

**TO: SCHOOLS FORUM
20 JUNE 2013**

**UPDATE TO THE SCHEME FOR FINANCING SCHOOLS
Director of Children Young People & learning**

1 PURPOSE OF REPORT

- 1.1 This report relates to making changes to the Bracknell Forest Scheme for Financing Schools. It seeks to obtain agreement from members of the Schools Forum to make one change to the provisions relating to loan arrangements for schools and to provide an update on mandatory changes that the Department for Education (DfE) requires all local authorities (LAs) to implement.

2 RECOMMENDATIONS

That members representing maintained schools AGREE that the BF Scheme for Financing Schools be updated to include:

- 2.1 **The additional condition on loans to schools (paragraphs 5.5 and 5.6);**
2.2 **The changes required in the latest statutory guidance from the DfE (paragraph 5.9).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To make effective the changes proposed by the Council requires the agreement of members of the Schools Forum representing maintained schools only.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Comments received through the consultation are included in this report.

5 SUPPORTING INFORMATION

Background

- 5.1 Each LA is required to publish a Scheme for Financing Schools (the "Scheme"). This sets out the financial relationship between the LA and the maintained schools which it funds, so does not apply to academy schools. It is a legally binding document on both the LA and schools relating to financial management and associated issues.
- 5.2 The DfE issues statutory guidance to LAs in respect of minimum content of Schemes. Parts of Schemes must be in accordance with "directed scheme revisions" and are mandatory, for other elements of schemes, there is discretion to make changes to reflect local circumstances. The statutory power to update discretionary parts of Schemes rests with maintained school representatives on the Schools Forum, but changes can only be made after a consultation with all governing bodies and head teachers.

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- 5.3 The current Bracknell Forest Scheme was agreed by the Forum in February 2012. This report requests one discretionary change be made that relates to loan arrangements that are available to schools and updates the Forum on the latest mandatory “directed scheme revision” issued by the DfE that must be included in Schemes.

Discretionary change now being proposed

- 5.4 As schools considering their 2013-14 budget plans, the LA received a small number of requests for temporary loans, either to help manage a short term budget deficit, or to allow for the purchase of a capital asset. Whilst the existing BF Scheme allows for loans, an additional condition is considered necessary to allow for the efficient recovery of any loan advance, should a school subsequently convert to academy status.
- 5.5 A consultation document on this matter was emailed to head teachers and chairs of governors of maintained schools on 13 May, seeking a response by 7 June to the proposal to add the following additional condition to loan arrangements to schools:
- arrangement for a loan will only be agreed where the governing body agrees in writing that should the school convert to an academy, to fully repay any outstanding balance, including where relevant any associated interest, no later than one month before conversion

In addition, the LA proposes to make minor changes to wording to improve clarity and update various references, such as replacing current text of the Executive Member for Education with the current title of Executive Member for Children, Young People and Learning.

- 5.6 17 schools (45%) had responded to the consultation by the closing date, all of which supported the proposal. Whilst supporting the proposal, two comments were received by schools. The first pointed out that some schools may be obliged to convert to an academy and may not be in a position to fully repay a loan. The other questioned what would happen if a school could not afford to repay any loan balance. In such circumstances, current practice is for the DfE to pay any outstanding amount, and then recover it over an agreed period with the academy school. The Forum is therefore requested to agree that the Scheme be updated accordingly.
- 5.7 The full text relating to loans for schools, including the proposed new condition is set out at Annex A. The current BF Scheme can be found at:

<http://schools.bracknell-forest.gov.uk/Assets/scheme-for-financing-schools.pdf>

Due to the length of this document (64 pages) and for reasons of cost effectiveness, the current scheme has not been printed with this agenda. Should any Forum member require paper copies, please email paul.clark@bracknell-forest.gov.uk with a mailing address.

Mandatory changes required

5.8 In March 2013, the DfE issued revised statutory guidance (issue 6) to LAs regarding changes required to the content of their Schemes. **All of the revisions relate to the new funding arrangements that came into effect from April 2013.**

5.9 The changes required relate to:

- a) Various updates to refer to the latest regulations.
- b) Confirmation that legislation has been amended to require maintained Pupil Referral Units (PRUs) to be covered by the Scheme. Note: the BF Schools Forum agreed that the Scheme should apply to College Hall PRU in March 2013.
- c) Only schools forum members representing maintained schools can now approve scheme changes.
- d) Clarifying that place-led funding for specialist high needs providers must be included in arrangements for payments by instalment, where relevant. Note: no schools in BF receive their funding through instalments.
- e) Clarification that top up payments for high needs pupils above the £6,000 should be made monthly unless otherwise agreed. Note: maintained schools in BF receive funding annually in advance, with termly processing for adjustments where necessary.
- f) Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools, or a central budget for special schools and PRUs. This is the current position in BFC.
- g) Clarification that the schools forum can agree de-delegation of certain budgets to be returned to the LA for central management. The BF Forum has agreed to de-delegation associated budgets.
- h) Amended wording in relation to the power afforded to LAs to charge the school budget share if appropriate support has not been made for a High Needs pupil. This change is to reflect the new terminology.
- i) In respect of the provision of services from centrally retained budgets, a clarification has been added so that only existing commitments for redundancy / PRC payments are taken into account and the removal of reference to non-provision of LA services where funding has been provided to some schools only as these are no longer compatible with new legislation.
- j) Deletion of references to optional delegated funding as this is not allowed under the new funding regulations. Option delegation has not been used in BF.
- k) Removal of provision for LAs to retain centrally money for repair and maintenance of school kitchens where funding for school meals has not been delegated. Funding for repair and maintenance of school kitchens was previously delegated in BF.
- l) A restriction has been added to limit the budget provision for termination of employment costs funded from central schools budget to the value of the previous year;
- m) A clarification that contingency for schools in financial difficulty will need to be de-delegated.

The Forum is requested to agree that the mandatory changes are implemented.

- 5.10 The full text relating to the mandatory changes can be found at:

<http://media.education.gov.uk/assets/files/pdf/s/scheme%20guidance%20march%202013.pdf>

Due to the length of this document (46 pages) and for reasons of cost effectiveness, the document has not been printed with this agenda. Should any Forum member require paper copies, please email paul.clark@bracknell-forest.gov.uk with a mailing address.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 No legal issues arise directly from the matters discussed in this report.

Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that no significant financial implications arise from this report.

Equalities Impact Assessment

- 6.3 Not required

Strategic Risk Management Issues

- 6.4 None identified.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Schools (Bursars, Head Teachers and Chairs of Governors).

Method of Consultation

- 7.2 Formal consultation.

Consultation Responses

- 7.3 Incorporated into the body of this report.

Background Papers

BF Scheme for Financing Schools

Statutory guidance for local authorities [on Schemes]: Issue 6

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Change proposed for loan arrangements for schools – May 2013

A new condition to loan arrangements for schools is proposed. This relates to requiring governing bodies to agree that should the school convert to an academy, to fully repay any outstanding loan balance no later than one month before conversion.

New text is **shaded yellow and bold**

References to the Executive Member for Education have been replaced with the Executive Member for Children, Young People and Learning.

4.9 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.

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- **arrangement for a loan will only be agreed where the governing body agrees in writing that should the school convert to an academy, to fully repay any outstanding balance, including where relevant any associated interest, no later than one month before conversion.**

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.