

TO: SCHOOLS FORUM
DATE: 19 SEPTEMBER 2019

ARRANGEMENTS FOR ADDITIONAL FINANCIAL SUPPORT TO SCHOOLS
Executive Director of People

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement from the Forum in respect of proposals for additional financial support to schools, in particular, approval of new or amended applications for licensed deficit arrangements.
- 1.2 Updates are also provided on the current position in respect of previously agreed financial support arrangements as well as the funding allocations made to date to schools in financial difficulties under the powers delegated by the Forum to the Executive Director of People.

2 EXECUTIVE SUMMARY

- 2.1 Schools can experience short term financial difficulties for a number of reasons and these can normally be readily resolved over the medium term. To help manage change through a planned rather than reactive process, the Schools Forum can agree support measures to maintained schools.
- 2.2 The on-going challenging financial environment has resulted in 4 schools not being able to set balanced budgets for 2019-20. Despite significant assistance from the council, it has not been possible to date to develop medium term recovery plans with aggregate deficit balances forecast at £0.983m. All of these schools also face challenges around standards and effectiveness, and more time is required to reach a solution that meets both of these needs, with one possible outcome being the need to agree repayments plans of up to 5 years rather than the normal maximum of 3 years.
- 2.3 Information is also presented in respect of one-off funding support provided so far this financial year to schools in, or in danger of entering an Ofsted category, as agreed by the Executive Director of People.

3 RECOMMENDATIONS

That the Schools Forum NOTES:

- 3.1 **The previously agreed financial support arrangements for the following schools are on target to be repaid in accordance with the agreed conditions:**
- i. **Birch Hill Primary School;**
 - ii. **Ascot Heath Infant School;**
 - iii. **Sandhurst Secondary;**
 - iv. **Winkfield St Marys Primary School.**

That the Schools Forum AGREES:

- 3.2 That subject to the school governors confirming the financing schedule and compliance with the associated terms and conditions of the deficit scheme, that Sandhurst Secondary School's licensed deficit agreement be amended to a maximum deficit of £0.440m, for full repayment by 31 March 2023 (paragraph 6.23).**
- 3.3 That the council continues to work on repayment schedules with the following schools, and that subject to the school governors confirming the financing schedule and compliance with the associated terms and conditions of the deficit scheme, that maximum deficits are as follows:**
- i. Ascot Heath Primary School receives a licensed deficit of up to £0.220m.**
 - ii. Harmans Water Primary Schools receives a licensed deficit of up to £0.190m.**
 - iii. The Pines Primary School receives a licensed deficit of up to £0.213m.**
 - iv. Easthampstead Park Community School outstanding loan of £0.360m is converted to a licensed deficit in the same value.**

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 that are intended to provide short term assistance to schools in financial difficulties.**

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 A range of options are set out in the supporting information.**

6 SUPPORTING INFORMATION

Background

- 6.1 The LA has two main options to support maintained schools requesting additional financial support. Where significant budget difficulties exist, and it is unreasonable to expect a school to be able to solve these through the management of their normal budget allocations, or where a school is in, or at risk of falling into one of the Ofsted categories of causing concern, additional funding can be provided that does not need to be repaid.**
- 6.2 Alternatively, licensed deficit and loans can be agreed. In accordance with DfE requirements, licensed deficits can be used to assist a school that is experiencing medium term financial difficulties that over time can be readily managed and the school return to a surplus, or a loan can be used where a capital investment is proposed but the school does not yet have the full resources to afford the purchase. Governing bodies are required to agree to fully repay any amounts, including where relevant, any associated interest, before such arrangements are agreed. More information on terms and conditions of financial support are set out below.**

6.3 Neither of these options are available to academy schools.

6.4 Additional funding that is not required to be repaid

Background and summary

6.5 School Funding Regulations allow for additional funds outside the normal operation of the Funding Formula to be provided to schools considered to be in financial difficulty. In agreement with the Schools Forum, this de-delegated budget has been returned to the Council for central management. The agreed criteria to be used to allocate this funding is if, in the opinion of the Director responsible for schools and the Director responsible for Finance, a school:

1. was unable to set a balanced budget and were in need of a licensed deficit arrangement at the start of the relevant financial year, and/or
2. was in or likely to fall into one of the Ofsted categories of causing concern, including serious weaknesses or special measures.
3. was a 1 form of entry school judged good or better that have more than 5% empty places

6.6 Where schools enter an Ofsted category of concern, this includes those schools judged to be inadequate or requiring improvement, the LA holds a declaration of concern meeting and establishes a Standards Monitoring Board (SMB). The Board has an independent chair and senior officers of the LA as members. The headteacher and Chair of Governors of the school are invited to attend the SMB to report on progress. A support plan outlines the actions to be taken by the school and the LA in order to effect rapid improvement. Where the school is unable to fund these actions from its own delegated budget, the SMB can request that additional resources be sought.

6.7 For schools identified by the LA as causing concern despite having a good judgement by Ofsted a declaration of concern meeting takes place and an SMB can be established of which the head teacher and Chair of Governors are invited to attend. The boards meet regularly to discuss progress and determine with the school where additional resources might be required.

6.8 In order to allow funds to be allocated within an appropriate time scale, the Forum has agreed to delegate a set of powers to the Executive Director of People to allocate funds of up to, but not exceeding £0.15m in any financial year, dependent on the Ofsted category of the school, or where there is considered a risk of being placed in a category.

6.9 The level of allocation of funds would be:

1. schools judged to have serious weaknesses (up to £20k per year)
2. schools deemed to be in need of special measures (up to £50k per year)
3. schools at risk of receiving a judgement of serious weaknesses or entering special measures (up to £30k per year)
4. 1 form of entry schools judged good or better that have more than 5% empty places (up to £20k per year per school and £40k in total in any one year for all qualifying schools)

- 6.10 To date, additional financial support has been approved for 2019-20 by the Director under the delegated powers in the value of £54,385 to 4 schools. Annex A sets out the full policy for agreeing additional financial support that was reviewed and agreed at the last meeting of the Forum. Annex B presents more information on the allocations to schools and other commitments. A report will be presented to the Forum at the end of the financial year confirming any allocations made subsequent to this report.

Licensed Deficit and Loan Arrangements

Background and summary

- 6.11 There are circumstances where schools may experience budget difficulties and in order for the school to continue to function effectively, a temporary overspend of budget allocation may be desirable. The Scheme for Financing Schools has provisions to allow for this through licensed deficit and loan arrangements which provide for additional short term funding so that schools have sufficient time to manage expenditure reductions or receive additional income that demonstrates the ability to fully repay any over spending within an agreed period. Both the Schools Forum and Executive Member for Children, Young People and Learning need to agree requests.
- 6.12 Forum Members will recall that in response to changes in government requirements, the loan scheme is now available only to support schools in the purchase of a capital asset, with a new licensed deficit arrangement option introduced to support schools with a shortfall in general income compared to required spend. This change did not affect the terms and conditions of any existing loans.
- 6.13 The main impact of the change in DfE criteria for the award of loan is that schools converting to an academy as a result of intervention and underperforming schools which the Secretary of State judges are not strong enough to become an academy without a strong sponsor 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 the general contingency and financed from within the overall Schools Budget.
- 6.14 A summary of the circumstances in which a licensed deficit may be agreed is as follows:
1. Where a school would not otherwise achieve its improvement targets;
 2. It would not be reasonable to effect immediately the savings required as a result of a significant reduction in pupil numbers;
 3. A major building project is proposed;
 4. To finance an invest to save scheme.

Annex C sets out the full details of the licensed deficit scheme.

- 6.15 As a preliminary to presenting a deficit or loan for comment and agreement, officers of the LA undertake detailed reviews of school requests. This usually involves discussions with the Headteacher, Chairman of Governors and Bursar.

- 6.16 The governing body of a school receiving agreement to financial support has to agree a medium term budget plan which has been formulated from known facts, with a realistic provision for future events, and that it is kept under review with the LA on at least an annual basis. If it becomes apparent that any significant differences occur in the underlying budget and expenditure assumptions, then this may require subsequent changes, which will need to be agreed with the Executive Director of People and the Director of Finance and endorsed by the Executive Member. Should any changes be proposed to these arrangements during the year, they will be presented to the Schools Forum and Executive Member for a decision.

Update on existing loans and licensed deficits

- 6.17 The Schools Forum has previously agreed licensed deficit or loan arrangements to manage a shortfall in general income compared to required spend. The current status of each agreement, together with any recommended changes, are set out below.

Current arrangements where no changes are proposed

Birch Hill Primary School

- 6.18 A loan of £0.030m was agreed in 2016, to be fully repaid by 31 March 2019 through 2 equal payments of £0.015m in both 2017-18 and 2018-19. In reviewing the medium term budget plan, despite further savings being made and changes to practice implemented, additional cost pressures meant it was no longer considered possible to make repayments in accordance with the original schedule and therefore the Forum agreed that the repayment period was extended by 1 year to 31 March 2020, with 3 equal annual repayments of £0.010m from 2017-18 through to 2019-20. No change is proposed to the existing loan agreement which will be fully repaid this year.

Ascot Heath Infant School

- 6.19 Ascot Heath Infant School was granted a loan of £0.020m to be fully repaid by 31 March 2019 with a £0.020m repayment in 2018-19. This would allow the school to put in place a cost reduction plan in a measured way to allow transition to a Published Admissions Number (PAN) of 60 from the current number of 70. As well as better facilitating classroom teaching organisation, a reduced PAN would then be in alignment with the PAN at Junior School, thereby aiding pupil transition between the two schools. No change is proposed to the existing loan agreement which will be fully repaid this year.

Sandhurst Secondary School

- 6.20 Sandhurst Secondary School was granted a loan of £0.240m to be fully repaid by 31 March 2020. This would cover a short term over spending that would be repaid through future budget increases anticipated from a rise in pupil numbers. No change is proposed to the existing loan agreement which will be fully repaid this year.

Winkfield St Marys Primary School

- 6.21 Winkfield St Mary's Primary School was granted a licensed deficit of £0.030m to be fully repaid by 31 March 2021, with a maximum over spending of £0.020m at 31 March 2019, reducing to £0.010m at 31 March 2020 and moving to a surplus by March 2021. This allows the school to put in place a cost reduction plan in a measured way to recover the £0.025m over spending recorded at the end of 2017-

18. The repayment schedule is on target and no changes are proposed to the existing deficit agreement which will be fully repaid next year.

Current arrangements where a change is now proposed

Sandhurst Secondary School

- 6.22 The 2017-18 financial year resulted in an unexpected over spending of £0.246m. Taking account of the size of the deficit, the council again reviewed the school's financial position with senior school staff and governors which identified that a repayment plan could be produced, but now needed to reflect the increase in underlying cost base which resulted in the Forum agreeing a new licensed deficit agreement with a maximum over spending of £0.510m in 2018-19, reducing to £0.385 in 2019-20, £0.175m in 2020-21, before generating a surplus in 2021-22.
- 6.23 The council has maintained monthly budget monitoring review meetings with the Head Teacher, Business Manager and senior governors. During these meetings, whilst good progress has been made on managing and planning the budget, including fully repaying the previous loan, a further revision to the deficit agreement is now considered appropriate to allow the school to be able to meet school performance targets with a maximum over spending of £0.440m in 2019-20 (was previously £0.385m), reducing to £0.220m in 2020-21, then £0.060m in 2021-22 before generating a surplus in 2022-23. The Forum is requested to agree this revision.

Schools in financial difficulty where a repayment plan has yet to be developed

- 6.24 For the first time, in assisting schools with difficulties in balancing their budgets, 3 primary schools have presented significant deficit projections that despite substantial work, including making staffing and other reductions, remain in deficit with no immediate plan to demonstrate a return to a surplus.
- 6.25 A high level summary of the current position is as follows:
1. Ascot Heath Primary school: where pupil numbers have reduced over the last year by 51 which translates to £0.175m loss in funding, with further reductions of up to 15 expected at the start of the new academic year which indicates a £0.220m year-end deficit. The school amalgamation has also impacted on budget planning.
 2. Harmans Water Primary school: where pupil numbers have reduced over the past year by 22 which translates to £0.090m loss in funding. The school has been protected for a number of years by a significant surplus balance which was accumulated when the school was experiencing full 3 Forum of Entry (FE) admissions but is now adapting to being much closer to a 2 FE admission. £0.200m of balances were utilised in the 2018-19 budget with a modest £0.050m brought forward balance all that now remains. With relatively large 3 FE group sizes now starting to leave the school and being replaced with closer to 2 FE numbers, the deficit at year end is forecast at £0.110m, rising to £0.190m by the end on 2021-22. In the next 3 years, pupil numbers are forecast to reduce by around 60 to fall below 500 which compares to the capacity of 630.
 3. The Pines Primary school: has been experiencing financial difficulty and currently has a £0.075m licensed deficit. The school has recently been expanded back to a 2 FE, and whilst numbers are increasing, it is at a slow

rate and during the transition results in complicated and costly classroom organisation. The current forecast is for a year end deficit of £0.213m which is not expected to change significantly over the next 3 years.

- 6.26 A key factor that has contributed to the financial position of these schools is their standards and effectiveness which is impacting on the preferences that parents make in selecting a school. All 3 schools are receiving support from the council to make improvements in their education.
- 6.27 Harmans Water and Ascot Heath C of E Junior (closed Aug 2019) schools are both judged by Ofsted to “require improvement” and have had significant changes to leadership. Both schools are now on track to be good but the new leaders have to manage issues which arose under previous regimes within the school. Staffing in both schools has not been stable and recruitment has proved difficult in both schools in the past with agency staff being used. The Pines was a school which was judged as an LA category 2 in July 2018. Since this period the school has experienced significant changes in leadership. Only one governor of the previous board remains and a National Leader of School Governance is now the chair and tackling the issues around the deficit. The school was judged by Ofsted in June to “require improvement”.
- 6.28 Supporting schools to higher standards has been the priority in the People Directorate, to ensure they are turned around and do not fall into the inadequate Ofsted category where costs of support would considerably increase, or the schools could be forced to convert to an academy. This approach can be to the detriment of balancing budgets over the short term.
- 6.29 For all of these schools, the ability to repay deficits is generally dependent of increases in pupil numbers raising future income at a faster rate than associated cost increases, by reducing costs, or a combination of both. For example, being able to open a new class with 25 pupils would generate around £0.095m of income with a teacher costing around £0.045m. A full class of 30 would generate around £0.130m. When pupil numbers are in decline, schools face the opposite situation, with income reducing at a far faster rate than the directly associated costs that can be removed.
- 6.30 However, current forecasts for the primary schools in financial difficulty do not indicate increases, other than a modest one for the Pines. This means 2 of the schools are experiencing far greater reductions in funding from falling pupil numbers than can reasonably be expected to follow through into reduced costs with the Pines facing challenges in achieving efficient and effective classroom staffing structures.
- 6.31 In addition to the 3 primary schools set out above, a recovery plan has previously been agreed with Easthampstead Park Secondary School where a £0.450m loan was approved in 2016, with repayments of £0.040m due in 2018-19 and £0.410m in 2019-20. The loan would be repaid by an increase in pupil numbers which has occurred at a lower rate than originally expected and has yet to reach the forecast level. Therefore, the £0.040m repayment due in 2018-19 has been made, but with a lower £0.050m repayment affordable in 2019-20, meaning £0.360m remains outstanding at the point the loan was expected to be fully repaid. Whilst the financial position at the school has significantly stabilised, with repayments of the loan being made each year, albeit at a lower amount than agreed, a fully balance recovery plan has yet to be developed.

Proposed approach to schools that are unable to develop a medium term financial recovery plan

- 6.32 At this moment in time, 4 schools are reporting significant year end deficits with no recovery plan in place which equates to an aggregate deficit balance of £0.983m.
- 6.33 The council wants to work closely with schools to develop recovery plans but accepts that achieving high standards is the key priority in the short term and is therefore directing considerable resources towards school improvement. It is therefore proposed that the council continues to work with the schools to balance budgets over a longer 3-5 year period and as standards improve, agree where further cost reductions can be made whilst at the same time instigate initiatives to increase pupil numbers. The licensed deficit scheme will need to be reviewed and possibly updated to reflect the current approach to supporting schools in financial difficulty, and proposals for this will be presented to the next meeting.
- 6.34 In order for the schools concerned to be in a position to work towards the initial budget plans that have been produced, the Forum is recommended to agree maximum amounts of deficit only at this stage, with an update on likely repayment schedules to be provided by the end of the financial year.
- 6.35 Successfully managing school budgets is recognised by the DfE as a national issue which is facilitating improvement through the commissioning of School Resource Management Advisers (SRMAs). SRMAs will work with LAs and the schools in need of the greatest help to make best use of schools' revenue and capital resources to deliver educational outcomes. The council has received agreement from the DfE that SMRAs will be made available and these are intended to be focused on the 3 primary schools without deficit recovery plans, supported by the council, with the council continuing to be the lead support to secondary schools.

Summary loan / deficit position

- 6.36 Table 1 below provides a summary of aggregate outstanding deficit arrangements for each school, assuming the proposals in this paper are agreed. Annex D provides a more detailed breakdown of the current and proposed arrangements.

Table 1: Summary Schedule of School Loan and Licensed Deficit Requests

Item	Previously agreed £	2019-20 new requests £	2020-21 impact £	2021-22 impact £	2022-23 impact £	Total 2022-23 £	Repayment date to be determined £
Total advances	1,770,000	518,000	30,000	0	0	2,318,000	0
Total repayments	-885,000	0	-230,000	-160,000	-60,000	-1,335,000	0
Total outstanding	885,000	518,000	-200,000	-160,000	-60,000	983,000	-983,000
Total 2019-20	1,403,000						
% of maximum borrowing	33.2%						

Academy schools

- 6.37 Whilst new loan / licensed deficit arrangements are not available to academy schools, 2 schools that have converted to an academy did so with an outstanding balance on a previously agreed loan. In each instance, repayment of the original loan amount was incorporated as a legally binding condition to the academy transfer.

Wildmoor Heath Primary School

- 6.38 Wildmoor Heath Primary School has received a number of relatively small loans as the financial situation of the school changed. The school converted to an academy on 1 January 2018 with an outstanding balance of £0.048m with the legal agreement confirming on-going liability of the school to make the agreed repayments. £0.033m has subsequently been repaid as required, with the remaining £0.015m due for repayment this financial year.

Brakenhale

- 6.39 In 2015 a loan of £0.190m was agreed for Brakenhale. The school converted to an academy on 1 April 2016 with an outstanding loan balance of £0.130m. As part of the transfer arrangements, it was agreed that the school needed more time to repay the loan as it recovered from a Requires Improvement Ofsted inspection judgement and built up pupil numbers. A revised repayment schedule was agreed that would result in 36 monthly repayments of £3,611 from September 2018 to 31 August 2021 and a direct debit has been put in place to enable efficient repayment.

Summary

- 6.40 Table 1 above confirms the significant value of outstanding deficits and loan advances. At £1.403m, this represents 33% of the forecast £4.220m aggregate of surplus balances held in the Schools Budget which are the funds used to finance advances. The scheme limits the amount of financial support to no more than 40% of the aggregate of surplus balances held in the Schools Budget, which currently amounts to no more than £1.688m aggregate deficits.
- 6.41 The current position of £0.983m of likely deficits being unmatched by a medium term recovery plan presents a risk to financial stability at relevant schools.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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

Director of Finance

- 7.2 The financial implications of the report are outlined in the supporting information. The increased request for financial support shows that the current challenging financial environment is having an effect on schools and will need to be monitored carefully to ensure schools can meet their financial obligations arising from the loans.

Equalities Impact Assessment

- 7.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

- 7.4 There are strategic risks around ensuring all schools remain financially viable whilst delivering appropriate standards and effectiveness without putting excessive pressure on the Schools Budget to provide additional funds.

8 CONSULTATION

Principal Groups Consulted

- 8.1 Assistant Director: Education and Learning, People Directorate Management Team and the Corporate Management Team.

Method of Consultation

- 8.2 Meetings.

Representations Received

- 8.3 Incorporated into the report.

Background Papers

None.

Contact for further information

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

Outline of the scheme

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

1. were unable to set a balanced budget and were in need of a licensed deficit arrangement at the start of the relevant financial year, and/or
2. were in or likely to fall into one of the Ofsted categories of causing concern, including serious weaknesses or special measures.
3. Were a 1 form of entry school judged good or better that have more than 5% empty places

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

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

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

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

The level of allocation of funds would be:

1. schools judged to have serious weaknesses (up to £20k per year)
2. schools deemed to be in need of special measures (up to £50k per year)
3. schools at risk of either judged to have serious weaknesses or entering special measures (up to £30k per year)
4. 1 form of entry schools judged good or better that have more than 5% empty places (up to £20k per year per school and £40k in total)

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

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

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

Approved by the Schools Forum on 20 June 2019.

2019-20 initial funding allocations to schools in financial difficulties

Allocations agreed under the Director's delegated powers

Taking account of proposals from the MIB and Standards Board meetings at relevant schools, and applying the formula to determine financial support to 1 FE primary schools with more than 5% empty places, the following allocations have been agreed:

1. £15,000 to Harmanswater Primary School. The school has had to restructure staffing due to a decrease in pupil numbers which has impacted negatively on the overall budget. The two Deputy Headteachers have been made redundant. The school Requires Improvement by Ofsted and the school would like to increase the capacity of senior leaders whilst the leaders work towards gaining a good judgement by Ofsted. This is a temporary measure but required at this point in time.
2. St Michael's Sandhurst is a 1 FE primary school, rated good by Ofsted with a number on roll of 189, and therefore has 10% of the 210 available places empty. This equates to additional financial support of £30,463 which the policy caps to no more than £20,000 in any one year.
3. New Scotland Hill Primary is a 1 FE primary school, rated good by Ofsted with a number on roll of 194, and therefore has 8% of the 210 available places empty. This equates to additional financial support of £16,616.
4. Winkfield St Marys. is a 1 FE primary school, rated good by Ofsted with a number on roll of 199, and therefore has 5% of the 210 available places empty. This equates to additional financial support of £2,769.

LA expenditure

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

**Extract from the BFC Scheme for Financing Schools:
Licensed deficit 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 over spend their budget allocation through a licensed deficit arrangement. The funding of such agreements would be through the collective surplus of school balances held by the authority on behalf of schools and any unspent funding in the Schools Budget Unallocated Reserve, and will be considered on an individual basis. General features of the scheme are detailed below:

Circumstances in which licensed deficit arrangements may be agreed:

1. if in the opinion of the responsible Director 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 responsible Director for schools and the responsible Director for finance 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).

Outline features of the scheme.

- the maximum length over which schools may repay the licensed deficit is 3 years (i.e. reach at least a zero balance).
- arrangement for a licensed deficit will only be agreed where the governing body produces a plan which demonstrates to the satisfaction of the responsible Director for schools and the responsible Director for finance the savings or additional income required to repay the deficit within an agreed timescale.

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 licensed deficit is agreed 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, will not attract interest.

Outline controls on licensed deficits

- the maximum proportion of the collective balances held by the authority including any unspent funding in the Schools Budget Unallocated Reserve which will be used to support the arrangement shall not exceed 40%
- the responsible Director for schools and the responsible Director for finance of the authority will make recommendations to the Schools Forum and Executive Member for Children, Young People and Learning to agree any licensed deficits 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.

Detailed school loan and deficit agreements for maintained schools – by year

School	Loan Ref.	Deficit Ref.	Previously agreed £	Changes now proposed £	2019-20 new requests £	2020-21 impact £	2021-22 impact £	2022-23 impact £	Total £	Repayment date to be determined £	Control total	Check
Advances in year												
Ascot Heath Primary		1	0	0	190,000	30,000	0	0	220,000	0		
Harmanswater Primary		1	0	0	190,000	0	0	0	190,000	0		
Birch Hill	1		30,000	0	0	0	0	0	30,000	0	30,000	0
The Pines		1 & 2	75,000	0	138,000	0	0	0	213,000	0	213,000	0
Winkfield St Mary's		1	30,000	0	0	0	0	0	30,000	0	30,000	0
Easthampstead Park	2		450,000	0	0	0	0	0	450,000	0	450,000	0
Easthampstead Park		1	0	360,000	0	0	0	0	360,000	0		
Sandhurst	2		240,000	0	0	0	0	0	240,000	0	240,000	0
Sandhurst		1 & 2	510,000	55,000	0	0	0	0	565,000	0	510,000	55,000
Total			1,355,000	415,000	518,000	30,000	0	0	2,318,000	0	1,493,000	825,000
Repayments in year												
Ascot Heath Primary		1	0	0		0	0	0	0	0		
Harmanswater Primary		1	0	0		0	0	0	0	0		
Birch Hill	1		-30,000	0	0	0	0	0	-30,000	0	-30,000	0
The Pines		1 & 2	0	0	0	0	0	0	0	0	-213,000	213,000
Winkfield St Mary's		1	-20,000	0	0	-10,000	0	0	-30,000	0	-30,000	0
Easthampstead Park	2		-450,000	0	0	0	0	0	-450,000	0	-450,000	0
Easthampstead Park		1	0	0	0	0	0	0	0	0		
Sandhurst	2		-240,000	0	0	0	0	0	-240,000	0	-240,000	0
Sandhurst		1 & 2	-125,000	0	0	-220,000	-160,000	-60,000	-565,000	0	-510,000	-55,000
Total			-885,000	0	0	-230,000	-160,000	-60,000	-1,335,000	0	-1,493,000	158,000
Closing balance outstanding												
Ascot Heath Primary		1	0	0	190,000	30,000	0	0	220,000	-220,000		
Harmanswater Primary		1	0	0	190,000	0	0	0	190,000	-190,000		
Birch Hill	1		0	0	0	0	0	0	0	0	0	0
The Pines		1 & 2	75,000	0	138,000	0	0	0	213,000	-213,000	0	213,000
Winkfield St Mary's		1	10,000	0	0	-10,000	0	0	0	0	0	0
Easthampstead Park	2		0	0	0	0	0	0	0	0	0	0
Easthampstead Park		1	0	360,000	0	0	0	0	360,000	-360,000		
Sandhurst	2		0	0	0	0	0	0	0	0	0	0
Sandhurst		1 & 2	385,000	55,000	0	-220,000	-160,000	-60,000	0	0	0	0
Total			470,000	415,000	518,000	-200,000	-160,000	-60,000	983,000	-983,000	0	983,000
Cumulative deficit balance at 31 March 2020				1,403,000								
Schools Budget Reserves at 1 April 2019				6,220,000								
Anticipated draw down in 2019-20				-2,000,000								
Schools Budget Reserves at 31 March 2020				4,220,000								
Advances as % of available finance					33.2%							

Summary school loan and deficit agreements for maintained schools – by school by year

School	Balance due at 2019-20 year end £	2020-21 £	2021-22 £	2022-23 £	Comment
Ascot Heath Primary	190,000	220,000	220,000	220,000	Repayment date to be determined
Harmanswater Primary	190,000	190,000	190,000	190,000	Repayment date to be determined
Birch Hill	0	0	0	0	£10,000 final repayment 2019-20
The Pines	213,000	213,000	213,000	213,000	Repayment date to be determined
Winkfield St Mary's	10,000	0	0	0	£10,000 final repayment 2020-21
Easthampstead Park	360,000	360,000	360,000	360,000	Repayment date to be determined
Sandhurst	440,000	220,000	60,000	0	£60,000 final repayment 2022-23
Total	1,403,000	1,203,000	1,043,000	983,000	

BFC Academy School Summary

The Brakenhale	61,391	18,059	0	0	£43,332 repayment due 2019-20
Wildmoor Heath	0	0	0	0	£15,000 repayment due 2019-20
Total	61,391	18,059	0	0	
Grand total all schools	1,464,391	1,221,059	1,043,000	983,000	