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Introduction and Background

- 1.1 This consultation paper sets out the proposed changes to Hillingdon's schools, early years and 14-16 funding arrangements for 2012/13, where applicable. It also provides some further updates and information relating to changes that were made in 2011/12, which all stakeholders need to be aware of. For 2012/13 the major proposed changes are to the Primary and Secondary schools funding formula
- 1.2 This consultation paper provides an update on the following, and in some instances is consulting on changes that are being proposed:
 - The new calculation of the Dedicated Schools Grant for 2012/13;
 - The level of the Minimum Funding Guarantee for 2012/13;
 - The outcomes of the review of the Schools Funding Formula for Primary and Secondary schools to be effective for 2012/13.
- 1.3 The Council is required to consult with the Schools Forum annually on a set of matters prescribed in the Schools Forums (England) Regulations 2010, which are covered in this consultation paper. These are:
 - arrangements for the education of pupils with special educational needs
 - arrangements for the use of pupil referral units and the education of children otherwise than at school
 - arrangements for early years provision
 - arrangements for insurance
 - administrative arrangements for the allocation of central government grants paid to schools via the authority
 - arrangements for free school meals
- 1.4 This paper is being circulated widely to encourage engagement with schools in order to assist Schools Forum in how it advises the Council on the shape of future funding and the direction of travel. Final decisions about school budgets are made by the Council's Cabinet, but Government regulations give the Schools Forum powers to agree or not some specific proposals from the Council.
- 1.5 The aims of the paper are to set out the main proposals for distributing and administering the available resources in the schools budget, to provide an overall perspective of Hillingdon's financial position, and to provide initial indicative budgets for all schools for 2012/13.
- 1.6 The overall level of funding will be dependent upon the results of the January census. The January census will determine the overall Dedicated Schools Grant (DSG) funding received by the Council. At school level, the majority of funding will be determined by census data, with nursery funding being determined by participation (actual hours taken up on the free entitlement).
- 1.7 This paper is predominantly concerned with the resources affecting schools, early years, 14-16 and 16-19 funding, but also recognises the Council's wider responsibilities encompassing education and children's services.

- 1.8 It also sets out the distributional approach and will guide the funding principles to be adopted. School level allocations will not be finalised until late March 2012, and should be viewed as a consequence of the proposals agreed in this consultation.
- 1.9 2012/13 is a one-year funding period only, before the likely introduction of a new funding system from 2013/14, which the Government has consulted on over the Summer 2011 break in their consultation paper – School Funding Reform: Proposals for a Fairer System. There is an indication that the Government will consult further on a number of items, which will be shared with the Schools Forum. Therefore, any decisions made around the 2012/13 settlement must be appropriately considered and balanced against issues of affordability and sustainability in the medium to longer term.
- 1.10 Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response co-ordinated by Primary Forum, Hillingdon Association of Secondary Heads and the Special Headteachers group or other representation group.
- 1.11 The release of this paper in early January 2012, unfortunately only allows a short period of time for consultation with stakeholders as the Schools Forum meeting that will review the responses is on the 24 January 2012. This means that responses will be required to be returned by midnight on 17 January 2012.
- 1.12 Three consultation information sessions have been arranged for all stakeholders to attend, which are scheduled for:
- **12 January 2012**, 10am – 12noon (All schools)
(arrival from 9:45am) Council Chamber, Civic Centre, Uxbridge, UB8 1UW
 - **12 January 2012**, 6.30pm – 8.30pm (All schools)
(arrival from 6:00pm) Committee Room 5, Civic Centre, Uxbridge, UB8 1UW
 - **13 January 2012**, 10am – 12noon (All schools)
(arrival from 9:45am) Council Chamber, Civic Centre, Uxbridge, UB8 1UW
- 1.13 To book onto any one of these sessions, please contact Ruth Munro on 01895 250593.
- 1.14 The timetable in **Section 16** sets out how the schools budget process will be managed.

1. Executive Summary (Summary of Consultation Issues)

- 2.1 The Council is consulting Schools Forum and individual schools on a set of prescribed matters relating to schools, early years and 14-16 funding arrangements for 2012/13.
- 2.2 To facilitate the delivery of key objectives, the Council is required to consult on proposals for distributing and administering the available resources, much of which will come from the Dedicated Schools Grant (DSG).
- 2.3 The decisions taken will shape the allocation of funding for schools and the Council's centrally retained expenditure for 2012/13.

Summary of Consultation Proposals

Primary and Secondary Schools Funding

- 2.4 The Council is proposing to make a number of changes to its schools funding formula following a major review that took place over the period between September 2011 and November 2011 by the School Forum Resources Strategic Advisory Group (SAG). These are set out in more detail in Section 5.
- 2.5 The Council continues to see a significant increase in the number of primary school age children requiring a school place. It is therefore proposing to continue to hold a contingent sum of money to support expanding schools where it has no concrete proposals in place. It is anticipated that a further 9 new forms of entry will be required in primary schools from September 2012. Based on an average budget requirement of £50k per form of entry a contingency of £450k will be held centrally until planning and consultation with the named schools have been finalised.

The arrangements for Special Educational Needs

- 2.6 There are no proposed changes for this in 2012/13, and therefore there is not a need to consult on this area. **(section 6)**

The arrangements for Early Years

- 2.7 There are no proposed changes for this in 2012/13, and therefore there is not a need to consult on this area. **(section 7)**

The arrangements for Pupils out of School

- 2.8 A few minor changes have been approved by Schools Forum at its meeting on 5 October 2011 to provide places for pupils in Key Stage 4 at a local College. There are no other proposed operational changes for this in 2012/13, and therefore there is not a need to consult on this area. **(section 8)**

The arrangement for 14-19 education

2.9 There are no proposed changes for this in 2012/13, and therefore there is not a need to consult on this area. **(section 9)**

The arrangements for School Meals

2.10 The funding for school meals was 100% funded from the Standards Fund and was fully delegated to all schools and incorporated within the mainstreaming of all Standards Fund grants in 2011/12. There are no proposed changes for this in 2012/13, and therefore there is not a need to consult on this area. **(section 10)**

The arrangements for Insurance

2.11 There are no proposed changes for this in 2012/13, and therefore there is not a need to consult on this area. This does not affect Academy schools. **(section 11)**

The arrangements for Capital

2.12 This provides Stakeholders with an update on the recent Government announcement on the key issues relating to the capital programme. There is not a need to consult on this area. **(section 12)**

Specific Grants

2.13 The Standards Funds programme has ceased and has been rolled into the DSG from 2011/12. The Government have released the funding rate for the Pupil Premium and the basis of allocation, including funding for Looked After Children and Service Children, which are set out in detail in Section 13. There is not a need to consult on this area. **(Section 13)**

Changes to the Scheme for Financing Schools

2.14 There are a number of changes being proposed to the Scheme for Financing Schools, which will provide more clarity for schools. These are set out in more detail in Section 14, where each change will be consulted on separately. This does not affect Academy schools. **(section 14)**

Consultation Questions

- 1. Stakeholders are asked to give views on the proposed changes to the school funding formula as set out in Section 5, which need to be considered as a package.**
- 2. Stakeholders are asked to give views on whether the rate of the transitional factor should be set at +/- 1.5% over a period of two years, using a linear reduction over the same period.**
- 3. Stakeholders are asked to give views on the proposed changes to the Scheme for Financing Schools as set out in Section 14, where a response is being requested for each proposed change.**

3. Overall Financial Position

Overview

3.1 The schools funding settlement for 2012/13 was announced by the Secretary of State for Education on 12 December 2011. Funding levels have been confirmed for 2012/13 only including the pupil premium for disadvantaged pupils.

Revenue Funding

3.2 The main headlines in relation to revenue funding are:

- The per pupil unit of funding (the Guaranteed Unit of Funding (GUF)) in the Dedicated Schools Grant (DSG) has been set at £5,419.62 for 2012/13, no change from the 2011/12 position.
- The Minimum Funding Guarantee has been set at -1.5% for 2012/13.
- The level of the Pupil Premium has been confirmed at £600 per pupil (an increase of £112 on the current rate of £488), however the method of distribution has changed from those currently eligible for Free School Meals to those pupils eligible for Free School Meals at any point over the last six years (Ever 6).
- Children in Care of school age who have been looked after for more than six months (i.e. the pupils counted on the SSDA903 (Under the Children Act 1989, a child is looked after by a local authority if he or she; is provided with accommodation, for a continuous period of more than 24 hours, [Children Act 1989 Section 20 and 21]; or is subject to a care order [Children Act 1989 Part IV]), will be those pupils that have been continuously looked after for over 6 months aged 4 to 15 at 31 August 2011. The count point for 2012 is 31st March) will continue to receive £488.
- An additional amount of £250 per pupil will be included in the Pupil Premium in 2012/13 for the children of members of the UK armed forces, which is an increase from the current £200.

Overall Indicative DSG Funding

3.3 The current method of funding local authority level DSG allocations remains unchanged. All local authorities will continue to be funded at their guaranteed unit of funding multiplied by the number of DSG pupils on roll in the January count. It should be noted that dual-registration funding ceased in 2011/12. Therefore, where a pupil attends both a school and a Pupil Referral Unit, the pupil will only be recorded on the Annual Schools Census once. DSG pupils will be those recorded on the following:

- Annual Schools Census
- SLASC
- Form 8B / Alternative Provision
- Early Years Census

3.4 The guaranteed units of funding announced for Hillingdon in 2012/13, together with the Council's estimate of Hillingdon pupils and indicative total DSG allocations is shown below in Table 1. It should be noted that from 2011/12 onwards the DSG includes the mainstreaming of the Standards Fund Grants.

Table 1: Hillingdon - Guaranteed unit of funding / Pupil number estimate / Revised Total Indicative DSG 2008-13

<i>Financial Year</i>	<i>Guaranteed per Pupil Unit of Funding (£)</i>	<i>Council Estimate of Pupil Numbers</i>	<i>Indicative Total DSG (£ million)</i>
2008/09	4,361.40	37,907	165.3
2009/10	4,519.38	38,372	173.4
2010/11	4,708.57	38,414	180.9
2011/12	5,419.62	39,768	215.5
2012/13	5,419.62	40,269	218.2

3.5 The overall DSG is guaranteed in terms of an amount per pupil. If the January 2012 pupil numbers are higher or lower than the assumptions made, the total DSG at local authority level will go up or down.

3.6 The tasks in managing the school funding settlement for 2012/13 are:

- Assess and monitor the overall pupil numbers estimated over the coming months leading up to the January census, **including Academy school pupil numbers (Academy schools are being asked to either provide a copy of their data directly to the Local Authority or send an e-mail to dsd.helpdesk@education.gsi.gov.uk asking them to allow the Local Authority to view your January School Census 2012 data after you have authorised it on COLLECT. The DfE will make your data available to us either via COLLECT or they will upload the file(s) to the s2s site for us to download);**
- Assess how much funding should be allocated to each sector;
- Assess the impact of the Minimum Funding Guarantee, natural inflation on retained items, changes in commitments resulting from new business case developments and the expected headroom for each year;
- Assess the impact arising from the Early Years Single Funding Formula (EYSFF)
- Distribute school funding to individual schools and PVI nurseries.

Finalising the DSG Allocation

3.7 The 2012/13 indicative DSG allocation shown in Table 1 above has been calculated on an estimated pupil projection of 40,269. The final cash allocation of DSG funding will be based on actual pupil numbers from the January 2012 count.

3.8 Several assumptions have been made in estimating this total. These include:

- Primary Key Stage 1 and Key Stage 2 pupil numbers from the September 2011 count will remain the same in January 2012;
- Reception class figures remain static as a result of the move to a single intake;

- Secondary Key Stage 3 and Key Stage 4 pupil numbers from the September 2011 count will remain the same in January 2012;
- Pupil participation from the Early Years Census (EYC) to remain broadly similar to the January 2011 count. The level of participation should remain fairly static from year to year if there are no new providers coming in or existing ones dropping out;
- Pupils out of schools are likely to increase in 2012/13, although this has not been factored into the pupil numbers.

3.9 The current forecast of pupil numbers would suggest Hillingdon's indicative DSG allocation will be in the region of **£218.2 million** for 2012/13.

Estimated DSG Budget for 2012/13

3.10 Table 2 summarises what the Council believes to be the expected income from, and commitments on, the DSG and Young People's Learning Agency (YPLA) post-16 funding for 2012/13. This uses the DfE's standard Section 251 Budget Statement, which is available to access via the DfE's website.

Table 2: Consideration of DSG Budget 2012/13

S251 Row No and Description	2011-12	2012-13	Diff	%	Note
Pupil Nos	39,849	40,269	420		1
GUF	£5,419.63	£5,419.63	£0.00		
Total DSG	£215,966	£218,242	£2,276	1.05%	
INCOME					
0.0 INC DSG	-£215,966	-£218,242	-£2,276		1
0.0 INC PP	-£3,093	-£3,093	0		
0.0 INC YPLA Schs	-£17,597	-£17,597	0		
0.0 INC YPLA SEN	-£1,663	-£1,663	0		
0.0 INC YPLA TBG	-£279	-£279	0		
TOTAL INCOME	-£238,598	£-240,874	-£2,276	0.95%	
DEVOLVED TO SCHOOLS					
1.0.1 Individual Schools Budget	£222,036	£224,166	£2,130		
TOTAL DEVOLVED TO SCHOOLS	£222,036	£224,166	£2,130	0.96%	
RETAINED BUDGET					
1.0.2 Threshold and Performance Pay (Devolved)	£0	0	0		
1.0.3 Central expenditure on education of children under 5	£1,503	£1,519	16		
1.1.1 Support for schools in financial difficulty	£0	0	0		
1.1.2 Contingencies	£1,563	£1,050	-£513		2
1.2.1 Provision for pupils with SEN (including assigned resources)	£772	£772	0		

S251 Row No and Description	2011-12	2012-13	Diff	%	Note
1.2.2 SEN support services	£881	881	0		
1.2.3 Support for inclusion	£254	£254	0		
1.2.4 Fees for pupils with SEN at independent special schools & abroad	£6,617	£7,067	£450		3
1.2.5 SEN transport	£0	0	0		
1.2.6 Fees to independent schools for pupils without SEN	£375	£375	0		
1.2.7 Inter-authority recoupment	£710	£710	0		
1.2.8 Contribution to combined budgets	£182	£182	0		
1.3.1 Pupil Referral Units	£1,295	£1,309	£14		
1.3.2 Behaviour Support Services	£613	£613	0		
1.3.3 Education out of school	£446	£596	£150		4
1.3.4 14-16 More practical learning options	£444	£444	0		
1.4.1 Support to underperforming ethnic minority groups and bilingual learners	£0	0	0		
1.5.1 School meals/ milk - nursery, primary and special schools	£0	0	0		
1.5.2 Free school meals eligibility	£0	£50	£50		5
1.5.3 School kitchens - repair and maintenance	£0	0	0		
1.6.1 Insurance	£0	0	0		
1.6.2 Museum and Library Services	£184	£184	0		
1.6.3 School admissions	£163	£163	0		
1.6.4 Licences/subscriptions	£0	0	0		
1.6.5 Miscellaneous (not more than 0.1% total of net SB)	£203	£203	0		
1.6.6 Servicing of schools forums	£5	£5	0		
1.6.7 Staff costs supply cover (including long term sickness)	£103	83	-£20		6
1.6.8 Termination of employment costs	£0	0	0		
1.6.9 Purchase of carbon reduction commitment allowances	£250	£250	0		
TOTAL RETAINED BUDGET	£16,562	£16,710	£ 147	0.88%	
BALANCE	£0	-0	-0		

Notes

3.11 Where significant changes are being made and a note reference has been added the following paragraphs provide more information on each change.

Note 1, S251 row: Income:

	Pupil Nos	Pupil Nos	
Sector	Oct 2011	Jan 11	Diff
Primary	23,127	22,609	518
Secondary	13,520	13,612	-92
Special	445	451	-6
EYSFF	2,936	2,936	0
Alternative	241	241	0
Total Pupils	40,269	39,849	420

3.12 Based on the October 2011 pupil numbers, there is an increase of 420 pupils on the January 2011 pupil numbers. Therefore, 420 extra pupils at the Guaranteed Unit of Funding of £5,419.63 gives an increase in funding of £2,276k.

Note 2, S251 row: 1.1.2 Contingencies

	2011-12	2012-13	Explanation
EYSFF	£516	£600	The £515k (11-12) was calculated at 4% of the overall EYSFF pot. £600k (12-13) represents contingency for 240 extra places at £2.5k per place.
Secondary HPSS Standard Fund distributed in year.	£335	£0	This has been added to the total pot for Primary and Secondary schools.
Primary AST Standard Fund distributed in year.	£223	£0	This has been added to the total pot for Primary and Secondary schools.
Primary Expansion in September	£273	£450	The 2012-13 amount represents a contingency for 9 extra forms at £50k each.
Shortfall in DSG pupil Nos	£216	£0	We do not consider a contingency is required this year
Total	£1,563	£1,050	

Note 3, S251 row: 1.2.4 Fees for pupils with SEN at independent special schools & abroad.

3.13 This has been increased in line with the evidence for increased pupil numbers and increased pupil numbers with SEN, which equates to 15 extra children at £30k per child.

Note 4, S251 row: 1.3.3 Education out of school

- 3.14 It is estimated that an extra 30 pupils at Key Stage 4 will be placed on courses that will be run through a local College, at an average cost of £5k per pupil.

Note 5, S251 row: 1.5.2 Free school meals eligibility

- 3.15 It is estimated that £50k will be required to cover the total cost of running and supporting the software that will allow schools and parents to register pupils eligible for Free School Meals online without the need to schools to check paper records.

Note 6, S251 row: 1.6.7 Staff costs supply cover (including long term sickness)

- 3.16 The reduction of £20k represents the sum of money that was retained to pay for NQT recruitment costs, where it is being proposed that for 2012/13 this is delegated. This has then been added to the total pot for Primary and Secondary schools.

Central Expenditure Limit

- 3.17 The 'Schools Budget' is defined in the Schools Finance (England) Regulations 2012. The regulations state that the centrally retained funding cannot increase by more than the same percentage as the Schools Budget as a whole.
- 3.18 The Council is required to seek approval from Schools Forum where it believes it cannot comply with the limit and therefore agree the delegated Individual Schools Budgets (ISB) total should increase by a lower percentage than the Schools Budget as a whole.
- 3.19 The Regulations still permit the Council to ask the Secretary of State for a decision where the Schools Forum does not agree with the Council's proposition for a lower increase.

Impact on the Central Expenditure Limit (CEL)

- 3.20 In the absence of accurate pupil forecasts for January 2012, it is not possible to estimate at present the precise level of the CEL.

3.21 An indicative calculation of the CEL, (based on 40,269 pupils) is provided in Table 3.

Table 3: Estimated central expenditure limit calculation

Indicative Central Expenditure Limit 2012/13	(£million)
Current 2011/12 DSG	£215,966
Estimated 2012/13 DSG	£218.242
Predicted % Growth in DSG	1.05%
Central Expenditure 2011/12	£16.562
Allowable % Growth in Central Expenditure 2012/13	1.05%
Allowable £ Growth in Central Expenditure 2012/13	£0.175
Allowable Central Expenditure 2012/13 (a)	£16.736
Total Requested Central Expenditure 2012/13 (including new items) (b)	£16.710
Requested breach of central expenditure limit 2012/13 (a)-(b)	Zero

3.22 Based on the current available data, there is no proposed breach of the CEL in 2012/13.

3.23 In the event where the authority is below its CEL limit, the LA may choose to retain the maximum permitted level of CEL without seeking agreement from Schools Forum.

3.24 In the event that actual January 2012 pupil numbers fall substantially below 40,269 pupils, there is a risk the Council will trigger a breach of the CEL. Should this occur the Council will need to seek permission from the Schools Forum to breach the CEL.

3.25 The consideration of issues concerning the CEL detailed in this section will help shape the apportionment of DSG funding between:

- Individual Schools Budgets (ISB) and
- Central Expenditure

3.26 The next sections will explore the subsequent stages of funding issues to be considered. Section 4 will focus on the allocation of budgets for each sector – Primary (excluding Nursery), Secondary, Special and Early Years Funding (EYSFF). Section 5 will examine the local funding formulae and further considers the issues around the distribution methodology of funding within each sector.

Consultation paper – School Funding Reform: Proposals for a Fairer System

- 3.27 The Department for Education (DfE) launched a consultation on school funding reform on 19 July 2011. This was the second stage of the consultation on reforming the school funding system, building on the principles of funding reform consulted upon in April and May 2011. The consultation now proposed, sets the timetable for significant reform to begin from the 2013/14 financial year. The deadline for consultation responses ended on 11 October 2011. The outcome of this consultation has not yet been fully released.
- 3.28 This consultation represents a significant change from the previously trailed intention to create a new national funding formula, as stated in the Education White Paper in November 2010, in terms of both timetable and content. The key points are:
- The current funding system will continue unreformed until at least 2013/14
 - Schools will continue to be funded primarily from the ringfenced Dedicated Schools Grant (DSG) and the Pupil Premium
 - The Young People's Learning Agency (YPLA) will be abolished and replaced by a new Education Funding Agency (EFA) from April 2012
 - The Minimum Funding Guarantee (MFG) will continue under the current and proposed reformed systems
 - The reformed system will either create notional allocations for each school aggregated to the local authority level and then distributed via a local formula, or a revised distribution of funding at local authority level – in each case funding for individual maintained schools and Academies will be determined by a local funding formula (as present)
 - The DSG will be calculated from the aggregations of four funding blocks covering schools, early years, high cost pupils (i.e. special needs and alternative provision), and centrally retained functions
 - These funding blocks will not be ringfenced but limits will be placed on movement between them through the MFG and a mechanism similar to the current Central Expenditure Limit (CEL)
 - The role of Schools Forums to challenge local authority proposals for school funding will be enhanced
 - The definition of the respective responsibilities of schools, centrally retained functions, and Council education functions, and how these should be funded will be reviewed and clarified
 - Options presented for the future construction of funding for Academies Local Authority Central Spend Equivalent Grant (LACSEG) from 2013/14 onwards, including mandatory delegation of funding currently in the scope of DSG LACSEG recouptment
 - Proposals for significant reforms of special educational needs (SEN) funding are included, with the intention that all providers of SEN places receive a minimum funding allocation of £10,000 per place, with additional costs funded on a top-up basis by the local authority commissioning the provision
 - The Pupil Premium will be expanded to include a wider definition of pupils previously eligible for free school meals, with a proposed move to an Ever 6 Free School Meals (FSM) method, which will pick up any pupil eligible for FSM at any point over the last six years

Determining the amount of funding available for devolved school budgets

- 3.29 The same method of allocating funding to each sector will remain for 2012-13.
- 3.30 Broadly, in the first instance, the method is aligned to the DfE's mechanism for distributing DSG, but to then guarantee each sector a budget level that recognises that sector's minimum commitments where the pure DfE's methodology was not workable.
- 3.31 Proposals for growth in funding within any particular sector will then be considered in turn.

4. The Funding Framework

Overview

- 4.1 The framework for funding schools for 2012/13 has undergone a major review, which was undertaken by the Resources Strategic Advisory Group on behalf of the Schools Forum. At its' meeting on 7 December 2011, Schools Forum agreed to the changes that are being proposed for the Primary and Secondary schools funding formula. Additionally three meetings were held for all Headteachers and Governors, to run through the proposed changes and allow schools the opportunity to influence the changes. Together this has resulted in a significant number of changes to the Primary and Secondary schools funding formula that need to be consulted on.
- 4.2 Schools Forum agreed a set of principles and objectives for the school funding formula review including the following:
- To ensure that there is no movement in funds between the Primary and Secondary sectors
 - To retain the current percentage differentials between AWPU levels
 - To limit the impact and turbulence on pupils of the review on budgets to a movement of +/- 1.5% for a period of 2 years.
 - To simplify the model
 - To generate a fairer funding model
 - To deliver a model that is more transparent
 - To reduce the per pupil funding range in both the Primary and Secondary sector
 - To reduce the value of MFG
 - To provide Schools with predictability of funding where individual circumstances change
 - To ensure that the formula would be intuitive, understandable and accessible
 - To have regard to the DfE Consultation on School Funding Reform: Proposals for a Fairer System
- 4.3 Councils are required to fund their schools using a single count date of the January before the start of each financial year. However, the introduction of the EYSFF in April 2011 means the single January count will only determine the funding for Reception through to Year 6 in the case of Primary schools. Nursery class funding will be through the EYSFF and will be based on an estimate of take-up across each term in the financial year. Schools will thus know their **final** school budgets (Reception – Year 6 only for Primary schools) immediately before the start of the financial year (these budgets **will not be** subject to re-determination in-year). Further, Primary schools will also receive an **indicative** EYSFF budget for their nursery classes (if applicable), which **will be** subject to adjustments in-year to reflect the difference between estimated and actual take-up of the free entitlement.

Changes to the Local Funding Formula Factors

- 4.4 There are a number of proposed changes to the Primary and Secondary Schools Formula Factors for 2012/13, which have been agreed by the Schools Forum. On the 7 December 2011. These are set out in more detail in section 5. No changes are being made to the Special Schools Funding Formula.

5. Formula Factors

Overview

5.1 The following changes to the Primary and Secondary schools funding formula are being proposed for 2012/13. **These need to be considered as a package of changes, as any movement in any one of the proposals would have a significant impact on all of the other factors.** These changes have been consulted on and agreed with the Schools Forum on 7 December 2011 and subsequently explained to all schools in December 2011 to allow for a more informed decision making process. The only exception is the Transitional Arrangement, which is being consulted on separately:

- Set the MFG at the minimum level prescribed by the Government, which is -1.5% for 2012/13.
- Seek approval from the Secretary of State to exclude factors from the MFG calculator including Air Conditioning, Split Site, Fixed Factor, Expanding Schools Factor and Small Schools Factor.
- Create one funding formula for both sectors
- Delete all of the Standards Fund Formula Allocations
- Delete the Teachers Pay Grant Formula Allocation
- Set the Fixed Factor at £100,000 for all Primary and Secondary schools
- Have two separate funds available for Deprivation Funding, one for Primary schools and one for Secondary schools
- Have three factors for allocating Deprivation funding including Free School Meals (FSM), Pupil Mobility/In Year Admissions and Looked After Children (LAC).
- Set the percentage value of Deprivation funding to be apportioned using FSM at 2% for Primary schools and 2.3% for Secondary schools based on the total available budget
- Set the percentage value of Deprivation funding to be apportioned using In Year Admissions at 1% for both Primary and Secondary schools based on the total available budget
- Set the value of funding at £3,146 for each LAC
- Have two separate funds available for Achievement Funding, one for Primary schools and one for Secondary schools
- Use KS1 assessment results for Primary schools applying an Average Point Score (applying 1 point for a score of Level 1 and 2 points for a score below Level 1) for all children achieving Level 1 and below across any of the Reading, Writing and Maths assessments
- Use KS2 results for Secondary schools applying an Average Point Score for all children achieving Level 3 and below across English and Maths assessments
- Set the percentage value of Achievement funding at 1% for both Primary and Secondary schools based on the total available budget
- Introduce a Transitional Arrangement over a period of two years to dampen the impact of the proposed formula changes to +/- 1.5%.

The Minimum Funding Guarantee

- 5.2 In the school funding settlement released on 12 December 2011, the Government set the national level of the MFG at negative 1.5% per pupil for 2012/13. It is being proposed that this is the value that is applied within the funding formula for 2012/13.
- 5.3 Additionally as part of the review of the school funding formula, it is being proposed that the following factors are excluded from the MFG calculator, as these factors have a significant distorting affect on the per pupil funding protection that schools receive and they are not linked to the number of pupils in any given school:
- Air Conditioning
 - Split Site Factor
 - Fixed Factor
 - Small School Factor
 - Expanding Schools Factor

Funding Formula

- 5.4 The review of the schools funding formula identified that in order to assist with moving towards a simpler funding model and to aid with decision making, one model needed to be developed across both the Primary and Secondary sector, which would then allow for the same apportionment methods to be used when determining the distribution of resources.

Standards Fund Allocations

- 5.5 Standards Funds were incorporated within the school budget share in 2011/12 based on the actual distribution of these funds in 2010/11. The opinion of Schools Forum, is that this has distorted the funding received by schools, and over time, if retained, would provide schools with protected funding based on historical allocations. Schools Forum agreed that these factors would be deleted and apportioned through a number of more appropriate factors including AWPU, Deprivation and Achievement to ensure that funding was targeted more in line with need.

Teachers Pay Grant

- 5.6 The Teachers Pay Grant is an historical factor within the model that no longer exists and is apportioned based on pupil numbers. Schools Forum agreed that this factor should be deleted to meet one of its principles in reducing the number of factors within the overall funding formula.

Fixed Factor

- 5.7 The current funding model has two different levels of fixed factor, where Primary Schools receive £124,383 and Secondary schools receive £143,176. Working on the principle of having one funding formula and having regard to the Government School Funding Reform consultation, Schools Forum agreed to reduce this factor to £100,000 for all Primary and Secondary schools. The release of these funds then enables and facilitates the desired changes being proposed as part of the funding formula review.

Deprivation Funding

5.8 The current funding model has a range of apportionment methods for the distribution of Deprivation funding, some of which are based on historical data that has been rolled over year on year, and some of which are different between the Primary and Secondary schools. Applying the principle of one model for the Primary and Secondary schools, did not work effectively for the distribution of these funds, as the distribution was skewed based on the pupil population, which basically resulted in funds being moved from the Secondary schools into the Primary schools. Schools Forum agreed that for this factor, the same models would be used, but would be applied to two separate funds, the value of which would be no more or less than the current level in 2011/12. However, Schools Forum agreed that the level of funds applicable in each area would be based on a percentage of the total schools budget for the Primary and Secondary Schools. Schools Forum also agreed that there should be three factors including Free School Meals (which would be set at 2% of the total Primary and Secondary schools budget for the Primary schools and 2.3% for Secondary schools and allocated based on a linear distribution), Pupil Mobility/In Year Admissions (which would be set at 1% of the total Primary and Secondary schools budget for both Primary and Secondary schools and allocated based on a linear distribution) and Looked After Children (the value of which would be set at £3,146 per each Looked After Child).

Achievement Funding

5.20 The current funding model has a range of apportionment methods for the distribution of Non-statemented SEN funding, some of which are based on historical data that has been rolled over year on year, and some of which are different between the Primary and Secondary schools. Schools Forum agreed to rename this factor to Achievement. Applying the principle of one model for the Primary and Secondary schools, did not work effectively for the distribution of these funds, as the distribution was skewed based on the pupil population, which basically resulted in funds being moved from the Secondary schools into the Primary schools. Schools Forum agreed that for this factor, the same models would be used, but would be applied to two separate funds, the value of which would be no more or less than the current level in 2011/12. However, Schools Forum agreed that the level of funds applicable in each area would be based on 1% of the total schools budget for the Primary and Secondary Schools. For Primary schools, this would be allocated using KS1 results for Primary schools applying an Average Point Score (applying 1 point for a score of Level 1 and 2 points for a score below Level 1) for all children achieving Level 1 and below across any of the Reading, Writing and Maths assessments (this factor changed slightly following the meetings with Headteachers and Governors in December 2011, where it was felt that the original proposal needed to be fine tuned), and for Secondary schools would be allocated using KS2 assessment results for Secondary schools applying an Average Point Score for all children achieving Level 3 and below across English and Maths.

5.21 **Stakeholders are asked to give views on the proposed changes to the school funding formula set out above, which need to be considered as a package.**

Transitional Arrangements

5.22 Having applied all of the changes discussed, the impact on school budgets was reviewed. This indicated that there was a wide range of schools that gained and lost funding. Schools Forum agreed to introduce a damping factor (the transitional arrangement) to reduce the impact on school budgets in the first two years of the proposed changes, so that in the third year, schools would be on their true level of funding. It was agreed that this level is set so that no school could move up or down by +/- 1.5% in the first two years. This would then allow schools to plan for any reduction in budgets over a more manageable time frame. Once determined, the value of cash reduction or increase will be the same for the first two years. An example of how this will work is set out in the following table, these examples assume no changes in pupil numbers or other factors over 3 Years:

How transitional protection is calculated and effect on 3 years of Budgets

	Base Year	Base Year			Year 1	Year 1	Year 2	Year 2	Year 3	Year 3
	2011-12	2012-13			2012-13		2013-14		2014-15	
	Budget Old Formula	Budget New Formula	Change	Max change under Transitional Protection	Budget New Formula with Transitional protection (A + D)	change from previous year	Budget New Formula with Transitional protection (E + D)	change from previous year	Budget New Formula with Transitional protection (A + C)	change from previous year
	A	B	C	D	E	F	G	H	I	J
				1.5%						
School A	£5,000	£4,800	-£200	-£75	£4,925	-£75	£4,850	-£75	£4,800	-£50
Transitional protection					£125		£50		£0	
School B	£3,000	£2,800	-£200	-£45	£2,955	-£45	£2,910	-£45	£2,800	-£110
Transitional protection					£155		£110		£0	
School C	£3,000	£3,200	£200	£45	£3,045	£45	£3,090	£45	£3,200	£110
Transitional protection					-£155		-£110		£0	

How transitional protection will appear in the funding formulas.

			School A	School B	School C
Base Year	2011-12	Budget New Formula	£4,800	£2,800	£3,200
Year 1	2012-13	All other Factors	£4,800	£2,800	£3,200
Year 1	2012-13	Transitional Protection	£125	£155	-£155
Year 1	2012-13	Total Budget	£4,925	£2,955	£3,045
Year 2	2013-14	All other Factors	£4,800	£2,800	£3,200
Year 2	2013-14	Transitional Protection	£50	£110	-£110
Year 2	2013-14	Total Budget	£4,850	£2,910	£3,090
Year 3	2015-16	All other Factors	£4,800	£2,800	£3,200
Year 3	2015-16	Transitional Protection	£0	£0	£0
Year 3	2015-16	Total Budget	£4,800	£2,800	£3,200

5.23 Stakeholders are asked to give views on whether the rate of the transitional factor should be set at +/- 1.5% over a period of two years, using a linear reduction over the same period.

6. The Arrangements for Special Educational Needs

6.1 There are no proposed operational changes to central SEN in 2012/13.

7. The Arrangements for Early Years

- 7.1 There are no proposed operational changes to the Early years Single Funding formula. However, the EYSFF is described in more detail in the following paragraphs to remind all related stakeholders of the workings of the EYSFF including in year adjustments and the second year impact of the transitional arrangement.

Regulatory background to the introduction of the Early Years Single Funding Formula (EYSFF)

- 7.2 The Council was required to develop and implement an Early Years Single Funding Formula (EYSFF) as part of the wider reforms to early years. This was introduced in 2011/12
- 7.3 The aim of the EYSFF was to amalgamate the different funding systems that were being used to distribute funding to maintained and PVI nursery providers, in order to create a level playing field. Funding for the EYSFF is from the Dedicated Schools Grant (DSG).
- 7.4 The Childcare Act 2006, places a duty on the Council to secure prescribed provision free of charge and to improve outcomes for all young children and narrow the achievement gap. The Act sets out a range of duties on the Council in relation to childcare and early years provision, including:
- The Council has a duty to provide sufficient places for all 3 and 4 year old children whose parents require one and to secure that provision free of charge;
 - The Council has a duty to reduce inequalities and improve outcomes of all the young children in their area and to identify and encourage hard to reach parents to take advantage of early childhood services;
 - The Council has a duty to assess childcare provision in their area and to facilitate the market to secure sufficient childcare to enable parents to work or make the transition to work.
- 7.5 The basic structure of the formula is governed by Government Regulations and must comprise a base rate to fund participation led funding and a supplement to recognise the additional costs associated with deprivation.
- 7.6 The base rate will fund the actual participation of each 3 and 4 year old child in nursery provision who is eligible and accessing the free entitlement. Funding through the base rate is also referred to as 'participation-led' funding. This type of funding will deliver the bulk of a nursery's funding allocation.
- 7.7 The EYSFF will be the main funding mechanism for distributing funding to nursery age pupils in the borough. The purpose of it is to introduce transparency, consistency and equality in funding across the early years sector and to increase choice for parents across a diverse market of provision. The EYSFF aims to create a level playing field for all providers, create sustainability in the market, leading to a higher quality of provision in the long run and promote a greater degree of flexibility in provision.

- 7.8 Under the EYSFF, the funding to be paid to all providers (maintained nurseries and PVI settings), will be calculated using the same formula. The funding that providers receive for each child will depend upon their eligibility for the additional factors that are available in addition to the basic rate.
- 7.9 The formula will not necessarily mean that providers will all be funded at the same level but that the same factors will be taken into account when deciding on the level of funding.
- 7.10 The distribution of funding for the early years free entitlement must be based on children's participation other than in exceptional circumstances.

Description of the Proposed Formula

- 7.11 The current local EYSFF includes the following factors:
- A single **Base Rate** to fund hourly participation
 - A **lump sum** for Maintained Nursery Schools to reflect higher and unavoidable fixed costs
 - Two **Deprivation Supplements**:
 - i) Deprivation supplement applying to the addresses of children accessing the free entitlement at a setting measured by Income Deprivation Affecting Children Index (IDACI)
 - ii) Deprivation supplement applying to the address of a setting measured by the Index of Multiple Deprivation (IMD)
 - A **Quality supplement** recognising part of the additional cost of employing graduate level staff e.g. Early Years Professional status childcare practitioners and teachers. It is not intended that this supplement covers full staffing costs but more that it acts as a mechanism to incentivise quality and in recognition of the higher costs of such staff across the PVI and maintained sectors.
 - A **Transitional Protection** Mechanism spanning up to 3 years
 - A **Contingency budget** to facilitate pupil counting adjustments in-year
- 7.12 The original criteria for the EYSFF are set out in the following table:

EYSFF Formula Elements

Formula Element	Percentage Share (%)	Basis
Base Rate	82	Forecast hours of provision
Maintained Nursery School lump sum	2	Lump sum
Deprivation	8	Split between IDACI score of pupils attending setting (75%), and IMD score of setting location (25%)
Quality	4	Contribution to costs of employing graduate level staff
Contingency for in-year increases in demand	4	Not distributed
Total	100	

- 7.13 The EYSFF is participation-led in that nursery providers will be funded on the number of hours that a child participates in. The broad structure of the formula has been built around an hourly base rate of funding with additional supplements to top-up funding. Participation-led funding will make up the bulk of funding that providers will receive through the formula and constitutes 82% of the funding in the local EYSFF. This equates to a guaranteed level of funding of £4.02 per pupil per hour.
- 7.14 The proposed formula includes a lump sum of £230,750 for the maintained nursery school to reflect higher and unavoidable fixed costs that are not applicable to other settings within the EYSFF. This was determined by reference to cost analysis work reviewed by the Free Entitlement Reform Group during the development of the EYSFF.
- 7.15 The EYSFF has to include a factor that recognises deprivation and the additional costs necessary to help more disadvantaged children to achieve. For Hillingdon the EYSFF includes two factors IDACI and IMD as the local indicators of deprivation. Together these two factors will provide 8% of the funding allocated through the formula.
- 7.16 The formula also includes additional supplements to recognise and incentivise quality and staffing requirements. This factor represents 4% of the overall funding allocated.
- 7.17 As the growth in the population is still increasing the remaining available resources will be held as a contingency for changes in participation in-year.

Counting and Adjusting Arrangements

- 7.18 Primary schools with maintained nursery classes will receive two budgets prior to the start of the financial year. A final budget will be calculated and issued in respect of all non-nursery related pupils (where applicable). In addition, an indicative EYSFF budget will be calculated and issued in respect to nursery related pupils.
- 7.19 The indicative EYSFF budgets are based on an estimate of take-up over the course of the financial year. During the course of the financial year, termly counts will be conducted to measure actual participation. The indicative EYSFF budgets will then be adjusted (both up and down) to reflect the difference between the estimated and actual take up of free entitlement.
- 7.20 Cash advance payments to schools will be adjusted accordingly to reflect actual take-up. By the end of the financial year, all nursery providers should receive funding that reconciles to actual participation in that year.
- 7.21 The Council will be required to carry out an additional pupil count and adjust funding allocations to all settings as a result. The requirement to have a termly count means that the Council will need to withhold some funding in order to adjust payments to settings in the light of any increases or decreases in numbers. Currently this has been assessed that £600k of the overall budget needs to be held in reserve for this purpose.

Transitional Arrangements

- 7.22 With the introduction of the EYSFF in 2011/12 a transitional arrangement factor was agreed for a period of 3 years to dampen the impact of funding changes on establishments. 2012/13 will be the second year of the transitional arrangement. This will be contained within the EYSFF.
- 7.23 A two stage process for the damping arrangements in the EYSFF was developed which is as follows:
- i) Firstly, a minimum or 'floor' level of funding is set for all providers. This is funded by 'scaling back' the extent to which other providers are funded above the floor level, by a fixed rate calculated to match the level of funding added to bring providers to the floor level of funding. This excludes the lump sum funding for the maintained nursery school from the calculation of the extent of scaling back required.
 - ii) Secondly, the resulting change in distribution compared to the current year is proposed to be damped by 70% in year 1, by 40% in year 2, and by zero in year 3, whilst ensuring that no provider falls below the floor hourly rate set in stage 1 of the damping process.
- 7.24 The percentage rate at which damping is applied can be adjusted to reflect different circumstances and local pressures during the transition period.
- 7.25 These damping arrangements have the effect of ensuring that no provider is funded below a minimum hourly rate. They also provide transitional protection to those settings that are likely to experience the most significant cash losses year-on-year under the EYSFF. These settings are likely to be those maintained nursery classes that have relied most for their funding on the nursery lump sum funding in the existing primary funding formula.

8. The Arrangements for Pupils Out of School

- 8.1 Over the last term (September 2011 to December 2011), Hillingdon has experienced a significant increase in the number of Key Stage 4 pupils transferring into the Borough, for which there is no suitable provision available within schools, or for where a place cannot be found within schools.
- 8.2 The Council has been looking at options for ensuring that these pupils receive an education, and have considered a number of models that other authorities have in place to provide this support, which is in line with the requirements of Section 19 of the Education Act 1996.
- 8.3 Having considered these, the Council has entered into an agreement with Uxbridge College to provide an Alternative Education provision geared up to support KS4 pupils. The cost of this will be dependent on the needs of individual pupils, but primarily will be equivalent to the KS4 Age Weighted Pupil Unit (AWPU) value multiplied by the number of pupils attending the college.

9. The arrangements for 14-19 education

9.1 There are no proposed operational changes to central 14-19 education in 2012/13.

10. The Arrangements for School Meals

10.1 There are no proposed operational changes to school meals in 2012/13.

11. The Arrangements for Insurance (excluding Academies)

- 11.1 The Council delegates all of the funding for insurance premiums to schools.
- 11.2 The Council offers a comprehensive service structured to meet the school's insurance requirements including claims handling and advice. The basic insurance package covers property, liability, motor and personal accident risks. Supplementary insurances are available which provide additional cover for buildings and contents and motor insurance. Details of cover are available in the document Insurance Handbook for Schools which is available from the Insurance Team.
- 11.3 As the Council retains an interest in each maintained school it is a requirement that if schools obtain insurance externally they provide confirmation of cover from their chosen insurer detailing the cover and limits of indemnity purchased. Confirmation should be sent to the Insurance Section, 4N/06, at the Civic Centre.
- 11.4 Detailed below are factors that each school will need to consider if seeking insurance externally:
- Schools must ensure that insurance cover is in place for the 'compulsory' risks and that the insurance arranged provides cover to at least the limits set out in **Appendix 1**.
 - Schools must ensure that the interest of the London Borough of Hillingdon is noted on the policies (this applies equally to Voluntary Aided and Foundation schools).

12. The Arrangements for Capital

- 12.1 The purpose of this section is to update schools on key issues relating to the capital programme for 2012/13.
- 12.2 As part of the Education Finance Settlement for 2012/13, the Government made a number of announcements on capital funding.

DfE Capital Funding

- 12.3 Allocations for basic need, maintenance and devolved formula capital have been announced for 2012/13 only, which is a further one-year allocation, as the DfE want to assess the best approach to adopt when considering future year allocations. These will take into account, the changing situation in local areas on both demographic growth and numbers of schools converting to Academy status.
- 12.4 London boroughs will receive 8% more capital funding in 2012/13 than in 2011/12. These figures include both allocations for local authority and voluntary-aided schools.
- 12.5 Basic need funding has been set at £800 million nationally, the same as it was for 2011/12. £1.2 billion has been announced for maintenance and £200 million for devolved formula capital.
- 12.6 The methodology used for allocating basic need funding has been changed to take account of the capacity of schools. Both numbers on roll and capacity data have been used in a combined methodology that allocates 50% of funding between the two factors. A protection has been put in place to ensure that no local authority will receive in 2012/13, less than 80% of the funding they would have received had the same approach been taken as used in 2011/12.
- 12.7 This allocation is separate to the recent £600 million announced as part of the Autumn Statement. The allocation methodology for this is under consideration and will include the DfE looking at how the collection of local data on pupil numbers and available school places can be improved so that allocations are better targeted towards needs for the remainder of the spending review period.
- 12.8 The £1.2 billion announced for maintenance includes £276 million retained centrally for the needs of Academies. Local Authority maintenance totals £687 million nationally and includes £2 million for Sure Start Centres maintenance.

Capital Funding for 16-19 provision

- 12.9 Over £107 million will be available in 2012/13 to meet maintenance and building needs of sixth form colleges and demographic pressures for new 16-19 places in schools, Academies and sixth form colleges.
- 12.10 To address priority building condition needs within the sixth form college sector, £59 million will be allocated to the sixth form college Building Condition Improvement Fund in 2012/13. All sixth form colleges remain eligible for Devolved Formula Capital and it will remain at the same rate as 2011/12.
- 12.11 A further £44 million has been made available in the coming financial year for basic need funding for additional places for 16-19 year old students in these areas.

Other capital policy updates

- 12.12 The Government intends to publish a final response in January 2012 to the recommendations of the consultation on the capital review that ended in October 2011.
- 12.13 The Partnership for Schools is currently reviewing applications to the Priority School Building Programme (a new Public Finance Initiative (PFI)) and the Government expects to be able to make a further announcement on this in the New Year.

13. Specific Grants

Pupil Premium

- 13.1 The coalition Government has confirmed the level of the Pupil Premium for 2012/13 which will be £600 per pupil (an increase of £112 on last years rate of £488). The method used for distribution will change from those children eligible for a Free School Meal (FSM) to those children who have been eligible for Free School Meals at any point in the last six years (known as Ever 6 FSM).
- 13.2 The rate for Looked After Children has been fixed at last years rate of £488.
- 13.3 There is also an additional amount of £250 per pupil of Pupil Premium for the children of members of the armed forces, which is an increase on last years £200.
- 13.4 The Pupil Premium grant to each school will be calculated based on the number of qualifying pupils counted in the School Census, multiplied by the funding rate described above. This data is currently not held by the Local Authority.
- 13.5 All schools are encouraged to accurately determine and record all of the pupils eligible for Free School Meals as this will maximise the level of Pupil Premium funding received by schools in Hillingdon.
- 13.6 The Pupil Premium grant will not be ringfenced at school level. The coalition Government has stated that it is for headteachers and governing bodies to determine the most appropriate strategy for raising attainment and reducing the attainment gap within each school.

14. Changes to the Scheme for Financing Schools

14.1 The local Scheme for Financing Schools is reviewed on an annual basis. The main proposed changes to the Scheme for Financing schools are aimed to strengthen the scheme and pick up on some fundamental changes that have taken place during 2011/12 that need to be covered. These are as follows:

- i) To provide more clarity relating to the accounting treatment of Children Centres attached to schools.
- ii) To allow schools to make NQT Loans to staff
- iii) To cross reference to the School Financial Value Standard
- iv) To change the Interest rate on supplementary cash loans to match the Council's rate of borrowing.
- v) To change the repayment of supplementary cash loans to ensure that these are repaid within the financial year.
- vi) To change the requirement for any school deficit to be licensed.
- vii) To provide more clarity on the accounting treatment and responsibilities for school Payroll Services. (Expect accounting treatment to be the same except for timing of payment of NI and Pensions, Removal of GTC from 1st April 2012 section 6.3)
- viii) To provide schools with clarity on the Redundancy processes and procedures.
- ix) To provide schools with clarity on the application of Devolved Formula Capital for revenue expenditure.

Children Centres (Section 2, 2.12 Central Funds and Earmarking applies)

14.2 The funding of Children Centres changed in 2011/12. Previously, Children Centres were funded from the Sure Start grant, however, as part of the financial settlement for 2011/12, the Government abolished this grant along with many others and combined them into the Early Intervention Grant. Effectively this has resulted in the funding being built into the Council's base budget for 2011/12. The Scheme for Financing Schools needs to be strengthened to make reference to this change.

NQT Loans to Staff (Section 2, 2.13 Spending for the Purposes of the School applies)

14.3 The cessation of the Council Payroll service for schools requires an amendment to the Scheme to be made where the Council's HR Policy allows for the granting of a loan to NQT's. Currently, there is no specific reference to allow schools to make these loan payments, as these are in the main made by the Council and recouped through the Council's Payroll service. As this service will no longer exist in 2012/13, the Scheme needs to be revised.

Schools Financial Value Standard (Section 2, 2.15 applies)

14.4 The Government have abolished the FMSiS for 2011/12 and replaced it with the School Financial Value Standard (SFVS). The Scheme is being revised to cross reference to this new standard. This will include a reference to the requirement for a 3 year budget and reporting of balances above threshold amounts.

Supplementary Cash Loans (Sections 3 and 4, 3.3 Interest Clawback and Section 4.10 Loan Scheme apply)

14.5 The Scheme currently charges schools interest on supplementary cash loans based on the London Inter Bank Bid Rate and is not specific with regards to the repayment terms. This has led to a number of schools having loans for more than one year. Having reviewed this, officers are of the opinion that schools should be charged interest at the average rate that the Council borrows at and that the period of the loan needs to be more specific and tightened up so that they are repaid within the financial year in which they are made except where deficits exist for more than one year and repayment cannot be made without affecting the schools cash flow. The Scheme will also include a penalty clause for the non payment of a loan within the specified loan period.

Licensed Deficits (Section 4, 4.9 Licensed Deficits applies)

14.6 The Scheme currently allows schools to have an unlicensed deficit where it is less than 2% of the school's budget share. In order to report more accurately to Schools Forum on schools that have deficits, officers are of the opinion that any deficit which is likely to exist for more than one year should be licensed.

Payroll (Section 8, 8.4 Teachers' Pension applies)

14.7 The cessation of the Council Payroll service for schools requires an amendment to the Scheme to be made so that clarity is provided on the information requirements and timelines that exist where the authority still retains the statutory duty to report on payroll data.

Redundancy Procedures and Processes (Section 11, 11.14 applies)

14.8 Officers have reviewed the current scheme for approving school redundancy payments and will put in place a more robust process that schools will need to follow to release these funds.

Repairs and Maintenance (Section 12 applies)

14.9 The Scheme needs to be revised to allow schools to effectively utilise their Devolved Formula Capital for Repairs and Maintenance, following a significant reduction in the funds now available from the Government.

Proposed Changes to the Scheme for Financing Schools – to be effective from 1st April 2012

The Local Authority proposes the following changes to the Scheme for Financing Schools to ensure that all of the structure changes that have taken place over the last year are reflected within the scheme. There are also a number of fundamental changes that have been identified, which need to be addressed within the Scheme for 2012/13.

There are 14 amendments in total which are being consulted upon, these are listed below and refer to sections as numbered in the existing Scheme for Financing Schools document dated October 2011. A copy of the schools financing scheme should be available at school which can also be downloaded from the Hillingdon Council webpage : <http://www.hillingdon.gov.uk/index.jsp?articleid=23526>

1. Section 2.12 – Central Funds and Earmarking. To be revised to account for the changes in the funding of Children’s Centres

2.12 To add :

Schools with on-site Children’s Centres will be required to code expenditure relating to the Children’s Centre to a separate fund with the required subjective analysis, within their financial management system. This will be reflected in the expenditure return submitted to the local authority. In the event of the school spending less than the budget, the unspent balance will be lost to the school at the end of the year during which schools are allowed to use the funding. In the event of the school spending more than the budget, the excess expenditure will be treated as the first call on the following year’s budget.

2. Section 2.13 – Spending for the purposes of the school revised to make provision for loans to Newly Qualified Teachers.

2.13 To add :

Schools can provide interest free loans up to the value of £1,500 to newly qualified teachers (NQT) upon initial recruitment only and not as a loan facility after the first year of employment. Loans must be recovered in full within one financial year by salary deductions on a monthly basis. An agreement must be signed between the school and the newly qualified teacher before a loan can be offered, it is the responsibility of the school to ensure a full reimbursement by the employee and to inform its payroll providers of loan amount and monthly deductions. Conditions of the loan must include full repayment if the employee ceases to be employed by the school. **Appendix 5** (attached) contains a model agreement for schools to use. Schools are not allowed to provide loans to any other persons or for any other purpose.

3. Section 2.15 Schools Financial Value Standard (SFVS) – mandatory requirement for all schools to complete the Schools Financial Value Standard (SFVS) each financial year.

2.15 To add:

Schools Financial Value Standard (SFVS)

The Schools Financial Value Standard requires completion by 31st March 2013 and each year after that. Submission of statements must be made to the LA Schools Finance Team. Local Authorities are required to use schools' SFVS returns to inform their programme of financial assessment and audit which may necessitate submission of further evidence to demonstrate compliance of the standard. Local authorities can issue a notice of concern or withdraw delegation where a school fails to complete and submit the SFVS as required.

4. Section 2.3.1 - Submissions of budget plans - In accordance with the School Financial Value Standard Schools will be required to submit a three year budget plan even where a financial forecast for a multi-year period is not provided.

2.3.1 Submission of Financial Forecasts

The LA 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.

Change to:

2.3.1. The LA requires schools to submit a financial forecast for at least three years in line with the requirements of the Schools Financial Value standard. The Financial Planning Software (available from the Schools Finance Team) enables compilation of a three to five year budget with in built assumptions for future years.

5. Section 3.3 - Interest clawback – change of rate at which interest is charged on loans taken out by schools from LIBID to LIBOR effective for the term of the loan prevailing at the date the loan is taken out. This brings it in line with the rates paid by the LA to access the funds from banks for loans to schools.

3.3 Interest clawback

Where schools require additional cash a formal application for a supplementary cash loan will be required. Any loan will accrue interest on a daily basis at the prevailing one-month **London Inter Bank Bid Rate (LIBID)** on the day the loan was taken out until the amount is repaid.

Change to:

Where schools require additional cash a formal application for a supplementary cash loan will be required. The rate of interest applicable is dependant on the nature of the cash loan where it can be either short term (less than one year) or long term (greater than one year). For Short Term loans interest will accrue at the prevailing **London Inter Bank Offered Rate (LIBOR)** effective for the term of the loan i.e. one month, three months, six months or twelve months prevailing on the day the loan is taken out until the amount is repaid. Interest on longer term loans will be charged at the prevailing Public Works Loan Board (PWLB) rate at the time the loan is taken and reviewed annually at the start of each financial year.

6. Section 3.3.1 - Interest on Late Budget Share Payments – change of interest paid to schools for late payments from LIBOR to LIBID in line with the inter bank lending rate.

3.3.1 Interest on Late Budget Share Payments

In circumstances where the LA fails to provide the monthly cash advance on the predetermined date, and this was due to LA error, schools will be entitled to interest at the prevailing **London Inter Bank Offer Rate (LIBOR)**

Change rate of interest payable from **LIBOR to LIBID**:

7. Section 3.5 – Bank and Building Societies – to enable the LA access to schools bank accounts in cases where the delegated budget is suspended by the authority and when a maintained school ceases to exist.

3.5.1 Bank and building societies

All maintained schools may operate a bank account separate to the Council's own bank account. Any interest generated from bank account balances may be retained by the school, credited to the school's budget share (never the private school fund). Schools having bank accounts with other banks prior to 1 April 2001 are allowed to retain those accounts.

Change to:

All maintained schools may operate a bank account separate to the Council's own bank account. ***The account mandate should provide that the LA is the owner of the funds in the account, it is entitled to receive statements, and that it can take control of the account if the school's right to a delegated budget is suspended by the authority.*** Any interest generated from bank account balances may be retained by the school, credited to the school's budget share (never the private school fund).

8. Section 4.2 - Reporting on the intended use of surplus balances, where balances are above the thresholds for Primary and Secondary schools, the Governing Body is required to report to the LA on the use of surplus funds, as set out in the Schools Financial Value Standard.

Add to existing :

4.2 Reporting on the intended use of surplus balances

Where a school's surplus balance represents more than 8% for Nurseries, Specials and Primaries and 5% for Secondaries, of the school's budget share for that financial year, the Governing Body is required to report to the LA on the use to which the school intends to put the surplus balance, ***this to be submitted with the budget plan by 31st May.***

9. Section 4.5 - Planning for deficit balances – add a requirement for schools to formally apply for a licence from the LA to operate in deficit.

4.5 Planning for deficit balances

Governing bodies may not plan for a deficit. If, during the year, expenditure patterns suggest that a deficit is likely, governing bodies are under an obligation to take all appropriate measures to avoid a deficit occurring. If, in spite of all efforts a deficit is not avoidable, the local authority may, in exceptional circumstances, licence a deficit where the governors have provided a satisfactory business plan for putting the school's financial position back into balance.

To add to the above paragraph:

An application for a deficit licence must be made to the LA stating the recovery strategies and when the school is to return to a balanced position.

10. Section 4.9 Licensed Deficits – change requirement for all deficits to be licensed instead of just those above 2% of the school's budget share.

4.9 Licensed deficits

Paragraph 4 change first sentence from:

Deficits of less than 2% of the school's budget share do not need to be licensed by the local authority, but this does not affect the governing body's obligation not to plan for a deficit and to take all measures necessary to avoid a deficit

Change to:

All deficits of the school's budget share must be licensed by the local authority and the Governing Body is required to take all measures necessary to avoid a deficit.

11. Section 4.10 – Loan Schemes – to discourage schools from holding on to loans beyond the required period.

4.10 Loan Schemes

Add to existing paragraph:

Loans received for short term cash flow management must be repaid as soon as the situation improves and within the same financial year the loan has been given to the school. If the loan is still required at the beginning of the next financial year then a written request for the continued use of the loan should be made in that financial year. Any loans that are not repaid by the end of the financial year can be recovered from the school's budget share via a reduction in the cash advance payments. Schools converting to Academy status must repay their loans before conversion, otherwise the LA will reduce their cash advance payments to claim the loan, notification will be sent to the school prior to the reduction of any monthly cash advances to the school's bank account.

12. Section 6.2 – Circumstances in which charges can be made – to add item 6.2.22 to allow recovery of monies owing to the LA when it converts to become an Academy.

6.2.22 Circumstances in which charges may be made

To add an additional point 6.2.22

6.2.22 Recovery of monies from maintained school when it converts to Academy for any outstanding amounts the maintained school owes the LA, if necessary by reducing any future funding to the Academy from the LA.

13. Section 12 – Responsibility for repairs and maintenance – To allow schools to spend their Devolved Capital Funding which is in many cases lower than £10,000 the deminimus for capital expenditure.

Section 12: Responsibility for Repairs and Maintenance

To add to existing:

In cases where the value of enhancement is below £10,000 expenditure would normally be revenue in nature, unless it can be demonstrated that items will be in use for one financial year and represents a significant proportion of available capital funding.

14. Removal of section 6.3 due to the abolishment of the General Teaching Council from 1st April 2012 and therefore no deductions need to be made for teacher salaries.

15. Service Level Agreement (SLA) Consultation

- 15.1 Each year the Council consults on proposed Service Level Agreements (SLAs) affecting schools ahead of the next financial year. This exercise has already been undertaken as a separate exercise during November 2011, outside the scope of this consultation document, where 'expressions of interest' from schools were requested and have been received.

17. Timetable

- 17.1 The Table below sets out the key milestones in the timetable for the schools budget from the date of release of this consultation document.

Schools Budget Timetable 2012/13

Milestone	Date
Schools Forum meeting agrees scope of consultation issues	4 January 2012
Schools Budget Consultation document released	5 January 2012
Schools Budget Consultation information sessions for schools	12 and 13 January 2012
Schools Budget Consultation closes	17 January 2012
School Census 2011	19 January 2012
Schools Forum considers Schools Budget Consultation Indicative funding allocations provided to schools	24 January 2012 Week ending 10 February 2012
Schools Budget Decisions Approved by Cabinet	23 February 2012
Final funding allocations provided to schools	Week ending 30 March 2012

Minimum Insurance Requirements

Property Insurance

Buildings and Contents

Reinstatement insurance for the value of the school and contents for the perils of: Fire, Lightning, Explosion, Storm or Tempest, Flood, Bursting or overflowing of water tanks / pipes, Impact, Aircraft, Riot and Civil Commotion and Earthquake.

Business Interruption (for a minimum period of 36 months)

Works in Progress: Contractors All Risks and cover for existing structures

Terrorism (incorporating Business Interruption)

N.B. Where building work for new builds are being considered it is advisable that the contract should provide for the contractor to insure the works.

Engineering (Plant & Machinery) – statutory inspection and insurance of items such as pressure vessels, boilers, lifts etc. Limit of Indemnity £100k any one occurrence.

Liability Insurance

Public Liability – minimum limit of indemnity £30 million per incident

Employers Liability – minimum limit of indemnity £30 million per incident

Officials Indemnity – minimum limit of indemnity £2 million per period of insurance

Libel & Slander – minimum limit of indemnity £1 million per period of insurance

Third Party Hirers Liability - minimum limit of indemnity £1 million

Miscellaneous

Fidelity Guarantee – minimum limit of indemnity £2 million

Money – cover for money on school premises in the custody or supervision of an employee, in transit in the custody of an employee, or by registered post or in a bank night safe, plus in the private residence of an employee.

In a locked safe / strong room up to an agreed limit.

Personal Accident Assault (Employees) - minimum limit of indemnity 5 times annual earnings (subject to a minimum benefit of £25k)

Temporary total disablement – a weekly benefit of 50% of weekly earnings

Personal Accident (Governors) – Minimum Capital Benefit of £50k

Weekly benefit of £100 is payable if prevented from continuing in their duties owing to permanent disablement and £50 for lesser injuries.

Personal Accident (Pupils on Work Experience) – minimum Capital Benefit of £10k

Personal Accident (Volunteers) – minimum Capital Benefit of £10k

Personal Accident (Teachers Extra Curricular Activities) – minimum Capital Benefit of £10k

Personal Accident - Insurance for Educational Visits –

Cancellation £10k per person

Medical Expenses £10 million per person (outside UK)

Personal Accident Capital Benefit £20k (death restricted to £7,500 if under 18 years of age)

Personal Property £5k per person

Money £3k per person

Legal Liability £2 million one event

N.B. Insurance arrangements must be sufficient to cover all planned activities.

Motor Insurance

Motor Vehicles

Where the school is responsible for a motor vehicle it must meet the legal requirement to hold a minimum of Third Party insurance. Lease agreements may require the school to obtain fully comprehensive cover.

Recommended level of cover is fully comprehensive.