

TO: SCHOOLS FORUM
DATE: 16 JULY 2020

CORONAVIRUS PANDEMIC – INITIAL FINANCIAL CONSIDERATIONS
Executive Director of People

1 INTRODUCTION

- 1.1 The purpose of this report is to outline to the Forum the initial key financial considerations on schools arising from the coronavirus pandemic. Other reports on this agenda also mention impacts from the coronavirus pandemic.

2 SUPPORTING INFORMATION

Background

- 2.1 The coronavirus pandemic has created a number of financial impacts on schools, both monetary and operational. To provide some certainty on income, throughout this period schools will continue to receive their public funding in full – main school budget, early years and high needs plus the direct government grants such as the Pupil Premium - and are therefore generally expected to continue paying their staff and suppliers in full.
- 2.2 As schools are incurring additional costs, the Department for Education (DfE) have agreed to additionally fund a small range of narrowly defined coronavirus related costs that “we judge are likely to be necessary to allow schools to provide appropriate support to those children who will continue to attend school under the current arrangements”.
- 2.3 Recognising the additional pressures schools are facing, some data returns have also been cancelled or deferred.

Supplier Support

- 2.4 In maintaining full public funding to schools, there is an expectation that schools continue to pay suppliers as quickly as possible to maintain cash flow, protect jobs and ensure continuity of key services. To effect this, the Crown Commercial Services have issued a number Public Procurement Notes (PPN) as guidance, initially to cover the period to 30 June, and more recently to cover the “recovery and transition” from coronavirus from July to the end of November. PPNs focus on ways to help suppliers through payment terms and contractual relief.
- 2.5 In this respect, schools have been advised to be take appropriate and reasonable steps in these matters, reflecting on their local knowledge and experience of the suppliers concerned and ensuring that agreements are made after suppliers have:
- Agreed to share information on an “open book basis”
 - Demonstrated extra costs / reduced income that directly results to the school contract
 - Evidenced having secured all available government financial support
 - Confirmed they will continue to pay employees and sub-contractors essential to the service delivery

- 2.6 To assist operational changes required, there has also been a temporary relaxation of the Council's Contract Standing Orders, in particular, the normal process to request a waiver to CSO requirements for spending below the threshold of £189,330 for goods and services have been suspended e.g. items required per the "tick sheets" such as request for a quote, producing a specification, seeking minimum of 3 quotes. Where, as permitted, schools deviate from CSO requirements, reasons must be clearly documented and retained.
- 2.7 Schools have the final decision on whether it deems a supplier critical, is at risk and the form of any relief to be provided. Contract specific advice is available from the Council's Procurement Team, although schools remain responsible for liaising with suppliers and making final decisions.
- 2.8 The PPN guidance also makes clear that schools should continue to pay contractors even when the service has been suspended, such as the provision of free schools meals to eligible pupils. This supports the objective of protecting jobs and ensuring continuity of service at the end of the pandemic.
- 2.9 As "recovery and transition" commences, schools need to:
- Review contracts; is supplier support still appropriate?
 - Work with contractors to exit relief as soon as is reasonable
 - Ensure contracts remain relevant and deliver value for money in the medium to long term
 - Continue to promptly pay contractors to maintain cash flow
- 2.10 Throughout this period, schools have been advised to pay particular attention to fraud awareness. As the incidence of fraud is likely to increase, suppliers need to be made aware that neither the Government nor the school will accept deliberate manipulation and fraud with any supplier caught falsifying their records to gain additional financial support facing the prospect of prosecution and any funding issued being subject to claw back.

Funding of additional coronavirus related costs

- 2.11 The DfE has made available additional fund for schools relating to "exceptional costs associated with coronavirus": There is no direct allocation of funds, it will be paid for eligible expenditure following an individual school claiming process through a DfE online portal which must be completed by 21 July. Further claims will be possible in a subsequent claim window in the autumn and details regarding that process will be published later in the year.
- 2.12 Funding will be available to schools that are unable to meet such additional costs from their existing resources, or which they could only meet by drawing down on reserves and undermining their long-term financial sustainability. Eligible expenses "are ones we [DfE] judge are likely to be necessary to allow schools to provide appropriate support to those children who will continue to attend school under the current arrangements".
- 2.13 The following specific costs can automatically be claimed, with an expectation that within overall cash limits (see paragraph 2.15) they will be fully settled.
- a. **increased premises related costs** (including utilities and resources needed to keep the school open, such as hygiene services) associated with keeping

schools open during the Easter and/or summer half term holidays, for vulnerable children and the children of critical workers, over and above the costs that schools would have faced in other circumstances

- b. **support for free school meals for eligible children who are not attending school**, where those costs are not covered by the [national voucher scheme](#) - this covers:
 - i. costs to schools arising before the introduction of the national voucher scheme
 - ii. costs where schools are providing free meals to children for whom the national voucher scheme is inappropriate (for example, because there are no participating supermarkets locally or schools are providing meals directly) - schools can only claim through this fund for free school meals provided over Easter and summer half term holidays where it was required because local supermarkets were not yet part of the national scheme
- c. **additional cleaning** – required due to confirmed or suspected coronavirus (COVID-19) cases, in line with [COVID-19: cleaning of non-healthcare settings](#), over and above the cost of existing cleaning arrangements

2.14 Additionally, if a school faces other, exceptional costs to deliver appropriate support to their pupils over the period of partial closure, they will be able to register the details through the claims process. The following extraordinary costs will **NOT** be considered for funding:

- costs associated with opening schools to more pupils from 1 June
- additional staff costs
- loss of self-generated income

Claims for exceptional costs will be subject to scrutiny by the DfE.

2.15 There are cash limited amounts that schools can make claims for, depending pupil numbers as follows:

Mainstream schools	
250 pupils or fewer	£25,000
251 to 500 pupils	£30,000
501 to 1000 pupils	£50,000
Over 1000 pupils	£75,000
Special schools and alternative provision	
All schools	£50,000

2.16 :
Due to on-going uncertainties around additional costs and potential income, the approach suggested by the council to schools in reflecting the impact of coronavirus in the 2020-21 budget is a 2 staged approach as follows:

- Schools build their budget as if there was no impact from COVID-19. That is, as they would in any other year, making adjustments for cost reductions or increases in the normal way to produce a forecast for the net underlying costs

- Schools separately calculate the estimated financial impact of COVID-19, for which a template had been provided, which it was recommended to assume that significant financial impact ends at 31 August, with information to be divided into 3 sections:
 - Those costs expected to be fully financed by the government on the areas set out in the government announcement
 - The additional costs / loss of income being experienced that are outside what the government has agreed will be financed
 - Areas of cost reduction that are anticipated

Once there is greater financial certainty, this approach may need to be updated and schools submit a revised budget plan.

2.17 Schools were requested to return completed templates by 30 June for collation by the council and then sharing with schools to assist maximisation of grant income. Additionally, the grant claims will be discussed at the July Bursar Support Session, again to share knowledge for final grant claim submissions. An initial summary that is subject to review is attached at Annex 1, with some key headlines:

1. Average available grant is £36,304
2. Average initial grant claim is £8,176 equivalent to 23% of potential funding
3. £188k of eligible grant spend has been spent, with 44% associated with premises costs, 32% FEM and 24% cleaning
4. There is a potential £663k shortfall between costs and the amount of income that can be claimed for
5. At £436k, loss of income is the largest, single unfunded item.
6. Schools have identified £152k of possible cost reductions

This summary, and the data in Annex 1 should be viewed as provisional, and subject to change.

2.18 One the most significant financial concerns raised by schools has been the loss of income from the lockdown. The DfE have consistently encouraged schools to open up their facilities and look to maximise total income generation. Schools in general have been very successful at this and generated £2.67m in 2019-20 from the sale of goods, services and rentals and lettings at an average of over £95k per school. Depending on the scope to recover income later in the year, this is likely to be a significant factor for many schools as there will not generally be a corresponding reduction in expenditure to offset the loss.

Study Support

2.19 Additional funding has also been announced for a national “catch-up plan” to “directly tackle the impact of lost teaching time”. Whilst there is little detail at this stage, the headlines, some of which appear contradictory, are:

- £650m as a general allocation to schools
- £350m for tutoring to the most disadvantaged pupil
- One-off grant funding for the 2020-21 academic year, although schools have “flexibility, discretion and autonomy to decide how you want to do this” and could, for example, be used summer school activities.
- Unringfenced grant for schools to decide what to spend it on

- the Education Endowment Foundation (EEF) has produced a guide, which includes advice on summer schools and a link to the Teach First toolkit specifically focuses on summer schools, for schools that choose to do this, and
- Development of a national tutoring programme, of which schools will need to pay 25% of the costs in the first year (the grant can be used for this).
- Early Years and sixth forms excluded from the allocations

Year 11 transitional support for Alternative Providers (SP)

- 2.20 DfE is making available one-off funding for additional transition support provided by AP settings for year 11 pupils from now to the end of the 2020 autumn term. This recognises a significant proportion of year 11 students are already vulnerable and at greater risk of becoming not in education, employment or training (NEET) than their peers. These risks have increased since schools closed for most pupils and without substantial transition support, many of the current year 11s in AP are at heightened risk this year of becoming NEET.
- 2.21 Funding of up to £750 per pupil will be available to relevant Pupil Referral Units. It seems that providers will need to make a claim in December setting out details of actual expenditure incurred, to ensure it meets the grant criteria. This funding is only for existing year 11s in an AP setting as of 4 June.

Data returns

- 2.22 In order to reduce some financial burdens on schools, the DfE confirmed the cancellation or delay of a number of data returns, of which this covers the following financial returns.
- 2019-20 School Financial Value Standard – CONTINUING (and completed by all BF schools)
 - 2020-21 School Financial Value Standard – CANCELLED
 - 2019-20 Consistent Financial Reporting –DEFERRED from July to 11 September 2019
 - May 2020 school census data - CANCELLED
- 2.23 In addition, BFC has extended the deadline for submission of 2020-21 budget plans to 31 June 2020. And recognising that many schools will be spending less than normal through their local accounts, there would be no requirement to complete April spend returns (imprest accounts). However, schools were advised to remember that there is higher risk than normal from fraudsters at the moment and therefore it remains necessary to regularly reconcile bank accounts to ensure any unexpected entries are promptly identified.

School governance

- 2.24 The coronavirus pandemic has necessitated a number of changes to the way schools can effectively operate, which includes normal financial procedures and decision making. Schools have been advised to review the various guidance provided and then arrange for the relevant governing body to formally approve the school's approach to these matters. Any supplier relief agreements or waivers of normal CSO provisions should be recorded in writing.
- 2.25 Advice from the National Governance Association is that: "It is best for all decisions to be taken collectively by the governing board. This should be possible if appropriate plans are put in place for the board to hold virtual meetings. There may be

circumstances where an urgent decision needs to be taken but it is not possible to convene a meeting of the governing board or hold a quorate meeting. In cases of urgency where a delay would be likely to be seriously detrimental to the interests of the school, maintained school governance procedures regulations set out the provision for the delegation of functions to the chair or vice chair (if the chair is unable to act). Chair actions should then be reported to the governing board. For academies it will depend on the scheme of delegation”.

- 2.26 Additionally, the DfE recommend that governing boards implement a contingency plan to identify someone to act as a central point for communication should the chair or vice chair become unavailable.

High Needs Block

- 2.27 As Local Authorities continue to receive their high needs budgets, funding to schools will continue to be paid through top-up and other high needs funding to schools with no consequential financial impact. This will ensure, where appropriate, continuity of support to pupils and that the employment and payment of staff supporting pupils with special educational needs and disabilities (SEND) can continue.
- 2.28 Similarly, where schools pay top-up or other funding for pupils attending alternative provision (AP), or pay for other SEND or AP services, these payments should continue so that teachers and other staff can be paid in accordance with their existing employment contracts.
- 2.29 If placements and services for the summer term have not yet been agreed, LAs and schools should fund on the basis of previous patterns of placements and commissioning.
- 2.30 The additional funding set out in this guidance is not intended to cover any additional costs relating to changes in SEND provision organised by local authorities for individual children and young people with education, health and care (EHC) plans.

Early Years Block

- 2.31 As per the high needs block budget, Local Authorities continue to receive their Early Years funding. Again, where appropriate, this will ensure continuity of provision and that the employment and payment of staff can continue. Summer term payments have been paid to providers as usual with assistance available to support providers that were not able to submit funding claims.
- 2.32 In terms of the practical management of provision, the council has:
- been successful in managing places by working in partnership with providers
 - utilised pre-paid empty places where possible
 - implemented special funding arrangements for key workers
 - in accordance with DfE advice, encouraged and helped facilitate children to attend only one setting
- 2.33 To recognise the additional burden placed on some providers in making provision available for vulnerable children and those of critical workers, DfE will now permit LAs to amend their local EY funding formula to deliver a more targeted allocation of funding. This would ordinarily involve making reduced allocations to some providers in order to increase payments to those accepting vulnerable children and those of critical

workers. The council has not had to consider using this new provision at present and for funding stability, will use all other options prior to doing this.

- 2.34 There is also a concern regarding the impact of coronavirus on the long-term sustainability of Early Years settings. The council is currently gathering information through an impact survey to help plan for recovery and potential market change.
- 2.35 With funding allocated to providers on the basis of the actual termly take-up, there is concern that the normal October census point will deliver lower hours than would normally be expected as there is likely to be a gradual settlement in the market and there have been limited opportunities to promote settings. The DfE are aware of this significant issue which is a high priority with guidance intended to be available in July.
- 2.36 In terms of LA EY funding allocations, the current expectation is that LAs will be funded at the same level as last year but this has yet to be confirmed.

Schools Forum work programme

- 2.37 The coronavirus pandemic has had a significant impact on the work of the Schools Forum on its plan to review provisions and make recommendations for change to widen choice and quality of support services whilst at the same time achieve significant cost reductions.
- 2.38 The Forum is aware that like many LAs, BFC is projecting a significant deficit on its High Needs Block budget - circa £1.6m per annum - with a £4.7m deficit forecast for 31 March 2023. This is after taking account of a £3.2m savings programme through collaboration and partnerships with schools which has had to be deferred as the coronavirus pandemic takes the priority. The expectation was for £1.2m of savings in 2020-21 (7% of net DSG income). It is unclear at this stage how much, if any savings will now be made or whether costs will in fact rise.

3 EQUALITIES IMPACT ASSESSMENT

- 3.1 This report presents an update on government guidance and where an equalities impact assessment would be considered and is not therefore required for this report.

4 STRATEGIC RISK MANAGEMENT ISSUES

- 4.1 There is a concern that schools will not be fully financed for the extra costs being incurred from the coronavirus pandemic. Data is being collected to assess the likely impact to inform on any future actions.

Initial Summary Covid Grant claims from Schools

	Primary	Secondary	Special	Total
Number draft claims received	21	1	1	23
Maximum available grant	£710,000	£75,000	£50,000	£835,000
Average available grant	£33,810	£75,000	£50,000	£36,304
<u>(a) Expenditure covered by grant</u>				
1. increased premises related costs	£81,071	£1,792	£0	£82,863
2. support for free school meals (FSM)	£40,067	£7,199	£12,420	£59,686
3. additional cleaning	£45,505	£0	£0	£45,505
Anticipated grant (items 1. to 3.)	£166,643	£8,991	£12,420	£188,054
Average claim core items	£7,935	£8,991	£12,420	£8,176
Average % if maximum permitted	23%	12%	25%	23%
4. Exceptional items	£24,236	£0	£0	£24,236
<u>(b) Expenditure not covered by grant</u>				
1. loss of income	£413,698	£21,000	£1,100	£435,798
2. furloughed staff	£4,534	£0	£0	£4,534
3. other	£80,186	£118,095	£152,500	£350,781
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<u>(c) Areas of cost reduction.</u>	-£71,507	-£80,362	£0	£151,869
<i>Net</i>	<i>£617,790</i>	<i>£67,724</i>	<i>£166,020</i>	<i>£851,534</i>
Anticipated grant ((a) 1-3 above)	£166,643	£8,991	£12,420	£188,054
Net cost	£451,147	£58,733	£153,600	£663,480