

**TO: SCHOOLS FORUM
20 JUNE 2013**

**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 update members of the Schools Forum on:
- i. Direct financial support provided to schools during 2012-13 under powers delegated to the Director of Children, Young People and Learning;
 - ii. Progress made by schools against current licensed deficit agreements;
 - iii. Requests from schools for new loan arrangements;
 - iv. The amount of Dedicated Schools Grant income expected to be received in 2013-14.
- 1.2 The Forum is also requested to approve the release of funding from the Schools Specific Contingency to Jennett's Park Primary school to finance the additional costs arising from moving from a 1 form of entry school to a 2 form of entry school from September 2013.

2 RECOMMENDATIONS

That the Schools Forum:

- 2.1 **NOTES** the £46,267 of direct financial support provided to schools during 2012-13 under powers delegated to the Director of Children, Young People and Learning (paragraphs 5.6 to 5.9);
- 2.2 **NOTES** that Cranbourne Primary School is on target to meet the terms of the previously agreed licensed deficit but with a risk that a small deficit may carry forward into 2014-15 (paragraph 5.15);
- 2.3 **AGREES** the requests from Ascot Heath Infants and Wildmoor Heath Primary schools for new loan advances are presented to the Executive Member for formal agreement (paragraphs 5.17 and 5.18);
- 2.4 **AGREES** the release of £110,000 from the School Specific Contingency to finance the additional costs arising at Jennett's Park Primary School from moving from a 1 form of entry school to a 2 form of entry school from September 2013 (paragraph 5.19).
- 2.5 **NOTES** at this stage the estimated amount of Dedicated Schools Grant for 2013-14 is £74.992m (after deduction to fund Ranelagh Academy), (paragraphs 5.23 and 5.24);
- 2.6 **NOTES** the £408,521 of post 16 SEN funding that will be received in respect of Kennel Lane Special School which was not taken into account in setting the 2013-14 budget (paragraph 5.25).

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 proposals in the report are in accordance with agreed policies to provide additional financial support schools.

5 SUPPORTING INFORMATION

Background

- 5.1 The LA has two main options to support 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. 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.

Additional Funding Provided to Schools

Background and summary

- 5.2 In April 2012, in order to allow funds to be allocated within an appropriate time scale, the Forum agreed to delegate a set of powers to the Director of Children, Young People and Learning to allocate funds up to but not exceeding £150,000 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. Any such allocations would subsequently be reported to the Schools Forum for information.
- 5.3 The level of allocation of funds would be:
- a. schools judged to be inadequate and having serious weaknesses (up to £20k per year)
 - b. schools deemed to be in need of Special Measures (up to £50k per year)
 - c. schools at risk being judged to be inadequate (up to £30k per year)

Note the terminology has been updated in the criteria to reflect the latest Ofsted categories.

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- 5.4 Where schools enter an Ofsted category of concern ((judged to have serious weaknesses or placed in Special Measures) the LA establishes a 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 also attend the MIB 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 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 which for 2013-14, there is an approved budget of £283,850.
- 5.5 For schools that are not in an Ofsted category but where additional LA support is deemed to be necessary a Standards Monitoring Board can be established of which the headteacher and Chair of Governors attend. The boards meet regularly to discuss progress and determine with the school where additional resources might be required. Requests for additional resources are subject to the approval of the Director of Children, Young People and Learning.

Allocations agreed in 2012-13

- 5.6 Under these delegated powers, the Director agreed additional financial support to 3 schools last year, totalling £46,267.

Wildmoor Heath Primary - £19,857

- 5.7 Wildmoor Heath school was placed in Special Measures following an Ofsted inspection in December 2011. A MIB was established and the school has worked with the LA to improve outcomes for pupils. Funds have been used to support the professional development of staff and purchase additional teaching resources. The most recent Ofsted monitoring inspection report in March 2013 reported good progress and a re-inspection is expected soon.

Easthampstead Park Community Secondary - £12,110

- 5.8 Easthampstead Park Community Secondary school was inspected in September 2012 and judged to require improvement. This was an improvement on the previous inspection in June 2011 which had judged the school to be inadequate. The MIB established in 2011 has now been transformed into a Standards Monitoring Board which meets to review progress. Resources have been used to support the professional development of staff and provide access to a range of external support services.

Other schools - £14,200

- 5.9 A Standards Monitoring Board has been established for a primary school where additional support was deemed to be necessary in order to secure good pupil progress. A total of £14,200 was allocated to the school to support the professional development of staff and additional resources. The latest LA monitoring report on the school indicates improved pupil progress. Schools in this category remain confidential.

Allocations anticipated in 2013-14

- 5.10 At this stage of the year it is difficult to know with any certainty which schools are likely to require additional financial support under the Ofsted category route as this will be greatly determined by Ofsted inspections that have yet to take place. In terms of the schools that received support in 2012-13, it is expected that all three schools will need on-going support during the financial year 2013-14. The outcomes of end of Key Stage 1 and 2 assessments and public examinations in 2013 and LA monitoring reports will be used to determine whether any additional schools will require support.

Loan Arrangements / Licensed Deficits

Background and summary

- 5.11 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 (formerly licensed deficits) which provide for a short term loan advance so that schools have sufficient time to manage expenditure reductions or receive additional income that demonstrate 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.
- 5.12 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.

Full terms and conditions required for approval of a loan are set out in Annex A.

- 5.13 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.
- 5.14 The governing body of a school receiving agreement to a loan / licensed deficit has to agree a medium term budget plan which will be kept under review by 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.
- 5.15 The one existing licensed deficit arrangement has been reviewed, and no changes are proposed to the terms currently in place. This relates to Cranbourne Primary School which had a deficit of £20,288 as at 31 March, which is due to be fully repaid

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by 31 March 2014. At this stage there is a risk that there may remain a small deficit at the end of 2013-14. Current information shows that the school roll will increase by 8 pupils at October 2013, increasing the 2014-15 budget by around £22,000, which together with a much smaller deficit to repay compared to the £20,288 in the current year, indicates a strong likelihood that the school would return to a surplus no later than 2014-15.

New loans proposed for 2013-14

- 5.16 In considering 2013-14 requirements, two new loans are proposed.

Wildmoor Heath Primary School

- 5.17 As set out above, Wildmoor Heath Primary School is in Special Measures but is making good progress and is expected to be removed from this Ofsted Category during 2013. In the short term, to support specific activities on the action plan, it is expected that under the approved delegated powers, the Director will agree additional financial support that will not need to be repaid. In terms of the school's core budget, a review has identified a small shortfall between income and planned spend for 2013-14 of £15,000 which a medium term budget plan has demonstrated can be fully repaid by 31 March 2017 through additional budget allocation from the BF Funding Formula as pupil numbers increase from 163 to a forecast 175 during the period of the loan request. The Forum is requested to agree this loan request and that it is made on an interest free basis.

Ascot Heath Infant School

- 5.18 Ascot Heath Infant School have requested a loan of £20,000 to be fully repaid by 31 March 2018 to allow an Eco Building to be constructed adjacent to the existing Wild Garden, thereby resolving many issues in the school regarding lack of space. Total cost of the project is estimated at £55,000 of which £35,000 will be financed from school devolved capital and external contributions secured by the school. The Forum is requested to support this loan request, which the school is aware would attract interest, and which the Director of Children, Young People and Learning will agree with the school the details of annual repayments to be made.

Allocation Proposed from the School Specific Contingency

- 5.19 In making recommendations for the 2013-14 Schools Budget, in January 2013, the Forum agreed top up funding should be paid to the new Jennett's Park Primary School to reflect the special circumstances arising from a rapid increase in roll from a 1 form of entry school to a 2 form of entry at September 2013. As the BF Funding Formula has to allocate funds to schools based on October 2012 pupil numbers, the original budget is lower than the costs needed to be incurred from the new academic year. £100,000 was provisionally set aside for this purpose in the total School Specific Contingency budget of £551,240, although it was acknowledged that the final amount of support may need to be changed in the light of discussions with the school. Those discussions concluded that £110,000 is the appropriate amount, and the Forum is requested to agree to the release of these funds as School Funding Regulations require the local Schools Forum to approve all funding allocations from the school specific contingency.
- 5.20 Allocating these additional funds may result in an over spending on the School Specific Contingency, but this will not be known until allocations to support other schools experiencing significant increases in pupil numbers and those needing to

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meet the Key Stage 1 class size regulations have been fully determined in early 2014. Therefore at this stage, no action is considered necessary against the potential over spending.

Anticipated Dedicated Schools Grant (DSG) for 2013-14

- 5.21 The Schools Budget for 2013-14 was agreed by the Forum in January, before the DfE had confirmed the actual level of DSG. This was a consequence of the national funding reforms where it was taking longer than expected to agree some funding transfers required to properly reflect new responsibilities. Therefore the original Schools Budget was set with anticipated DSG income of £78.865m, comprising a revised base allocation of £77.532m and £1.333m additional income from an increase in pupil numbers. The DSG estimate was made before making an allowance for the deduction required to transfer funds due to Ranelagh Academy to the Education Funding Agency (EFA).
- 5.22 Subsequent to this meeting, the DfE has made a number of adjustments to the provisional DSG. Table 1 below sets out the level of DSG for 2013-14. Lines 1 to 8 are as reported to the Forum in January, with subsequent lines setting out the notified changes. Line 9 reflects changes to post 16 SEN funding in the light of negotiations with the EFA around student numbers and needs, 10 adds funds so that LAs can continue to make grant payments to private /voluntary/ independent settings that were previously made by the EFA with 11 being the funding deducted from the Council to be passed to the EFA to make direct payments to private /voluntary/ independent settings for their £10,000 place funding i.e. elements 1 and 2 of the “place plus” funding model. Lines 12 and 13 represent deductions for Ranelagh Academy, as determined from the BF Funding Formula, which the EFA pass on to the school.
- 5.23 As all the changes are specific to either changes in SEN funding responsibilities, or Ranelagh Academy, budgets in these areas of the accounts will be adjusted accordingly.

Table 1: DSG for 2013-14

Ref	Budget Area	Provisional Funding £m
	<u>Initial DSG calculation:</u>	
1	Final DSG for 2012-13	76.487
2	Add 'appropriate body' role in induction for NQT	0.022
3	Add EFA post 16 SEN grant	0.516
4	Less High Needs Pupils in other LA schools	-0.197
5	Less funding transfer for hospital education	-0.128
6	Less provisional deduction for new places and post-16 high needs pupils	-0.063
7	Addition for free entitlement for 2 year olds	0.894
8	Growth from 318 additional pupils	1.333
	Total provisional DSG funding	78.865

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Ref	Budget Area	Provisional Funding £m
	<u>Adjustments to initial DSG:</u>	
9	Adjustment to provisional deduction for new places and post-16 high needs pupils above in line 6	0.114
10	Share of EFA grant of £92m paid to private /voluntary/ independent settings etc	0.099
11	Deduction for £10,000 place funding to High Needs Pupils in private /voluntary/ independent settings.	-0.497
12	Less funding for Ranelagh Academy: Main budget	-3.503
13	Less funding for Ranelagh Academy: SEN Unit	-0.100
	Final anticipated DSG funding	74.978

- 5.24 The DfE has very recently indicated that a further adjustment to SEN funding may be required which would add a further £0.013m to the level of DSG, making a revised total of £74.992m. This change has yet to be confirmed.

Post 16 SEN Grant Funding

- 5.25 Subsequent to setting the Schools Budget, it has become apparent that with effect from August 2013, Kennel Lane Special School (KLS) will be funded for post 16 SEN students in the same way as secondary schools, with an earmarked grant allocation paid by the EFA which LAs must “passport” on to relevant schools. The relevant amount has recently been confirmed at £408,521. As the original budget for KLS was set at the level needed to cover full costs and was fully funded from DSG, passing this grant to the school allows for a equivalent reduction to be made in funding from DSG without impacting of income received by KLS. A proposal on use of this additional income will be made in the autumn, once there is a clearer understanding of the financial impact from the funding reforms.

Next Steps

- 5.26 Should the Forum support the loan requests from schools, these will be presented to the Executive Member for final approval. All other types of financial support to schools will be determined through the application of approved policies and relevant schools informed accordingly.

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

Other Officers

6.5 There are no issues arising from this report that are relevant to other officers.

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable, applying agreed policy.

Method of Consultation

7.2 Not applicable.

Representations Received

7.3 Not applicable.

Background Papers

Scheme for Financing Schools
Budget plans of relevant schools
Letters from governors requesting financial support

Contact for further information

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Extract from Section 4 of the Scheme for Financing Schools

Note, the following text incorporates the change proposed to the scheme for loan arrangements, as contained on a separate agenda item.

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.
- 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.

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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.