit applications where the value of the factor is more than 1% of a school's budget, and applies to fewer than 5% of the schools in the authority's area</li> <li>• local authorities can use exceptional premises factors used in 2018 to 2019 (for pre-existing, and newly-qualifying schools) in 2019 to 2020, if the qualification criteria are still met</li> </ul>
<p><b>14. Minimum level of per pupil funding for</b></p>	<p>The purpose of this factor is to allow local authorities to provide amounts up to the minimum per pupil funding levels for primary</p>

Funding factor	Description and further information
<p><b>primary and secondary schools</b> An optional factor</p>	<p>and secondary schools</p> <ul style="list-style-type: none"> <li>• where local authorities choose to use this factor, any capping and scaling cannot take the school below the minimum value set in the local formula</li> <li>• local authorities should calculate the minimum per pupil level on the basis of the school’s total funding; this will be set out in the APT guidance</li> <li>• local authorities who wish to reflect the NFF calculation by excluding the premises factors that have been excluded from the NFF calculation can do so through the APT and will not need to submit a disapplication</li> </ul> <p>We have included the maximum rates for each phase, and more information on setting a minimum per pupil amount in the schools section of the guidance.</p>
<p><b>15. Funding floor factor</b> An optional factor</p>	<p>The purpose of this factor is to allow local authorities to reflect the NFF calculation of a minimum 1% per pupil increase over 2017 to 2018 baselines</p> <ul style="list-style-type: none"> <li>• if this factor is used all schools within the local authority must be protected against a baseline, even if they were not open in 2017 to 2018</li> <li>• we will be publishing theoretical baselines for schools which have opened, merged or split since 2017 to 2018; local authorities wishing to amend these theoretical baselines, to take account of local knowledge can do so</li> <li>• the local authority will need to calculate a baseline for new schools that do not have a theoretical baseline</li> </ul> <p>We have included more information in the funding floor section of the guidance.</p>

### Required proportion of funding allocated through pupil-led factors

Local authorities must allocate at least 80% of the delegated schools block funding through pupil-led factors (the factors in lines 1 to 6, 14 and 15 above, and London fringe uplift, where relevant).

## Appendix 2 - Formula Factor Funding Values

Formula Values	2017/18	2018/19			2019/20			Notes
	Reading Actual (Pre NFF)	NFF	Reading NFF with ACA	Reading Actual Transitional	NFF	Reading NFF with ACA	Reading New Proposal	
<b>Basic Entitlement:</b>								
Primary	£3,131	£2,746.99	£2,840.55	£2,950.00	£2,747.00	£2,841.00	£2,841.00	reduce to actual NFF with ACA
Secondary - KS3	£3,833	£3,862.65	£3,994.21	£3,863.00	£3,863.00	£3,995.00	£3,863.00	no change - as per NFF (but with no ACA)
Secondary - KS4	£4,370	£4,385.81	£4,535.19	£4,386.00	£4,386.00	£4,536.00	£4,386.00	no change - as per NFF (but with no ACA)
<b>Deprivation:</b>								
Free School Meals - Primary	£1,356	£440	£455	£440	£440	£455	£440	no change - as per NFF (but with no ACA)
Free School Meals - Secondary	£2,791	£440	£455	£440	£440	£455	£440	no change - as per NFF (but with no ACA)
Free School Meals Ever 6 - Primary	£0	£540	£558	£540	£540	£558	£540	no change - as per NFF (but with no ACA)
Free School Meals Ever 6 - Secondary	£0	£785	£812	£785	£785	£812	£785	no change - as per NFF (but with no ACA)
IDACI Band F (0.2 - 0.25) - Primary	£0	£200	£207	£200	£200	£207	£200	no change - as per NFF (but with no ACA)
IDACI Band F (0.2 - 0.25) - Secondary	£0	£290	£300	£290	£290	£300	£290	no change - as per NFF (but with no ACA)
IDACI Band E (0.25 - 0.3) - Primary	£0	£240	£248	£240	£240	£248	£240	no change - as per NFF (but with no ACA)
IDACI Band E (0.25 - 0.3) - Secondary	£0	£390	£403	£390	£390	£403	£390	no change - as per NFF (but with no ACA)
IDACI Band D (0.3 - 0.4) - Primary	£0	£360	£372	£360	£360	£372	£360	no change - as per NFF (but with no ACA)
IDACI Band D (0.3 - 0.4) - Secondary	£0	£515	£533	£515	£515	£533	£515	no change - as per NFF (but with no ACA)
IDACI Band C (0.4 - 0.5) - Primary	£0	£390	£403	£390	£390	£403	£390	no change - as per NFF (but with no ACA)
IDACI Band C (0.4 - 0.5) - Secondary	£0	£560	£579	£560	£560	£579	£560	no change - as per NFF (but with no ACA)
IDACI Band B (0.5 - 0.6) - Primary	£0	£420	£434	£420	£420	£434	£420	no change - as per NFF (but with no ACA)
IDACI Band B (0.5 - 0.6) - Secondary	£0	£600	£620	£600	£600	£620	£600	no change - as per NFF (but with no ACA)
IDACI Band A (over 0.6) - Primary	£0	£575	£595	£575	£575	£595	£575	no change - as per NFF (but with no ACA)
IDACI Band A (over 0.6) - Secondary	£0	£810	£838	£810	£810	£838	£810	no change - as per NFF (but with no ACA)
<b>Prior Attainment:</b>								
Primary	£649	£1,050	£1,086	£950	£1,022	£1,057	£1,022	increase to actual NFF (but with no ACA)
Secondary	£912	£1,550	£1,603	£1,300	£1,550	£1,603	£1,550	increase to actual NFF (but with no ACA)
<b>English as an Additional Language:</b>								
Primary	£679	£515	£533	£600	£515	£532	£515.00	reduce to actual NFF (but with no ACA)
Secondary	£1,367	£1,385	£1,432	£1,385	£1,385	£1,432	£1,385.00	no change - as per NFF (but with no ACA)
Mobility (locally set - not in NFF)	£745	n.a.	n.a.	£1,000	n.a.	n.a.	£1,000.00	no change - rate as locally set
Lump Sum	£48,480	£110,000	£113,747	£85,000	£110,000	£113,747	£110,000.00	increase to actual NFF (but with no ACA)
Business Rates (Actual - locally set)	£1,147,157			£1,176,914				
<b>Exceptional Circumstances (locally set):</b>								
Rents	£74,895			£74,895				
Split Site	£17,149			£17,149				
<b>Minimum Per Pupil Level</b>								
Primary	n.a.	£3,300	£3,300	£3,300	£3,500	£3,500	£3,500	as per actual NFF
Secondary	n.a.	£4,600	£4,600	£4,600	£4,800	£4,800	£4,800	as per actual NFF
(KS3 only school)					£4,600			
(KS4 only school)					£5,100			
Minimum Funding Guarantee	-1.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	as per actual NFF
n.b. Reading ACA is 1.03406								



## Appendix 3 - Formula Exemplification Using October 2018 Pupil Numbers

LAESTA B	SCHOOL	2017/18 ACTUAL ALLOCATION			2018/19 ACTUAL ALLOCATION			2019/20 PROPOSED ALLOCATION			Overall Change between 2018/19 and 2019/20			
		Formula Allocation	Pupil No's (Oct 2016)	Per Pupil Funding	Formula Allocation	Pupil No's (Oct 2017)	Per Pupil Funding	Formula Allocation	Pupil No's (Oct 2018)	Per Pupil Funding	Total	%	Per Pupil	%
8702000	Alfred Sutton Primary School	2,174,813	553	3,932.75	2,227,138	576	3,866.56	2,363,742	610	3,874.99	136,604	6.1%	8.43	0.2%
8702003	Caversham Primary School	1,570,035	452	3,473.53	1,577,340	452	3,489.69	1,606,596	452	3,554.42	29,256	1.9%	64.73	1.9%
8702005	Coley Primary School	946,271	232	4,078.75	1,008,348	236	4,272.66	1,006,181	234	4,299.92	-2,167	-0.2%	27.26	0.6%
8702006	E P Collier Primary School	1,171,553	292	4,012.17	1,351,779	330	4,096.30	1,349,508	328	4,114.35	-2,271	-0.2%	18.05	0.4%
8702007	Geoffrey Field Junior School	1,425,814	347	4,108.97	1,472,727	351	4,195.80	1,474,107	358	4,117.62	1,380	0.1%	-78.19	-1.9%
8702008	Geoffrey Field Infant School	1,093,873	261	4,191.08	1,152,648	265	4,349.62	1,206,792	269	4,486.22	54,144	4.7%	136.60	3.1%
8702016	Oxford Road Community School	1,005,070	238	4,222.98	1,018,654	238	4,280.06	1,015,277	236	4,302.02	-3,377	-0.3%	21.96	0.5%
8702018	Redlands Primary School	927,566	236	3,930.36	935,397	236	3,963.55	918,029	230	3,991.43	-17,368	-1.9%	27.88	0.7%
8702019	The Hill Primary School	1,646,955	470	3,504.16	1,655,590	470	3,522.53	1,600,520	446	3,588.61	-55,070	-3.3%	66.08	1.9%
8702020	The Ridgeway Primary School	1,511,942	340	4,446.89	1,560,657	350	4,459.02	1,711,414	386	4,433.71	150,757	9.7%	-25.30	-0.6%
8702021	Park Lane Primary School	1,527,347	413	3,698.18	1,527,545	411	3,716.65	1,542,290	413	3,734.36	14,745	1.0%	17.70	0.5%
8702024	Wilson Primary School	1,608,761	414	3,885.90	1,633,212	415	3,935.45	1,637,272	413	3,964.34	4,060	0.2%	28.89	0.7%
8702026	Emmer Green Primary School	1,684,083	476	3,537.99	1,705,274	480	3,552.65	1,622,559	451	3,597.69	-82,714	-4.9%	45.04	1.3%
8702027	Southcole Primary School	1,941,418	526	3,690.91	2,086,027	554	3,765.39	2,187,899	580	3,771.89	101,672	4.9%	6.50	0.2%
8702029	St Michael's Primary School	1,393,609	356	3,914.63	1,536,491	387	3,970.26	1,631,592	410	3,979.49	95,102	6.2%	9.23	0.2%
8702034	Moorlands Primary School	1,709,633	422	4,051.26	1,767,777	435	4,063.86	1,700,263	415	4,097.02	-67,515	-3.8%	33.16	0.8%
8702036	Thameside Primary School	1,544,439	405	3,813.43	1,573,712	411	3,828.98	1,568,052	408	3,843.27	-5,660	-0.4%	14.28	0.4%
8702226	Katesgrove Primary School	2,518,515	615	4,095.15	2,489,246	604	4,121.27	2,500,061	602	4,152.93	10,815	0.4%	31.66	0.8%
8702233	Caversham Park Primary School	766,943	208	3,687.23	741,611	197	3,764.52	767,179	204	3,760.68	25,568	3.4%	-3.84	-0.1%
8702234	Micklands Primary School	1,488,664	390	3,817.09	1,588,034	412	3,854.45	1,551,070	399	3,887.39	-36,964	-2.3%	32.94	0.9%
8702253	Manor Primary School	1,273,613	303	4,203.34	1,309,936	307	4,266.89	1,233,646	286	4,313.45	-76,290	-5.8%	46.56	1.1%
8702254	New Christ Church Church of England (VA) Primary School	811,226	203	3,996.19	797,716	188	4,243.17	785,485	183	4,292.27	-12,231	-1.5%	49.10	1.2%
8703000	All Saints Church of England Aided Infant School	293,531	60	4,892.18	294,606	60	4,910.11	302,137	60	5,035.62	7,531	2.6%	125.52	2.6%
8703301	St Mary and All Saints Church of England Voluntary Aided P	1,392,936	359	3,880.04	1,438,187	354	4,062.68	1,325,291	322	4,115.81	-112,896	-7.8%	53.13	1.3%
8703302	St Anne's Catholic Primary School	754,296	197	3,828.91	766,026	190	4,031.72	781,454	193	4,048.99	15,428	2.0%	17.27	0.4%
8703304	English Martyrs' Catholic Primary School	1,551,847	417	3,721.46	1,604,075	411	3,902.86	1,669,009	427	3,908.69	64,933	4.0%	5.83	0.1%
8703305	Christ The King Catholic Primary School	1,293,115	329	3,930.44	1,459,088	350	4,168.82	1,457,603	348	4,188.51	-1,485	-0.1%	19.69	0.5%
8703360	St Martin's Catholic Primary School	658,095	182	3,615.91	664,876	178	3,735.26	567,803	145	3,915.88	-97,073	-14.6%	180.62	4.8%
8703361	Whitley Park Primary and Nursery School	2,543,559	597	4,260.57	2,592,734	600	4,321.22	2,481,769	569	4,361.63	-110,965	-4.3%	40.41	0.9%
8705411	Blessed Hugh Faringdon Catholic School	3,654,831	745	4,905.81	3,872,056	762	5,081.44	3,944,299	762	5,176.25	72,243	1.9%	94.81	1.9%
8702002	All Saints Junior School	371,559	96	3,870.41	404,574	95	4,258.67	419,939	95	4,420.42	15,366	3.8%	161.74	3.8%
8702004	Meadow Park Academy	1,303,751	315	4,138.89	1,353,567	327	4,139.35	1,373,873	332	4,138.17	20,306	1.5%	-1.18	-0.0%
8702011	Battle Primary Academy	1,628,127	403	4,040.02	1,589,176	391	4,064.39	1,593,746	390	4,086.53	4,569	0.3%	22.14	0.6%
8702012	The Palmer Primary Academy	1,632,438	385	4,240.10	1,696,248	395	4,294.30	1,680,489	389	4,320.02	-15,759	-0.9%	25.72	0.6%
8702015	Civitas Academy	503,365	120	4,194.71	832,836	189	4,406.54	995,573	235	4,236.48	162,737	19.5%	-170.06	-3.9%
8702017	The Heights Primary School	712,658	197	3,614.62	897,567	254	3,531.33	1,077,572	307	3,508.06	180,005	20.1%	-23.27	-0.7%
8702025	Ranikhet Academy	1,063,842	238	4,469.92	1,090,936	244	4,471.05	941,965	207	4,550.56	-148,971	-13.7%	79.51	1.8%
8702028	New Town Primary School	1,114,315	262	4,253.11	1,162,485	273	4,258.19	1,071,224	248	4,319.45	-91,261	-7.9%	61.26	1.4%
8702031	Churchend Primary Academy	1,227,173	323	3,799.30	1,368,103	350	3,908.87	1,475,790	378	3,904.21	107,687	7.9%	-4.66	-0.1%
8703300	St John's Church of England Primary School	1,492,716	398	3,750.54	1,569,506	418	3,754.80	1,571,148	416	3,776.80	1,642	0.1%	22.00	0.6%
8704000	UTC Reading	785,826	138	5,694.39	977,903	176	5,556.27	1,197,056	214	5,593.72	219,154	22.4%	37.46	0.7%
8704001	Maiden Erlegh School in Reading	2,184,544	465	4,697.94	3,195,238	644	4,961.55	4,200,307	822	5,109.86	1,005,069	31.5%	148.31	3.0%
8704002	The WREN School	1,557,768	327	4,763.82	2,589,580	503	5,148.27	3,640,608	690	5,276.24	1,051,028	40.6%	127.97	2.5%
8704003	Reading Girls' School	2,470,801	473	5,223.68	2,364,921	420	5,630.76	2,339,085	402	5,818.62	-25,837	-1.1%	187.85	3.3%
8704020	Highdown School and Sixth Form Centre	4,791,680	1,038	4,616.26	5,195,961	1,103	4,710.75	5,512,853	1,141	4,831.60	316,892	6.1%	120.84	2.6%
8705401	Reading School	2,732,763	645	4,236.84	3,121,227	670	4,658.55	3,380,384	697	4,849.90	259,156	8.3%	191.36	4.1%
8705410	Prospect School	5,777,312	1,064	5,429.80	5,496,368	1,006	5,463.59	5,209,279	937	5,559.53	-287,089	-5.2%	95.94	1.8%
8705413	Kendrick School	2,168,650	480	4,518.02	2,225,566	480	4,636.60	2,317,074	479	4,837.32	91,508	4.1%	200.72	4.3%
8706905	John Madejski Academy	3,189,050	591	5,396.02	2,891,638	496	5,829.92	2,873,227	479	5,998.39	-18,411	-0.6%	168.47	2.9%
<b>PRIMARY TOTAL</b>		<b>51,279,466</b>	<b>13,030</b>	<b>3,935.44</b>	<b>53,501,451</b>	<b>13,384</b>	<b>3,997.37</b>	<b>53,765,720</b>	<b>13,374</b>	<b>4,020.12</b>	<b>264,269</b>	<b>0.5%</b>	<b>22.75</b>	<b>0.6%</b>
<b>SECONDARY TOTAL</b>		<b>29,313,225</b>	<b>5,966</b>	<b>4,913.38</b>	<b>31,930,458</b>	<b>6,260</b>	<b>5,100.71</b>	<b>34,614,172</b>	<b>6,623</b>	<b>5,226.36</b>	<b>2,683,714</b>	<b>8.4%</b>	<b>125.65</b>	<b>2.5%</b>
<b>TOTAL ALL SCHOOLS</b>		<b>80,592,691</b>	<b>18,996</b>	<b>4,242.58</b>	<b>85,431,909</b>	<b>19,644</b>	<b>4,348.97</b>	<b>88,379,892</b>	<b>19,997</b>	<b>4,419.62</b>	<b>2,947,983</b>	<b>3.5%</b>	<b>70.65</b>	<b>1.6%</b>
<b>Estimated Schools Block DSG</b>				<b>86,823,517</b>				<b>89,529,000</b>			<b>2,705,483</b>			
<b>Add: additional DSG for growing schools</b>														
<b>Less:</b>														
Growth funding/tailing rolls budget (outside formula)														
Recoupment adjustment for growth funding academies														
Transfer to HNB														
Licences (trf to CSSB)														
<b>Total Funding Available to Allocate</b>														
<b>Under / (Over) Allocated</b>														

**READING BOROUGH COUNCIL**  
**REPORT BY FINANCIAL SERVICES**

<b>TO:</b>	Reading Schools Forum		
<b>DATE:</b>	6 <sup>th</sup> December 2018	<b>AGENDA ITEM:</b>	9
<b>TITLE:</b>	Scheme for Financing Schools - Approval of Update		
<b>SERVICE:</b>	Children's, Education & Early Help Services	<b>WARDS:</b>	All
<b>AUTHOR:</b>	Claire White	<b>TEL:</b>	0118 937 4161
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## 1. PURPOSE AND SUMMARY OF REPORT

- 1.1 This proposed changes to the Scheme for Financing Schools were presented at the last meeting of the Schools' Forum. The Scheme has now been out to consultation with all maintained schools, and is returning to Schools' Forum for final approval.

## 2. RECOMMENDED ACTION FOR SCHOOLS FORUM (Maintained School Representatives only)

- 2.1 **NOTE:** The comments received in the consultation responses (in 5.3).
- 2.2 **APPROVE:** The amendments and the revised Scheme for publication.

## 3 POLICY CONTEXT

- 3.1 The Council has strategic aims to establish Reading as a learning city and a stimulating and rewarding place to live and visit, to promote equality, social inclusion and a safe and healthy environment for all. Education and the funding of education is a key factor in the achievement of this aim.

## 4 BACKGROUND

- 4.14 The Scheme for Financing Schools is a statutory document and all local authorities are required to publish their Scheme. It sets out the financial relationship between them and the schools they maintain.
- 4.15 The Department for Education (DfE) set out the provisions which the Scheme should and may include. In making changes to their Schemes, local authorities

must consult all schools in their area and receive the approval of the members of Schools' Forum representing maintained schools.

- 4.16 The last update to Reading Borough Council's Scheme was in January 2014. The statutory guidance was last updated by the DfE in March 2018, and a number of statutory changes are required to be made.
- 4.17 A draft proposal of changes to be made to the Scheme was brought to the last meeting of the Schools' Forum. Schools were then consulted between 30<sup>th</sup> October 2018 and 6<sup>th</sup> December 2018. Officers from Audit, Insurance, Health & Safety, Procurement, & Capital/Treasury were also invited to provide input.

## 5. PROPOSAL

- 5.1 Appendix 1 contains the current Scheme with the proposed changes highlighted. Changes highlighted in green are statutory changes, whilst those in yellow are local discretionary changes. Those highlighted in blue are changes made since the last meeting, following the consultation with all schools and the further comments received.
- 5.2 The main changes to the Scheme are summarised as follows:
- Purpose of Loans (section 4.10) (statutory change).
  - Budget plans (paragraphs 2.8 & 2.9). Requirement to submit the annual budget plan by 1<sup>st</sup> May rather than 31<sup>st</sup> May.
  - Surplus balances (paragraph 4.2). Removal of the full balance control mechanism given the DfEs advice on this, and replaced with a more light touch approach.
  - School deficits (paragraph 4.9). The requirements for schools submitting a deficit budget have been added in full.
- 5.3 14 schools responded to the consultation - Caversham Nursery, Caversham Park, Coley, Emmer Green, EP Collier, Holy Brook, Katesgrove, Norcot Nursery, Thameside, The Ridgeway, The Hill, Southcote, Whitley Park, Wilson.

All agreed in principle with the proposed changes, though the following comments were made:

- Concern over the change of date for the submission of the annual budget plan to 1<sup>st</sup> May. April is a month that contains the year end for the previous academic year (which currently has a submission date of 5th April 2019 for the I&E and Bank Rec), 2 weeks of school closure for Easter break from 5th April which leaves 6 working days upon the return to school for the completion, approval and submission of the budget plan. The Debtors and Creditors need to be collated and processed and the Final outturn (cash settlement) also needs to be agreed in this time. With the 2 weeks schools closure for Easter break this will be incredibly difficult for some schools to achieve a submission of a final approved budget to RBC by 1st May every year. I appreciate that you have advised that there will flexibility over this date for 2019 however I feel that putting a deadline of that date in the Scheme of Finance for Schools is setting the majority of schools up to fail in relation to

achieving this. (It is mainly due to there being 2 weeks schools closure during this period that the schools will experience but the Council won't).

- Re the change of budget submission date to May 1<sup>st</sup>, this clearly has an impact on the preparation of the budget; a large part of which is done in the Easter holidays. Depending on when Easter falls there is often little time between the start of the new term and the deadline of May 1st to convene governor meetings for discussion and authorisation. Would the submission of a draft budget be acceptable with governor approval at a later date be acceptable? If so could you make this clear in the document.
- We support the proposal to bring forward the deadline for schools to submit their budget plans
- In regards the credit cards. If we pay off our balance each month and we have no debts, do we still need to cancel our credit cards and re open a new procurement card? as the paragraph still not clear.
- I notice there is still access to Salix funding; could this be put under the "loans" section?
- Section 2.4 on assets, it says we can make our own arrangements for smaller items with a min limit of £250. Just that the £250 limit is very low.
- Re Capital 12:1 P44 - There is a deleted section referring to a list that appears no longer available. I read this as we can spend our Capital on what we like! Is this correct?
- In 2.7 clarify that monthly returns are cash accounting basis and only year end accruals are done.
- Did we understand it correctly that we only have to submit an outturn statement one a term, as we currently send RBC an I&E every month. Is the latter still required ?
- Provision of Financial information and reports states 'at a minimum on a termly basis', but VAT states 'complete a monthly return' This seems to be a contradiction in requirements - we feel that we would expect to do monthly reports; only doing them termly puts a greater pressure on us if there are errors in reconciling with bank statements etc.
- Frequency of instalments - they are not paid monthly. This does not present any problems to our cash flow.
- The previous scheme had many appendices with policies etc. Do we manage those separately now?
- Most "bursars" are now called School Business Managers and their Job descriptions/contracts reflect this - should this be updated in the scheme?
- We would ask whether it would be permissible for loans to be made available to schools to support their management of potential redundancy costs and/or the premature retirement/pension costs sometimes associated with redundancy processes?
- We support the amendments in relation to schools that submit budget deficits.
- Withdrawal of SIC - can only be a good thing!
- Fraud - does not mention the Fraud and Corruption in Schools training which we require all of our staff to undertake.

- Surplus balance mechanism withdrawn - a good thing.
  - We support the removal of the Balance Control Mechanism, but recognise the continuing need for schools to be accountable for the money they receive.
  - Page 18 - the year needs to be deleted in the 7th paragraph (SFVS)
- 5.4 Where questions have been raised, a response has been provided direct to the school. Where it was pointed out there was lack of clarity, amendments have been made to the wording in the Scheme.
- 5.5 Two schools raised an issue with submitting the annual budget by 1<sup>st</sup> May. The Scheme now makes it clear that this will not be mandatory until 2020. Schools should in future endeavour to complete their budgets by the end of March, and set a date in April (around the school holidays) for their Governors meeting to approve the budget.
- 5.6 Schools' Forum is requested to approve the revised Scheme, which will apply from 1<sup>st</sup> January 2019.
- 5.7 The new scheme will be published on the Council's website and circulated to all maintained schools.

## Appendices

### Appendix 1 - Reading Borough Council Scheme for Financing Schools

**SCHEME FOR  
FINANCING SCHOOLS**

Version **2019.01**

As approved by Schools Forum on **06/12/18**

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## FOREWORD

The scheme sets out the principles underlying the funding of schools, and the basis for the financial relationship between maintained schools in Reading and the Authority.

The revisions in 2018 reflect statutory changes and changes to the DfE guidance on local authority schemes for financing schools effective from March 2018. The revisions also include changes to ensure the scheme reflects current practices and desired ways of working.

The Authority will keep the scheme under review and stakeholders are invited to comment on the scheme at any time to the Chief Finance Officer.

## SECTION 1: INTRODUCTION

### 1.1 The Funding Framework

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

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 centrally retain funding in their schools budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions prescribed by the Secretary of State (including gaining the approval of Schools' Forum or the Secretary of State in certain instances). The balance of the schools budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Local authorities must distribute their 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 the scheme, governing bodies of schools may spend budget shares as they think fit for any purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (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).

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 managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons

(schedule 17 of the Act). There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF 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 outturn expenditure at both central level and for each school, and the balances held in respect of each school. Information in either statement may be collated and published by the Secretary of State.

The detailed publication requirements for financial statements 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.

The arrangements for formula funding of schools, including the allocation formula itself are set out in the Authority's Financial Requirements – Arrangements for Formula Funding of Schools.

Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any 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

The Scheme is prepared in line with the latest statutory guidance issued by the Department for Education which relates to s.48 of the School Standards and Framework Act, and Schedule 14 to the Act. It sets out the principles underlying the funding of schools, and the basis for the financial relationship between Reading Borough Council and the maintained schools which it funds. The requirements of the scheme relating to financial management and associated issues as detailed throughout this document are binding on both the Authority and on schools.

## 1.3 Application of the scheme to the Authority and maintained schools

The institutional coverage of the scheme will be for all community, nursery, voluntary, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by Reading Borough Council. A current list of the schools to which the scheme applies is provided at annex A (Schools covered by the scheme) of this document. Unless specifically stated otherwise the provisions of this Scheme apply to any nursery school maintained by the Authority.

As indicated in s.48 of the Act, new maintained schools opening will also be covered by the scheme.

Maintained schools that convert to academy status will cease to be covered by the Scheme. Similarly new Free Schools will not be covered by the Scheme.

#### **1.4 Publication of the scheme**

A copy of the scheme and any approved revisions will be supplied to the head teacher and to the governing body of each school covered by the scheme and placed on the Authority's website. This requirement is subject to regulations published by the Secretary of State for Education.

#### **1.5 Revision of the scheme**

The scheme and any subsequent amendments are subject to the approval of members of Schools' Forum representing maintained schools. Any subsequent revisions to the scheme will be subject to consultation with the governing body and head teacher of every school maintained by the Authority and then submission to Schools' Forum for approval. Where 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 head teacher**

As part of the scheme, the governing body of each school is required to consider and review (at a frequency to be determined by the governing body and agreed with the Director of Children's, Education & Early Help Services) the extent to which it wishes to delegate its financial powers to the head teacher, and to record its decision (and any revisions) in the minutes of the governing body. ~~Such decisions by the governing body will be subject to any requirements of regulations to be made under s.38 of the Act, and Schedule 11 thereto.~~ Additionally, the Governing Body or a committee of the governing body must approve the first formal annual budget plan of each financial year.

#### **1.7 Maintenance of Schools**

Reading Borough Council 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 in which the Authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

## SECTION 2: FINANCIAL CONTROLS

### 2.1 Application of financial controls to schools

Schools are required to abide by the Authority's requirements on financial controls and monitoring in the management of their delegated budgets as outlined within this scheme and detailed in the financial regulations, and also those guidelines contained in more detailed publications referred to in the scheme but outside and compatible with it.

### 2.2 Provision of financial information and reports

Schools are required to provide the Authority with details of actual expenditure and income reconciled to the bank account (I&E Return) on a monthly basis. Schools will also be required to submit outturn statements twice a year - usually in October (monitoring position at month 6) and in January (monitoring position at month 9). The Authority may determine different methods for individual schools and will consult with schools about such requirements, for example schools in financial difficulty may be asked to submit monthly monitoring reports. The submission of such information should so far as possible take account of the Consistent Financial Reporting (CFR) framework. This is in addition to the financial information required as part of schools annual budget plans and year-end predicted outturn processes.

### 2.3 Payment of salaries; payment of bills

All payments from delegated budgets are to be made in accordance with:

- the Financial Requirements – Arrangements for Formula Funding of Schools
- the Financial Regulations for Management of Schools under Devolved Funding Arrangements
- any specific Service Level Agreement drawn up between the school and Reading Borough Council and,
- the guidelines as detailed as part of any service purchased by the school as part of a Buy-Back service from the Authority, which includes the retention of delegated funding as part of the arrangements for the payroll service.

### 2.4 Control of assets

Each school is required to maintain an inventory of its moveable assets, in a form to be agreed by the Authority and establish authorisation procedures for disposal of assets. As a minimum requirement all schools should maintain an inventory which records all plant, machinery and equipment with an estimated life of more than five years and an approximate replacement value of, or historic cost of more than, £1,000. Schools should also keep some form of register of assets worth less than £1,000 but are free to determine their own arrangements (with a suggested minimum of £250).

### 2.5 Accounting policies (including year-end procedures)

Schools are required to comply with the procedures, requirements and regulations relating to the accounting policies and end of year financial procedures issued and

determined by the Authority as being applicable to schools. Guidance will be published annually on the practical arrangements (e.g. accruals accounting and other end of year financial procedures).

## 2.6 Writing off of debts

No debt shall be discharged other than by payment in full or being written-off. The writing-off of non-recoverable debts is set out in the Financial Regulations and requires the Authority's approval for sums over £5,000, as well as full Governing Body approval.

## 2.7 Basis of accounting

End of year reports and accounts completed by schools for submission to the Authority are to be prepared on the same accounting basis as the Authority's financial accounts, that is on an accruals accounting basis, as detailed in the Authority's financial regulations and in accordance with a timetable agreed with the Authority. Support will be available from the Authority for schools requiring assistance in this process.

## 2.8 Submission of budget plans

Governing bodies must prepare, formally adopt and submit to the Authority a budget plan which reconciles with their total budget allocation, detailing its budgeted income and expenditure for the current financial year, in a format taking account of the Consistent Financial Reporting framework. The plan should be prepared in accordance with the guidelines issued by the Authority to schools as part of the Authority's annual budget preparation process, and should take full account of estimated deficits / surpluses at the previous 31 March. Governing bodies should normally submit their formal budget plan to the Authority by no later than 1<sup>st</sup> May (for 2019 only this will be 31<sup>st</sup> May, though all schools are encouraged to submit earlier).

The Authority will supply schools in a timely manner with all income and expenditure data it holds which is necessary to efficient planning by schools, for example indicative budget shares as soon as they are available, usually by the end of January.

The Authority would normally expect the Governing body to review the initial submitted and approved budget plan in September and January of the current financial year and submit current year outturn forecasts to the Authority. Completed budget plans and any current year forecasts need to demonstrate both the assumptions which underpin the financial data reported and what consideration the school has made of other Authority initiatives which have a direct impact on the school's resources.

## 2.9 Submission of financial forecasts

Governing bodies must also submit to the Head of Finance a financial forecast covering each year of a three to five year period for which schools have been notified of budget shares beyond the current year. The purposes of such forecasts are to ensure schools are planning ahead strategically and to indicate where schools



may have financial difficulties. Multi-year forecasts should be submitted no later than the 30<sup>th</sup> June.

## 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.

As a minimum schools should review their current expenditure, compare it to other schools (such as through use of the DfE's benchmarking tool), and think about how to make improvements.

## 2.11 Virement

Governing bodies are authorised to freely transfer funds between budgets whilst ensuring that the overall budget as approved and submitted to the Authority remains within the cash limit agreed with the Authority. It is for the Governing Body to determine the extent to which it wishes to delegate power to vire between budget heads and to record its decision in the minutes of the Governing body. Proposed virements exceeding the delegated power must be formally adopted by the Governing Body and duly minuted.

## 2.12 Audit: General

In accordance with the Local Government Act 1972 and the Accounts and Audit Regulations 2011, the Chief Finance Officer has a statutory responsibility to ensure that a continuous internal audit and examination of accounting, stores and financial records and internal control systems of the Authority and its officers are carried out.

The Chief Finance Officer or a nominated and authorised representative, including the Authority's external auditor, shall have the authority to:

- enter at all times on any premises or land used by the Authority;
- make such checks and seek such explanations as is considered necessary to be satisfied any matters under examination are correct;
- require any employee of the Authority and/or governing body to produce upon request cash, stores or other Authority (including all school) property under his/her control (including reasonable access to IT systems).

Wherever possible auditors will agree an appointment in advance with the school and ensure that they carry out their duties with the minimum disruption to the school.

This internal audit shall be carried out in accordance with the audit regime adopted by the Authority and as detailed in the Authority's *Financial Regulations*. Schools must co-operate with the Chief Finance Officer or his / her representative in all aspects related to the internal and external audit process including responding promptly and where appropriate confidentially to requests for information necessary to carry out the audit.

Head teachers and/or governing bodies shall notify the Director of Children's, Education & Early Help Services, who shall in-turn inform the Chief Finance Officer of any irregularities or suspected irregularities concerning cash, stores or other property of the Authority or school, or the exercise of any of the Authority's or school's functions.

### **2.13 Separate external audits**

Governing bodies are authorised to spend funds from their budget share to obtain external audit certification of its accounts, separate from any Authority internal or external audit process. Any external audit commissioned by the school must take into account the status of the school as being a spender of the Authority's funds. Copies of external audit reports commissioned by the school should be made available to the Authority.

### **2.14 Voluntary Funds Charity Commission Registration and Audit of voluntary and private funds**

#### Registration

Charity Commission registration requirements should be followed, these differ between voluntary, foundation and community schools.

Schools must consider their own specific needs should the annual gross income of these funds exceed £5,000. This includes donations, fund raising receipts as well as interest payments. ~~As a general principle there is no requirement to register where money is all paid out quickly, even though receipts may exceed £5,000.~~ Where the fund (or part of the fund) is used as a holding account, where money is being collected for a specific purpose, e.g. school trips, photographs, uniforms, this can be netted off and be exempt from the £5,000 (other than any surplus). If a school is in any doubt about whether or not it needs to register, it should seek advice from the Charity Commission.

#### Scrutiny of accounts

The Governing body must advise the Chief Finance Officer of all voluntary and private funds held by the school including any trading organisations controlled by the school. In addition to details of any such funds, schools are required to provide annual audit certificates of all such funds. The governing body must choose either independent examination by a suitably qualified person or arrange for an independent audit by a registered auditor that provides the level of assurance deemed suitable and this should be documented in the school's own finance procedures manual.

Any other requirements concerning the audit of such funds are a matter for those making the funds available and, where registered as a charity, any Charity Commission requirements.

### **2.15 Register of business interests**

Governors and staff have a responsibility to avoid any conflict between their business and personal interests and the interests of the school. This is essential for effective and accountable financial management of the school. Interest should be declared

that could result in a conflict of interest. Examples of potential conflicts of interest include: -

1. Financial - interests in a contract or proposed contract by direct or family connection.
2. Appointment - interests in the provision for sponsor governors or interests in someone's appointment, reappointment or suspension from office as a governor or clerk to the governing body.
3. Pay and performance - interests in the pay or appraisal of someone working at the school in cases where the governor or staff member is also paid to work at the school.

The governing body of each school is required to establish a register which lists for each member of the governing body and management team (including the head teacher and **School Business Manager**/Bursar), any business interests they or any member of their immediate family have; **details of any other educational establishments that they govern; and any relationship between school staff and members of the governing body.** The register must be kept up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff and parents, and the authority **and to publish the register on a publicly accessible website.** ~~Details of the contents of the register must be made available to the Director of Children's, Education & Early Help Services and Chief Finance Officer upon request.~~

## 2.16 Purchasing, tendering and contracting requirements

Schools must abide by the Authority's financial regulations and standing orders in purchasing, tendering and contracting matters (including leases). Schools are required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

In accordance with DfE requirements, schools are **exempt** from any provisions in the Authority's *Financial Regulations* which would require them to:

- a. do anything incompatible with the provisions of the Scheme, or any statutory provision, or any EU Procurement Directive;
- b. seek an Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c. select suppliers only from an approved list;

or would permit schools to seek fewer than three quotes or tenders in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions.

## 2.17 Application of contracts to schools

Schools are free to elect to opt out of contracts arranged by the Authority, **except for:**

- ~~contracts which schools have agreed to be covered by in respect of services for which funding was specifically delegated by the Authority both before and after delegated budgets were first introduced. and~~

- ~~certain contracts approved by the Secretary of State for services for which funding was delegated, irrespective of the agreement of schools.~~

Whilst governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. For this reason the Authority will require all contracts exceeding £100,000 entered into by the school to be counter-signed by the Authority. Other 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. VA and Foundation school governing bodies are legally separate entities and do not require counter-signature from the Authority. However, as the Authority is providing the funds, any school which places a contract that will be funded by more than £60,000 from delegated funds, should advise the Authority. In practice this notification will normally happen in the ordinary course of events.

In line with Section [2.16](#) and the requirement on schools to have regard to good tendering procedures, schools should:

- Seek tenders for all contracts over £60,000
- Obtain 3 quotes or tenders for contracts above £10,000
- Ensure that the Chair of Governors of all schools (or a nominee) opens tenders above £100,000
- Ensure that an Authority Member is involved in the opening of tenders above £250,000 (community schools only)
- Be permitted to use any Authority approved list of suppliers, but not be required to use it.

## 2.18 Central funds and earmarking

The Authority is authorised to make sums available to schools from central funds, ~~including those identified as part of the Additional Grants for Schools regulations for the distribution and use of approved grants,~~ in the form of allocations which are additional to and separate from the schools' budget shares. All such allocations may 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 does not permit virement), 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 only to be spent on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not transferred into the budget share. Schools are not permitted to authorise expenditure in excess of the amount allocated without the prior agreement and approval of the Director of Children's, Education & Early Help Services. Furthermore, unless previously agreed with the Director of Children's, Education & Early Help Services, any earmarked funds not spent in the current financial year are to be returned to the Authority. The Authority will not make any deduction, in respect of interest costs to the Authority, from payments to schools of devolved

specific special grant. Schools shall comply with the audit requirements as outlined within financial regulations. Details of earmarked funds as well as the purposes of such funds will be included with the budget statements for each school year.

## **2.19 Spending for the purposes of the school**

Schools must be managed in accordance with their budget allocation for each financial year. They may use their budget allocation to meet, subject to the requirements as outlined in the scheme, all expenditure for the purposes of the school.

They may not however use this resource to meet the cost of:

- any items detailed as exceptions within the scheme, and outlined in this document,
- any items relating to unofficial school funds and;
- any non-LA (or non-curriculum related) activities. By virtue of section 50(3A), amounts spent by governing bodies on community facilities under section 27 of the Education Act 2002 will be treated as if spent for the purposes of the school.

Schools are allowed to spend their budgets on pupils who are on the roll of other maintained schools or academies.

Income received and/or reflected in the schools general accounts must come from the following sources only:

- Advances (general and special) from the Authority
- VAT, tax and other related reimbursements
- Any income generated as a result of an authorised school activity
- Approved contributions towards school expenditure from a third-party
- Any other sources as notified and agreed with the Director of Children's, Education & Early Help Services and the Chief Finance Officer.

## **2.20 Capital spending from budget shares**

Governing bodies may 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 SSAF Act 1998.

Schools must notify the Authority of all proposed capital spending from their budget share. It is recommended that schools discuss their proposals with the Authority prior to the final authorisation of such proposals and in particular that they ensure that the proposed works do not already form part of the Authority's approved capital programme. If the expected capital expenditure from the budget share in any one year will exceed £25,000, the governing body must notify the Authority and take into account any advice from the Director of Children's, Education & Early Help Services and the Chief Finance Officer as to the merits of the proposed expenditure. If the Authority owns the premises or the school has voluntary controlled status, then the

governing body should seek the consent of the Authority to the proposed works, but consent will only normally be withheld on health and safety grounds.

## **2.21 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's, Education & Early Help Services, 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 the school.

Such a 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:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools - such as the provision of monthly accounts to the Authority;
- insisting on regular financial monitoring meetings at the school attended by Authority officers;
- requiring a governing body to buy into the Authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share - for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

## **2.22 Schools Financial Value Standard (SFVS)**

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in 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 action 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 Authority before the 31<sup>st</sup> March ~~2013 and annually thereafter.~~

## **~~2.22 Statement of Internal Controls~~**

~~Schools are required to complete and submit to the Authority the Statement of Internal Controls (SIC) in a format specified by the Authority and approved by Schools' Forum on an annual basis. The Authority recommends the SIC is completed at the same time as the SFVS is certified.~~

## **2.23 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 related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

## **SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units.

### **3.1 Frequency of instalments**

The Authority will ensure that schools receive their budget share allocation in monthly instalments sufficient to meet their reasonable cash-flow needs. Top-up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider. The Chief Finance Officer in consultation with the Director of Children's, Education & Early Help Services will agree with individual schools an appropriate schedule of payment. Payments to individual school bank accounts will usually be by BACS.

### **3.2 Proportion of budget share payable at each instalment**

Monthly budget share payments to schools will be made in accordance with the schedule of payment agreed with individual schools and the Chief Finance Officer. Where no prior agreement exists with a school and the Chief Finance Officer, then the budget share payable will be equal to one twelfth of the schools approved budget share. Payment will be made direct into the school's main bank account.

Schools wishing to revise their schedule of payment, changing either the frequency of each instalment or the proportion of budget share payable at each instalment are required to submit their request at least two weeks in advance in writing to the Chief Finance Officer.

Schools who use a payroll service that is external to that provided by the Authority will receive their budget share in instalments that reasonably take account of payroll costs. Those schools whose payroll is administered by the Authority will receive the instalments net of estimated payroll costs for the period to which the payment relates.

### **3.3 Interest clawback**

Where a school requests and the Authority agrees to make available the budget share in advance (of what the Authority believes to be reasonable cash flow needs taking account of the pattern of expenditure of schools of that size, and any particular representations relating to the individual school's circumstances) the Authority may deduct from the budget share an amount equal to the estimated interest lost. The calculation basis as outlined in annex B (Interest charges on advances) may be at a rate up to 2% higher than the rate applicable to funds invested with the Authority on any amount advanced, although provided the Authority has agreed the business plan with the school that sets out the repayment regime, interest will usually be waived.

#### **3.3.1 Interest on late budget share payments**



The Authority will add interest to late payments of budget share instalments made after payroll run day each month, where such late payment is the result of Authority error. The interest rate to be used will be that used for clawback calculations as detailed above.

### **3.4 Budget shares for closing schools**

Subject the agreement of the Director of Children's, Education & Early Help Services and the Chief Finance Officer, the budget shares of schools for which approval for discontinuation has been secured, may be made available until closure of that school on a monthly basis net of estimated pay costs, even where some different basis was previously used.

### **3.5 Bank and building society accounts**

All maintained schools must establish a main bank account to which the budget share will be paid. They must notify the Chief Finance Officer of the account and any proposals to change it. Schools 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.

When a school so changes its bank account, the previous account used to receive budget shares should be closed within 3 months, and any balance transferred to the new account. Any balance the Authority is holding in respect of the school's budget share (or if necessary an estimate, to be adjusted once the correct amount is determined), will also be transferred to the new account (or from it in the case of a deficit, subject to funds being available).

~~To facilitate this, the Authority has arranged for all schools who wish to have an account with the Co-operative Bank as part of the 'Reading Borough Council' group to do so. Such accounts will normally earn interest on credit balances at base rate less 0.25%.~~

Schools shall also notify the Chief Finance Officer of other bank accounts they hold, although this is not necessary if the account is held by a separate legally constituted related legal body (e.g. a properly constituted charitable trust).

The operation of school bank accounts in this way will result in school balances being held in the nominated account at the year end, or one otherwise agreed with the Chief Finance Officer (subject to adjustments associated with estimated payroll costs, as mentioned in 3.2.).

### **3.6 Restrictions on accounts**

Full details, including account details and authorised signatories (minimum of two) for all banking transactions, of all bank and/or building societies maintained by the school should be supplied in writing to the Chief Finance Officer. Schools are normally required to advise the Authority at least three months in advance of its intention to change its banking arrangement. Any school closing an account used to receive its budget share and opening another must agree the new bank or building

society with the Chief Finance Officer, which must be consistent with the authority's Treasury Management policy.

Under section 49(5) of the Act, all monies paid by the Authority and held in such accounts shall remain to be the property of the Authority until spent.

Although accounts can be in the name of the school rather than the authority, wherever the school holds its bank account, the account mandate should provide 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.

Where on-line banking is used, schools must ensure that sufficient controls are in place for authorisation of transactions.

### 3.7 Borrowing by schools

With the exception of loan schemes run by the Authority and outlined in the scheme, Governing Bodies may only borrow money (which includes the use of finance leases) with the written permission of the Secretary of State (who will only grant permission for borrowing in exceptional circumstances). Details of all such requests and subsequent approvals or otherwise should be supplied in writing to the Authority's Chief Finance Officer.

However, schools may be permitted to use any scheme that the Secretary of State has said is available to schools without specific approval, such as the Salix scheme which is designed to support energy saving.

Schools must not use credit cards, as this is considered a form of borrowing. Procurement cards should be used for facilitating electronic purchases, and these must be set up to prevent cash withdrawals.

### 3.8 Finance leases and hire purchase agreements

The Authority adopts the definition of leases in accordance with best accounting practice as described in the International Accounting Standard (IAS) 17.

IAS 17 classifies a lease as a finance lease if it 'transfers substantially all the risks and rewards incidental to ownership' to the lessee. A lease not classified as a finance lease is classified as an operating lease.

A finance lease is a form of borrowing and must not be entered into by a school without the agreement of the Authority. A hire purchase agreement is similar in substance to a finance lease and must not be entered into by a school.

IAS 17 states that 'whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract'.

IAS gives the following examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease: -

- a) The lease transfers ownership of the asset to the lessee by the end of the lease term.
- b) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised.
- c) The lease term is for the major part of the economic life of the asset even if title is not transferred.
- d) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- e) The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The standard also provides indicators of situations that individually or in combination could result in a finance lease as follows: -

- a) If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.
- b) Gains and losses from the fluctuation in the fair value of the residual accrue to the lessee.
- c) The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Schools must seek an opinion from the Authority's professional advisors (financial or legal) or the Authority before entering into any significant lease agreement, where a significant lease agreement is defined as a lease agreement where an annual gross lease payment to a bank or banks exceeds £20,000 or total gross lease payments over the life of the lease exceed £60,000 and/or at a level at the discretion of the Chief Finance Officer. This must be done irrespective of any advice given by the leasing company on the nature of the lease.

Schools must not enter into a significant lease through the equipment vendor without the express agreement of the Authority.

Schools must provide information on all leases as at the year end or as requested by the Chief Finance Officer.

### **3.9 Other provisions**

All relevant provisions contained in the Authority's financial regulations or other appropriate financial guidance issued by the Authority shall be applicable to schools where those provisions impact on a school's banking arrangements.

## SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

### 4.1 The right to carry forward surplus balances

Schools may carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus or minus any balance brought forward from the previous year.

### 4.2 Reporting on and control of the use of surplus balances

#### 4.2.1 Reporting on surplus balances

Local authorities are no longer required to operate a balance control mechanism.

~~The Authority has consulted Schools' Forum as to whether the Scheme should contain a balance control mechanism. Schools' Forum proposed a balance control mechanism should continue to operate, but should be managed by Schools' Forum rather than the Authority.~~

The Authority will, however, provide Schools' Forum with the level of year-end balances held by schools and the balance as a percentage of the delegated budget, plus the data for the previous three years. Schools' Forum will decide whether any ~~some~~ schools will be required to provide additional information regarding the proposed use of those balances, if it has concerns over that school's financial management. Schools' Forum may commission the Authority to collect the information or collect the information directly. Schools' Forum must make information so collected available to the Authority on request.

~~Schools' Forum will select schools where additional information is required using the previous thresholds. For a nursery / primary or special schools the threshold is a balance of over 8% of its delegated budget, for a secondary school the threshold is a balance of over 5%, or a balance of £10,000 where it is greater than either percentage threshold.~~

- ~~• Schools' Forum will assess schools with excess balances as to the extent to which the balance is committed, planned or assigned for a specific purpose.~~
- ~~• Where Schools Forum is satisfied the school's excess balance is not properly committed, Schools' Forum may authorise the Authority to collect excess balances above the threshold.~~
- ~~• Any sums collected through this mechanism will be held within the total Schools Budget for re-distribution across all schools.~~
- ~~• Where a member of Schools' Forum represents a school with an excess balance, they must declare a conflict of interest and would be excluded from participating in any decision regarding whether or not excess balances are to be collected from that school.~~

#### ~~4.2.2 Determining the size of the surplus balance~~

~~In determining the size of surplus balances, the Authority will adopt the following approach:~~

a. The Authority will calculate each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the revenue balance as defined in the Consistent Financial Reporting Framework;

b. The Authority will then deduct from the resulting sum any amounts which the school has declared to be assigned for specific purposes (paragraph 4.2.3), and which Schools' Forum is satisfied are properly assigned. Balances which are retained beyond the period stipulated for the purpose in question without Schools' Forum's consent may no longer count as properly assigned. This is to ensure that while schools can build up reserves towards particular projects, they cannot defer implementation indefinitely. In considering whether balances are properly assigned Schools' Forum will take into account a school's previous plans for any surplus balances and any changes to such plans.

c. if the result of steps a-b is a sum greater than 5% of the previous year's budget share (secondary schools) or 8% (nursery, primary and special schools), or £10,000 where that is greater than either percentage threshold, then Schools' Forum may authorise the Authority deduct from the current year's budget share an amount equal to the excess.

In calculating this amount Schools' Forum will consider each school on an individual basis and will give due regard to the particular circumstances resulting in excess balances. It will take into account funds from sources other than the Authority and forming part of the school's budget share, including, for example, the impact of voluntary parental contributions. Community facilities funds (held under s.27 of the Education Act 2002) will not be taken into account unless the school adds these to its budget share surplus.

#### **4.2.3 Purposes for school balances that may count as properly assigned**

School balances may be held for the kind of specific purposes listed below. The list is not exhaustive:

- Capital building and construction projects
- Furniture, IT and other one-off expenditure of a capital nature
- Infrastructure maintenance and refurbishment
- Staffing remodelling / restructuring
- Funding held on behalf of a group of schools to deliver a service
- Specific curriculum resources.

#### **4.3 Interest on surplus balances**

Balances held by the Authority on behalf of schools will not attract interest.

#### **4.4 Obligation to carry forward deficit balances**

Where a schools expenditure in a financial year exceeds the schools budget share plus any surplus/deficit balances carried forward from a previous year, this will

generate a deficit balance to be carried forward to the next financial year. Any such deficit balances will form a first charge and be deducted from the following year's budget share.

Unless the deficit is very small and can be managed within the school's normal cash flow, as soon as the school foresees such a situation is likely to arise it must seek advice of the Chief Finance Officer and Director of Children's, Education & Early Help Services with proposals as to how the situation will be addressed.

Details of the amount of balances carried forward from one financial year to the next will be reflected in the relevant out-turn statement published under s.251.

#### **4.5 Planning for deficit budgets**

Schools are required to operate on the basis of a balanced budget agreed with the Authority and are not permitted to plan for deficits in their initial budget plan. In the event that a school unavoidably generates a deficit balance then section 4.9 of the scheme shall apply.

#### **4.6 Charging of interest on budget advances**

The Authority is permitted to charge interest on any cash advanced to fund deficit balances. Interest on deficit balances will be calculated on a daily basis and may be charged at a rate up to base rate plus 2% though this will normally be waived provided the Authority has agreed the business plan to address a deficit position.

#### **4.7 Writing off deficits**

The Authority is not permitted to write off the deficit balance of any school.

#### **4.8 Balances of closing and replacement schools**

When a school closes, any balance, whether surplus or deficit shall revert to the Authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school. The closing school must make all reasonable endeavours to avoid a deficit balance on closure.

The Authority may make allocations to new schools which have the effect of giving them the benefit of additional sums which are equal to the balances of the relevant closing schools.

Where a school converts to academy status (whether as a standalone academy or as part of a multi academy trust) under section 4(1)(a) of the Academies Act 2010, the Authority must pay to the new academy school an amount equal to the surplus balance of the school at the date of conversion.

Where a school with a deficit balance converts to academy status (whether as a standalone academy or as part of a multi academy trust) under section 4(1)(a) of the Academies Act 2010, the Authority shall be compensated by central government for the amount of deficit inherited at the date of conversion. Central government will then recover the deficit from budget allocations made by them to the new academy.

Where a school converts to academy status as a sponsored academy **due to being eligible for intervention**, the Authority will pay to the academy school an amount equal to the surplus balance of the school at the date of conversion. Where a school with a deficit balance converts to academy status as a sponsored academy **due to being eligible for intervention**, the amount of the deficit is transferred to the Authority. The Authority may charge some or all of the cost of deficit against the Dedicated Schools Grant.

#### 4.9 Planned (licensed) deficits

~~Currently, there is no provision for planned (licensed) deficit budgets.~~

The LA will permit schools to plan for a deficit budget in particular circumstances. The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by the authority on behalf of schools although it is open to the local authority, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation.

The requirements are set out below:

- The maximum length over which schools may repay the deficit, i.e. reach at least a zero balance with appropriate mechanism to ensure that the deficit is not simply extended indefinitely, would normally be five years.
- The deficit will only be agreed to allow a school in the short term to maintain a level of spend which in the opinion of the Head of the Education Service is the minimum required to deliver the National Curriculum.
- The maximum size of the deficit in normal circumstances will not exceed 5% of the school's budget share.
- The maximum proportion of the collective balances held by the LA, which would be used to back the arrangement, shall not exceed 20%.
- Before a deficit budget is approved, the school must produce a detailed deficit recovery plan in the prescribed format for the duration of the planned period of the deficit, which will be reviewed and updated at least annually.
- The school must provide to the local authority any additional information/school data requested in relation to the deficit recovery within a reasonable timescale. This may include information on staffing structures, class/timetable arrangements, curriculum plans etc.
- The school must submit monthly budget monitoring reports to the local authority.
- The school must meet with the local authority at least every 6 months to review progress of the deficit recovery plan and attend Schools' Forum if requested.
- A member of the LA may attend the school's Governor Meetings where the budget is to be discussed.
- The Head of the Education Service, jointly with the Head of Finance, would be responsible for approving any deficit.
- Should a school not comply with the requirements of the licensed deficit, and/or the deficit recovery plan is not being adhered to, the authority may issue a Notice of Concern (see paragraph 2.21) which may ultimately result in

withdrawal of financial delegation.

The Local Authority will inform schools annually on the guidelines to setting a deficit budget and any additional requirements in operating with a licensed deficit.

Schools with an approved licenced deficit may request a budget advance to meet a deficit balance where cash flow problems are experienced until the situation can be corrected and the deficit removed. ~~Schools seeking a budget advance will be asked to complete a 'Budget Advance Application' wherein the Governing Body must set out its plan to pay back the advance of a fixed period not exceeding 3 years. The form will ask the Governing Body to consider all factors around the repayment of the loan including, proposed implementation timetable, impact on staffing and the curriculum and school development taking into account the effect of changing demography.~~

#### 4.10 Loan Schemes

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

There is currently no loan scheme available to Reading Borough Council Schools, and schools with a deficit are covered by a licenced deficit as set out in paragraph 4.9.

#### 4.11 Credit union approach

~~The Authority may introduce a Credit Union approach subject to consultation with schools. There are no plans to introduce this at present.~~

Schools may group together to utilise externally held balances for a credit union approach to loans. If doing so and if the authority does not act as administrator of such an arrangement, audit certification will be required.



## **SECTION 5: INCOME**

### **5.1 Income from lettings**

Schools are allowed to retain income from lettings of school premises owned by the Authority which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Income from lettings of school premises should not be paid into voluntary or private funds held by the school. Schools must ensure that lettings of school premises are not provided at an overall cost to the budget share but may 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. The use of such premises is subject to any directions issued by the Authority as to the appropriate use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools.

Lettings of school premises not owned by the Authority would not be affected by this provision.

### **5.2 Income from fees and charges**

Schools are allowed to retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. Schools are required to give due regard to any policy statements on charging the Authority may produce.

### **5.3 Income from fund-raising activities**

Schools are allowed to retain income from fund-raising activities.

### **5.4 Income from the sale of assets**

Schools are allowed to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it will be for the Authority to decide whether the school should retain any of 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**

The procedures for the collection of all income due to the Authority are subject to the continual review of and issuing of appropriate guidance from the Chief Finance Officer.

### **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.

Sale of assets would become part of the capital balance of the school and, therefore, would be available for capital expenditure only.

## SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

### 6.1 General provision

The Authority is authorised to charge the budget share of a school without the consent of the governing body **only in circumstances expressly permitted by the scheme (6.2), and requires authorities to consult with schools on any intended changes, and notify schools when it has been done. but will wherever possible notify and discuss in advance with individual schools its decision to exercise this right. This authority is limited to those circumstances expressly permitted by the scheme.** The Authority is not permitted to levy a charge where the statutory responsibility rests elsewhere and therefore the Authority cannot incur a liability. For the avoidance of doubt the Authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase of the Schools' Forum.

6.1.1 All charges for salaries and wages of school-based staff to school budget shares will wherever possible be based on actual rather than estimated costs.

Schools may wish to draw to the attention of the Authority expenses they feel they have incurred as a result of the acts or omissions of the Authority.

### 6.2 Circumstances in which charges may be made

The circumstances under which charges may be applicable are outlined below:

- i. 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);
- ii. Other expenditure incurred to secure resignations where the school had not followed the Authority's advice;
- iii. Awards by courts and industrial tribunals against the Authority or out of court settlements, arising from acts or omissions by the governing body or head teacher contrary to the Authority's advice
- iv. 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;
- v. Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- vi. 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;
- vii. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority;
- viii. Recovery of penalties imposed on the Authority by the Board of Inland Revenue,

- the Contributions Agency or HM Customs and Excise, Teachers Pensions, the Environment Agency or other regulatory authorities as a result of school acts or omissions.
- ix. Correction of Authority errors in calculating charges to a budget share (eg pension deductions)
  - x. 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.
  - xi. Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority.
  - xii. Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.
  - xiii. Compensation paid to a lender where a school enters into a contract for borrowing or leasing beyond its legal powers, and the contract is of no effect, and the full initial cost of any credit arrangement the school enters into without the prior written agreement of the Chief Finance Officer.
  - xiv. Cost of work done in respect of teacher pension 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.
  - xv. Costs incurred by the Authority in securing provision specified in an Education, Health and Care Plan (EHCP) 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.
  - xvi. Costs incurred by the Authority due to submission by the school of incorrect data.
  - xvii. Recovery of amounts spent from specific grants on ineligible purposes.
  - xviii. Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
  - xix. 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.
  - xx. Costs incurred by the authority in administering admission 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.

## SECTION 7: TAXATION

### 7.1 VALUE ADDED TAX

Schools are required to complete a monthly return of expenditure and income showing the amount of VAT incurred and any VAT arising for services supplied by schools. In respect of VAT incurred, schools must hold a valid VAT invoice to support their claim.

On receipt of the monthly return the Authority will reclaim the net VAT and arrange for the school to be reimbursed.

VAT **cannot be recovered** on expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

Schools should seek advice of the Chief Finance Officer in relation to VAT if there is any doubt as to how a particular transaction should be treated.

### 7.2 CIS (Construction Industry Taxation Scheme)

Schools are required to agree a procedure with the Chief Finance Officer to enable any expenditure they incur to which the Construction Industry Taxation Scheme (CIS) applies to be correctly accounted for. For many schools this can be achieved by asking the Chief Finance Officer to make such payments.

## **SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

### **8.1: Provision of services from centrally retained budgets**

The Authority will determine the basis upon which services from centrally retained funds (including existing premature retirement costs and redundancy payments) are provided to schools. The Authority will, wherever possible endeavour to do this in consultation with schools. The Authority will not discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

### **8.2 Provision of services bought back from the Authority using delegated budgets**

The Authority may require a minimum period of up to 3 years where it is necessary to ensure an economic service provision.

When a service is provided for which expenditure is not retainable centrally by the Authority under the Regulations made under section 46 of the Act, it will be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service will be met by the total income, even if schools are charged differentially.

### **8.3 Packaging**

The Authority will ensure that in providing any service on a buy-back basis that such services will be offered in a way which does not unreasonably restrict schools freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services. Services available to be purchased with delegated funds will be outlined in guidance from time to time (Reading Borough Council support services for schools).

### **8.4 Service level agreements**

Service level agreements must normally be in place by no later than 31<sup>st</sup> March to be effective for the following financial year and schools must normally have at least a month to consider the terms of agreements.

With the exception of centrally funded premises and liability insurances, if services or facilities are provided under a Service Level Agreement (SLA) - whether free or on a buy-back 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.

Services provided by the Authority will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. Where such services are provided on an ad-hoc basis they may be charged for at a different rate than if those services were provided on the basis of an extended agreement.

### **8.5 Teachers' Pensions**

For the purposes of the Teachers' Pensions Scheme (TPS), local authorities are deemed to be the employers of teachers employed in maintained schools, whoever is the contractual employer. This brings with it the duty, under the Teachers' Pensions Regulations 1997, to make data returns relating to contributions, salaries and service for the staff concerned to Teachers Pensions.

Schools must ensure that their contracts with third party payroll agencies contain proper provision requiring the agency to supply data returns in the format as reasonably specified by the Authority. Governing bodies must also ensure that details of Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit showed in the AVC scheme. Annex C sets out the full details. Where a revision to the contract involves increased charges then the additional cost is to be met from within the existing schools' budget share.

## **SECTION 9: PRIVATE FINANCE INITIATIVE / PUBLIC -PRIVATE PARTNERSHIP**

### **9.1 Private Finance Initiative (PFI) / Public -Private Partnership (PPP)**

The Authority may develop PFI projects within the schools sector. An appropriate funding mechanism for such projects will be established in consultation with schools and the particular governing bodies concerned. The Authority anticipates agreeing with the governing body of schools as to the basis of such charges; and the treatment of monies withheld from contractors due to poor performance.



## SECTION 10: INSURANCE

### 10.1 Insurance cover

The Head of Finance has the responsibility for ensuring that the Council is adequately protected by insurance. It is essential that the School Governing Body is adequately protected. Without insurance, Schools could find themselves in a position where they are exposing the School and the Council to potential liabilities which could have serious financial implications for Schools and the Council, e.g. a major fire or injury. In addition, individual teachers or Governors may unwittingly open themselves to the possibility of being sued personally. The Head of Finance can determine the minimum levels of insurance cover for Schools. The **Minimum Requirement** will be based on the cover currently provided by the LA, or such amounts that the Head of Finance reasonably determines due to changes in the nature of the risk. Schools will not be allowed to place their insurance cover elsewhere unless they can demonstrate that these meet the Minimum Requirements.

When considering the options open to them Governing Bodies should make their decision bearing in mind their own individual circumstances and ensure that they are clear as to the extent of cover and other services included within each option.

In the event of the School deciding not to take advantage of the Council's Insurance Service, the School must demonstrate that it has arranged cover to as good a standard as that which would have been arranged by the LA.

***Schools making their own alternative insurance arrangements must produce evidence of such insurance to the Head of Finance following inception and each subsequent annual renewal.***

An Authorised Insurer (i.e. a company that is licensed to undertake the appropriate insurance business in the United Kingdom) must provide any insurance cover. It must also meet the requirements of the Council's insurance advisor's security board.

***If the alternative insurance does not meet the minimum specification, the Council will have the right to take out the necessary insurance cover on behalf of the School and charge the premium to the School delegated budget.***

Details of the insurance cover required for Reading schools (available as a buy-back) is updated annually in the School Insurance Guide which is published on the Reading SLA portal, also outlined in the Authority's Insurance Guidance Notes for Schools, available on request from the Chief Finance Officer. The Authority will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement. Whilst an arbitrary minimum level of cover for all schools will not be applied, the Authority is likely to recommend minimum levels of cover on the advice of its retained insurance advisor when to protect both the Authority's and the school's interests.

## SECTION 11: MISCELLANEOUS

### 11.1 Right of access to information

Governing bodies are required to supply upon request and within a reasonable timescale, all financial and other information including the specific requirements outlined throughout this document, which might reasonably be required to enable the Authority or, its auditors 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 (eg earmarked funds) on the school.

### 11.2 Liability of governors

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

### 11.3 Governors' expenses

Under schedule 50(5) of the Act, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. Payment of any other allowances is forbidden. Schools are also barred from payment of expenses which duplicate those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

### 11.4 Responsibility for legal costs

Where the governing body fails to act in accordance with the advice of the Authority, then the Authority is authorised to charge school's budget shares for appropriate legal costs incurred by the school's governing body. The Authority will wherever possible discuss in advance with schools its intention to make such a charge, and may in exceptional circumstances, following consultation with schools, waive this right. **The costs referred to are those of legal actions, including costs awarded against the authority, not the cost of legal advice provided.**

The Head of Legal Services will issue from time to time guidance to schools about procedures for obtaining legal advice, including circumstances where there is a conflict of interest between the governing body and the Authority.

### 11.5 Health and Safety

The Authority, governors, senior managers and all employees have general duties under the Health and Safety at Work Act 1974. Those duties are underpinned by more specific requirements set out in regulations or other legislation. In expending the school's budget share, governing bodies are required to give due regard to the requirements as specified in the aforementioned as well as those incorporated in Authority policy and other guidelines issued by the Authority that are deemed to be applicable to schools.

The Health and Safety Executive is working on detailed guidance for schools. In the meantime, the Authority may, under s39(3) of the School Standards and Framework Act issue directions to the governing body and headteacher of a community, community special or voluntary controlled school on health and safety matters, these directions are enforceable, so far as governing bodies are concerned, via S497 of the Education Act 1996 if not complied with.

### **11.6 Right of attendance for the Chief Finance Officer**

Governing bodies are required to permit the Chief Finance Officer or any person nominated by the Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities. To facilitate this, the Authority will, unless this is impracticable, give prior notice of its intention to attend, and the governing body will supply upon request advance details including appropriate documentation of specific items to be discussed at such meetings.

Relevant items are those relating to financial probity, or overall financial management of the Authority. Schools will always advise the Chief Finance Officer if the Governing Body is considering a probity matter where there is an allegation of fraud or irregularity in the use of delegated or devolved funds.

### **11.7 Special Educational Needs**

Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils. If the LA is advised that this is not being achieved it may need to suspend delegation where a situation is serious enough to warrant it.

### **11.8 Interest on late payments**

Schools are reminded that the terms of the scheme cannot affect statutory requirements. The Late Payment of Commercial Debts (Interest) Act 1998 requires debts to suppliers to be paid within 30 days of receiving the goods/services, or receiving the invoice (whichever is the later). The supplier must receive a cheque or cleared funds by the 30th day. Suppliers are entitled to charge interest at Bank of England Base rate plus 8% on late payments, as well as reasonable debt recovery costs.

### **11.9 'Whistleblowing'**

RBC has a 'whistleblowing' policy available on the Authority's website - [www.reading.gov.uk/councilanddemocracy/corporatecomments/whistleblowing](http://www.reading.gov.uk/councilanddemocracy/corporatecomments/whistleblowing).

The purpose of the policy is to encourage all staff to feel confident in raising serious concerns, to question and act upon concerns about practice; to provide a method of raising concerns and receiving feedback on any action taken; to ensure that a response to concerns is received and to reassure staff that you will be protected from reprisals or victimisation for whistleblowing in good faith. This scheme should be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school.

As a first step, concerns should normally be raised with your immediate manager or Chair of the Board of Governors. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If you need advice and guidance on how matters of concern may be pursued the Chief Auditor at Reading BC should be contacted.

#### 11.10 Child Protection

Schools must release staff to attend child protection case conferences and other related events. The Authority maintains a budget for supply cover to enable staff to undertake these duties.

#### 11.11 Redundancy/Early Retirement Costs (new)

~~The text below is taken from the statutory guidance published by the DfE. The Authority proposes to establish a working group (including schools and Authority representatives) to review whether local changes are needed to the national policy. Any local variation that might be inserted into this section would be subject to consultation with all maintained school head teachers and governing bodies and would be subject to the agreement of Schools' Forum.~~

It is expected that schools will normally meet all redundancy/early retirement costs from their delegated budgets, unless there are exceptional circumstances.

Annex D sets out the statutory guidance on the funding of premature retirement and redundancy costs.

## SECTION 12: REPAIRS AND MAINTENANCE

### 12.1 Responsibility for Repairs and Maintenance

With the exception of capital expenditure as defined by the 'CIPFA Code of Practice on local authority accounting', Reading Borough Council will delegate all funding for repairs and maintenance to schools.

School's should set their own de-minimus limit in assigning whether work is classified as revenue or capital, the default being that used by the local authority.

~~A statement summarising the categories of work which governing bodies can expect to finance from their delegated budgets and those items which would ordinarily be expected to be financed by the Council is attached.~~

For voluntary aided schools, the liability of the authority for repairs and maintenance is the same as for other maintained schools.

Voluntary Aided governor responsibilities are as set out in the DfE document 'Funding for premises-related work at Voluntary Aided (VA) Schools in England' effective from 1<sup>st</sup> April 2002. VA governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools. VA governing bodies are liable for:

- The existing buildings (internal and external);
- Those buildings previously known as 'excepted' (kitchens, dining areas, medical/dental rooms, swimming pools, caretakers' dwelling houses);
- Perimeter walls and fences, even if they are around the playing fields;
- Playgrounds;
- Furniture, fixtures and fittings - but not normally ICT equipment;
- Other capital items (which can include boiler replacements and replacement of services).

LEA's are liable for:

- Playing fields

## **SECTION 13: COMMUNITY FACILITIES**

### **13.1 Application of Schemes for Financing Schools to the Community Facilities Power**

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 about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's 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 extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

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

### **13.2 Impact on main school budget**

The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

Schools must maintain separate accounts and bank accounts for budget share and community facilities and should maintain the same controls on this bank account as they do for the budget share bank account.

### **13.3 Consultation with the authority - financial aspects**

Schools must seek Authority advice in any proposal to provide community facilities and must have regard to advice from the Authority. Schools must give the Authority a minimum of 4 weeks response time in such consultation and may be required to submit further information if insufficient data is submitted for an informed response.

### **13.4 Funding agreements - authority powers**

Schools seeking to enter into any funding agreement with a third party either supplying funding or supplying funding and taking part in the provision, must submit any such proposed agreement to the Director of Children's, Education & Early Help Services for comment. Schools must give the Authority a minimum of 4 weeks response time in such consultation.

Schools seeking Authority advice and submitting proposals to the Authority for comment must take into account the comments of the Authority and inform the Authority what action has been taken following Authority advice. Whilst the Authority has no right of veto for such agreements, if an agreement has been or is to be concluded against the wishes of the Authority, or as been concluded without informing the Authority, which 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.

### **13.5 Other prohibitions, restrictions and limitations**

In cases where the Authority considers that a proposed project carries significant financial risks to the Authority, it may require the governing body concerned to make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project as specified by the Authority.

### **13.6 Supply of financial information to the Authority**

Schools which exercise the community facilities power should provide the Authority every six months with a summary statement showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

Should the Authority consider there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, it may request financial statements every three months and the submission of a recovery plan for the activity in question if required.

### **13.7 Audit**

Schools, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, should ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.8 Treatment of income and surpluses**

Schools may retain all net income derived from community facilities except where otherwise agreed with a funding provider.

Schools may carry such retained net income over from one financial year to the next as a separate community facility supply, or transfer all or part of it to the budget share balance.

If the school is a community or community special school and the Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority.

### **13.9 Health and safety**

The health and safety provisions of the main scheme (see section 11.5) also apply to the community facilities power.

The governing body will be responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day.

### **13.10 Insurance**

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power. **The school should seek the Authority's advice before finalising any insurance arrangement for community facilities** and should allow a two week response time for the Authority. The Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

### **13.11 Taxation**

Schools should seek the advice of the Authority initially and the local VAT office or professional VAT advice on any issues relating to the possible imposition of Value Added Tax on income and expenditure in connection with community facilities and any company set up to manage such facilities.

Schools must fulfil the Authority's directions on VAT issues that impact on the Authority's VAT return or position.

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 a school's own back account, the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

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

### **13.12 Banking**

**Schools should either maintain separate bank accounts for budget share and community facilities, or have one account but with adequate internal accounting controls to maintain separation of funds. School should also have regard to the provisions at 3.5 and 3.6 above relating to the banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters. The general approach to these matters should mirror these sections, except that a provision requiring that a mandate show the LA as owner of the funds**



in the account should exempt the community facilities funds from that if they are not in the same account as the budget share.

Schools must not borrow money to fund a community service without the written consent of the Secretary of State (see section 3.7).

## ANNEXES

- A Schools Covered by the Scheme
- B Interest Charges on Advances
- C Requirement to provide data on Teacher Pensions
- D Responsibility for redundancy and early retirement costs

## ANNEX A

### SCHOOLS COVERED BY THE SCHEME

<b>Nursery Schools:</b>		
Blagrave	Caversham	Norcot
Blagdon	New Bridge	
<b>Primary Schools:</b>		
Alfred Sutton	Geoffrey Field Infant	Redlands Primary
All Saints Infants	Geoffrey Field Junior	Ridgeway Primary
Caversham Park Primary	Hill Primary, The	Southcote Primary
Caversham Primary	Katesgrove Primary	St. Annes RC Primary
Christ The King RC Primary	Manor Primary	St. Martins RC Primary
Coley Primary	Micklends Primary	St. Michaels Primary
E P Collier Primary	Moorlands Primary	Thameside Primary
Emmer Green Primary	Oxford Road Primary	Whitley Park Primary
English Martyrs RC Primary	Park Lane Primary	Wilson Primary
<b>Secondary Schools:</b>		
Hugh Faringdon		
<b>Special Schools:</b>		
Phoenix School	The Holy Brook	
<b>Pupil Referral Units (PRUs):</b>		
<u>Cranbury College</u>		

## ANNEX B

### INTEREST CHARGES ON ADVANCES

The calculation basis of the deduction that the Council may make from a school's budget share in respect of estimated interest lost will be at a rate up to 2% higher than the rate applicable to funds invested with the Council on any amount advanced.

For example:

Suppose the normal instalments the Councils agrees to pay are one twelfth of the budget at the start of each month. A school with an annual budget of £300,000 asks for its March instalment 10 months earlier in May. Assuming that the current interest rate applicable to funds invested with the Council is 3% then, the interest charge on that advance will be calculated as:

$$\frac{\text{annual budget}}{12} \times \frac{\text{number of days in advance}}{365} \times (\text{current interest rate} + 2\%) = \text{interest charge}$$

$$\frac{\pounds 300,000}{12} = \pounds 25,000 \times \frac{305}{365} = \pounds 20,890 \times (3\% + 2\%) = \pounds 1,045$$

## ANNEX C

### REQUIREMENT TO PROVIDE DATA ON TEACHER PENSIONS

In order to ensure that the performance of the duty on Reading Borough Council to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on RBC 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 Reading Borough Council 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 (AVCs) are passed to RBC 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 RBC which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. Reading Borough Council 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 (AVCs) 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.

## ANNEX D

### RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget.

Section 37 of the 2002 Education Act says:

*(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met*

*(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.*

*(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).*

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while 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 a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

#### *Charge of dismissal/resignation costs to delegated school budget*

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the local authority's policy
- 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
- Where staffing reductions arise from a deficit caused by factors within the school's control
- Where the school has excess surplus balances and no agreed plan to use these
- 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*

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- 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
- Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

Costs of early retirements or redundancies may only be charged to the central part of the Schools Budget where the expenditure is to be incurred as a result of decisions made before 1<sup>st</sup> April 2013. Costs may not exceed the amount budgeted in the previous financial year.

It is important that the local authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if Schools' Forum agree, to support individual schools where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share".

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. Section 37 now states:

*(7)Where a local education authority incur costs—*

*(a)in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*

*(b)in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

*(7A)Any amount payable by virtue of subsection (7) by the governing body of a maintained school to the local education authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection (7B) is met.*

*(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the*

*performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.*

*(8)Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.*