

TO: SCHOOLS FORUM
DATE: 13 JULY 2017

ARRANGEMENTS FOR ADDITIONAL FINANCIAL SUPPORT TO SCHOOLS
Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement from the Forum in respect of proposals for additional financial support to schools, in particular, revisions to existing loan agreements and a new loan request.
- 1.2 An update on the current position in respect of previously agreed loans is also presented, as well as a request to make minor changes to the criteria for the allocation of additional funds to schools in financial difficulties.

2 RECOMMENDATIONS

That the Schools Forum NOTES:

- 2.1 **The final expenditure for 2016-17 on additional financial support to schools, as set out in Annex B.**
- 2.2 **The previously agreed loans for the following schools are on target to be repaid in accordance with the agreed conditions:**
- i. **Great Hollands;**
 - ii. **Sandhurst Secondary School;**
 - iii. **Brakenhale Secondary Academy School;**
 - iv. **Easthampstead Park Secondary School;**

That the MAINTAINED SCHOOL REPRESENTATIVES on the Schools Forum AGREE:

- 2.3 **That subject to the school governors confirming the loan schedule and compliance with the associated terms and conditions of the loan scheme:**
- i. **Wildmoor Heath Primary School receives a further advance of £0.040m, for repayment by 31 March 2020 (paragraph 5.18);**
 - ii. **Birch Hill repayment schedule for the existing £0.030m loan is extended by 1 year to 31 March 2020 and that the repayment instalments amended to 3 equal annual repayments of £0.010m (paragraph 5.21);**
 - iii. **Ascot Heath Infant School is granted a new loan of £0.020m, for repayment by 31 March 2019 (paragraph 5.23).**
- 2.4 **The revised text to the criteria for the allocation of additional funds to support schools facing financial difficulties, as set out in Annex A.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 It is appropriate for the Schools Forum to be aware of, and where relevant, comment on these financial matters.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None. The recommendations are in accordance with agreed policies to provide additional financial support to schools.

5 SUPPORTING INFORMATION

Background

- 5.1 The LA has two main options to support maintained schools requesting additional financial support. Where significant budget difficulties exist, and it is unreasonable to expect a school to be able to solve these through the management of their normal budget allocations, or where a school is in, or at risk of falling into one of the Ofsted categories of causing concern, additional funding can be provided that does not need to be repaid.
- 5.2 Alternatively, loans can be agreed. Loans can either be to assist a school that is experiencing medium term financial difficulties that over time can be readily managed and the school return to a surplus, or where a capital investment is proposed but the school does not yet have the full resources to afford the purchase. In these circumstances, schools fully repay any loan, including where relevant, any associated interest.
- 5.3 Neither of these options are available to academy schools.

Additional funding that is not required to be repaid

Background and summary

- 5.4 School Funding Regulations allow for additional funds outside the normal operation of the Funding Formula to be provided to schools considered to be in financial difficulty. In agreement with the Schools Forum, this de-delegated budget has been returned to the Council for central management. The agreed criteria to be used to allocate this funding is if, in the opinion of the Director of Children, Young People and Learning and the Borough Treasurer, a school:
1. was unable to set a balanced budget and were in need of a loan arrangement at the start of the relevant financial year, and/or
 2. was likely to fall into one of the categories of causing concern, including requires improvement and special measures without additional financial support.
- 5.5 Where schools enter an Ofsted category of concern this includes those schools judged to be inadequate or requiring improvement the LA holds a declaration of concern meeting and establishes a Standards Monitoring Board (SMB). The Board has an independent chair and senior officers of the LA as members. The headteacher and Chair of Governors of the school are invited to attend the SMB to

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report on progress. A support plan outlines the actions to be taken by the school and the LA in order to effect rapid improvement. Where the school is unable to fund these actions from its own delegated budget, the SMB can request that additional resources be sought.

- 5.6 For schools identified by the LA as causing concern despite having a good judgement by Ofsted a declaration of concern meeting takes place and a Standards Monitoring Board (SMB) can be established of which the head teacher and Chair of Governors are invited to attend. The boards meet regularly to discuss progress and determine with the school where additional resources might be required.
- 5.7 In order to allow funds to be allocated within an appropriate time scale, the Forum has agreed to delegate a set of powers to the Director of Children, Young People and Learning to allocate funds up to but not exceeding £0.15m in any financial year, dependent on the Ofsted category of the school, or where there is considered a risk of being placed in a category.
- 5.8 The level of allocation of funds would be:
1. schools judged to have serious weaknesses (up to £20k per year)
 2. schools deemed to be in need of special measures (up to £50k per year)
 3. schools at risk of receiving a judgement of serious weaknesses or entering special measures (up to £30k per year)
- 5.9 At this stage, no allocations for additional financial support have been approved for 2017-18 by the Director under the delegated powers. A report will be presented to the Forum at the end of the financial year confirming any allocations made subsequent to this report.
- 5.10 The current scheme text has been reviewed and a small number of amendments are proposed relating to clarifications, updates to terminology and making clear that additional funding will only be allocated when relevant schools can demonstrate insufficient funds exist within the school budget. The Forum is recommended to agree the revised text which is set out in Annex A.
- 5.11 The Forum was advised in September of relevant funding allocations made to schools in the 2016-17 financial year. Further to this update, the Director agreed an allocation of £0.016m to Great Hollands Primary School. This followed an Ofsted inspection in October 2016 where overall effectiveness was judged as inadequate and the SMB recommended additional resources to facilitate improvements in leadership and teaching.
- 5.12 A summary of the use of the budget to support schools in financial difficulties in 2016-17 is attached at Annex B.

Loan Arrangements

Background and summary

- 5.13 There are circumstances where schools may experience budget difficulties and in order for the school to continue to function effectively, a temporary overspend of budget allocation may be desirable. The Scheme for Financing Schools has provisions to allow for this through loan arrangements which provide for a short term loan advance so that schools have sufficient time to manage expenditure reductions

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or receive additional income that demonstrates the ability to fully repay any over spending within an agreed period. Both the Schools Forum and Executive Member for Children, Young People and Learning need to agree loan requests.

- 5.14 A summary of the circumstances in which a loan may be agreed is as follows:
1. Where a school would not otherwise achieve its improvement targets;
 2. It would not be reasonable to effect immediately the savings required as a result of a significant reduction in pupil numbers;
 3. A major building project is proposed;
 4. To finance an invest to save scheme.

Annex C sets out the full details of the loan scheme.

- 5.15 As a preliminary to presenting a loan for comment and agreement, officers of the LA undertake detailed reviews of school requests. This usually involves discussions with the Headteacher, Chairman of Governors and Bursar.
- 5.16 The governing body of a school receiving agreement to a loan has to agree a medium term budget plan which has been formulated from known facts, with a realistic provision for future events, and that it is kept under review with the LA on at least an annual basis. If it becomes apparent that any significant differences occur in the underlying budget and expenditure assumptions, then this may require subsequent changes, which will need to be agreed with the Director of Children, Young People and Learning and the Borough Treasurer and endorsed by the Executive Member. Should any changes be proposed to these arrangements during the year, they will be presented to the Schools Forum and Executive Member for a decision.

Update on existing loans

- 5.17 There are 5 maintained schools where the Schools Forum has previously agreed loan arrangements. The current status of each loan, together with any recommended changes, are set out below.

Wildmoor Heath Primary School

- 5.18 Wildmoor Heath Primary School has received a number of relatively small loans and as part of the 2016-17 budget setting process, the Forum agreed that a new loan of £0.015m should be agreed, for full repayment by 31 March 2019. During 2016-17 a number of unexpected additional cost pressures arose, which coupled with on-going pressures into 2017-18 have resulted in a deterioration in the financial position and being unable to set a balanced budget. The governors have undertaken a significant review of the budget and identified a number of areas where costs can be reduced which will return the school to a surplus balance over the medium term, thereby minimising the impact on teaching and learning. Therefore a new advance of £0.040m is recommended to be agreed, to be fully repaid by 31 March 2020, with a £0.025m repayment in 2018-19 and £0.015m in 2019-20. The £0.015m loan agreed in 2016-17 and associated repayment terms remains in place, unchanged.

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Sandhurst Secondary School

- 5.19 Sandhurst Secondary School received a loan of £0.075m to be fully repaid by 31 March 2018 to allow for the purchase of a lease for two classrooms and office space located at Sandhurst School that was previously occupied by Bracknell and Wokingham College. Furthermore, in 2015-16, the Schools Forum agreed a second advance of £0.240m to cover a short term over spending that would be repaid through future budget increases anticipated from a rise in pupil numbers. As part of the annual review process, the school has confirmed that the loan is on schedule for repayment in accordance with the agreed repayment schedule. This includes recovery of the £0.051m over spend at the end of 2016-17.

Easthampstead Park Secondary School

- 5.20 Easthampstead Park Secondary School received a loan of £0.45m to cover a short term over spending, to be repaid by March 2020 (1 year extension agreed in 2016) through future budget increases anticipated from a rise in pupil numbers. The medium term budget plan has been revised to reflect updated pupil number forecasts and other relevant information and this continues to demonstrate that the school can set a balanced budget for 2017-18. However, moving further forward, whilst increases in pupil numbers are anticipated, the rate of increase is lower than originally expected and work is currently underway to identify options that will allow for the budget to be balanced and the loan repaid. At this stage, no change is proposed to the existing loan agreement.

Birch Hill Primary School

- 5.21 A loan of £0.030m was agreed last year, to be fully repaid by 31 March 2019 through 2 equal payments of £0.015m in both 2017-18 and 2018-19. In reviewing the medium term budget plan, despite further savings being made and changes to practice implemented, additional cost pressures mean it is no longer considered possible to make repayments in accordance with the original schedule. It is therefore recommended that the repayment period is extended by 1 year to 31 March 2020, with 3 equal annual repayments of £0.010m from 2017-18 through to 2019-20.

Great Hollands Primary School

- 5.22 A loan of £0.030m was agreed last year, to be fully repaid by 31 March 2019 through a single repayment of £0.030m in 2018-19. The school will convert to an academy during the current financial year, with the Trust intending to fully repay the outstanding loan at the point of conversion. If there are insufficient funds then the repayment requirements will be included in the Commercial Transfer Agreement that will result in a legally binding agreement to repay any outstanding balance.

New loans proposed for 2017-18

Ascot Heath Infant School

- 5.23 Ascot Heath Infant School have requested a loan of £0.020m to be fully repaid by 31 March 2019 with a £0.020m repayment in 2018-19. This will allow the school to put in place a cost reduction plan in a measured way to allow transition to a Planned Admissions Number (PAN) of 60 – subject to outcomes from public consultation – from the current number of 70. As well as better facilitating classroom teaching organisation, a reduced PAN would then be in alignment with the PAN at Junior

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School, thereby aiding pupil transition between the two schools. The Forum is recommended to agree this loan request.

- 5.24 The ability to repay all of these loans is dependent of increases in pupil numbers raising future income at a faster rate than associated cost increases, reducing costs, or a combination of both. Loans to cover short term funding difficulties are granted on an interest free basis.

Summary of loans

- 5.25 Table 1 below provides a summary of aggregate outstanding loan arrangements. Annex D provides a more detailed breakdown of the current and proposed loans by individual school.

Table 1: Summary Schedule of School Loan Requests

Item	Previously Agreed £	2017-18 (Includes New Proposals) £	2018-19 £	2019-20 £	Total £
Total advances	850,000	315,000	0	0	1,165,000
Total repayments	-322,600	-114,400	-243,000	-485,000	-1,165,000
Total outstanding	527,400	200,600	485,000	0	0
	728,000				

- 5.26 In addition to the loans agreed for maintained school, a further loan is in place with Brakenhale Secondary Academy School in the value of £0.130m. A legal agreement is in place with the Trust that requires full repayment.
- 5.27 Table 1 above confirms the significant value of outstanding loan advances and Annex B identifies the concentration towards secondary schools. At £0.738m, this represents 39% of the aggregate surplus balances held by schools which are used to finance advances, reducing to £0.525m next year (27%). This shows that the current financial environment is having an effect on schools and will need to be monitored carefully to ensure schools can meet their financial obligations arising from the loans.
- 5.28 If, as expected, the trend of declining balances continues over the medium term, this is expected to have an impact on the capacity of the Forum to approve loans to schools to manage short term funding difficulties. This is because advances are financed from the collective surplus balances held by schools, with the loan scheme having an outline cap at a maximum of no more that 40% of total balances. Whilst this outline limit is not exceeded in 2017-18, there is a strong possibility it will be exceeded in 2018-19, especially if cumulative surplus balanced continue to reduce. Options for the loan scheme will be explored in the coming months.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 The relevant legal provisions are addressed within the main body of the report.

Borough Treasurer

6.2 The financial implications of the report are outlined in the supporting information.

Impact Assessment

6.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

6.4 There are no specific strategic risk management issues arising from this report

7 CONSULTATION

Principal Groups Consulted

7.1 None.

Method of Consultation

7.2 Not applicable.

Representations Received

7.3 Not applicable.

Background Papers

None.

Contact for further information

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Criteria for the allocation of additional funds to support schools facing financial difficulties

New text is in bold and shaded i.e. **bold and shaded**, deleted text is bold and struck through i.e. ~~bold and struck through~~

Outline of the scheme

School Funding Regulations allow for additional funds outside the normal operation of the Funding Formula to be provided to schools considered to be in financial difficulty. In agreement with the Schools Forum, **de-delegated** funding ~~of £0.304m~~ has been set aside in the School's Budget for this purpose. The criteria to be used to allocate this funding has also previously been agreed, and a school would qualify for additional financial support if, in the opinion of the Director of Children, Young People and Learning and the Borough Treasurer, they:

1. were unable to set a balanced budget and were in need of a **loan** ~~licensed deficit~~ arrangement at the start of the relevant financial year, and/or
2. were **in or** likely to fall into one of the **Ofsted** categories of causing concern, including ~~notice to improve~~ **serious weaknesses or** ~~and~~ special measures ~~without additional financial support~~

Where additional funding is agreed, it is on condition that the senior managers and relevant governors of each school attend regular monitoring meetings with officers of the Council, provide such financial and other information that is requested, and do not make any significant deviations in spending, either in magnitude or by type without the approval of the Director of Children, Young People and Learning.

Before any proposed allocation of such funds is passed on to relevant schools, they are reported to and agreed by the Schools Forum. However, this can cause uncertainty and result in a delay in releasing resources to meet an immediate need.

Powers delegated to the Director of Children, Young People and Learning

In order to allow funds to be allocated within an appropriate time scale it is recommended that a set of principles be agreed by the School Forum which allows the Director of Children, Young People and Learning discretion to allocate funds up to but not exceeding a set level dependent on the Ofsted category of the school. Any such allocations would subsequently be reported to the Schools Forum.

The level of allocation of funds would be:

4. schools ~~issued with a Notice to Improve~~ **judged to have serious weaknesses** (up to £20k per year)
5. schools deemed to be in need of special measures (up to £50k per year)
6. schools at risk of either ~~being issued with a Notice to Improve~~ **judged to have serious weaknesses** or entering special measures (up to £30k per year)

With a maximum value of aggregate allocations of £150k in any one financial year without the express approval of the Schools Forum.

Allocations will only be agreed where the relevant school has demonstrated insufficient funds exist within the budget to fund the required actions or activities.

Where schools enter an Ofsted category of concern (**judged to have serious weaknesses Issued with a Notice to Improve** or placed in **to** Special Measures) the LA establishes a **Standards Monitoring Board (SMB) Management Intervention Board (MIB)**. The Board has an independent chair and senior officers of the LA as members. The headteacher and Chair of Governors of the school **are invited to also** attend the **MIB SMB** to report on progress. A support plan outlines the actions to be taken by the school and the LA in order to effect rapid improvement. Where the school is unable to fund these actions from its own delegated budget the **MIB SMB** can request that additional resources be sought. Any such requests are approved by the Director of Children, Young People and Learning. Funds would be allocated to the school from those held for schools in financial difficulty.

2016-17 funding allocations to schools in financial difficulties

Allocations agreed under the Director's delegated powers

Taking account of proposals from the MIB and Standards Board meetings at relevant schools, funding allocations totalling £0.031m were agreed during the summer term as follows:

1. £3,500 to Winkfield St Marys Primary School, in respect of additional SENCO support.
2. £8,000 to Great Hollands Primary School as the Key Stage 2 results put the school at risk of being judged Inadequate at the next Ofsted inspection.
3. £4,500 to Crown Wood Primary School as the Key Stage 2 results and the two previous Requires Improvement Ofsted inspections put the school at risk of being judged Inadequate at the next Ofsted inspection.
4. £4,500 to Holly Spring Juniors following a Requires Improvement judgement (was good) and Key Stage 2 results are significantly below the national average.
5. £8,500 to Easthampstead Park Secondary School to facilitate participation in Challenge the Gaps project to support underachievement of Pupil Premium pupil, with a particular focus on maths.
6. £2,000 to Fox Hill Primary School where Key Stage 2 results in Reading and Grammar Punctuation and Spelling are significantly below the national average.
7. £16,106 to Great Hollands Primary School following October 2016 Ofsted inspection where overall effectiveness was judged as Inadequate. The school developed a Raising Attainment Plan to address the weaknesses which was costed at £0.037m. A review by the MIB supported a recommendation to allocate £0.016m to finance key actions around the development of leadership and teaching at the school.

Allocations agreed by the Schools Forum (September 2016)

In addition to the above, one allocation above the thresholds delegated to the Director was agreed in respect of a £0.070m allocation to Easthampstead Park Secondary School. The school has previously received a loan of £0.45m to cover a short term over spending that would be repaid through future budget increases anticipated from a rise in pupil numbers. In reviewing the medium term budget plan it became apparent the number of pupils on roll are increasing at a slower rate than originally expected which resulted in lower income than that anticipated when the original loan application was approved. A considerable amount of time has been taken to identify savings for the latest plan and these partly off-set the loss in income. However, the school has now reached the point where any further savings are not possible if the national curriculum is to be successfully delivered, with a deficit over a 4 year period of £0.070m remaining to be funded. The council considered that all reasonable savings measures have been taken and therefore proposed that to balance the medium term budget, that the Forum agrees a one-off allocation of £0.070m from the budget to support schools in financial difficulty.

LA expenditure

In addition to these school allocations, the Forum has also agreed that up to £60,000 of School Adviser and other professional staff support time, such as HR and Finance can be funded from this budget

Extract from the BFC Scheme for Financing Schools - Loan arrangements

In exceptional circumstances, in agreement with the Schools Forum and Executive Member for Children, Young People and Learning, the authority will permit schools to receive a loan in advance of future budget allocations. The funding of such agreements would be through the collective surplus of school balances held by the authority on behalf of schools, and will be considered on an individual basis. General features of the scheme are detailed below:

Circumstances in which a loans may be agreed:

1. if in the opinion of the Director of Children Young People and Learning a school could not otherwise achieve its improvement targets (there will still be a requirement of the governing body to demonstrate repayment),
2. if in the opinion of the Director of Children Young People and Learning and Borough Treasurer a school could not reasonably be expected to effect immediately the savings required as a result of a significant reduction in pupil numbers (there will still be a requirement of the governing body to demonstrate repayment),
3. where major capital projects which would otherwise result in the project not being undertaken (there will be a requirement of the governing body to demonstrate repayment),
4. to finance invest to save schemes e.g. energy efficiency investments which result in net annual savings after making the required loan repayments.

Outline features of the scheme.

- the maximum length over which schools may repay the loan is 3 years (i.e. reach at least a zero balance), where the loan is granted under 1 and 2 above, with longer periods available for items 3 and 4., which will be determined on a case by case basis, linked to the expected useful life of the asset and the ability of individual schools to repay any loan.
- arrangement for a loan will only be agreed where the governing body produces a plan which demonstrates to the satisfaction of the Director of Children Young People and Learning and Borough Treasurer the savings or additional income required to repay the deficit within an agreed timescale,
- arrangement for a loan will only be agreed where the governing body agrees in writing that should the school convert to an academy, that the liability to fully repay any outstanding balance in accordance with the agreed loan schedule will be incorporated into the transfer arrangements to become the obligation of the new Academy body.

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In general the minimum size of loans which may be agreed will be the lesser of the following:

Primary schools	£10,000
Special schools	£20,000
Secondary schools	£30,000

OR

For all types of school, 5% of the size of the budget share as determined by the authority.

In general the maximum size of loans which may be agreed will be the greater of the following:

Primary schools	£50,000
Special schools	£150,000
Secondary schools	£250,000

OR

For all types of school, 15% of the size of the budget share as determined by the authority.

- interest will be charged at 1% above the Council's cost of borrowing on the date on which the loan is advanced unless the authority agrees for it to be waived. The requirement to pay interest will be assessed on the merits of each individual application, and in general, loans under categories 1 and 2 above will not attract interest with loans under categories 3 and 4 likely to attract interest.

Outline controls on loans

- the maximum proportion of the collective balances held by the authority which will be used to support the arrangement shall not exceed 40%,
- the Director of Children Young People and Learning and the Borough Treasurer of the authority will make recommendations to the Schools Forum and Executive Member for Children, Young People and Learning to agree any loans and the terms on which they are offered.

The authority may request those schools operating external bank accounts to allow some or all of those balances to support the above arrangements.

Summary school loan agreements

School	Loan No.	Previously Agreed £	2017-18 New Proposals £	2018-19 £	2019-20 £	Total £
Advances in year						
Birch Hill	1	30,000	0	0	0	30,000
Wildmoor Heath	1	15,000	0	0	0	15,000
Wildmoor Heath	2	15,000	0	0	0	15,000
Wildmoor Heath	3	0	40,000	0	0	40,000
Great Hollands	1	25,000	5,000	0	0	30,000
Ascot Heath Infant	1	0	20,000	0	0	20,000
Easthampstead Park	1	250,000	0	0	0	250,000
Easthampstead Park	2	200,000	250,000	0	0	450,000
Sandhurst	1	75,000	0	0	0	75,000
Sandhurst	2	240,000	0	0	0	240,000
Total		850,000	315,000	0	0	1,165,000
Repayments in year						
Birch Hill	1	0	-10,000	-10,000	-10,000	-30,000
Wildmoor Heath	1	-15,000	0	0	0	-15,000
Wildmoor Heath	2	0	-7,000	-8,000	0	-15,000
Wildmoor Heath	3	0	0	-25,000	-15,000	-40,000
Great Hollands	1	0	-30,000	0	0	-30,000
Ascot Heath Infant	1	0	0	-20,000	0	-20,000
Easthampstead Park	1	-250,000	0	0	0	-250,000
Easthampstead Park	2	0	0	-40,000	-410,000	-450,000
Sandhurst	1	-57,600	-17,400	0	0	-75,000
Sandhurst	2	0	-50,000	-140,000	-50,000	-240,000
Total		-322,600	-114,400	-243,000	-485,000	-1,165,000
Closing balance outstanding						
Birch Hill	1	30,000	-10,000	10,000	0	0
Wildmoor Heath	1	0	0	0	0	0
Wildmoor Heath	2	15,000	-7,000	0	0	0
Wildmoor Heath	3	0	40,000	15,000	0	0
Great Hollands	1	25,000	-25,000	0	0	0
Ascot Heath Infant	1	0	20,000	0	0	0
Easthampstead Park	1	0	0	0	0	0
Easthampstead Park	2	200,000	250,000	410,000	0	0
Sandhurst	1	17,400	-17,400	0	0	0
Sandhurst	2	240,000	-50,000	50,000	0	0
Total		527,400	200,600	485,000	0	0
		728,000				