

## Cabinet

10 April 2013

### School Funding Reforms 2013/14 & Schools Financial Performance Monitoring



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**Report of Corporate Management Team**  
**Don McLure, Corporate Director Resources**  
**Rachael Shimmin, Corporate Director Children and Adults Services**  
**Councillor Alan Napier, Cabinet Portfolio Holder Resources**  
**Councillor Claire Vasey, Cabinet Portfolio Holder Children & Young People's Services**

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#### **Purpose of Report**

1. To provide an update on changes to the way in which schools are funded, and the impact on schools and Council services as a result of these changes.
2. To review the existing financial governance arrangements within schools regarding budgetary control performance.

#### **Executive Summary**

3. The arrangements for funding schools and academies through the Dedicated Schools Grant, and the amounts that can be retained centrally, change with effect from 1 April 2013.
4. The Dedicated Schools Grant for 2013-14 is £347.22m, which is allocated between three 'blocks':
  - Early Years
  - High Needs (for Special Educational Needs) and
  - Schools.The Schools Block also includes centrally retained expenditure.
5. The decision of the Schools Forum to discontinue central funding for Behaviour Support related services from within the Dedicated Schools Grant has required those staff affected to be served with s188 notices as their jobs were consequently at risk.
6. The formula used to distribute funding to primary and secondary schools is now much simpler, with a greater emphasis on distributing funding according to pupil numbers and needs and less emphasis on using costs as a basis.

7. These changes have resulted in significant changes in formula funding for individual schools, but this is mitigated by the application of transitional adjustments which limit the changes in funding from year-to-year.
8. There are also significant changes affecting High Needs SEN funding for primary and secondary schools. Arrangements have been made to minimise the effect on schools that stood to lose out on funding under these changes.
9. Funding for special and nursery schools is also affected by the reforms. For special schools the implication of the reforms was that funding would be less predictable in the future, which raised concerns about the viability of these schools. The Authority has responded to these concerns and proposed a funding method that will give these schools more certainty over their funding.
10. The reforms also include changes to the role of the Schools Forum, which give it a greater role in some decisions, and limit local authority membership. Governance arrangements for the Forum have been reviewed in light of these changes and this will be fed into the Council's Constitutional Working Group in due course.
11. There will be a national funding formula from 2015-16, which will bring further changes. It is uncertain how a transitional protection scheme will operate in the new national formula.
12. The Schools Forum has written to the Secretary of State to express its concern about some of the potential adverse impact of a national funding formula on schools in Durham. The response acknowledged some of these concerns.
13. Schools' delegated budgets are ring-fenced and cumulative under and over spends are carried forward as surpluses and deficits. Where schools are required to become sponsored academies, due to failing an Ofsted Inspection, the deficit becomes a cost to the local authority.
14. In the light of this situation, and identified gaps in the current financial governance framework with regards to reporting of schools financial performance via Cabinet, greater scrutiny will be placed on school budget plans and deficit recovery plans in the future. This will also affect decisions about applications to the school loans scheme.
15. Five schools had deficits at the start of 2012-13, totalling £107,000 and 128 schools needed to use some of their brought forward surplus to balance their 2012-13 budgets. Forecasts for 2012-13 suggest that 113 schools will overspend their budgets in 2012/13, and that 8 schools will carry forward a deficit, estimated to be £381,000 in total. 22 schools will carry forward surpluses of less than 2% of their 2013/14 budget share, and of these three are primary or secondary schools facing a reduction in funding next year.

16. Where there are significant immediate concerns regarding schools reports will be brought forward in the coming months to set out options and consequences on the Council in this regard.

## **Background**

17. In March 2012 the Department for Education (DfE) announced a major reform of the way in which schools are funded. This is the first stage of a process to move to a national funding formula for schools from April 2015.
18. The reforms affect all schools, including academies, and take effect from 1 April 2013.
19. There are 227 primary schools, 33 secondary schools, 10 special schools and 12 nursery schools in Durham. Of these schools there are fourteen secondary schools, six primary schools and one special school that are academies.

## **Schools Forum**

20. The Schools Forum is a statutory body which must be consulted about school funding and schools funding formula changes. The majority of members are head teachers and governors, nominated through their countywide organisations.
21. The reforms provide a greater role for the Schools Forum whilst also restricting local authority membership and participation. Forums can make binding decisions on de-delegation and on the creation and application of Growth Funds.
22. A review is underway with regards to refreshing and updating the governance arrangements of the Schools Forum and a report will be brought forward in this regard in due course.
23. Final decisions on formula factors are Council decisions, but it has been normal practice in Durham to seek approval of the Schools Forum in the first instance.

## **Dedicated Schools Grant (DSG)**

24. In 2013/14 the DSG will continue at broadly the same amount per pupil as in 2012/13, but will be notionally split into three blocks: Schools, High Needs (Special Educational Needs – SEN) and Early Years.
25. Local authorities have the freedom to move funding between blocks. The Schools Block includes all funding that is not High Needs or Early Years and authorities have less discretion as to how this is used than for the other blocks.

26. Funding for 2013-14 for each block is as follows:

	Initial Allocation	Transfer from HN re SEN Pupils	Transfer to HN re Resource Bases	Transfer to Growth Fund	Revised Allocation	Retained Centrally	Delegated to Primary & Secondary
	£m	£m	£m	£m	£m	£m	£m
Schools Block	282.18	2.94	(0.16)	(2.86)	282.10	(6.09)	276.01
High Needs Block	43.39	(2.94)	0.16		40.61		
Early Years Block	21.65				21.65		
Growth Fund				2.86	2.86		
<b>Total</b>	<b>347.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>347.22</b>		

27. There are a number of budgets which are centrally retained within the DSG which can continue subject to School Forum approval, but no new commitments or increases are allowed over and above the 2012/13 level of budget. The budgets affected are Admissions; Servicing of the Schools Forums; Capital Expenditure from Revenue; Contribution to combined budgets, terminations of employment costs and prudential borrowing.

### Primary and Secondary Schools

28. Much of the expenditure on these schools is delegated using a formula to allocate funding between schools. The 2012/13 formula in Durham has 20 formula factors and has been designed over a number of years to maintain stability in the system and allocate funding according to the relative (historic) need of each school.
29. As part of the reforms, local authorities have been required to develop new formulas which have fewer factors and use simpler methods of allocation. The new formulas must be mainly pupil led, with the bulk of funding allocated through an amount per pupil or according to levels of deprivation and attainment.
30. The DfE have emphasised that the reforms mean that funding should follow the pupil and have referred to a schools 'market'. The implication is that schools which cannot attract sufficient pupils to provide enough funding to run the school effectively will either have to merge with other schools or close.
31. In a densely populated urban area, the closure of a school may not have serious consequences, because there are likely to be several alternative schools in the area, but in a largely rural county with dispersed communities, many suffering from deprivation, the consequences of the closure of a small local school could have much more serious consequences.

32. The new formula for Durham is simpler and includes only nine factors. As a result, there are significant increases and decreases in the formula funding of individual schools.
33. The short-term effect is limited, because of transitional protection arrangements, required by the DfE. The amount of protection will decrease over time and does not protect schools from the effects of falling pupil rolls.
34. The DfE has confirmed that transitional protection will continue until 2014-15 on the current basis, but from 2015-16, when there will be a national funding formula, arrangements may be different.
35. The new formula was developed in consultation with the Schools Forum and with schools. The Forum requested that the formula should minimise turbulence in funding for individual schools. The formula is the best that could be achieved given the DfE's restrictions on the new formulae.
36. Key features of the new formula are:
- A lump sum of £182,000 per school, which is near the maximum allowed (£200,000). This is now the only formula factor which helps small schools;
  - Deprivation funding has been maintained at the same level as in the original 2012-13 formula funding, but it is now distributed differently. Notably, former grant funding, which was targeted at specific schools, is no longer targeted;
  - £2.86m of primary school formula funding has been top-sliced and placed in a Growth Fund to support primary schools in meeting the infant class size limit of 30 pupils. Previously this support was provided through a formula factor.
37. The formula factors are described in Appendix 2 and key results from the new formula are summarised below:

	<b>Primary</b>	<b>Secondary</b>
Formula funding	£148.84m	£127.17m
<b>Number of schools with a reduction in overall formula funding:</b>		
Maintained schools	43	12
Academies	1	2
Average reduction	3%	4%

38. Primary and secondary schools are also affected by changes in the funding for Special Educational Needs pupils, particularly those defined as 'High Needs', which the DfE defines as pupils requiring provision costing more than £10,000.
39. The reforms require schools to make a greater contribution to the cost of this provision from their delegated budgets, currently estimated at £6.27m. An additional £2.94m has been delegated to schools to recognise this, and further funding of £3.39m will be provided to schools that do not receive sufficient additional delegation to meet these costs. The additional delegation and further funding are provided from the High Needs Block.

## **Special Schools**

40. These schools no longer have a delegated budget. In 2013/14 these schools will receive an amount of £10,000 per planned place plus 'top-up' funding for individual pupils, based on the needs of these pupils.
41. This has raised concern amongst special schools, because of the uncertainty and volatility of funding that this implies. In response to this concern the Council is proposing to use flexibility in top-up rates to give greater certainty to schools.
42. Changes to arrangements for pupils placed out of county have led to a reduction in Durham's High Needs Block funding of £189,000.

## **Nursery Schools**

43. The majority of funding for nursery schools comes from the Early Years Single Funding Formula, but nursery schools receive formula funding. The reforms allow nursery schools to continue to be funded in this way, but restrict the formula factors that can be used to those used for primary and secondary schools.
44. A simplified formula has been developed for nursery schools in Durham. Turbulence in funding has been minimised as far as possible. This formula is currently being finalised.

## **National Funding formula – Potential Impacts**

45. The Council has sought to protect small schools; schools suffering from deprivation; and protect historic funding allocations as far as possible within the constraints of the new formula requirements. It is not known how far a national formula might take account of these concerns. There are two main areas where a national formula could recognise these issues:
  - The national formula is likely to involve a more equal distribution of DSG between local authorities, but this needs to take account of the needs of rural areas and areas with high levels of deprivation;
  - The formula could allow some flexibility over lump sums, allowing larger lump sums in rural areas where small schools do not necessarily reflect unpopularity, but instead reflect the small size of communities.
46. The reforms to the funding of special schools will make it harder for them to remain viable, because of difficulties in recruiting and retaining high quality retain trained staff to enable the schools to make places available when they are required; the alternative is to rely on independent special schools, which tend to be much more expensive than maintained special schools.
47. The Schools Forum expressed these concerns in a letter to the Secretary of State in December 2012. A response has been received from the Minister of State for Schools, indicating that the distribution funding is likely to take account

of issues such as rurality and deprivation. The Minister believes there is sufficient flexibility around special schools funding and there is a need for special schools to market themselves effectively in order to attract pupils.

### **Impact of Additional Delegation in 2013/14**

48. The reforms required additional delegation for some expenditure that was previously retained centrally. In Durham, this resulted in additional delegation in respect of:
- Contingencies for school improvements: £1.43m
  - Behaviour Support Services: £1.3m
  - Supply cover for trade union representatives: £0.1m
49. The reforms allowed for Schools Forums to agree to the 'de-delegation' of this expenditure, which means that although the funding is delegated through the formula, it is then taken back from schools to fund central provision of services.
50. The Schools Forum agreed to de-delegation in respect of £0.9m of contingencies (for school improvement) and £0.1m of Behaviour Support Services in relation to Looked After Children Educational Support in Secondary Schools.
51. Those services where funding is now delegated are: Anti Bullying Service, Behaviour Support workers, Looked After Children Educational Support (Primary schools) and Primary 'Getting Along' Social Skills. The continuation of these services is dependent on being able to sell them back to schools under individual Service Level Agreements.
52. Following the decision a full trading package was developed and incorporated into marketing material which was distributed through the Extranet and through a series of meetings with schools in November/December. Schools were asked to express interest in entering into an SLA by completing an on line questionnaire by Christmas. 195 schools responded to this questionnaire.
53. There has been a positive response from a number of schools interested in continuing to purchase a range of services including Behavioural Support and Looked After Children Educational Support so these services will continue to be delivered but on a smaller scale to schools which have chosen to purchase. There has been insufficient interest from schools in purchasing Anti-Bullying Service so this service will cease and staff employed in these areas left the authority on 31 March 2013. The new Service Level Agreements for services that are retained will be subject to review to ensure that these are sustainable and are self-financing.

### **Schools Budgetary Control Performance and Schools Balances**

54. Local authorities are required to have a scheme of delegation, in respect of the management of these budgets. Governing bodies have the discretion to allocate

their delegated budget as they see fit, but must adhere to the scheme, which is intended to ensure good financial management. Local authorities can take action if financial management is weak, including, in the most severe cases, taking control of the delegated budget away from the governing body.

55. Delegated budgets are ring-fenced, and they carry forward surpluses or deficits. Schools are not allowed to set a deficit budget without the prior approval of the Council (this is delegated to the Corporate Director, Resources) and where they have a deficit they are required to follow a 'Deficit Recovery Plan' to recover the deficit over an agreed and reasonable time period. In reality, there has never been a formal sign off of these arrangements, other than at a relatively low level by the individual schools finance team.
56. Progress against the plan is monitored by the governing body though there has previously been no corporate visibility on the number of schools in deficit or the value of those deficits as the 'Schools Balances' are always shown aggregate. A further weakness in is that forecast under / over spending by maintained schools, and the impact on the net schools balances held is not reported corporately.
57. Schools that are not performing well and which fail an Ofsted inspection are now forced to become a sponsored academy, and in such a situation the DfE have mandated that any deficit carried forward cannot be transferred to the sponsoring academy and must be met by the local authority.
58. This places increased financial risk on the local authority, particularly where schools are working towards an 'agreed' deficit recovery plan, which may span a number of years and necessitates a more rigorous monitoring regime going forward.
59. The current position in respect of schools balances and financial performance is as follows:

		Nursery	Primary	Secondary	Special	PRU	Total
1.	No of schools in surplus 01/04/12	12	217	18	9	-	256
2.	No of schools in deficit 01/04/12	-	4	1	-	-	5
3.	Total surpluses brought forward 01/04/12	£592,571	£13,033,234	£4,758,151	£1,328,760	-	£19,712,716
4.	Total deficits brought forward 01/04/12	-	(£40,195)	(£66,908)	-	-	(£107,103)
5.	<b>Net Schools Balances 01/04/12</b>	<b>£592,571</b>	<b>£12,993,039</b>	<b>£4,691,243</b>	<b>£1,328,760</b>	-	<b>£19,605,613</b>
6.	Schools using surplus to balance 2012-13 budget	4	106	12	6	-	128
7.	<b>Surplus used to balance 2012-13 budget</b>	<b>(£29,140)</b>	<b>(£2,411,348)</b>	<b>(£1,373,624)</b>	<b>(£257,486)</b>	-	<b>(£4,071,598)</b>
8.	Schools forecast to overspend budget in 2012-13	4	95	8	6	-	113



		Nursery	Primary	Secondary	Special	PRU	Total
9.	Forecast overspends	(£25,643)	(£1,561,459)	(£1,161,629)	(£232,367)	-	(£2,981,098)
10.	Schools forecast to underspend budget in 2012-13	8	126	10	3	-	147
11.	Forecast underspends	£113,712	£2,256,990	£425,244	£129,772	-	£2,925,718
12.	Schools forecast to carry forward a deficit 31/03/13	-	6	2	-	-	8
13.	Schools forecast to carry forward a surplus 31/03/13	12	215	16	9	-	252
14.	Forecast deficits 31/03/13	-	(£70,674)	(£310,773)	-	-	(£381,447)
15.	Forecast surpluses 31/03/13	£651,500	£11,347,896	£2,892,006	£968,680	-	£15,860,082
16.	<b>Forecast Net Schools Balances 31/03/13</b>	<b>£651,500</b>	<b>£11,277,221</b>	<b>£2,581,233</b>	<b>£968,680</b>	<b>-</b>	<b>£15,478,635</b>

60. Pupil Referral Units (PRUs), of which the County has one, have not previously had delegated budgets but will do so from 1 April 2013, in line with the requirements of the Schools Funding reforms. Currently the Council's PRU is centrally managed and effectively a retained specific budget with Children and Adult Services, funded by DSG. The first seven rows include Tudhoe Grange, which closed during 2012-13.

61. Appendix 4 provides a full breakdown of all schools balances, together with details of the increases / decreases in formula funding (excluding SEN, Early Years and Pupil Premium funding) for next year.

62. The majority of schools are forecast to be in surplus at 31 March 2013, but the funding reforms, together with changes in pupil roll numbers, poses a significant challenge for many schools. Of the 252 schools forecasting a surplus at the end of 2012/13, 22 (9%) are forecasting a retained balance of less than 2% of their 2012/13 delegated budget, and four of these face a reduction in funding next year greater than the retained balances held.

### Next Steps

63. Schools are currently considering their detail 2013-14 and potential 2014/15 budgets, in line with the October 2012 and forecast 2013 census / pupil roll data. Greater levels of scrutiny will need to be placed on those schools that request to set a deficit budget in 2013-14, or where their budget plan appears unsustainable. The latter will mostly affect schools that are planning to use surpluses brought forward to balance their 2013-14 budgets, but where they are likely to be unable to do this in 2014-15.

64. The Corporate Director, Resources will review all budgets where the use of balances is necessary to balance the budget and requests to set a deficit budget. Schools that are projecting a small balance at the end of 2014-15 relative to their budget share will be subject to additional scrutiny. Where the proposed budget is felt to be unsustainable the school / governors will be instructed to amend their

budget plans. A summary of the agreed position will be brought to CMT for information and included in the quarter 1 budgetary control report 2013/14.

65. For 2013-14, the Council will need to “re-balance” its relationship with schools over financial monitoring and schools will be required to provide termly updates on forecast outturn positions. Schools will be expected to report this to the relevant committee of the Governing Body and this information will be aggregated and built into the quarterly budgetary control reports to Corporate Management Team and Cabinet going forward. Schools failing to provide the necessary information or engage in the process will need to be dealt with in accordance with the requirements of the Schools Financing Scheme, hereto not called upon.
66. Reports will be presented to the Schools Forum; Head Teachers Briefing Sessions; and to individual Schools Governors meetings during the next two months to reinforce this – reminding schools of the powers the Council has to intervene in their budget planning where necessary and establishing clear criteria for a significantly more robust approach to budget and forecasting, including the in-year reporting of this to CMT and Cabinet in future. Schools will be encouraged to prepare 3-year budget forecasts, factoring in impacts of forecast school rolls on their resource availability.
67. Schools will be advised of the timetable for the receipt of budget projections. Those schools most at risk of ending the year with a deficit, or with the smallest balances relative to their budget share, will receive the most attention and will be required to submit additional and more frequent financial forecasts and updates.
68. The Council will also need to review its loans scheme. Schools can apply for loans from the Authority for building and ICT expenditure. The loans are provided from the balances held on behalf of schools. The obligation to make loan repayments would be an added burden to a school that had got into financial difficulties. Schools could be asked to provide financial forecasts for the term of the loan (usually 3-4 years), but because school budgets are sensitive to changes in pupil numbers the value of these would be limited in confirming that loan repayments could be afforded without a school going into deficit. Another uncertainty is the change to a national funding formula in 2015-16. The future of the loan scheme will be reviewed in the light of this.
69. Further discussions will be held with the leadership of any schools which are facing financial difficulties. A separate report on the outcome of these discussions will be brought forward in due course.

## **Recommendations**

70. Cabinet is recommended to :
  - a. Note the report and the consequential impacts of the School funding Reforms 2013/14, including the impact on the Behavioural Support Service following the delegation of this funding.

- b. Note the potential impact of the National Funding formula from 2015/16;
- c. Note the current position with regards to the schools balances / financial reporting arrangements and agree to strengthened financial governance arrangements over schools budgets and financial performance monitoring and reporting as outlined in the report.

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**Background Papers**

Schools Funding Reforms – DfE Consultation / Regulations

Reports to the Schools Forum:

16 May 2012, Item 3 a) - DfE Consultation – School Funding Reform, Item 3 b) - Response to Consultation

9 July 2012, Item 3 - DfE– School Funding Reform: Progress Update

17 September 2012, Item 3 – DfE School Funding Reform: Progress Update

15 October 2012, Item 3 - Centrally Provided Services, Item 4 - Centrally Provided Services: Request for De-Delegation, Item 5 - School Funding Reforms

8 November 2012, Item 4 - School Funding Reforms – County Durham Formula

11 December 2012, Item 3 - High Needs Funding, Item 4 - - Early Years Funding, Item 8 - Growth Funding, Item 9 - New Formula Pro Forma Response, Item 10 - School Funding Reforms - Draft Letter to DfE

17 January 2013, Item 2 c) - Matters arising - Letter to DfE, Item 3 - Growth Fund Allocations 2013-14, Item 4 - Primary and Secondary Formula Funding 2013-14

DCC Scheme for Financing of Schools – April 2012

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## **Appendix 1 – Implications**

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### **Finance**

Impact of the new Funding Formula on schools budgets, in the short term, is limited due to the transitional protection arrangements via the Minimum Funding Guarantee. Schools, that do not buy back services related to behaviour support in sufficient numbers will mean the services will need to be disbanded, which will result in a number of redundancies / redundancy costs being incurred by the Council.

### **Staffing**

Staff affected by the potential reduction in funding for behaviour support related services were issued with s188 redundancy notices following the decision of the School Forum, with employment ceasing at the end of March where insufficient funding was secured by way of buy back from schools under a Service Level Agreement.

### **Risk**

In addition to the impact of the new funding formula on schools budgets in 2013/14 and 2014/15 there is the future risk from the National Funding Formula from 2015/16. Maintained schools that fail Ofsted inspections are now required to become a sponsored academy, in such a situation the DfE have mandated that any deficit carried forward cannot be transferred to the sponsoring academy and must be met by the local authority. Schools with low balances and affected by reductions in funding due to the new formula or reduction in pupil numbers will face the challenge of setting a balanced budget for the forthcoming year. There is a need to improve forecasting arrangements and consideration of school viability in light of this.

### **Equality and Diversity / Public Sector Equality Duty**

N/A

### **Accommodation**

N/A

### **Crime and Disorder**

N/A

### **Human Rights**

Human rights will not be affected.

### **Consultation**

The s188 process has been followed for the services affected by the decision not to de-delegate funding, subject to the outcome of buy back from schools.

### **Procurement**

N/A

### **Disability Issues**

N/A

### **Legal Implications**

N/A

## Appendix 2 2013-14 Primary and Secondary Funding Formula

	<b>Total Amount Allocated £</b>	<b>Pupil Numbers</b>	<b>Rate/ Pupil £</b>	<b>Comments</b>
Age-Weighted Pupil Unit (Primary)	88,334,132	36,652	2,410.08	
Age-Weighted Pupil Unit (KS3)	50,588,177	14,518	3,484.51	
Age-Weighted Pupil Unit (KS4)	46,524,635	10,535	4,416.20	
Deprivation - Free School Meals Entitlement (Secondary)	11,368,823	4,596	2,473.40	
IDACI Band 1 (Primary)	1,526,567	4,367	349.61	Income Deprivation Affecting Children Index. Bands are set by the EFA; the higher the band the greater the probability that a pupils suffers income deprivation.
IDACI Band 2 (Primary)	2,131,319	4,552	468.17	
IDACI Band 3 (Primary)	4,088,211	6,315	647.39	
IDACI Band 4 (Primary)	3,743,737	3,984	939.75	
IDACI Band 5 (Primary)	775,895	631	1,229.54	
IDACI Band 6 (Primary)	1,244,593	636	1,956.80	
IDACI Band 1 (Secondary)	1,099,231	3,016	364.48	
IDACI Band 2 (Secondary)	1,362,292	3,017	451.49	
IDACI Band 3 (Secondary)	2,404,866	4,201	572.48	
IDACI Band 4 (Secondary)	1,927,095	2,628	733.18	
IDACI Band 5 (Secondary)	355,003	400	887.22	
IDACI Band 6 (Secondary)	478,972	359	1,335.88	
Low Attainment (Primary)	3,439,794	8,214	418.78	Pupils failing to achieve a score of 73 in the EYFSP
Low Attainment (Secondary)	1,485,280	2,397	619.66	Pupils achieving KS2 Level 3 or below in both English and Mathematics
Lump Sum - Primary	41,207,833	N/A	N/A	£182,000 per school
Lump Sum - Secondary	6,006,000	N/A	N/A	
Rates - Primary	2,293,310	N/A	N/A	
Rates - Secondary	1,880,071	N/A	N/A	
Split-site - Primary	0	N/A	N/A	
Split-site - Secondary	463,642	N/A	N/A	
PFI - Primary	49,363	N/A	N/A	
PFI - Secondary	1,168,945	N/A	N/A	
Rent	3,500	N/A	N/A	
Joint-use Leisure	60,000	N/A	N/A	
<b>Total</b>	<b>276,011,287</b>			

**SECTION 1 : INTRODUCTION THE FUNDING FRAMEWORK: MAIN FEATURES**

- 1.5 An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the Act).

**SECTION 2 : FINANCIAL REGULATIONS****2.1 Right of Attendance at Governing Body Meetings by the Corporate Director Resources**

The Corporate Director Resources is responsible by virtue of Section 151 of the Local Government Act 1972 for the administration of the authority's financial affairs. The Corporate Director Resources also has a duty to report certain matters to the authority by virtue of Section 114 of the Local Government Finance Act 1988. The Corporate Director Resources or a member of staff acting on his/her behalf shall have the right to attend meetings of governing bodies to give advice or report on financial matters affecting that responsibility. The Corporate Director Resources shall therefore be sent prior notice of all meetings of the governing body and of sub-committees at which financial matters are to be considered, together with full agendas and reports.

**2.2 Application of Financial Controls to Schools**

All schools are required to comply with the authority's requirements on financial controls and monitoring in the management of their delegated budget. Such requirements include seeking the approval of the Corporate Director Resources of all financial stationery in connection with accounting, costing or stores records and the payment or collection of money.

**2.3 Provision of Financial Information and Reports**

Schools are required to provide the authority with details of anticipated and actual expenditure and income, no more than once every three months (unless the authority has notified the school in writing that in its view the school's financial position requires more frequent submission) in a format determined by the authority which will take account of the DfE Consistent Financial Reporting framework.

## **2.9 Submission of Budget Plans**

Each school is required to prepare an annual budget plan each year having regard to the school's Development Plan and any views of the Director of Children and Young People's Services on needs and priorities. This should set out the planned budget for all items of expenditure and income and describe all assumptions underpinning the plan. This plan requires the agreement of the governing body and must be submitted to the authority, in a format prescribed by the authority no later than 30th June of each year. Plans should also be in a format taking account of Consistent Financial Reporting and will be checked to ensure they are viable and will be an important aspect of the authority's role in monitoring school expenditure. Each year, the authority will make available to schools key budget data to enable them to prepare budget plans.

Schools must take full account of estimated deficits and may take full account of estimated surpluses at the previous 31st March in their budget plan. Having approved the initial budget plan governing bodies or a committee of the governing body must approve any subsequent virement and receive regular reports and budget monitoring during the year. In addition, schools are required to notify the Corporate Director Resources of any such in-year revisions to their budget plans, on a termly basis, or more frequently if they prefer.

## **2.10 Submission of Financial Forecasts**

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

## **2.23 Notice of Concern**

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Corporate Director Resources and the Director of Children and Young People's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school. Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;

- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority;
- insisting on regular financial monitoring meetings at the school attended by authority officers;
- requiring a governing body to buy into an authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

## **SECTION 5 : THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **5.1 The right to Carry Forward Surplus Balances**

All savings of expenditure against budget share in any financial year will accrue to the school and will be carried forward to the following financial year.