

Schools Forum 15 March 2016

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INVESTOR IN PEOPLE



Schools Forum

Title:	Contingency Clarification
Date:	4 th March
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Local members affected:	All maintained schools

Summary

This paper asks forum for clarification of the interpretation of the terms of reference, to agree a definition of “financial difficulties” and to agree to a small change to the terms of reference

Recommendation

Schools Forum agree on interpretation A or interpretation B, agree to a definition of financial difficulties and the to the minor change in the terms of reference

Background

The contingency panel provide funding to schools in financial difficulty. One of the criteria for this funding to be applied is set out in the following extract from the terms of reference:-

iii) Support for additional pupil numbers

In cases where schools experience or need to plan for, a known (not forecasted) significant rise in pupil numbers since the date of the previous funding census (October) until the start of the financial year when those pupils begin to be funded through the funding model, they may apply for additional funding to cover costs incurred in providing education to those pupils. Each case will be considered on an individual spend or need to spend basis.

Schools need to demonstrate:

- a) that necessary additional staffing costs have been incurred or need to be incurred,
- b) that financial difficulties will arise without additional funding i.e. that insufficient reserves and balances are available to cover those costs.
- c) Marginal non-staffing costs will be expected to be met by the schools themselves, but significant non-staffing costs will be considered provided that there is clear evidence to prove the cost would not have been incurred if the pupil numbers had not risen.

Interpretation A

Grant 7/12 of the AWPU for the additional pupils provided that the school could justify support by demonstrating that it had incurred significant additional teaching and/or other costs. The advantage being this is a very straight forward approach in responding to an application without the need to try and match the additional costs with the "lost" AWPU. The basis of this approach being that the school would have received such monies if it were not for the Government Financial Regulations, which stipulate that the funding per pupil is based on the previous October census.

Furthermore, as well as not receiving AWPU for the additional pupils, the school also suffers additional underfunding as it does not receive funds for deprivation, prior attainment etc.

Interpretation B

Grant the amount that the school can justify it has incurred due to the increase in pupils. Some schools may receive several additional pupils across a number of forms, thereby missing out substantially on AWPU for 7 months, but they may in fact be able to manage this with only minor additional costs by simply increasing class sizes. Therefore contingency sums should reflect the actual cost increases (with a maximum of 7/12 AWPU)

Definition of Financial Difficulty

In order to qualify for a payment from contingency panel, a school must prove that it is in "Financial difficulty". To improve consistency in decision making at panel it would be useful to have an agreed definition of "Financial Difficulties".

Proposed definition:

Financial difficulties shall be recognised when either

- a) the latest forecast of the year end results show a deficit or
- b) as a result of the additional costs (being the subject of the Contingency application) the in-year deficit of the school exceeds 2% of the school's Budget share

Minor change in terms of reference

Under b) above it states *"that insufficient reserves and balances are available to cover these costs"*

A school may have deliberately built up its reserves to cover some future significant expenditure e.g. major repairs & maintenance and therefore I suggest that before the word "reserves" we insert "free"

Definition of free reserves:

Free Reserves refers to such reserves held by a school which are not specifically held for some future defined expenditure.

SCHOOL SPECIFIC CONTINGENCY FUND

TERMS OF REFERENCE

Approved by Schools Forum 15th March 2016
Effective 1st April 2016

Background

The Schools Budget consists of the delegated budgets allocated to individual schools and early years provision by Private, Voluntary and Independent (PVI's) providers and a budget for other provision for pupils which local authorities fund centrally. The allocation to each school is made according to formulae, either set nationally or agreed on a local basis.

In Buckinghamshire, a contingency fund has been established, in accordance with current regulations¹, to assist schools and the PVI's where, for a range of potential reasons they are experiencing financial difficulty to a degree likely to impact adversely on the education of pupils. This fund is known as the Schools Specific Contingency Fund. (SSCF)

The SSCF is central expenditure deducted for the purpose of ensuring that monies are available to enable increases in a school's budget share after it has been allocated where it subsequently becomes apparent that a governing body (including the management committee of a pupil referral unit from April 2013 when delegated budgets will apply) have incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share which may include expenditure in relation to -

- (i) schools in financial difficulty,
- (ii) the writing-off of deficits of schools which are discontinued, excluding any additional costs and overheads,
- (iii) new, amalgamating or closing schools, or
- (iv) other expenditure where such circumstances were unforeseen when initially determining the school's budget share

Regulations¹ give the Schools Forum the power to agree the level of the Schools Specific Contingency.

The Schools Specific Contingency Group (SSCG)

The Schools Specific Contingency Group has delegated authority from the Director of Children and Young People's Services and the Schools Forum to make allocations of funding to schools and PVI's from the Schools Specific Contingency Fund.

Membership of the group shall include;

Finance Business Partner or representative
School Improvement Manager relevant to the schools making applications
EYC Commissioning Manager
Head of SEN or representative
Schools Financial Management Adviser
Head of School and Academy Relationships
and

At least two Members of the Schools Forum (preferably one Headteacher and one governor)

SCHOOL SPECIFIC CONTINGENCY FUND

TERMS OF REFERENCE

Approved by Schools Forum 15⁸th March 2016⁴
Effective 1st April 2016⁴

The group has the authority to determine appropriate criteria for the allocation of contingency funding to schools; such criteria may need to change from time to time to reflect available funding and the number and nature of applications from schools.

The SSCG will usually meet once per term though it may be necessary on occasion, to meet more frequently. Meetings will be chaired by a Schools Forum member.

In order to avoid any conflict of interest that might exist for a member of the Group in the consideration of a specific application with which he/she may have a connection as a Governor, IEB member, Headteacher or Business Manager, then such a conflict will be eliminated by such a member withdrawing from the discussions and decision making surrounding the case.

Principles and criteria

Schools and PVI's are expected to take all reasonable issues into account when setting their financial plans and to ensure that they have capacity within their plans to deal with unforeseen eventualities. The Schools Specific Contingency Fund is necessarily very limited and is therefore allocated only in exceptional circumstances.

In considering applications for support except those relating to errors in budget shares, in all cases the school is required to demonstrate that "financial difficulty"* would result. The SSCG will require evidence of the size and nature of the expenditure together with an explanation of steps taken to mitigate the impact on the school's budget. The group will take account of such steps and in cases where the expenditure could have been avoided or substantially reduced (e.g. through the purchase of appropriate insurance) applications will be discounted accordingly.

* Financial difficulties shall be recognised when either
a) the latest forecast of the year end results show a deficit or
b) as a result of the additional costs (being the subject of the Contingency application) the in-year deficit of the school exceeds 2% of the school's Budget share

Applications will be considered for the issues arising in the academic years covered by the current financial year. However, funding is only available on a financial year basis and therefore schools should ensure that applications are made within the correct financial year. Consideration of applications will be limited by the level of the budget set aside for the SSCF.

Where allocations are agreed, the following criteria will generally be applied;

- (i) For errors in school budget shares arising from incorrect data or incorrect application of the funding formula – the full amount of the error for the current financial year.

SCHOOL SPECIFIC CONTINGENCY FUND

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- (ii) Support for significant unforeseen costs – no more than 50% of the cost accepted by the SSCG, limited to an amount sufficient to ensure that the school is not in deficit at the year end.

The following are examples of applications falling under point (ii).above – unforeseen costs – which the SSCG may consider:-

- a) Long term absence of teachers through sickness/maternity leave etc. where it has proved necessary to engage agency staff (n.b. the SSCG will require valid reasons if no insurance has been arranged)
- b) Net redundancy costs² for staff declared redundant in the first 9 months of the financial year. Redundancies arising in the last 3 months of the financial year will only be considered in exceptional circumstances.
- c) Child Protection issues resulting in staff suspensions and/or legal costs.

- iii) Support for additional pupil numbers

In cases where schools experience or need to plan for, a known (not forecasted) significant rise in pupil numbers since the date of the previous funding census (October) until the start of the financial year when those pupils begin to be funded through the funding model, they may apply for additional funding to cover costs incurred in providing education to those pupils. Each case will be considered on an individual spend or need to spend basis.

Schools need to demonstrate:

- a) that necessary additional staffing costs have been incurred or need to be incurred,
- b) that financial difficulties will arise without additional funding i.e. that insufficient free reserves and balances are available to cover those costs. "Free reserves refers to such reserves held by a school which are not specifically held for some future defined expenditure."
- c) Marginal non-staffing costs will be expected to be met by the schools themselves, but significant non-staffing costs will be considered provided that there is clear evidence to prove the cost would not have been incurred if the pupil numbers had not risen.

Interpretation A

Contingency panel will grant 7/12 of the AWPU for the additional pupils provided that the school can justify support by demonstrating that it had incurred significant additional teaching and/or other costs.

Interpretation B

Contingency panel will grant the actual amount that the school can justify it has incurred due to the increase in pupils up to a maximum of 7/12 AWPU

SCHOOL SPECIFIC CONTINGENCY FUND

TERMS OF REFERENCE

Approved by Schools Forum 15⁸th March 2016⁴
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iv) Traveller Children

For traveller children who do not receive pupil premium an amount equal to Pupil Premium shall be paid for the period at which the child is registered at that school. Claims should be made termly or annually in arrears.

Applications which fall outside the scope of the Contingency Fund which will not be accepted and for clarity include those:-

- (i) for funding appertaining to prior financial years
- (ii) for capital expenditure
- (iii) from academies
- (iv) for circumstances which fall under the criteria of the growth fund, i.e. pupil growth beyond PAN to meet basic need

Application Process

Schools that believe their budget share is incorrect should contact the Finance Service Desk to verify the calculations. Any errors established will be corrected as a matter of course and will be reported to the SSCG.

Applications for funding for other reasons should be made on the standard form available on the SchoolsWeb.

https://schoolsweb.buckscc.gov.uk/schools/leadership_and_management/finance/guidance.asp

Additional information or evidence may be included in covering letters etc. to support the school's application.

The application must be supported by an up-to-date forecast of the school's projected year end income & expenditure and resulting surplus/deficit (such forecasts to be provided by utilising the standard financial reporting process), together with a copy of the most recent 3 year financial plan. In the case of PVI's, evidence of the current and projected financial position of the applicant's accounts must be provided.

Update for 2 weeks before etc

Notification of Decisions

The BCC Finance team will notify Schools of the decision on their contingency applications are within 15 working days of the SSCG meeting.

Schools should note that in some cases an allocation may be agreed in principle but will not be finalised and credited to the school's account until late in the financial year.

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Appeals Process

Schools wishing to appeal against the decision made on their application should put the details of their appeal in writing enclosing all additional and supporting information; and submit to the Finance Service Centre. Any appeals will be heard and considered by the SSCG at their next meeting.

The BCC Finance team will notify Schools of the decision on their appeal within 15 working days of the SSCG meeting.

Note ¹: The School and Early Years Finance (England) Regulations 2012. SI.2012 No.2991

Note ²: Net redundancy costs to be calculated as the costs of the redundancy less the amount 'saved' in salaries, including on-costs, for the balance of the financial year. (Schools should be aware however that the SSCF would only cover up to 50% of the net redundancy costs)

