



NOTICE OF MEETING

Schools Forum

Thursday 7 December 2017, 4.30 pm

Function Room, Fifth Floor, Easthampstead House, Bracknell

To: The Schools Forum

Schools Members:

Liz Cole, Primary School Representative
Jane Coley, Academy School Representative
Karen Davis, Primary Head Representative
Neil Davies, Primary Head Representative
Brian Fries, Secondary School Governor
Peter Floyd, Special School Representative
Martin Gocke, Pupil Referral Unit Representative
Keith Grainger, Secondary Head Representative
Roger Prew, Primary School Governors
Trudi Sammons, Primary School Representative
Grant Strudley, Primary Head Representative
Debbie Smith, Secondary Head Representative
Rhona Stainthorp, Primary School Governors
Andrew Taylor, Primary School Governors
Val Woods, Primary School Governors
One Vacancy, Secondary School Governor
One Vacancy, Academy Governor Representative
One Vacancy, Academy Governor Representative

Non-Schools Members

Dominic Asater, 14-19 Partnership Representative
Michelle Tuddenham, PVI Provider Representative
Greg Wilton, Teacher Union Representative
One Vacancy, Diocese Representative
One Vacancy, Independent Representative

ALISON SANDERS
Director of Resources

EMERGENCY EVACUATION INSTRUCTIONS

- 1 If you hear the alarm, leave the building immediately.
- 2 Follow the green signs.
- 3 Use the stairs not the lifts.
- 4 Do not re-enter the building until told to do so.

If you require further information, please contact: Emma Young
Telephone: 01344 352269
Email: emma.young@bracknell-forest.gov.uk
Published: 15 December 2017

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Sound recording, photographing, filming and use of social media at meetings which are held in public are permitted. Those wishing to record proceedings at a meeting are however advised to contact the Democratic Services Officer named as the contact for further information on the front of this agenda as early as possible before the start of the meeting so that any special arrangements can be made.

AGENDA

Page No

1. Apologies for Absence/Substitute Members

To receive apologies for absence and to note the attendance of any substitute members.

2. Declarations of Interest

Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting.

Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.

Any Member with an affected Interest in a matter must disclose the interest to the meeting and must not participate in discussion of the matter or vote on the matter unless granted a dispensation by the Monitoring officer or by the Governance and Audit Committee. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.

3. Minutes and Matters Arising

To approve as a correct record the minutes of the meeting of 19 October 2017

5 - 8

4. Start up and diseconomy funding for new and expanding Schools

To receive a report on the start up and diseconomy funding for new and expanding schools

9 - 28

5. 2018-19 Schools Block element of the Schools Budget - initial matters

To receive an update on the initial matters regarding the Schools Block Element of the Schools budget.

29 - 48

6. DfE Consultation: Changes to the criteria for agreeing loan schemes

To receive an update on the Department of Education Consultation on

49 - 66

changes to the criteria for agreeing loan schemes.

7. **Dates of Future Meetings**

18 January 2018

22 March 2018

19 April 2018



**SCHOOLS FORUM
19 OCTOBER 2017
4.30 - 6.00 PM**

Present:

Schools' Members

Brian Fries, Secondary School Governor
Liz Cole, Primary School Representative
Jane Coley, Academy School Representative
Trudi Sammons, Primary School Representative
Keith Grainger, Secondary Head Representative
Debbie Smith, Secondary Head Representative
Rhona Stainthorp, Primary School Governors
Val Woods, Primary School Governors
Martin Gocke, Pupil Referral Unit Representative
Peter Floyd, Special School Representative
Phil Sherwood, Uplands Primary School

Academies' Members

Jane Coley, Academy School Representative

Apologies for absence were received from:

Andrew Taylor, Primary School Governors
Michelle Tuddenham, PVI Provider Representative
Dominic Asater, 14-19 Partnership Representative
Councillor Dr Gareth Barnard, Executive Member for Children, Young People & Learning

22. Declarations of Interest

No declarations of interest were received.

23. Minutes and Matters Arising

RESOLVED that the minutes of the meeting held on 14 September 2017 be approved and signed by the chairman as a correct record subject to the addition of Marion Bent as a substitute for Martin Gocke.

24. Update to the Schools Forum Regarding the High Needs Block Funding Review

The Forum received a report from Ian Dixon on the High Needs Block Funding Review which included the Headline High Needs Block Plan and an update on progress against the actions. The number of children impacted was questioned however the exact figures were not available as a lot of children were not routinely checked. It was also questioned whether sufficient support was given by parents and it was acknowledged that engagement with the parents forum is improving and that this was being built up over time.

It was noted that a special post 16 institution do not have a specific definition in law but are places currently outside the authority focusing on areas of special need which could include an offer up to the age of 25.

The High Needs Block Reports that Kennel Lane School did not agree with whether £5,000 was sufficient additional funding on top of £10,000 place funding for early opportunity places despite local and national indicators. Further to this, it was questioned what the local and national indicators were. National Indicators are taken from S251 returns and Local Indicators were from information shared at South East regional network The calculation of top ups paid to Kennel Lane Schools was also discussed where it was confirmed that they had been calculated from the cost base in place at the time of the initial price review.

No approval was required for the report from the forum as the plan had already been to CMT and Full Council but this was an opportunity to provide additional clarification.

Questions were raised about what the basis of the calculations detailed in the report were and it was confirmed that they were based on consultations and current costs. It was noted that the local authority wanted a smooth transition to any new arrangements and would be looking at the calculations again in the future.

It was questioned whether the internal audit report relating to SEN Resource Units was available for members of the forum to view and it was confirmed that the auditors would be circulating a redacted version to participants in the audit once this was available.

Ian Dixon thanked the forum for their continued support and input.

25. **Proposals to revise the working arrangements of the Schools Forum**

The forum discussed proposals to revise the working arrangements for the Schools Forum in light of the important decisions coming up.

The idea of a pre-meeting was discussed in order to improve understanding of the complex topics which were considered during forum meetings however there were concerns this would reduce transparency. However, it was agreed that the purpose of the pre-meeting was to receive a briefing and not make any decisions. It was also acknowledged that a more user-friendly square table layout was preferred as it resulted in greater participation from members.

From these discussions it was agreed that all forum members could attend the chairman's briefing which would start at 3.30pm on the day of the formal meeting. The formal meeting would continue to commence at 4.30pm.

The appointment of an independent chair was discussed although it was explained that it had been difficult to find someone who was interested and had relevant experience but that any appointment would be time limited until the end of the academic year, and then subject to annual approval.

RESOLVED that:

1. The Schools Forum meetings be held in a more user friendly room (such as the Function Room)?; and,
2. that meetings be extended to include a briefing for all members immediately before the formal meeting.
3. David Cook be appointed independent Chairman of the Forum.

4. Martin Gocke be appointed Vice Chairman of the Forum.

26. **Update on School and Education Funding**

Paul Clark gave an update on school and education funding and presented options for funding for 2018 – 2019.

It was reported that for the next 2 years there would be transitional arrangements in place when local authorities (LA) would receive their funding for schools in two separate blocks: the aggregated amount from each of their school's National Funding Formula (SNFF) allocation; and a separate allocation for business rates, high pupil mobility and growth fund based on planned spend from 2017-18.

To assist a smooth transition to the SNFF, LAs would continue to use their local funding formula. It was also reported that DfE Regulations do not allow LAs to replicate the SNFF so LA school budgets will always be different to the SNFF.

There will be 2 elements of funding for protection for schools next year; the Minimum Funding Guarantee that will limit reductions in per pupil funding from 2017-18 to a maximum of 1.5%, although for the first time LAs have the power to set their own rate, although it must be between 0% (no change in per pupil funding) and minus 1.5% (schools need to absorb the first 1.5% reduction in per pupil funding); and new minimum per pupil funding rates of £3,300 for primary schools and £4,600 for secondary schools.

Despite there now being an extra £1.3bn funding (£416m 2018-19 and £884m 2019-20) in school budgets, there is no noticeable gain for BF schools from that previously announced in December 2016. This was because in general the extra money was being used to ensure those schools previously due to have a funding reduction or small increase would now all experience at least a 0.5% increase in per pupil funding. The overall change in funding based on 2017-18 census data showed an increase in funding over 2 years from the SNFF of £3.246m (5.1%), £1.696m in 2018-19 and £1.550m in 2019-20. For 2018-19 BF schools would see per pupil funding increases on the SNFF of between 0.5% to 3.9%.

It was also explained that LAs will be funded for the additional diseconomy costs for new schools based on the budget they set for 2017-18 whilst a new formula is developed for 2019-20. With BLV opening in September 2018, there would be a significant cost increase of new schools from the amount of funding provided, currently which is estimated at circa £0.555m in 2018-19 and a further £0.479m increase in 2019-20. This unavoidable pressure would need to be funded from within the overall £1.696m increase, meaning £1.141m would be available for distribution through school budgets.

The three funding options for schools to consider as part of the financial consultation were presented; option 1 was a close fit to SNFF, option 2 was the current Bracknell Forest formula with increases factors by the agreed budget strategy, option 3; was the current Bracknell Forest formula. Other questions on the consultation included whether maintained mainstream schools continued to support as they had done in previous years "de-delegation" of budgets where permitted by the DfE, whether maintained schools agreed to continue the £20 per pupil contribution to the council's unfunded education related statutory and regulatory duties, and finally whether the balances held by schools closing as a result of an amalgamation should be made available to the successor primary school, rather than reverting to the council.

It was questioned whether Academies would be funded in the same way as LA schools and it was confirmed that this was the case however funding for academies would come directly from the Department for Education.

The forum questioned what the positive and negative aspects were of each option and it was explained that all were increases but some with big changes. Every school had to be under the SNFF in two years and the forum was asked to consider which option should be recommended to schools.

RESOLVED that the Forum To NOTED:

- a. the latest announcements from the government on school and education funding reform
- b. the additional £0.555m of cost from new schools that will need to be funded next year
- c. that the council will not be requesting that the funding maintained schools receive for the SIMS licence fee is returned to the council for central management through the de-delegation route.

RESOLVED that the forum AGREED:

That the School's Forum should recommend that schools support option 1 for the calculation of 2018-19 school budgets.

It was noted that Paul Clark would also be discussing the options with school bursars, Business Managers and Chair of Governors meetings.

(Action: PC to send dates to JC)

27. Dates of Future Meetings

The dates of the next meetings are as follows:

7 December 2017

18 January 2018

22 March 2018

19 April 2018

CHAIRMAN

TO: SCHOOLS FORUM
DATE: 7 DECEMBER 2017

**START-UP AND DISECONOMY
FUNDING POLICY FOR NEW AND EXPANDING SCHOOLS
Director Children, Young People and Learning**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is for the Forum to agree the *Start-up and Diseconomy Funding Policy for New and Expanding Schools* for 2018-19. Whilst the basic principles and component parts are proposed to remain unchanged, a number of amendments are being proposed that build on experience gained from the current new school building programme and the impact of the School National Funding Formula (SNFF).
- 1.2 The policy document also contains cost forecasts. Due to their long term nature and reliance on external factors, such as the pace of housing developments, the total cost and the actual timing it arises should be viewed as provisional and subject to considerable change. Short term forecasts are, however considered to be a reliable aid to budget planning.

2 RECOMMENDATIONS

- 2.1 **To AGREE that the updated new / expanding schools funding policy as attached at Annex 3 should be applied in the 2018-19 financial year.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that an affordable, clear, fair and transparent funding policy is in place that can be consistently applied to all new / expanding schools, placing the minimum financial burden on existing schools.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 These are set out in the supporting information.

5 SUPPORTING INFORMATION

- 5.1 The size of the new / expanding school building programme presents a significant revenue funding pressure. This arises from the expectation of needing to open up to six schools in the medium term, all initially with relatively low pupil numbers and needing additional financial support that will need to be financed from within the Dedicated Schools Grant (DSG). Annex 1 sets out the draft short to medium term plan for new schools which will be subject to regular review, update and change.
- 5.2 As previously reported, the national school funding reforms do not address how LAs will be funded for this pressure. The 2018-19 DSG funding allocation for this purpose will be the same amount as the actual 2017-18 budget, which as highlighted on another agenda item, results in a budget pressure of £0.512m. Alternative funding arrangements are expected to be in place for 2019-20 although no details have been released.

- 5.3 The current funding policy for new / expanding schools was approved by the Forum in December 2016. It is generally based on the assessed cost of delivering the national curriculum, as modelled on existing costs in BF schools, with a mainly class based approach to funding during the initial years after opening, rather than actual pupil numbers on roll. The current policy can be found at:
- <http://democratic.bracknell-forest.gov.uk/documents/s102393/2017-18%20Funding%20Policy%20for%20New%20and%20Expanding%20Schools.pdf>
- 5.4 In reviewing the policy for 2018-19, experience can be drawn from 2 recent new builds; Warfield Woodhurst 2 form of entry primary school; and Kings Academy Binfield, an all through school incorporating a 2 form of entry primary school and 7 form of entry secondary school. The implications of the new School National Funding Formula (SNFF) also need to be taken into account in any policy update. Finally, the policy also needs to be compliant with Education, Skills and Funding Agency (ESFA) requirements as set out in *School Revenue finding Operational Guidance* with Annex 2 setting out an extract of the relevant text.
- 5.5 Drawing on the funding allocations to be included in the SNFF, and in particular the new minimum per pupil funding rates i.e. £3,300 for primary and £4,600 for secondary (2018-19 amounts), rather than attempt to cost required support from a zero base budget approach, estimating the likely level of expenditure needing to be incurred on all areas of a school's budget, e.g. number and grades of teachers, including Senior Leadership Groups, classroom resources, utilities etc, for next year, it is proposed that a cap would be calculated on total funding available when a new school is full, based on the minimum per pupil funding rates required in the SNFF. This would equate to the minimum budget a school can receive when funded on the SNFF and therefore is in line with national government funding policy.
- 5.6 In addition to an allocation based on minimum per pupil funding rates, there would be an funding for business rates as this is outside the DfE minimum rate calculation. Table 1 below illustrates how the total maximum budget of a new school would be calculated, using the primary phase as an example.

Table 1: Calculation of maximum budget allocation to a new primary school

FE	Pupils per class	Year Groups	Max NOR	Per pupil funding rate	Rates (estimated actual)	Total if Full
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)						
First FE	30	7	210	£3,300	£20,000	£713,000
Second FE	30	7	210	£3,300	£0	£693,000
Third FE	30	7	210	£3,300	£0	£693,000

Table 1 illustrates the incremental funding to be received as a school expands over time in response to increasing pupil numbers. Assuming a £20,000 cost of business rates, a 1 FE school could receive up to £713,000, a 2 FE school £1,406,000 and a 3 FE school £2,099,000.

- 5.7 This approach is then consistent with how all other schools are funded, albeit using the minimum amount a school can receive through the SNFF when most BF schools will be above that level. It is also expected to closely reflect the level of funding to be received

once a school moves to the SNFF, if pupils on roll in general have minimal additional needs, as measured through the SNFF. For comparison, the average budget an existing, full 1 FE BF primary school would expect to receive in 2018-19 is £779,880, and a 2 FE £1,539,670. These are around 9% above the maximum a new / expanded school could receive on the proposed BF new / expanding school funding policy.

5.8 Whilst this approach sets the maximum funding a new school can receive, there need to be enhanced allocations in the initial years to reflect the relatively low number of pupils and therefore high per pupil costs. To ensure adequate funding in the initial years after a school opens, it is proposed to retain the existing 3 separate funding elements as follows:

1. Funding for rates at estimated actual costs (same as SNFF)
2. Enhanced fixed lump sum to recognise additional diseconomies in the initial years after a school has opened
3. Per class funding, not actual pupil numbers, to reflect anticipated low average class sizes as schools will generally open before all housing developments are complete. This will be set as the balancing amount from the maximum new / expanding school budget, after making allocations for 1. and 2. above.

5.9 To ensure new / expanding schools move quickly to the SNFF and most likely to higher funding allocations, thresholds will be in place based on actual pupil capacity in a new school. 1 FE schools will move to the SNFF once pupil numbers reach 95% of capacity, 2 FE at 90% and 3 FE and above at 85%. Funding thresholds reduce for larger schools which can in general benefit from greater economies of scale. Table 2 below illustrates how this would work.

Table 2: Calculation of maximum NOR for a new primary school before being funded on SNFF

FE	Total if full (as per Table 1)	Maximum number of pupils			Maximum funding on new school formula
		When school at full capacity		When funded on new / expanding schools policy	
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)					
1 FE	£713,000	210	95%	200	£680,000
2 FE	£1,406,000	420	90%	378	£1,267,400
3 FE	£2,099,000	630	85%	536	£1,788,800

NB. Schools will receive 100% of rates allocation, assumed at £20,000 in Table 2, and per pupil funding of £3,300 for the (reduced) maximum number of pupils permitted in the policy.

5.10 In addition to day to day costs, new / expanding schools will also need financial support to undertake pre-opening start-up costs associated with the planning and preparation activities required to ensure readiness to admit pupils. These apply to the period during the capital work being completed and the school opening, and will characteristically cover salary costs of headteacher, caretaker and administration prior to opening and the purchase of any resources not covered by the capital element of the project necessary to admit pupils. There could also be cases when there is a delay in the scheduled opening date in which case extra costs would be incurred to maintain an empty school to a safe and efficient standard.

- 5.11 In drawing on experience to date, it has become apparent that whilst pre-opening start-up costs for expanding schools have been assessed relatively accurately, those required at new schools have been under estimated. As these schools will not ordinarily have a local base and infrastructure to draw on, there will be additional costs in terms of preparing the school for opening. Furthermore, the original expectation was that a part time headteacher could be recruited to the new school. In reality, this is not considered realistic and funding therefore needs to be allocated for a full time post. These indicate a significant cost increase of £0.050m for a new primary school and £0.120m for a new all through school, with a £0.007m increase for an expanded primary school.
- 5.12 The changes proposed for day to day costs have resulted in a number of generally minor amendments to the amounts of financial support proposed to be provided to new / expanded schools but are considered a more realistic and improved approach to funding which is consistent with the new national funding framework and sufficient to ensure the new / expanding schools are fairly funded.

Annex 3 sets out the proposed policy in full, together with proposed units of resource.

- 5.13 Appendix 3 of the proposed policy summarises the medium term anticipated financial implications through to 2025-26. Compared to the current policy, the overall financial change from the proposed amendments is that start-up costs are estimated to increase by £0.378m (116%) with day to day running costs reduced by £0.804m (-1.5%). Overall, costs have not significantly changed. However, the number of places expected to be funded has reduced by 1,469 from 13,234 to 11,765 (11%) with the average per place cost rising from £3,861 to £4,302. This is as a consequence of housing construction being slower than originally expected which prolongs the time it takes for schools to fill up and extends the period of additional funding top ups.
- 5.14 Forecast costs for key elements of the funding model through to 2025-26 are:
- 1) Start-up costs of £0.702m
 - 2) Allocations through the normal operation of the BF Funding Formula of £35.9m
 - 3) Diseconomy top-up funding of £14.0m
- 5.15 These are provisional estimates, drawing on a number of critical variables, for example, if the progress on construction and sale of houses is slower than currently forecast, fewer children will be in the schools which will prolong the period requiring additional financial support and further increase costs. Therefore, there is a relatively high margin for error in the cost forecasts.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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

Borough Treasurer

- 6.2 Significant revenue cost pressures arise from the new school building programme.

Equalities Impact Assessment

- 6.3 None identified.

Strategic Risk Management Issues

- 6.4 The risk to providing insufficient school places is considered low in the short to medium term as funds and agreements are in place to deliver new schools towards the beginning of major house building programmes, thereby creating the required places.
- 6.5 There will be a significant revenue pressure on the Schools Budget arising from the need to simultaneously adequately fund a number of new schools that are below their full capacity and therefore encountering diseconomies of scale. In the short term, the additional cost pressure is being met from the additional income received through the national school funding reforms. This approach will need to be kept under review as the DfE develops a medium to longer term funding policy to meet these costs.

7 CONSULTATION

Principal Groups Consulted

- 7.1 CYPL Departmental Management Team.

Method of Consultation

- 7.2 Written report and presentations.

Representations Received

- 7.3 From CYPL Departmental Management Team, included in this report.

Background Papers

None.

Contact for further information

Paul Clark, Finance Business Partner - CYPL

(01344 354054)

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Doc. Ref

K:\Pine\Executive\Schools Forum\85) 071217\2018-19 Funding Policy for New and Expanding Schools.docx

DRAFT outline of potential new schools / expansions (subject to change)**Short Term (To September 2018)**

North Bracknell	Primary	No capacity works required
	Secondary	BLV secondary opens to 120 places in the intake year from Sep-18
South Bracknell	Primary	Great Hollands expansion to 3FE final Phase 3 completed for Sep-18
		The Pines expansion final Phase 2 completed for Sep-18
		Jennett's Park expansion to 2FE final allocation of furniture & equipment for Sep-18
	Secondary	No capacity works required
Crowthorne & Sandhurst	Primary	No capacity works required
	Secondary	No capacity works required

Medium Term (from September 2019 to August 2023)

North Bracknell	Primary	KAB primary opens to 1FE in the intake year from Sep-19
		Ascot Heath infant School reduces it's PAN from 70 to 60 from Sep-19
		Warfield - Woodhurst expands to 2FE from Sep-19
		Amen Corner North opens to 1FE from Sep-20
		Sandy Lane surge classroom is renewed from Sep-21
		KAB primary expands to 2FE from Sep-21
		Amen Corner South opens to 1FE from Sep-21
		Holly Spring surge classroom is renewed from Sep-22
		Warfield East opens to 1FE from Sep-22
	Secondary	KAB expands during the forecast period to keep pace with Basic Need requirements
South Bracknell	Primary	TRL Opens to 1FE from Sep-22, expanding to 2FE in Sep-23
	Secondary	Any deficits of places arising during the forecast period will be met from the Borough wide surplus of places created at KAB so no capacity works required
Crowthorne & Sandhurst	Primary	No capacity works required
	Secondary	Any deficits of places arising during the forecast period will be met from the Borough wide surplus of places created at KAB so no capacity works required

ESFA guidance on the operation of a Growth Fund

1. Growth funding is within local authorities' schools block national funding formula allocation and has been calculated on the basis of historic spend. As it's within the schools block, a movement of funding from the schools formula into the growth fund would not be treated as a transfer between blocks, though the schools forum would still need to agree the total growth fund. Nor would such a movement reduce the size of the schools block.
2. The growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools.
3. Local authorities are responsible for funding these growth needs for all schools in their area: both new and existing and both academies and maintained schools. They should fund all schools on the same criteria, discussed below. Where growth occurs in academies that are funded by ESFA on estimates, ESFA will ensure through the Pupil Number Adjustments that the academy is only funded for the growth once.
4. The costs of new schools will include the lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils. They will also include post start-up and diseconomy of scale costs. These pre and post start-up costs should be provided for academies where they are created to meet basic need. ESFA will continue to fund start-up and diseconomy costs for new free schools where they are not being opened to meet the need for a new school as referred to in [section 6A of the Education and Inspections Act 2006](#).
5. The growth fund may not be used to support schools in financial difficulty (any such support for maintained schools would be provided from a de-delegated contingency) or general growth due to popularity, which is managed through lagged funding.
6. The growth fund may not be the most appropriate source of funding for growing schools and local authorities should consider varying pupil numbers where there is a more permanent and significant change to numbers and where it's appropriate for the change to be reflected in the funding formula. Authorities will not need to submit a disapplication request for an increase to numbers where this is due to a change to the admission limit or a local reorganisation.
7. Local authorities are required to produce criteria on which any growth funding is to be allocated, which must be agreed by the schools forum. The schools forum must also be consulted on the total size of the growth fund from each phase and should receive regular updates on the use of the funding. ESFA will check the criteria for compliance with the regulations.
8. The criteria should provide a transparent and consistent basis for the allocation of funding, which may be different for each phase. Criteria for allocating growth funds should contain clear objective trigger points for qualification and a clear formula for calculating allocations with these criteria applying to all schools on the same basis. Compliant criteria would generally contain some of the features set out below:
 - support where a school or academy has agreed with the 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 support where a school has extended its age range (the majority of funding would be paid through the funding formula where the local authority should seek a variation in pupil numbers)
- support where a school has temporarily increased its PAN by x or more pupils in agreement with the authority
- support for key stage 1 classes where overall pupil numbers exceed a multiple of 30 by x or fewer pupils
- pre-opening costs / initial equipping allowance / diseconomy of scale allowance for new maintained schools and academies, including new academies where the school is opening in response to basic need

9. Methodologies for distributing funding could include:

- a lump sum payment with clear parameters for calculation (usually based on the estimated cost of making additional provision for a new class or the estimated start-up costs)
- £x per pupil (usually based on AWPU) and reflecting the proportion of the year which is not funded within the school's budget share
- £x per pupil, with a maximum ceiling

10. Examples of some local authorities' criteria for allocating growth funds to school and academies can be found in [Schools funding 2016 to 2017: targeted funding for high needs, growth and falling rolls](#).

11. Where growth funding is payable to academies, the local authority should fund the increase for the period from the additional September intake through until the following August. Local authorities should enter the cost of growth funding for the April to August period, along with appropriate justification, on the recoupment tab of the APT so that the recoupment calculation can be adjusted accordingly.

12. Growth fund recoupment adjustments will not be made for diseconomy of scale or start-up funding, so these should not be shown on the recoupment tab of the APT. This funding will continue to be met from the local authority's growth fund.

13. Where schools have agreed an expansion in pupil numbers with the local authority, the school should ensure that they understand the methodology for funding the increase and are content that the expansion is deliverable within the funding available.

14. Any unspent growth funding remaining at the year-end should be reported to the schools forum. Funding may be carried forward to the following funding period as with any other centrally retained budget, and can be used specifically for growth if the authority wishes.

15. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.



Children, Young People
and Learning
Department

START-UP AND DISECONOMY FUNDING POLICY FOR NEW AND EXPANDING SCHOOLS IN 2018-19

DECEMBER 2017

Background

- 1) Significant growth in pupil numbers that has been experienced in recent years and the latest pupil forecasting information contained in the School Places Plan indicates the trend of increasing pupil numbers at the intake year in primary schools continuing and beginning to impact on secondary schools. One of the strategies in place to ensure sufficient places are available for all children who need them is to deliver new or significantly expand existing schools and plans are in place for 6 such schools, of which the expansion of Warfield Primary School onto the Woodhurst site opened in September 2016 and Binfield Learning Village all through school is scheduled to open to secondary aged pupils in September 2018.
- 2) New or significantly expanded schools are generally being delivered to meet forecast demand for pupil places from new housing developments and will open at the start of an academic year with relatively low pupil numbers as housing construction continues and generally take a number of years to reach the point where the normal operation of the School National Funding Formula (SNFF) delivers sufficient funds to adequately resource the schools. Therefore, during this period, they will need to be funded at a higher rate than would ordinarily be provided, creating a budget pressure.
- 3) To effectively manage the resultant financial impact, a relevant funding policy needs to be agreed that can be applied consistently, fairly and transparently to all new / expanding schools whilst at the same time minimising the financial burden on existing schools. In addition, the funding policy will need to comply with the requirements of the School Funding Regulations.
- 4) It is important to remember that like the SNFF, the model to be used to fund new / expanding schools will be designed to deliver resources in line with the policy and available funds, with compromises needing to be made. It is therefore designed to be a "best fit". In reality, each school will have a different cost base to the model as it will reflect the decisions taken by individual governing bodies and academy trusts. The funding model therefore aims to meet the overall policy objectives and requires individual schools to develop their spending plans accordingly.

Funding options

- 5) School funding is closely regulated by the DfE and any arrangements to be put in place to provide additional financial support to new / expanding schools will need to be in accordance with current guidance. When growth funding is required over the long term the DfE supports funding schools through a variation to actual pupil numbers. Here, the LA requests to fund relevant schools with the number of pupils required for the normal operation of the Funding Formula to deliver the level of funds needed for the school to operate as determined by the new / expanding schools policy and not the relatively low actual or expected number on roll.

Funding on a variation to pupil numbers is therefore considered the appropriate methodology to adopt in BF due to the long term nature that additional financial support will need to be in place and the greater predictability of income.

Policy Objectives

- 6) As set out above, the new / expanding schools will initially need to be funded at a higher rate than would ordinarily be provided through the SNFF and this will create a budget pressure. To determine how the appropriate amount of additional funding should be calculated, the following key features and methodologies will be used:
1. The policy only applies to new / expanding schools meeting basic needs requirements i.e. insufficient school places. Pupils attending through parental preference will not be funded by the council.
 2. The need to recognise that new / expanding schools require funding allocations that reflect their additional costs in the initial years, usually as a result of a relatively high proportion of fixed costs compared to total costs.
 3. That a fair and transparent methodology is in place that can be consistently applied to all schools in similar circumstances and is readily understood.
 4. That where possible, units of resource are based on the SNFF, to ensure new / expanding schools move towards their on-going amount of funding, which is the affordable level to the Schools Budget.
 5. Whilst funding negotiations will not routinely be undertaken with individual schools, limited flexibility needs to exist to reflect exceptional / specific circumstances; in particular around the number of classes that need to be opened and pre-opening start-up costs. For example, if a new school fills up relatively slowly, then there is likely to be a need to review the size of the lump sum allocation as fixed costs will remain a larger proportion of costs than expected in the funding policy.
 6. That there is no financial incentive for schools approaching their capacity to remain on the new school funding policy with clear cut off points in place to determine when new schools move to the SNFF.
 7. As initial budgets will be largely based on assessed needs, where a school is found to be over funded for day to day costs in one year, there is the option to make a corresponding reduction to the budget allocation due in the next year. Over funding of up to one class would not normally be subject to repayment.
 8. To reflect the different cost bases, different funding rates will need to be applied to different types of schools i.e. primary, secondary or all through, and also whether it is a new or expanding school.
 9. The policy needs to be regularly reviewed to ensure it remains appropriate for the activity in the borough, remains compliant with ESFA guidance and is affordable.

Components of the proposed additional funding allocations

- 7) The funding elements of the policy are:
1. An allocation for pre-opening / start-up costs. New / expanding schools will incur start-up costs associated with planning and preparation activities required to ensure readiness to admit pupils. These apply to the period between the capital work being completed and the school opening and will characteristically cover salary costs of headteacher, caretaker and administration prior to opening and the purchase of any resources not covered by the capital element of the project necessary to admit pupils. There could also be cases when there is a delay to the scheduled opening date in which case extra costs would be incurred to maintain an empty school to a safe and efficient standard.

2. An allocation for diseconomies of scale. This relates to the need to incur a disproportionate amount of fixed management and premises costs as new schools build up their pupil numbers that the normal operation of the SNFF does not adequately fund when pupil numbers are relatively low.
3. An allocation for day to day operational expenses. DfE Funding Regulations require school budgets to be calculated on actual pupil numbers at the October prior to the commencement of the financial year. The new / expanding schools will all be opening after the census point used for funding purposes and will generally experience significant increases in pupil numbers at the start of each academic year and will therefore need an alternative funding methodology.
4. An allocation for rates. To operate in the same way as the SNFF. A full budget allocation at the estimated cost of rates. Note, due to their charitable status, academy schools receive 80% reduction on business rates and funding will therefore be allocated on 20% of the full cost in relevant circumstances.
5. Discretion for the relevant Director to consider making adjustments to the funds allocated to new / expanding schools in exceptional circumstances. Any changes would be subject to subsequent agreement of the Schools Forum.

Units of resource

- 8) As expected, the financial modelling undertaken indicates different cost bases between school phases and that different units of resource need to be used, the details of which are set out in Appendices 1 and 2. The following paragraphs summarise the key points and display the illustrative amounts considered appropriate at this stage. Final amounts will need to be agreed by the Schools Forum and Executive Member as part of the normal budget setting process, with affordability likely to be a key issue.

Calculation of total budget

- 9) Total maximum budget allocations will be calculated through reference to the SNFFF, and in particular the new minimum per pupil funding rates i.e. £3,300 for primary and £4,600 for secondary (2018-19 amounts). A cap will be calculated on total funding available when a new school is full, based on the minimum per pupil funding rates required in the SNFF. This would then equate to the minimum budget a school can receive when funded on the SNFF and is consistent with national government funding policy. It will inform what levels of funding can be included in each element of tis policy.
- 10) In addition to funding based on minimum per pupil funding rates, there would be an allocation for business rates as this is outside the DfE minimum rate calculation. Table 1 below illustrates how the total maximum budget of a new school would be calculated, using the primary phase as an example.

Table 1: Calculation of maximum budget allocation to a new primary school

FE	Pupils per class	Year Groups	Max NOR	Per pupil funding rate	Rates (estimated actual)	Total if Full
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)						
First FE	30	7	210	£3,300	£20,000	£713,000
Second FE	30	7	210	£3,300	£0	£693,000
Third FE	30	7	210	£3,300	£0	£693,000

Table 1 illustrates the incremental funding to be received as a school expands over time in response to increasing pupil numbers. Assuming a £20,000 cost of business rates, a 1 FE school could receive up to £713,000, a 2 FE school £1,406,000 and a 3 FE school £2,099,000.

The relevant calculation for a 7 FE secondary schools would be:

	30 pupils per class		
X	5 year groups	=	150 pupils
X	7 Forms of entry	=	1,050 pupils
X	£4,600 per pupil	=	£4,830,000 per pupil funding
+	£80,000 rates	=	£4,910,000 maximum budget

- 11) To ensure new / expanding schools move quickly to the SNFF and most likely to higher funding allocations, thresholds will be in place based on actual pupil capacity in a new school. 1 FE schools will move to the SNFF once pupil numbers reach 95% of capacity, 2 FE at 90% and 3 FE and above at 85%. Funding thresholds reduce for larger schools which in general benefit from greater economies of scale. Table 2 below illustrates how this would work.

Table 2: Calculation of maximum NOR for a new primary school before being funded on SNFF

FE	Total if full (as per Table 1)	Maximum number of pupils		Maximum funding on new school formula	
		When school at full capacity	When funded on new / expanding schools policy		
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)					
1 FE	£713,000	210	95%	200	£680,000
2 FE	£1,406,000	420	90%	378	£1,267,400
3 FE	£2,099,000	630	85%	536	£1,788,800

NB. Schools will receive 100% of rates allocation, assumed at £20,000 in Table 2, and the relevant percentage of per pupil funding.

Pre-opening / start-up costs – one-off

- 12) Funding will be made available for the 2 terms before opening, with headteacher costs funded at 1.0 fte from January to August for a new school and 0.4 fte for expanding schools for January to March and 0.6 fte from April to August. There is also funding for caretaking and support staff, together with an allowance for other costs such as recruitment and general resources. Expanded schools will receive lower funding levels than new schools due to the availability of an existing school infrastructure that can support this part of the process in a similar way that other expanded schools have.

School type	Provisional start-up costs		
	Jan - March	Apr - Aug	Total
New Academy Primary School	£34,300	£61,900	£96,200
New Academy All Through School	£49,500	£158,600	£208,100
Expanded Maintained Primary School	£14,300	£40,000	£54,300

See Appendix 1 for full details.

Diseconomies of scale – on-going (fixed, lump sum payment)

- 13) Funding to be made available to support the senior management, general organisational structure and other costs that generally vary depending on the overall size of a school – forms of entry (FE) – and not the number of classes, and whether expanding or new. All of the primary schools are expected to be opening with an additional 1 FE and will be funded accordingly, with some then expanding to a 2 FE or 3 FE school when demand dictates, at which point additional resources will be required for a step up in organisational requirements, with opening of second FE triggering a payment at 50% of the 1 FE amount, with the opening of a third FE triggering a payment at 15% of the 1 FE amount.
- 14) For secondary and all through schools, the larger site dimensions result in proportionally higher fixed costs, and the calculation needs to be based on the final number of FE.

School type	Provisional diseconomies funding		
	1 FE	2 FE	3 FE
New Academy Primary School	£165,000	£247,500	£273,700
Expanded Maintained Primary School	£119,600	£191,300	£244,200

School type	Provisional diseconomies	
	Opening as secondary only	When all through *
New Academy All Through School	£515,000	£597,500

*To receive 50% of a new academy primary school amount to reflect economies of scale from an all through school.

See Appendix 2 for full details.

Day to Day expenses – on-going (fixed amount per agreed class)

- 15) The calculation of class funding will be the balancing amount after deducting the funding allocated for diseconomies of scale – on-going (fixed, ump sum payment) from the ‘Total if Full’ budget calculation set out in the Tables. Table 3 below illustrates how this would work for a primary school, with Table 4 showing the calculation for an all through school.

Table 3: Calculation of day to day expenses for a new primary school

FE	Total if full (as per Table 1)	Elements of the funding policy				
		Rates (estimated actual)	Lump sum (Appendix 2)	Class funding		
				Number of classes	Amount per class (balance)	Total (balance)
3 FE (assumed to open as 1 FE, then expanding to 2 FE and 3 FE when sufficient demand)						
1 FE	£713,000	£20,000	£165,000	7	£75,430	£528,010
2 FE	£1,406,000	£20,000	£247,500	14	£87,210	£1,138,480
3 FE	£2,099,000	£20,000	£273,700	21	£95,260	£1,805,300

NB. For class funding, the first 7 classes are funded at the 1 FE school rate of £75,430, the next 7 at 2 FE school rate £87,210 and the final 7 at 3 FE school rate £95,260.

Table 4: Calculation of day to day expenses for a new all through school

FE	Total if full (as per Table 1)	Elements of the funding policy				
		Rates (estimated actual)	Lump sum (Appendix 2)	Class funding		
				Number of classes	Amount per class (balance)	Total (balance)
7 FE	£4,910,000	£80,000	£515,000	35	£123,290	£4,315,000

- 16) Appendix 3 shows a summary of the forecast pupil numbers and costs over the medium term which will be subject to change.

Appendix 1

One-off pre-opening /start-up costs

New Primary Academy School

Expense / Income	Pay point	Basic Pay / cost	On-costs	Full Year Total	FTE Jan - Mar	Cost Jan - Mar	FTE Apr - Aug	Cost June - Aug	Cost Apr - Aug	Full cost
Headteacher	L11	£52,058	£13,795	£65,854	1.0	£16,463	1.0		£27,439	£43,902
Caretaker - Caretaker grade	BG - I17	£19,344	£3,869	£23,213	0.0	£0	1.0		£5,803	£5,803
School Business Manager	BG - I32	£28,762	£5,752	£34,515	0.4	£3,451	0.6		£8,629	£12,080
Governing body		£4,000		£4,000		£1,000			£1,667	£2,667
Professional costs (legal / finance)		£25,000		£25,000		£9,375			£15,625	£25,000
Recruitment / hospitality		£5,000		£5,000		£4,000			£2,083	£6,083
Staff induction / training		£5,000		£5,000		£0			£3,125	£3,125
Equipment / Resources (Revenue)		£15,000		£15,000		£0			£6,250	£6,250
Office Services		£3,000		£3,000		£0			£1,250	£1,250
Costs between handover and opening								£15,000	£15,000	£15,000
Sub - Total						£34,300		£15,000	£86,900	£121,200
Less DfE grant		-£25,000		-£25,000					-£25,000	-£25,000
Total						£34,300		£15,000	£61,900	£96,200

New All through Academy school

Headteacher	L26	£74,618	£19,774	£94,392	1.0	£23,598	1.0		£39,330	£62,928
Site Controller - Caretaker grade	BG I - 17	£19,344	£3,869	£23,213	0.0	£0	1.0		£5,803	£5,803
School Business Manager	BG - F44	£39,557	£7,911	£47,469	0.6	£7,120	1.0		£19,779	£26,899
Administration	BG - I25	£22,878	£4,576	£27,454	0.6	£4,118	1.0		£11,439	£15,557
Governing body		£5,000		£5,000		£1,250			£2,083	£3,333
Professional costs (legal / finance)		£25,000		£25,000		£9,375			£15,625	£25,000
Recruitment / hospitality		£25,000		£25,000		£4,000			£10,417	£14,417
Staff induction / training		£20,000		£20,000		£0			£12,500	£12,500
Equipment / Resources (Revenue)		£45,000		£45,000		£0			£18,750	£18,750
Office Services		£7,000		£7,000		£0			£2,917	£2,917
Costs between handover and opening								£45,000	£45,000	£45,000
Sub - Total						£49,500		£45,000	£183,600	£233,100
Less DfE Grant		-£25,000		-£25,000					-£25,000	-£25,000
Total						£49,500			£158,600	£208,100

Maintained Primary school - expanding

Headteacher	L11	£52,058	£13,795	£65,854	0.6	£9,878	0.6		£16,463	£26,341
Caretaker - Caretaker grade	BG - I17	£19,344	£3,869	£23,213	0.0	£0	0.5		£4,836	£4,836
School Business Manager	BG - I32	£28,762	£5,752	£34,515	0.4	£3,451	0.6		£8,629	£12,080
Governing body		£4,000		£4,000		£1,000			£1,667	£2,667
Recruitment / hospitality		£5,000		£5,000		£0			£2,083	£2,083
Staff induction / training		£5,000		£5,000		£0			£3,125	£3,125
Equipment / Resources (Revenue)		£15,000		£5,000		£0			£2,083	£2,083
Office Services		£3,000		£2,600		£0			£1,083	£1,083
Total						£14,300			£40,000	£54,300

Phasing of payments for start up funding to be agreed with individual providers.

Diseconomy Funding – Primary Expanded

Primary - Expanded	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	1 FE	2 FE	3 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Senior Leadership - non teaching time	Pay & Conditions	L2	£41,847	26.50%	£11,089	£52,936	0.2	£10,587	£10,587		
Senior Leadership - non teaching time	& HR	L5	£44,976	26.50%	£11,919	£56,895	0.4	£22,758		£22,758	
Senior Leadership - non teaching time		L8	£48,346	26.50%	£12,812	£61,158	0.8	£48,926			£48,926
Assistant Headteacher - addition over mainscale	Pay & Conditions	N/A							£0		
Assistant Headteacher - addition over mainscale	& HR	L3	£8,281	26.50%	£2,194	£10,475	1.0	£10,475		£10,475	
Assistant Headteacher - addition over mainscale		L6	£11,493	26.50%	£3,046	£14,539	1.0	£14,539			£14,539
Teaching, Learning, Responsibility Allowances	Pay & Conditions	TLR	£6,386	26.50%	£1,692	£8,078	1.0	£8,078	£8,078		
Teaching, Learning, Responsibility Allowances	& HR	TLR	£6,386	26.50%	£1,692	£8,078	2.0	£16,157		£16,157	
Teaching, Learning, Responsibility Allowances		TLR	£7,546	26.50%	£2,000	£9,546	2.0	£19,091			£19,091
SEN support from SEN Co - addition over mainscale	HR	L1	£6,268	26.50%	£1,661	£7,929	0.5	£3,965	£3,965		
SEN support from SEN Co - addition over mainscale		L2	£9,327	26.50%	£2,472	£11,799	0.8	£9,439		£9,439	
SEN support from SEN Co - addition over mainscale		L2	£9,327	26.50%	£2,472	£11,799	1.0	£11,799			£11,799
Caretaker - Caretaker grade	HR	BG I - 17	£19,344	20.00%	£3,869	£23,213	1.0	£23,213	£23,213	£23,213	
Site Controller	HR	BG - I22	£22,552	20.00%	£4,510	£27,062	1.0	£27,062			£27,062
Midday Supervision	HR		£4,500	20.00%	£900	£5,400	1.0	£5,400			£5,400
School Bursar/Business Manager	HR	BG - I32	£28,762	20.00%	£5,752	£34,514	0.8	£27,612	£27,612		
School Bursar/Business Manager	HR	BG - F38	£33,761	20.00%	£6,752	£40,513	1.0	£40,513		£40,513	
School Bursar/Business Manager	HR	BG - F42	£37,668	20.00%	£7,534	£45,202	1.0	£45,202			£45,202
Office support reception, clerical	HR	BG - K10	£15,008	20.00%	£3,002	£18,010	0.2	£3,602	£3,602		
Office support reception, clerical	HR	BG - K11	£15,008	20.00%	£3,002	£18,010	0.5	£9,005		£9,005	
Office support reception, clerical	HR	BG - K12	£15,008	20.00%	£3,002	£18,010	0.5	£9,005			£9,005
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.2	£6,903	£6,903		
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.7	£24,160		£24,160	
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.8	£27,612			£27,612
Governing body	Estimate		£2,600			£2,600		£2,600	£2,600	£2,600	£2,600
Fixed contribution to Grounds Maintenance	Estimate		£5,000			£5,000		£5,000	£5,000	£5,000	£5,000
Fixed contribution to Utilities	Estimate		£3,000			£3,000		£3,000	£3,000	£3,000	£3,000
Fixed contribution to split site	Estimate		£25,000			£25,000		£25,000	£25,000	£25,000	£25,000
Total Expanding Primary Diseconomy Funding									£119,600	£191,300	£244,200

Diseconomy Funding – Primary New

Primary - New	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	1 FE	2 FE	3 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Headteacher - Leadership	Pay & Conditions	L9	£49,530	26.50%	£12,725	£62,255	1.0	£62,255	£62,255		
Headteacher - Leadership	& HR	L12	£53,241	26.50%	£14,109	£67,350	1.0	£67,350		£67,350	
Headteacher - Leadership		L15	£57,232	26.50%	£15,166	£72,398	1.0	£72,398			£72,398
Senior Leadership - non teaching time	Pay & Conditions	L2	£7,265	26.50%	£11,089	£18,354	1.0	£18,354	£18,354		
Senior Leadership - non teaching time	& HR	L5	£44,976	26.50%	£11,919	£56,895	0.5	£28,447		£28,447	
Senior Leadership - non teaching time		L8	£48,346	26.50%	£12,812	£61,158	0.5	£30,579			£30,579
Assistant Headteacher - addition over mainscale	Pay & Conditions	N/A		26.50%	£0	£0		£0	£0		
Assistant Headteacher - addition over mainscale	& HR	L3	£8,281	26.50%	£2,194	£10,475	1.0	£10,475		£10,475	
Assistant Headteacher - addition over mainscale		L6	£11,493	26.50%	£3,046	£14,539	1.0	£14,539			£14,539
Teaching, Learning, Responsibility Allowances	Pay & Conditions	TLR	£6,386	26.50%	£1,692	£8,078	1.0	£8,078	£8,078		
Teaching, Learning, Responsibility Allowances	& HR	TLR	£6,386	26.50%	£1,692	£8,078	2.0	£16,157		£16,157	
Teaching, Learning, Responsibility Allowances		TLR	£7,546	26.50%	£2,000	£9,546	2.0	£19,091			£19,091
SEN support from SEN Co - addition over mainscale	HR	L1	£6,268	26.50%	£1,661	£7,929	0.5	£3,965	£3,965		
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327	26.50%	£2,472	£11,799	0.8	£9,439		£9,439	
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327	26.50%	£2,472	£11,799	1.0	£11,799			£11,799
Caretaker - Caretaker grade	HR	BG I - 17	£19,344	20.00%	£3,869	£23,213	1.0	£23,213	£23,213	£23,213	
Site Controller	HR	BG - I22	£22,552	20.00%	£4,510	£27,062	1.0	£27,062			£27,062
Midday Supervision	HR		£4,500	20.00%	£900	£5,400	1.0	£5,400			£5,400
School Bursar/Business Manager	HR	BG - I32	£28,762	20.00%	£5,752	£34,514	0.8	£27,612	£27,612		
School Bursar/Business Manager	HR	BG - F38	£33,761	20.00%	£6,752	£40,513	1.0	£40,513		£40,513	
School Bursar/Business Manager	HR	BG - F42	£37,668	20.00%	£7,534	£45,202	1.0	£45,202			£45,202
Office support reception, clerical	HR	BG - K10	£15,008	20.00%	£3,002	£18,010	0.2	£3,602	£3,602		
Office support reception, clerical	HR	BG - K11	£15,008	20.00%	£3,002	£18,010	0.5	£9,005		£9,005	
Office support reception, clerical	HR	BG - K12	£15,008	20.00%	£3,002	£18,010	0.5	£9,005			£9,005
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.2	£6,903	£6,903		
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.7	£24,160		£24,160	
Administration	HR	BG - I22	£28,762	20.00%	£5,752	£34,514	0.8	£27,612			£27,612
Governing body	Estimate		£3,000			£3,000		£3,000	£3,000	£4,500	£3,000
Fixed contribution to Grounds Maintenance	Estimate		£5,000			£5,000		£5,000	£5,000	£8,000	£5,000
Fixed contribution to Utilities	Estimate		£3,000			£3,000		£3,000	£3,000	£6,240	£3,000
Total New Primary Diseconomy Funding									£165,000	£247,500	£273,700

Diseconomy Funding – All Through New

All Through - New	Data Source	Pay point	Basic Pay	On-costs %	On-costs £'s	Full year total	FTE	Gross Pay	5 FE	6 FE	7 FE
									Cost Apr - Mar	Cost Apr - Mar	Cost Apr - Mar
Headteacher - Leadership	Pay &	L19	£57,232		£15,166	£72,398	1.0	£72,398	£72,398		
Headteacher - Leadership		L24	£71,105		£18,843	£89,948	1.0	£89,948		£89,948	
Headteacher - Leadership		L26	£74,618		£19,774	£94,392	1.0	£94,392			£94,392
Senior Leadership - non teaching time	Pay &	L8	£48,346		£12,812	£61,158	1.0	£61,158	£61,158		
Senior Leadership - non teaching time	Conditions	L19	£63,034		£16,704	£79,738	1.0	£79,738		£79,738	
Senior Leadership - non teaching time	& HR	L24	£71,105		£18,843	£89,948	1.0	£89,948			£89,948
Assistant Headteacher - addition over mainscale	Pay &	L6	£11,493		£3,046	£14,539	1.0	£14,539	£14,539		
Assistant Headteacher - 0.7 FTE non-teaching	Conditions	L10	£50,773		£13,455	£64,228	0.7	£44,959		£44,959	
Assistant Headteacher - 0.7 FTE non-teaching X 2	& HR	L13	£55,873		£14,806	£70,679	1.4	£98,951			£98,951
Teaching, Learning, Responsibility Allowances	Pay &	TLR	£7,546		£2,000	£9,546	3.0	£28,637	£28,637		
Teaching, Learning, Responsibility Allowances	Conditions	TLR	£7,546		£2,000	£9,546	4.0	£38,183		£38,183	
Teaching, Learning, Responsibility Allowances	& HR	TLR	£7,546		£2,000	£9,546	5.0	£47,728			£47,728
SEN support from SEN Co - addition over mainscale	HR	L2	£9,327		£2,472	£11,799	1.0	£11,799	£11,799		
SEN support from SEN Co - addition over mainscale	HR	L7	£12,706		£3,367	£16,073	1.0	£16,073		£16,073	
SEN support from SEN Co - addition over mainscale	HR	L9	£14,948		£3,961	£18,909	1.0	£18,909			£18,909
Caretaker - Caretaker grade	HR	BG I - 17	£19,344		£3,869	£23,213	1.0	£23,213	£23,213		£23,213
Site Controller	HR	BG - I22	£22,552		£4,510	£27,062	1.0	£27,062		£27,062	£27,062
Midday Supervision	HR		£4,500		£900	£5,400	1.0	£5,400	£5,400	£5,400	£5,400
School Bursar/Business Manager	HR	BG - F38	£33,761		£6,752	£40,513	1.0	£40,513	£40,513		
School Bursar/Business Manager	HR	BG - F42	£37,668		£7,534	£45,202	1.0	£45,202		£45,202	
School Bursar/Business Manager	HR	BG - F44	£39,557		£7,911	£47,468	1.0	£47,468			£47,468
Office support reception, clerical	HR	BG - K11	£15,008		£3,002	£18,010	1.0	£18,010	£18,010		
Office support reception, clerical	HR	BG - K12	£15,008		£3,002	£18,010	1.0	£18,010		£18,010	
Office support reception, clerical	HR	BG - K15	£17,069		£3,414	£20,483	1.0	£20,483			£20,483
Administration	HR	BG - I22	£20,861		£4,172	£25,033	1.0	£25,033	£25,033		
Administration	HR	BG - I23	£22,552		£4,510	£27,062	1.0	£27,062		£27,062	
Administration	HR	BG - I25	£22,878		£4,576	£27,454	1.0	£27,454			£27,454
Governing body	Estimate					£3,000		£3,000	£3,000	£3,000	£3,000
Fixed contribution to Grounds Maintenance	Estimate					£7,000		£7,000	£7,000	£7,000	£7,000
Fixed contribution to Utilities	Estimate					£4,000		£4,000	£4,000	£4,000	£4,000
Total New All Through Diseconomy Funding									£314,700	£405,600	£515,000

Forecast Revenue Impact from New / Expanding Schools

School	Estimated opening	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26		
= school full														
= school on SNFF														
Pupil data		Forecast pupil numbers - start of academic year											Max Places	Max NOR on policy
Warfield West	Sep-16	0	94	165	175	209	209	407	407	412	420	420	420	378
Warfield East	Sep-22	0	0	0	0	0	0	0	39	107	223	299	420	378
Amen Corner South	Sep-21	0	0	0	0	0	0	56	89	132	183	210	420	378
Amen Corner North	Sep-20	0	0	0	0	0	77	128	155	171	184	210	210	200
Crowthorne (TRL site)	Sep-23	0	0	0	0	0	0	0	0	23	72	135	420	378
BLV - Primary	Sep-19	0	0	0	0	30	89	125	160	181	160	210	420	378
BLV - Secondary	Sep-18	0	0	0	120	270	450	660	870	960	1,020	1,050	1,050	893
Total Forecast NOR		0	94	165	295	509	825	1,376	1,720	1,986	2,262	2,534	3,360	2,983
Financial data		Estimated costs £k											Total	
Total Start up costs		14.3	40.0	49.5	192.9	96.2	96.2	96.2	76.2	40.0	0.0	0.0	701.5	
Total SNFF		0.0	0.0	285.5	486.0	1,275.5	2,159.9	3,544.6	5,183.2	6,731.2	7,668.7	8,559.9	35,894.6	
Total Diseconomy Funding		0.0	250.9	315.6	830.4	1,021.4	1,543.7	2,204.0	2,252.4	1,953.7	1,842.8	1,807.9	14,022.8	
Total cost - annual		14.3	290.9	650.6	1,509.3	2,393.1	3,799.8	5,844.8	7,511.8	8,724.9	9,511.5	10,367.8	50,618.8	
Total cost - cumulative		14.3	305.2	955.8	2,465.1	4,858.2	8,658.0	14,502.8	22,014.6	30,739.5	40,251.0	50,618.8	50,618.8	

Costed at 2018-19 prices and the 2017-18 funding formula

TO: SCHOOLS FORUM
DATE: 7 DECEMBER 2017

2018-19 SCHOOLS BLOCK ELEMENT OF THE SCHOOLS BUDGET – INITIAL MATTERS

Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 To set the current scene on the Schools Block element of the Schools Budget and to update the Schools Forum on the initial matters that need to be dealt with now in order for the timely preparation of the 2018-19 budget, including considering the views from schools as expressed in their responses to the recent financial consultation. Further decisions will be required in January when all of the required information will be available.

2 EXECUTIVE SUMMARY

- 2.1 Responses from the financial consultation with schools show a clear direction for the development of 2018-19 school budgets. There is strong support to move to a local funding formula that closely matches the School National Funding Formula (SNFF) and that the Minimum Funding Guarantee should be used to ensure that no schools face a reduction in their 2017-18 per pupil funding.
- 2.2 Furthermore, in order to maximise the strategic and cost effective benefits that can arise from central management, schools agreed that a small number of services should continue to be provided directly by the council, including those requested through the de-delegation route, and that maintained schools should each continue to contribute £20 per pupil towards the cost to the council of meeting education related statutory and regulatory duties.
- 2.3 There is a tight timetable to meet, with the Department for Education (DfE) setting the 19 January as the deadline for Local Authorities (LAs) to submit the Funding Formula for Schools they will use in 2018-19, together with associated units of resource and the total cost. Therefore, a range of budget proposals are now being presented to assist a timely resolution to the budget. Final recommendations for change will need to be taken at the 18 January meeting of the Forum, following release by the DfE of the data that must be used for budget setting purposes.

3 RECOMMENDATIONS

Items for all Members

To NOTE:

- 2.1 **The outcomes from the financial consultation with schools as summarised in Annex 1;**
- 2.2 **The additional comments made by schools, as set out in the restricted Annex 3;**

To AGREE:

- 3.1 That in accordance with the majority views of schools as expressed through responses to the financial consultation, that:**
- 1. The allocation of additional funds to schools should be through Option 1, aim for a close fit to the 2018-19 SNFF allocation for each school;**
 - 2. The cost of meeting the MFG will be via an equal proportionate deduction from all schools experiencing a funding gain;**
 - 3. That taking account of the additional funding to be provided through the Pupil Premium, that funding for Looked After Children is removed from the BF funding formula.**
- 3.2 On going central retention by the Council of Schools Block and Central School Services funding for the services set out in Annex 2.**
- 3.3 The provisional budget changes for 2018-19, as set out in Table 2, and that indicative budgets are sent to schools this term, based on these decisions.**
- 3.4 That taking account of the recent revision by the DfE to allow for LAs to closer match the allocations from the SNFF in their local funding formula, that the MFG is set at the highest affordable rate, at the same proportional increase most schools can expect, which currently indicates an MFG rate of + 0.38%.**

Item for Primary School representatives only:

- 3.5 To AGREE the continued de-delegation of budgets for the services requested by the council.**

Item for Secondary School representatives only:

- 3.6 To AGREE the continued de-delegation of budgets for the services requested by the council.**

Item for all School representatives only

To AGREE:

- 3.7 That a £20 per pupil contribution continues to be made by maintained schools towards the cost of delivering 'general' education related statutory and regulatory duties.**
- 3.8 That subject to agreement of the DfE, where schools amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the 2018-19 Schools Budget is developed in accordance with the views of the Schools Form, the anticipated level of resources and the statutory funding framework, including the requirement to submit summary details of individual 2018-19 school budgets to the DfE by 19 January 2018.**

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 These are set out in the supporting information.

6 SUPPORTING INFORMATION

Background

- 6.1 Proposals for reforming school and education funding, most notably through the introduction of a SNFF, were initially announced by the government in March 2016 and are now reaching a conclusion. The SNFF is expected to be in place from April 2018, with LAs receiving funding for schools in their area on the new national formula, but in order to aid a smooth transition to the SNFF, continuing to have freedom to calculate and distribute funding to individual schools for the next 2 years.
- 6.2 From March 2020, the expectation is that responsibility for calculating funding for schools transfers to the Education and Skills Funding Agency (ESFA) which will implement the uniform SNFF for all schools in England, with minimal future involvement from LAs.
- 6.3 Following responses to the most recent DfE consultation in December 2016 and the outcomes from the general election result, there will now be an additional £1.3bn for schools and high needs budgets across 2018-19 and 2019-20. There will be £416m more than was set aside at the last spending review for the core school budget in 2018-19, and £884m more in 2019-20. These amounts are in addition to the extra £500m announced to support the reforms as part of Spending Review 2015. Budgets beyond 2020 will be confirmed in the next Spending Review.
- 6.4 The Schools Forum has been kept up to date with these developments through regular reports which have confirmed that over the next 2 years, funding for BF schools through the SNFF will be 5.1% higher (£3.24m) than the actual amount received through the current funding framework. This is sufficient to deliver an increase in per pupil funding for BF schools ranging from 1.0% to 8.5%.

Future Funding Arrangements

- 6.5 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). Following the latest national funding reforms, the DSG now comprises 4 funding Blocks (was 3), each with a separate calculation and funding allocation; the Schools Block (SB); the Central School Services Block (CSSB, and the new funding block) the High Needs Block (HNB); and the Early Years Block (EYB). The SB and CSSB directly support mainstream schools and are generally delegated to governors, the HNB and EYB are centrally managed by LAs.
- 6.6 The DSG can only be spent on the purposes prescribed by the DfE. Any under or overspending in a year must also be ring-fenced and applied to a future Schools Budget. There is a general ring-fence in place in that SB funding must be spent on school budgets, although where agreed by the local Schools Forum, up to 0.5% of the SB (circa £0.325m) can be transferred to fund costs that fall into other Blocks. Money can be freely transferred from other Blocks into the SB.
- 6.7 LAs can add to the DSG from their own resources to increase the size of the Schools Budget but are not permitted to plan to spend at a lower amount. The policy of the Council is for the Schools Budget to be funded to the level of external funding, with the Executive Member authorised to agree the budget allocations that are permitted by

DfE Funding Regulations, and this is scheduled to take place on 19 January 2018, taking account of recommendations of the Schools Forum.

The Schools Block

Overview

- 6.8 This report concentrates on the SB and CSSB elements of DSG which are intended to fund delegated school budgets and the small number of services that the DfE allows LAs to manage centrally on behalf of schools, where agreed by the local Schools Forum. HNB and EYB funding matters will be subject to a later report when there is expected to be greater certainty around levels of DSG funding.

Outcomes from the financial consultation with schools

- 6.9 Following agreement from the Schools Forum, a financial consultation with schools was issued on 30 October which sought views on key issues for the 2018-19 budget. There were 7 questions, with some more relevant to different school types than others as follows:

- Maintained Primary and Secondary Schools – questions 1 to 7.
- Academy Primary and Secondary Schools – questions 1 to 4
- Maintained Special School and Pupil Referral Unit – questions 6 and 7

- 6.10 By the end of the consultation period, a response had been received from 30 out of 39 schools (76% response rate). A reply was received from 22 primary schools (71%), all 6 secondary schools, Kennel Lane Special School and College Hall Pupil Referral Unit. The BF Teachers Association also made a response.

- 6.11 The questions are set out below and responses summarised. Recommendations for change, where relevant, have also been added in boxes. A summary of replies to each question can be found at Annex 1, with restricted Annex 3 listing all the comments received, together with a response from the council.

6.12 **Question 1**

In respect of allocating funds to schools, which Option do you prefer to use next year?

3 alternative options were identified for schools to consider, with attached annexes showing the potential financial effect of each option. In order to allow respondents to focus on the key principles to be adopted in the distribution of funding, the Forum agreed that indicative individual school budgets should be anonymised. The illustrative financial impact was calculated on the October 2016 school census data which will be subject to change once the DfE makes available the validated October 2017 school census data.

Responses from schools indicated that Option 1, aim for a close fit to the indicative 2018-19 SNFF allocation for each school was the most popular choice (29 schools, 97%). The next most popular response was from 1 school (3%) which supported Option 2, continue with the BF Funding Formula, increase other units of resource in accordance with the budget strategy. No schools supported Option 3, increase all amounts allocated by the BF Funding Formula by the same percentage.

The Forum is recommended to agree the most popular response from the consultation for allocating additional funds to schools, Option 1, aim for a close fit to the indicative 2018-19 SNFF allocation for each school.
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6.13 Question 2

In respect of the Minimum Funding Guarantee (MFG), do you think the rate should be set at 0%, minus 0.75% or minus 1.5%?

After budgets have been calculated, to ensure a degree of funding stability is maintained, the DfE requires a MFG to be applied and this sets a minimum reduction in per pupil funding that a school can experience between years. In recent years this has been set nationally at minus 1.5% for all schools i.e. schools must absorb the first 1.5% reduction in per pupil funding. From 2018-19, DfE is allowing LAs to set a rate locally, but this must be between 0% and minus 1.5%. 3 Options were presented with an MFG of 0%, minus 0.75% and minus 1.5%. NB: a 0% rate maintains funding at 2017-18 rates and provides the highest degree of protection, minus figures will result in less per pupil funding for affected schools in 2018-19 compared to 2017-18.

Responses from 19 schools (63%) preferred an MFG rate of 0%, 8 (27%) supported minus 1.5% with 3 (10%) selecting minus 0.75%.

On 23 November, after the closure of the BF consultation with schools, the DfE announced that due to a large number of LAs indicating a desire to move as closely as possible to the SNFF for 2018-19, funding regulations will now be amended to enable local formulae to include a positive MFG up to + 0.5% per pupil. This change now allows LAs to replicate the minimum 0.5% per pupil funding increase used by the DfE in the calculation of SNFF budgets, rather than be limited to a year on year cash protected amount i.e. a maximum MFG of zero.

As previously reported, and set out below in more detail in paragraphs 6.26 to 6.23, the unfunded cost arising in BF next year from diseconomies at new / expanding schools needs to be funded from the general increase in funds from the SNFF and therefore not all of the expected increase can be allocated through the BF Funding Formula for Schools. At this stage, it is estimated that around 75% of the increase can be passed on to existing schools. To consistently fund all schools, this implies an MFG rate at 75% of the maximum amount, which is estimated at 0.38%. Setting this higher rate is expected to result in an extra £0.010m funding protection added to schools experiencing the smallest increases. 2 extra schools would receive additional funds.

Taking account of the school responses to Question 1, where 97% supported as close a fit to the indicative 2018-19 SNFF allocation for each school as possible, and Question 2 where 63% supported the highest allowable rate of MFG, the Forum is recommended to agree that the MFG is set at the highest affordable rate, in line with the increase most schools can expect, which is currently estimated at 75% of the allocated total, which indicates an MFG rate of + 0.38%.

6.14 Question 3

How would you prefer to finance the cost of the MFG, which is estimated at between £0.031m and £0.058m; an equal proportionate deduction from all schools experiencing a funding gain e.g. 2% of the gain; or an equal per pupil deduction from all schools experiencing a funding gain e.g. £3 per pupil?

An equal proportionate deduction would result in all schools contributing the same share of their funding gain to finance the cost of MFG at schools losing money. An equal per pupil deduction would result in schools with the most pupils contributing the highest cash amount.

Responses from 17 schools (57%) preferred an equal proportionate deduction from all schools experiencing a funding gain with 13 (43%) selecting an equal per pupil deduction from all schools experiencing a funding gain.

The Forum is recommended to agree the most popular response to funding the cost of the MFG i.e. an equal proportionate deduction from all schools experiencing a funding gain.

6.15 **Question 4**

Do you agree that to avoid double funding, the £281 per looked after child (LAC) funding currently paid to schools through the BF formula should be removed?

The SNFF will not allocate funding to schools based on the number of LAC. To ensure schools supporting this priority group receive additional funding, the Pupil Premium Plus will be increased by £400 to £2,300. Retaining the £281 per LAC funding amount in the BF funding Formula will result in relevant pupils attracting more than twice the current level of funding.

All 30 responses supported the proposal.

The Forum is recommended to agree that funding for LAC pupils is removed from the BF funding formula.

6.16 **Question 5**

To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties), support to underperforming ethnic groups, CLEAPSS licences / subscriptions, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?

25 of the 27 respondents (93% in total, 90% of responding primary schools, 100% of responding secondary schools) agreed that de-delegation of services should continue. Note: the council did not request that the SIMS licence fee funding be returned for central management as this arrangement is losing money. An option under consideration is to explore whether the LA can continue to purchase the licence for maintained schools, and recharge the actual cost back to schools through an SLA type agreement. Unlike de-delegation, this would ensure full costs are recovered and maintained schools would still benefit from the economies of scale that the council can secure. Furthermore, de-delegation of the anti-bullying service is also under review, again due to there being a loss on the service.

The school representatives on the Forum are therefore recommended to agree to continue to de-delegate funding of services requested by the council for central management by the LA.

6.17 **Question 6**

In respect of making a financial contribution to the statutory and regulatory education related duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil contribution?

From April 2017, the DfE implemented a saving of £600m through the complete withdrawal of the Education Services Grant (ESG) which was the mechanism used to fund LAs for their statutory and regulatory education related duties as prescribed in various Education Acts and other relevant statutes. This resulted in the council losing £1.2m of grant but continuing to have to meet the same requirements. The DfE “recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed” and will “allow local authorities to retain some of their schools block funding to cover the statutory

duties that they carry out for maintained schools which were previously funded through the ESG.” Schools agreed to a £20 per pupil deduction through the 2016 consultation and a similar deduction in 2018-19 would contribute around £0.23m to the £1.2m loss in grant. The deduction, if agreed, is taken after the calculation of final school budgets.

20 of the 28 respondents (71%) agreed that a £20 per pupil contribution should continue.

The school representatives on the Forum are therefore recommended to agree that the £20 per pupil contribution to education related statutory and regulatory duties continues.

6.18 **Question 7**

Do you agree that the council should seek agreement from the Secretary of State for Education for schools that amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council?

The council is seeking to make a discretionary change to the Scheme for Financing Schools in respect of the circumstances in which closing schools can retain any surplus balance, which at the moment, in accordance with DfE guidance, revert back to the LA. In considering the situation where schools may amalgamate, two schools close to open on the next day as one new primary school. In these circumstances, the council would want to pass any balance on to the successor school, which requires express permission of the secretary of state.

All 28 respondents supported the proposal.

The school representatives on the Forum are therefore recommended to agree that subject to agreement of the Secretary of State, that where schools amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council.

Initial budget position for 2018-19

Estimated Schools Block DSG income

- 6.19 The DfE is expected to publish verified October school census and other data that must be used to calculate 2018-19 school budgets in the middle of December. Therefore, at this stage, DSG income can only be estimated. In terms of the overall quantum available next year, as previously reported, the DfE has already announced the individual per pupil funding rates that will apply to each LA to ensure sufficient funding to meet the new minimum per pupil funding rates of £3,300 for primary aged pupils and £4,600 for secondary aged pupils. For BF these will be £3,616 and £4,849 respectively. Based on the 16,008 pupils¹ recorded on the provisional October 2017 school census data, an increase of 109, which will deliver £65.188m.
- 6.20 The DfE has also confirmed that there will be a separate funding allocation to LAs for non-pupil based school costs, to be set at the 2017-18 budget amount and intended to finance the cost of business rates, high pupil mobility and the Growth Fund. The

¹ 2018-19 is the first year that pupils in SEN Resource Units attached to schools will be included in the relevant school's per pupil funding. In previous years these pupils have been funded from the HN Block on a per place basis. This change increases BF pupil numbers by 47 compared to last year. In addition 21 pupils were funded for deferred admission to reception (due by age to start in September but deferred on parental preference). The DfE no longer include funding for deferred admissions.

allocations for business rates and high pupil mobility of £1.528m and £0.013m respectively will ultimately be included in delegated school budgets.

- 6.21 In terms of the Growth Fund, this amounts to £0.772m and is a centrally managed budget that is generally allocated in-year to relevant schools once eligibility criteria have been met. It comprises 3 elements that are allocated to schools after the start of the financial year, which total £0.454m and comprise; funding for significant in-year increases in pupil numbers at £0.312m; allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations at £0.086m; and pre-opening costs for new schools at £0.056m.
- 6.22 There is a fourth element of the Growth Fund that is allocated to qualifying schools at the start of the financial year, and this relates to diseconomy funding for new schools that ensures sufficient budget is available to manage a new school as pupil numbers grow to a viable number. There is currently £0.318m of diseconomy funding being paid into the initial budget of the recently opened Warfield Woodhurst Primary School.
- 6.23 Therefore, at this stage, the overall income for the SB is estimated at £67.501m, with £0.454m retained by the council for in-year allocation to schools once eligibility criteria are met, and the remaining £67.047m included in delegated school budgets.

Current Schools Block base budget

- 6.24 At the previous meeting of the Schools Forum, it was reported that the current Schools Block base budget for amounts delegated to schools is £65.039m. The £67.501m delivered through the SNFF therefore provides an overall increase in funding for schools of £2.008m, which comprises £0.312m for the 83 additional pupils recorded on the provisional October 2017 school census and the previously reported £1.696m increase received through the general operation of the new SNFF. Budget allocations to schools for the 83 additional pupils on the school census will be through reference to the BF funding formula, and whilst this attempts to replicate the SNFF, there will always be differences in allocations due to the different factors permitted to be used in each formula, with £0.325m the amount actually expected to be allocated to schools.

Adjustments required to the Current Schools Services Block (CSSB) base budget

- 6.25 It has previously been reported that the new funding framework will result in the creation of the CSSB to fund and account for budgets that support schools which can be centrally managed by councils. Relevant funds are currently held within the SB and therefore need to transfer to the CSSB. The total amount involved is the 2017-18 base budget of £1.509m, with £1.055m transferring to the CSSB, and £0.454m remaining in the SB i.e. the centrally managed Growth Fund. Annex 2 sets out the budgets involved. Paragraphs 6.34 to 6.39 below provide more information on the CSSB.

Growth Fund - Impact from new / expanding schools

- 6.26 Current pupil forecasts indicate the need for six new schools over the medium to long term. This will create a significant revenue budget pressure for start-up and diseconomy funding. Due to the long term nature of the build programme, the reliance on external factors, such as the speed of house building that will be determined by developers and complexities around formulating accurate pupil forecasts down to individual school level, the cost forecast is subject to regular review and revision.
- 6.27 However, with Binfield Learning Village (BLV) scheduled to open to secondary aged pupils in September 2018 (part year financial effect in 2018-19), and Warfield Woodhurst Primary School continuing to require diseconomy top-up funding, it is

known that the cost of supporting new schools will increase from the £0.318m that the DfE will again provide for this purpose in 2018-19. A provisional estimate of the likely cost next year is £0.848m which results in a budget pressure of £0.512m. The outline forecast for 2019-20 shows a further increase of £0.191m and mainly reflects the estimated cost of BLV being open for a full year together with additional pupils from September 2019.

- 6.28 Start-up costs have also been reviewed in the light of experience and this indicates the need for a payment of £0.091m to BLV for the period April to August 2018. With the DfE providing £0.056m for this purpose, there is a resultant budget pressure of £0.035m. Table 1 below summarises the key data relating to new and expanded schools. A more detailed update on the current position is included on a separate agenda item.
- 6.29 As previously reported, the DfE are aware that historic spend on growth will not necessarily predict accurately the amount of funding that will be needed for growth in future. Alternative options for the longer term are being formulated, with a current preference to move to a formulaic approach. At this stage, it is unclear if this will result in more or less funding being received by BF.

Table 1: Additional financial support for new / expanding schools

Item	Warfield West / Woodhurst (Opened Sept 2016)	Binfield Learning Village (To open Sept 2018)
<u>Running costs (financial year basis):</u>		
Fixed lump sum	£165,000	£300,420
Business Rates	£20,000	£46,670
Funding 6 classes from April – August	£188,580	-
Funding 7 Classes from September - March	£308,000	-
Funding 4 classes from September - March	-	£287,680
Total	£681,580	£634,770
	£1,316,350	
Funding Formula allocation (October 2017 school census data)	£485,970	£0
Total cost of Diseconomies	£195,610	£634,770
	£830,380	
Total Funding	£318,000	
Pressure in 2018-19	£512,380	
<u>Start-up costs</u>		
April 2018 – August 2018	-	£91,000
Total Funding	£56,000	
Pressure in 2018-19	£35,000	

Growth Fund – impact from in-year increase in pupil numbers and KS1 class sizes

- 6.30 As set out above, as well as supporting new / expansion schools, in accordance with the Schools Forum approved policy, the Growth Fund is also used to provide additional resources to schools that experience large in-year cost increases in pupil numbers. The most significant cost increases will occur when schools need to open additional classes at the start of the September 2018 academic year but are funded on lower September 2017 numbers. Taking account of current pupil numbers on roll that are expected to leave at August 2018, and the new numbers expected to start, 7 new classes are forecast. As a number of schools are very close to the funding threshold, a provision for 4 further payments is also proposed. With each new class costing £0.026m, the total estimated cost is £0.286m. This is a forecast saving of £0.026m compared to the £0.312m funding allocation from the DfE. Funding top-ups for KS1 class sizes are very volatile and therefore difficult to predict with accuracy and therefore no change is proposed to the £0.086m funding allocation from the DfE.
- 6.31 The net cost of £0.009m proposed above on centrally managed Growth Fund items (pressure of £0.035m for start-up costs for new schools and saving of £0.026m on in-year growth allowances for schools experiencing significant increases in pupil numbers will need to be funded from within the overall SB.

Impact from business rates revaluation and academy conversions

- 6.32 Forum members will be aware that there was a business rates revaluation at April 2017 of which the outcome was a cost increase to most schools. However, the full financial impact is being phased in through a 5 year transitional protection scheme which in general will limit 2018-19 cost increases at schools to 17.5% of the March 2017 base position. However, final arrangements for the protection scheme, together with a forecast cost increase to the rate in the £ multiplier have yet to be taken by the government. Based on provisional information, a cost pressure of around £0.101m has been calculated and is proposed at this stage. The actual cost change is expected to be available for the January Forum meeting which may require a budget revision.
- 6.33 There is also a change in rates liabilities when a school converts to an academy, at which point they become charitable organisations and eligible to 80% mandatory business rates relief. The 2017-18 budget included full rates funding for schools that converted in-year. For 2018-19, there is expected to be a £0.203m cost reduction.

The Central School Services Block

- 6.34 The first stage of DfE consultation proposed the introduction of a central school services block within the DSG to reflect the ongoing local authority role in education. This is intended to ensure LAs can continue to carry out their important role in supporting the provision of excellent education for all children of compulsory school age.
- 6.35 The central school services block will be created from two existing funding streams: the DSG funding that is held centrally by the LA for central services, and the retained duties element of the ESG, which is funding for duties which LAs hold in respect of all schools. Funding covers two distinct elements which will be handled separately within the national funding formula: ongoing responsibilities and historic commitments.
- 6.36 Funding for ongoing responsibilities to LAs will be distributed 90% according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements are adjusted for area costs. The central school services block will also provide funding for historic commitments based on current actual budgets. No new commitments are allowed and over time the expectation is that these costs will reduce.

- 6.37 There are significant differences in LA spending on these duties and therefore the DfE are introducing transitional funding arrangements to balance the rate of change against the need to make progress towards the formula. A protection will be in place in 2018-19 and 2019-20 that limits reductions to 2.5% per-pupil a year for ongoing responsibilities i.e. historic commitments will continue to be funded at the current budget amount. The level of gains will be set annually and will depend on the precise composition of the central school services block in each year. In 2018-19, gains of up to 2.5% per pupil will be allowed with 2.1% expected in 2019-20.
- 6.38 The provisional impact of this change on BFC is very similar to what was reported to the Forum in December 2016. The illustrative funding figures for ongoing responsibilities anticipated compared to current spend shows a reduction in funding of £0.085m (13.1%) from the £0.649m 2017-18 budget. Transitional funding protection will limit the first year reduction to 2.5%, £0.014m. The proposal is to manage this reduction through the budget for boarding placements for vulnerable children, where costs are below the current budget. A more fundamental review of services will be required to move to a sustainable funding level as further reductions are applied going forward.
- 6.39 Annex 2 sets out the services proposed to be centrally managed by the council, showing the 2017-18 base budget and the division of the services between the Schools Block and the Central Schools Services Block.

Summary of proposed changes

- 6.40 Based on provisional budget data, a series of changes have been set out above that the council proposes are reflected in the 2018-19 Schools Block budget. The proposals draw from the national funding framework and the estimated level of resources. To aid budget planning, the Forum is recommended to agree this approach, with final figures for the 2018-19 budget to be presented to the Forum for consideration at the 18 January 2018 meeting. At this stage, additional funds of £1.264m are expected to be available for schools, which represents 75% of the expected increase in funds from the normal operation of the SNFF, and is in line with the amount anticipated in October. Table 2 below summarises the changes proposed at this stage.

Table 2: Summary initial budget proposals for 2018-19

Para Ref.	Item	Schools Block			Central Services Schools Block	Total
		Delegated school budgets	De-delegated budgets	Council Managed		
		1 £'000	2 £'000	3 £'000		
	2017-18 Schools Block budget	63,791	1,275	1,509	0	66,575
	As reported to 12 January 2017 Forum	65,066				
	<u>Changes required from DfE "base lining"</u>					
	Remove 2017-18 one-off funding	-179	0	0	0	-179
	Add cost of SEN Unit pupils	176	0	0	0	176
	Charitable rates relief - part year effect	-24	0	0	0	-24
6.25	New CSSB items	0	0	-1,055	1,055	0
	2017-18 on-going Schools Block budget	63,764	1,275	454	1,055	66,548
6.24	As reported to 10 October 2017 Forum	65,039				
6.23	Provisional 2018-19 DSG funding	67,047			454	1,041
	Change in funding	2,008			0	-14
	<u>Changes required for 2018-19:</u>					
6.24	Increase in pupils	325		0	0	325
6.27	Diseconomy funding; new / expanded schools	512		0	0	512
6.28	Start-up costs: new / expanded schools	0		35	0	35
6.30	Significant in-year increase in pupil numbers	0		-26	0	-26
6.32	Rates revaluation and inflation	101		0	0	101
6.33	Charitable rates relief - full year effect	-203		0	0	-203
6.38	Savings - boarding places	0		0	-14	-14
	Total changes required for 2018-19	735			9	-14
6.31	Internal Schools Block funding transfer	9			-9	
6.40	Additional funds to allocate to schools	1,264				
	Proposed budget for 2018-19	67,038			463	1,041
	<u>Memo item:</u>					
6.17	Part funding of 'general' statutory duties to be transferred to BFC	-230			230	

Conclusion and Next steps

- 6.41 The national education and school funding reforms have resulted in an overall increase in funding to schools in BF. However, as usual, a range of cost pressures will need to be financed, most notably pay and price inflation and pension cost which will continue to present challenges to a number of schools.
- 6.42 The recommendations presented in this report allow for some key budget decisions to be taken now that assists with the budget planning and allows the calculation and distribution of indicative 2018-19 to schools before the end of term, subject to the timely release by the DfE of the data that must be used for budget setting purposes. Final SB and CSSB budget proposals for 2018-19 will be presented to the Forum to consider on 18 January.

6.43 Further work is on-going relating to the High Needs and Early Years Block items where the level of funding to be received next year has yet to be finalised. Budget proposals on these areas of the Schools Budget will be presented to the Forum in March.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

7.1 The relevant legal implications are addressed within the main body of the report.

Borough Treasurer

7.2 Included within the supporting information.

Equalities Impact Assessment

7.3 A decision on the need for an EIA will be taken when the final budget proposals are confirmed.

Strategic Risk Management Issues

7.4 Whilst the funding reforms in general result in schools receiving additional funds, a number of strategic risks exist, most significantly:

1. Insufficient funding to cover anticipated pay and price inflation and changes in contributions to the Pension Funds for those schools receiving the lowest increases.
2. The ability of schools with loans to manage their repayments. Two secondary schools have significant loan advances that need to be managed during a period of financial change.
3. Ensuring sufficient resources are allocated into general school budgets to meet their SEN responsibilities, up to the £10,000 limit.
4. Managing the additional revenue costs arising from the new / expanded schools programme.
5. The ability of schools to achieve school improvement targets.

7.5 These risks will be managed through support and assistance to schools in the budget setting process which is a well established programme. It has ensured that schools develop medium term solutions to budget shortfalls and draws on funding retained to support schools in financial difficulty or through the allocation of short to medium term loans. Subject to the outcomes from the consultation with schools, there remains a de-delegated budget of £0.195m (after academy deduction) to support schools in financial difficulties that meet qualifying criteria.

7.6 The increase in school academisation is also likely to increase budget and general resource pressures on the council. These will need to be managed as they emerge.

8 CONSULTATION

Principal Groups Consulted

8.1 CYPL Departmental Management Team, schools and other interested parties.

Method of Consultation

8.2 Written report. To CYPL Management Team; formal consultation with schools.

Representations Received

8.3 Included in body of the report.

Background Papers

None:

Contact for further information

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Doc. Ref

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Summary responses to the financial consultation with schools

FINANCIAL CONSULTATION WITH SCHOOLS: NOVEMBER 2017		TOTALS				TOTAL	%	
		PRIMARY	SECONDARY	SPECIAL	OTHERS			
43	1	In respect of allocating funds to schools, which Option do you prefer to use next year? Option 1: aim for a close fit to the indicative 2018-19 SNFF allocation for each school; Option 2: continue with the BF Funding Formula, increase all other units of resource in accordance with the budget strategy; Option 3: continue with the BF Funding Formula, increase all amounts allocated by other formula factors by the same percentage. Note the Schools Forum recommends Option 1: aim for a close fit to the indicative 2018-19 School National Funding Formula (SNFF) allocation						
	Option 1	21	6	1	1	29	97%	
	Option 2	1	0	0	0	1	3%	
	Option 3	0	0	0	0	0	0%	
43	2	The Minimum Funding Guarantee (MFG) compares per pupil funding between years and where the change is below the minimum permitted amount, a funding top up is added. It is an important funding protection mechanism. The DfE will permit each local area to set a rate of between 0% and minus 1.5%. NB: a 0% rate maintains funding at 2017-18 rates and provides the highest degree of protection, minus figures will result in less per pupil funding for affected schools in 2018-19 compared to 2017-18.						
	0%	13	4	1	1	19	63%	
	Minus 0.75%	3	0	0	0	3	10%	
	Minus 1.5%	6	2	0	0	8	27%	
43	3	Which of the following options do you prefer to use to finance the cost of the MFG, which is estimated at between £0.031m and £0.058m: -an equal proportionate deduction from all schools experiencing a funding gain e.g. 2% of the gain, or an equal pupil deduction from all schools experiencing a funding gain e.g. £3/pupil						
	Equal proportionate deduction from all schools experiencing a funding gain	11	5	0	1	17	57%	
	Equal pupil deduction from all schools experiencing a funding gain	11	1	1	0	13	43%	

FINANCIAL CONSULTATION WITH SCHOOLS: NOVEMBER 2017		TOTALS				TOTAL	%
		PRIMARY	SECONDARY	SPECIAL	OTHERS		
4	The SNFF will not allocate funding to schools based on the number of Looked After Children. To ensure schools supporting this priority group receive additional funding, the Pupil Premium Plus will be increased by £400 to £2,300. Do you agree that to avoid double funding, the £281 per looked after child funding currently paid to schools through the BF formula should be removed?						
	YES	22	6	1	1	30	100%
	NO	0	0	0	0	0	0%
5	To continue the strategic and cost effective approach in the use of the funds for contingencies (including schools in financial difficulties), support to underperforming ethnic groups, CLEAPSS licences / subscriptions, staff supply cover costs, premature retirement / dismissal cost, free school meal eligibility checking and Behaviour Support Services, do you agree that the Schools Forum should again agree to de-delegate all relevant funding for continued central management by the LA?						
	YES	20	3	1	1	25	93%
	NO	2	0	0	0	2	7%
6	In respect of making a financial contribution to the statutory and regulatory education related duties required of the council that will no longer be financed through DfE grant, do you agree that maintained schools should continue to make a £20 per pupil contribution?						
	YES	15	2	2	1	20	71%
	NO	7	1	0	0	8	29%
7	Do you agree that the council should seek agreement from the Secretary of State for Education for schools that amalgamate to form a new primary school, that any balances from the closing schools should be made available for use by the successor school rather than be retained by the council?						
	YES	22	3	2	1	28	100%
	NO	0	0	0	0	0	0%
Total responses		22 70.97%	6 100.00%	2 100.00%	1 100.00%	31 77.50%	
Maximum responses		31	6	2	1	40	

Services proposed to be centrally managed by the Council

Service area	2017-18 Base Budget	Schools Block	Central School Services Block
<u>Historic commitments:</u>			
Combined Services Budgets*:			
Family Intervention Project	£100,000		£100,000
Educational Attainment for Looked After Children	£133,590		£133,590
School Transport for Looked After Children	£42,890		£42,890
Young People in Sport	£18,050		£18,050
Common Assessment Framework Co-ordinator	£42,470		£42,470
Domestic Abuse	£6,000		£6,000
Education Health Partnerships	£30,000		£30,000
SEN Contract Monitoring	£32,680		£32,680
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£4,850		£4,850
Borough wide Initiatives	£27,270		£27,270
Support to Schools Recruitment & Retention	£7,470		£7,470
<u>Growth Fund:</u>			
Significant in-year growth in pupil numbers	£311,650	£311,650	
Key Stage 1 class sizes	£86,390	£86,390	
Start-up costs for new schools	£56,100	£56,100	
<u>Statutory and regulatory duties:</u>			
'Retained' elements	£260,000		£260,000
<u>Other expenditure:</u>			
School Admissions	£175,970		£175,970
Schools Forum	£21,440		£21,440
Boarding Placements for Vulnerable Children	£75,880		£75,880
Central copyright licensing	£76,000		£76,000
Total approved 2017-18 budget	£1,508,700	£454,140	£1,054,560
<u>Changes proposed for 2018-19:</u>			
Significant in-year growth in pupil numbers		-£103,650	
Start-up costs for new schools		£35,000	
Boarding Placements for Vulnerable Children			-£14,000
Total proposed 2018-19 budget		£385,490	£1,040,560

* Combined Service Budgets funded by the DSG generally support vulnerable children, have an educational benefit and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided and managed independently.

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TO: SCHOOLS FORUM
DATE: 7 DECEMBER 2017

**DEPARTMENT FOR EDUCATION (DfE) CONSULTATION:
CHANGES TO THE CRITERIA FOR AGREEING LOAN SCHEMES
Director of Children, Young People and Learning**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is for the Schools Forum to be aware of changes proposed by the DfE to the criteria for agreeing loan schemes, to consider what response, if any it wishes to make, and the potential impact in Bracknell Forest (BF).

2 EXECUTIVE SUMMARY

- 2.1 The Department for Education (DfE) are proposing changes to the criteria for agreeing school loan schemes to restrict their use only to the purchase of significant one-off capital assets. They will no longer be permitted to be granted to finance shortfalls in day to day recurrent expenditure in schools. In future, shortfalls in day to day recurrent expenditure will need to be facilitated through a licensed deficit.
- 2.2 The impact of this change is that schools converting to an academy will no longer need to repay loans unless they are for the purchase of significant one-off capital assets. Any accumulated deficit at the point of transfer will fall onto local authorities (LAs) to finance or the general contingency in their Schools Budget if the relevant local policy permits such expenditure.
- 2.3 The change, if affected will not apply to existing loan agreements, and should schools in receipt of a current loan convert to an academy, they will remain liable to repay any outstanding balance.
- 2.4 The current BF licensed deficit scheme will need to be reviewed in response to this expected change.

3 RECOMMENDATIONS

- 3.1 **To NOTE the proposals contained in the DfE consultation on the implementation of the changes to the criteria for agreeing loan schemes;**
- 3.2 **To CONSIDER what response, if any is made to the consultation;**
- 3.3 **To NOTE that the licensed deficit will be reviewed and a report presented to the Schools Forum in the new year.**

4 REASONS FOR RECOMMENDATIONS

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

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None available.

6 SUPPORTING INFORMATION

Background

- 6.1 Members of the Forum will be aware that each LA is required to publish a Scheme for Financing Schools (“the Scheme”). It is an important document that sets out the financial relationship between the LA and the maintained schools which it funds. It is a legally binding document on both the LA and maintained schools relating to financial management and associated issues. Academy schools operate outside the requirements of the Scheme.
- 6.2 The DfE issues statutory guidance to LAs in respect of the areas that must be covered within Schemes. Parts of Schemes must be in accordance with “directed scheme revisions” and are mandatory, sometimes to the precise wording that must be used. For other elements of schemes, there is discretion to make amendments to best 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.
- 6.3 Statutory DfE Scheme guidance allows LAs to support schools in managing a short term planned over spending either through a licensed deficit agreement, which in essence allows a school to over spend the budget allocation for an agreed period up to a maximum amount, or a school loan scheme, where schools are advanced an agreed amount of additional funding from future budget allocations with an associated repayment schedule. The loan advance and repayment amounts are included in a schools funding allocation which means their accounts are not reported as over spent. Schools in BF supported a loan scheme as opposed to a licensed deficit. The statutory Scheme guidance attaches the same outline conditions that must be applied to both of these options.
- 6.4 Annex 1 sets out the relevant extract from the statutory DfE guidance with Annex 2 showing the current loan scheme in the BF Scheme.

Proposals for change from the DfE

- 6.5 Whilst the only difference between a licenced deficit arrangement and a loan appears to be the accounting arrangements, there is an important link into the financial arrangements that accompany an academy conversion which are set out in the DfE *Guidance note for schools and local authorities - Treatment of surplus and deficit balances when maintained schools*. This guidance requires an academy to continue to repay loan agreements but any deficit – licenced or otherwise - remains with the LA or general balances of the Schools Budget to fund.
- 6.6 The DfE now intends to issue a directed Scheme revision with prescribed text to limit the use of loan schemes to only “assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature... Loans will not be used as a means if funding a deficit that has arisen because a school’s recurrent costs exceed its current income”.

- 6.7 The DfE consultation relates to when the changes will be implemented, not if they should be. It follows an earlier consultation in March which sought views on restricting loans to capital purchases only where the majority of the 75 responses did not support the changes. The changes will not affect loans agreed before the publication date of the determination of this latest DfE consultation, meaning no immediate risk from repayment defaults on existing loans should relevant schools convert to an academy.
- 6.8 Annex 3 sets out the DfE consultation document which was issued on 15 November with a response deadline of 13 December.

Impact in BF

- 6.9 Loans have been used successfully for a number of years in BF to help schools manage short term funding shortfalls in a measured way that prevents the need to immediately make more drastic budget management action. This minimises disruption in school organisation, which would most likely impact on numbers of staff. Knowing that loan agreements will be honoured following an academy conversion provides the security that underpins the scheme. Without this security, outstanding loan balances would need to be funded from the general contingency in the Schools Budget impacting on the amount of funds available for maintained schools.
- 6.10 The Forum receives an annual report on school loan advances and determines any new ones requested. As at 1 April 2017, there was a net £0.738m of outstanding school loans which represents a significant amount and indicates the need for an effective mechanism to support schools facing short term funding difficulties.
- 6.11 Members of the Forum are aware that current loan advance are at 39% of aggregated surplus balances where the BF scheme includes an outline cap at a maximum amount of advance of no more that 40%, although there is discretion to set the cap at different amounts. With aggregate surplus balances likely to continue to reduce, there is a strong possibility that this current limit will be exceeded and a review of loan arrangements at other LAs shows that a range of different capping limits have been set from 20% to 50%.

Next steps

- 6.12 The Forum has previously been advised that the BF loan scheme will be reviewed in light of the outcomes from this DfE consultation. Whilst decisions have yet to be implemented, it is clear that loans will in future be limited to capital purchases and there will be no responsibility to repay any other type of new loan advance should a school convert to an academy. The publication of this DfE consultation was not expected during the budget setting process and there has been insufficient time to properly consider future loan arrangements, and therefore proposals from the council will be presented to the Forum in the new year.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions have been considered within the main body of the report.

Borough Treasurer

- 7.2 No significant financial implications are expected to arise from the changes to be made by the DfE to existing loans to BF schools, however, it is unclear at this stage how an effective medium term financial support package can be developed for schools without significant financial risks to the Schools Budget.

Equalities Impact Assessment

- 7.3 There are no specific impacts arising from this report.

Strategic Risk Management Issues

- 7.4 The main strategic risk relates to being able to produce short term financial support packages to schools with an acceptable risk that repayment of any deficit will be made.

8 CONSULTATION

- 8.1 Not applicable.

Background Papers

None.

Contact for further information

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Doc. Ref

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Extract from DfE statutory guidance on Scheme Content

4.9 Licensed deficits

An authority may include in its scheme provision for an arrangement whereby schools are allowed to plan for a deficit budget. Such an arrangement is normally funded by the collective surplus of school balances held by the authority on behalf of schools (although it is open to an authority with no such surplus to make alternative arrangements if it can do so within the relevant local authority finance legislation). Although such a provision may refer to other guidance on the operation of the deficit arrangement, the scheme itself should specify the following:

- 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 deficits are not simply extended indefinitely. The maximum length allowed should not exceed three years
- the purposes for which the deficit arrangement may be agreed
- the maximum size of the deficits which may be agreed (this may be by reference to the size of the budget share or in cash terms or some combination)
- the maximum proportion of the collective balances held by the authority which will be used to back the arrangement
- the role of the Director of Children's Services and the Chief Finance Officer of the Authority in agreeing any arrangements for individual schools

It is open to a LA to extend such an arrangement by inviting schools holding balances in external bank accounts to use some or all of those balances to back the arrangement. If so the scheme should make clear the basis on which this would occur.

Balances held by a school in an external bank account remain the property of the authority (if made available by the authority initially) and therefore may legally be taken into account by the authority in assessing the total level of loans which it might wish to make to schools. However, the Secretary of State believes that it is right that schools be asked to give a view as to whether the authority should take them into account in this way, and that this provides assurance for the authority as well as schools.

Under a licensed deficit scheme the only effect on budget and out-turn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of the repayment period because the school has to constrain its expenditure to effect the repayment. No 'payment' to the school is recorded.

4.10 Loan schemes

It is open to an authority to include in its scheme a form of loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. If so, the same parameters for the arrangement should appear in the scheme as listed at 4.9 above for licensed deficits.

Again, an authority may wish to invite schools with balances in external accounts to use some or all of those balances to back a loan scheme, and the scheme should make clear on what basis this would occur.

If there is a loans scheme on this basis the authority must show in its budget statements the amount centrally retained for what would be a devolved payment to schools, and the payment should appear in the out-turn statements.

BFC Loan Scheme

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, 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.

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.



Department
for Education

Annex 3

Implementation of the changes to the criteria for agreeing loan schemes

Government consultation

Launch date 15 November 2017

Respond by 13 December 2017

Contents

Introduction	3
Who this is for	4
Issue date	4
Enquiries	4
Additional copies	5
The response	5
About this consultation	6
Respond online	6
Other ways to respond	6
Deadline	6
Proposal 1 - How the breaches to the criteria for loan arrangements will be challenged	7
Background	7
Proposal and rationale	7
Proposal 2 - When the changes to the criteria will come into force and how these changes will be applied retrospectively	9
Background	9
Proposal and rationale	9
Consultation questions	10

Introduction

The Department for Education (the Department) ran a [consultation](#) from 24 March to 21 April 2017 to seek views on a proposed directed revision to local authorities' schemes for financing schools. Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. The scheme for financing schools guidance lists the provisions that a local authority's scheme should or may include. We proposed to make a directed revision inserting new wording into local schemes and to make a related revision to section 8.1 of the [Treatment of surplus and deficit balances when maintained schools become academies](#) guidance note for schools and local authorities.

Overall, we received 75 responses to the initial consultation; the majority of the respondents did not agree with the two proposals:

- 1) Do you agree with the proposal to issue a directed revision to clarify the purpose of loan schemes?
- 2) Do you agree with the proposal to amend the guidance on the treatment of surpluses and deficits when a maintained school becomes an academy?

The highest proportion of responses received were from local authority representatives (71% of the total response). Out of the local authority responses 65% did not agree with proposal 1 and 71% did not agree with proposal 2. The majority of the responses we received focused on how the revisions might give maintained schools an incentive to run up deficits and using a loan is a way for local authorities to mitigate against this risk. We also received a high number of comments on how local authorities cannot be responsible for all deficits as the responsibility for spending decisions sits with individual schools.

These comments failed to take into account that it is a local authority's responsibility to ensure that a school is managed correctly and that the local authority has the power to intervene where it has concerns over the financial management of maintained schools. Where a local authority has highlighted a school at risk of falling into deficit, it can issue a notice of concern. These notices can be issued where actions need to be taken to safeguard the financial position of the school or the authority.

The notice can include restrictions, limitations or prohibitions on the governing body in relation to management of funds delegated to it. These may include:

- Insisting all relevant staff undertake appropriate training to address weaknesses in financial management
- Insisting an appropriately trained person chairs the finance committee of the governing body
- Placing more stringent restrictions on the day-to-day financial management of a school including the provision of monthly accounts to the authority
- Insisting on regular financial monitoring meetings at the school attended by the local authority

Further information on this can be found in section 2.15 of the schemes for financing schools guidance.

As a last resort, local authorities have the ability to completely withdraw financial delegation from maintained schools to prevent further deficits being incurred.

We also received many comments that were not substantially related to the proposals to make a directed revision to local authorities' schemes for financing schools to clarify purpose of loan schemes, for example on the treatment of sponsored academies and converter academies. We additionally received comments on how there should not be a financial advantage or disadvantage of being a maintained school or an academy.

The comments received do not change the Department's view that the proposals in the consultation are appropriate, and we do not intend to change the original proposals. Loans were only ever intended to be used to assist schools in spreading the costs over more than one year of large one-off individual items of a capital nature. A directed revision to local authorities' schemes for financing schools is needed to make this clearer and ensure consistent implementation. The responses that were in favour of the changes welcomed this clarification.

Other responses we received to the consultation raised some additional points and Ministers have agreed that it is necessary to launch an additional consultation to address the technical implication of the changes. The Department is now seeking views on how we will challenge breaches to the criteria for loan agreements and when the changes will come into force. We are also clarifying that we are proposing to make a directed revision to local authorities' schemes for financing schools. The revision to the criteria for agreeing loan schemes will not be applied retrospectively to existing loans when schools convert.

Who this is for

- Chief finance officers and finance officers at local authorities
- Governors and school leaders, particularly of maintained schools which are planning to convert to academies
- Chairs and clerks of schools forums
- Diocesan representatives
- Other interested parties

Issue date

The consultation was issued on 15 November 2017.

Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team via email:

loanschemes.consultation@education.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by

email: Consultations.Coordinator@education.gov.uk or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

The response

The results of the consultation and the Department's response will be [published on GOV.UK](#) in early 2018. This will include the full response to the original consultation.

About this consultation

This consultation document makes two proposals:

- that breaches of the criteria for loan agreements may be subject to a direction under Schedule 1 to the Academies Act 2010 that the loan will not transfer when schools affected convert to academies
- that the change to the criteria for agreeing loan schemes will come into force from the date of publication of the government response to this consultation

It is important to note that this document clarifies that we are proposing to make a directed revision to local authorities' schemes for financing schools. The document additionally clarifies that the changes will not be applied retrospectively to existing loans when schools convert.

We would like to hear your views on our proposal. In particular, please let us have any representations on any impacts you consider the proposals may have on protected characteristics.

Respond online

To help us analyse the responses please use the online system wherever possible. Visit www.education.gov.uk/consultations to submit your response.

Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

By email

- loanschemes.consultation@education.gov.uk

By post

AMSG: Funding Division
Level 5
Department for Education
2 St Pauls Place
Sheffield
S1 2JF

Deadline

The consultation closes on 13 December 2017.

Proposal 1 - How breaches to the criteria for loan agreements will be challenged

Background

Local authorities are required to have a [scheme for financing schools](#), setting out the financial relationship they have with their maintained schools. We publish statutory guidance setting out the detail of what schemes should or may contain. This includes guidance for authorities about how to operate an internal loan scheme (section 4.10). The original purpose of loan schemes was to allow internal arrangements within the authority that would enable schools to spread the cost of large one-off individual items of a capital nature, over more than one year to make these more affordable. Loans were not intended as a means to support schools in general financial difficulty, as explained in section 4.9 of the guidance, local authorities should agree for a maintained school in financial difficulties to have a licensed deficit. As explained in the initial consultation we are aware that some authorities are now using, or considering using, loans in place of licensed deficits.

Proposal and rationale

We proposed to make a directed revision to local authorities' schemes for financing schools to clarify the purpose of loan schemes and distinguish them from licensed deficits. We consider that any loans made to fund a deficit of a school in general financial difficulty (and not to spread the cost over more than one year of large one-off individual items of capital expenditure) should not transfer to an academy on conversion. We are therefore proposing to put in place a process for determining what should happen to loans that have been made in breach of the loan scheme criteria.

Paragraph 13 of Schedule 1 of the Academies Act 2010 sets out what happens to land, property, rights and liabilities on the conversion of a maintained school. There is a presumption that loans will transfer to the person running the academy. However, we are proposing to use powers the Secretary of State has under paragraph 13(4)(d). These enable her to make a direction to the effect that a loan does not transfer in individual cases. We propose making use of this power in cases where loans have been made in breach of the directed revision that we are making to schemes. We propose to create a new approach whereby each decision will be considered carefully and on a case-by-case basis, taking into account the purpose of the loan and the extent to which it is compliant with the revised guidance. Local authorities and converting schools would then be specifically notified as part of the conversion process where a loan was not going to transfer. We would welcome views on how this process should operate.

The current guidance for schemes for financing schools states:

4.10 Loan schemes

It is open to an authority to include in its scheme a form of loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. If so, the same

parameters for the arrangement should appear in the scheme as listed at 4.9 above for licensed deficits.

Again, an authority may wish to invite schools with balances in external accounts to use some or all of those balances to back a loan scheme, and the scheme should make clear on what basis this would occur.

If there is a loans scheme on this basis the authority must show in its budget statements the amount centrally retained for what would be a devolved payment to schools, and the payment should appear in the out-turn statements.

We propose making a directed revision to all local authorities' schemes, inserting the new wording:

"Loans will 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 will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer in individual cases.

Proposal 2 - When the changes to the criteria will come into force and how these changes will be applied retrospectively

Background

We have published [guidance on the treatment of surpluses and deficits](#) when a maintained school becomes an academy. The guidance includes our expectation that an academy will continue to repay loans made by the local authority to its predecessor maintained school under an internal scheme. During the initial consultation, a number of respondents raised questions about the proposed timing of the change to the definition of loans. Questions were raised about whether the change would be retrospective and so apply to loan arrangements that are already in place.

Proposal and rationale

The changes to the criteria for agreeing loan schemes will not be applied retrospectively to loans that are already in place. We are now seeking views on when the changes to the criteria for agreeing loans schemes will come into force. We are proposing that this should be from the date of the publication of the government response to this consultation. Where a maintained school converts to an academy, it would be our expectation that the academy will only continue to repay the loans agreed between the local authority and its predecessor maintained school under an internal scheme if any loans agreed after the publication date of the government response meet the definition below.

'to assist the school in spreading the cost over more than one year for a large one-off individual item of capital nature that has had/will have, a benefit to the school lasting more than one financial year'

Paragraph 8.1 of the guidance currently states:

"The Department would expect that the liability to repay a loan made by the LA to a maintained school (which is technically an advance of funding from the LA) would normally transfer to the academy, which would continue repayments from its revenue budget on the previously agreed schedule, unless the LA and school agree to liquidate the loan and pay it off at the point of transfer. The transfer of responsibility for the loan should be reflected in a legal agreement between the LA and the AT, either by amending the Commercial Transfer Agreement (CTA) or in a separate agreement. Any current loan repayments a maintained school has to make will need to be checked for their affordability alongside the repayment of any deficit at the point of conversion. The Department will not recognise as a loan any arrangement that is agreed between the LA and a maintained school after the governing body or IEB has made an application to become a sponsored academy or after the school becomes eligible for intervention by the SoS, unless the AT sponsoring the academy has agreed to take on the liability."

We propose adding to paragraph 8.1:

"The Department will also not recognise as a loan any sum that has been provided in order to fund a deficit that has arisen because a school's recurrent costs exceed its current income and where this has been agreed or an existing loan arrangement was revised on or after [PUBLICATION DATE]."

Consultation questions

Proposal 1 - Do you agree with the proposal to create a new process for loans made in breach of the loan scheme criteria?

Proposal 2 - Do you agree with the proposal for when the changes to the criteria for agreeing loans will come into force?



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