Item 3 – 2025 Scheme for Financing Schools

Croydon Schools Forum – **8th December 2025**

Recommendations:

That Maintained Schools members of the Forum are asked to:

A) Read and comment on the proposed Scheme for Financing Schools (the Scheme).
B) Note the table of changes between the current Scheme (2022) and the proposed scheme.
C) Where there is no significant adverse comment, that maintained schools' members approve the proposed scheme for adoption from this year.

1. Background

1.1 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. The statutory guidance lists the provisions which an authority's scheme must, should or may include. Schemes need not follow the format used in the Statutory guidance, except for the text of directed revisions.

1.2 This Scheme for Financing Schools (which will become effective from the date it is approved by the Schools Forum) follows issue 16 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of Schedule 14 to the **School Standards and Framework Act 1998**.

1.3 The scheme applies to all community, nursery, voluntary aided, voluntary controlled, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the LA.

2. Changes to the Scheme for Financing Schools

2.1 Changes to the scheme may be either directed (by the DfE) or voluntary. If the changes/revisions are directed, the Schools Forum must approve those revisions. However, where the revisions are voluntary, the LA must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools.

2.2 A summary of the revisions between the current Scheme (2022) and proposed scheme is as shown in Appendix A to the paper. The proposed Scheme itself is annexed to this paper.

2.3 Majority of the changes proposed are either directed, cosmetic or is bringing existing practice into one holistic document. The directed changes are shaded in green in the appendix below whilst the non-directed changes are shown in blue.

2.4 Once approved, a copy of the scheme will be posted on the Schools Forum page on the council's website and all schools heads and governors will be signposted to its existence.

Recommendations:

That Maintained Schools members of the Forum are asked to:

A) Read and comment on the proposed Scheme for Financing Schools (the Scheme).
B) Note the table of changes between the current Scheme (2022) and the proposed scheme.
C) Where there is no significant adverse comment, that maintained schools' members approve the proposed scheme for adoption from this year.

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Enclosed: Proposed Scheme for Financing Schools (2025)

APPENDIX A - Table of key changes

April 2022	December 2025
2.2 Basis of accounting The returns to the LA must be based on the "income and expenditure" (accruals) accountancy convention. This convention requires that expenditure incurred but not paid for in an accounting period is brought into account as a creditor and income due for which no cash has been received is brought into account as a debtor. Notwithstanding the above requirement for financial returns, each school is free to choose the accounting convention for its internal accounting purposes, i.e. "income and expenditure" or "receipts and payments" otherwise known as cash accounting. Schools are able to use what software they wish, provided they meet any costs of modification needed to provide output required by the LA.	**2.2 Basis of accounting** **2.2.1** The returns to the LA must be based on the "income and expenditure" (accruals) accountancy convention. This convention requires that expenditure incurred but not paid for in an accounting period is brought into account as a creditor and income due for which no cash has been received is brought into account as a debtor. Notwithstanding the above requirement for financial returns, each school is free to choose the accounting convention for its internal accounting purposes, i.e. "income and expenditure" or "receipts and payments" otherwise known as cash accounting. **2.2.2** Schools are allowed to use any accounting/finance software they wish, provided they can produce the information required by the LA. And in the case where the software could not, schools will have to meet any costs of modification needed to provide output required by the LA.
2.3.1 Submission of Financial Forecasts Croydon Council 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. The plan shall be based on a simplified CFR (Consistent Financial Reporting) structure and should be made available to the LA by the end of July in the first period of the multi-year period or the end of May where the school has balances potentially in excess of the 4% or 6% limit as described in paragraph 4.2b. Further details of format and timing will be found in the *local financial documentation on Finance Matters*. If the projections indicate a deficit balance in any of the multi-year budgets then a short commentary will be required by the school describing the action to be taken to restore a balanced position. The LA may request further information and/or suggest actions the school could take if the commentary is considered to be insufficient. If the projections indicate an excessive balance in any of the multi-year budgets then a short commentary will be required by the school describing the action to be taken to bring the balance back to a more reasonable level. The schools forum will review these balances annually and make recommendations for their management.	**2.3.1 Submission of Financial Forecasts** Croydon Council 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. The plan shall be based on a simplified Consistent Financial Reporting (CFR) structure and should be made available to the LA by the end of June in the first period of the multi-year period or the end of May where the school has balances potentially in excess of the 4% or 6% limit as described in paragraph 4.2.1 below. Further details of format and timing will be found in *Annex A - local financial documentation on Finance Matters* **2.3.2** If the projections indicate a deficit balance in any of the multi-year budgets, then a short commentary will be required by the school describing the action to be taken to restore a balanced position. The LA may request further information and/or suggest actions the school could take if the commentary is considered to be insufficient. If the projections indicate an excessive balance in any of the multi-year budgets, then a short commentary will be required by the school describing the action to be taken to bring the balance back to a more reasonable level.
2.10 Purchasing, tendering and contracting	**2.10 Purchasing, tendering and contracting**

requirements Schools are required to abide by Croydon Council's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking into account Croydon Council's policies and procedures Schools are advised to: I. Gain three quotations should be obtained for expenditure above £10,000 up to £60,000. II. For all purchases above £60,000 four tenders should be sought. III. For tenders expected to exceed EU thresholds, schools must comply with EU procurement requirements. IV. There is no requirement to seek LA officer counter signature for any contract for goods or services. V. Not do anything incompatible with any of the provisions of the Scheme, or any statutory provision, or any EU procurement directive The artificial disaggregation or aggregation of orders to avoid procurement requirements should be avoided at all times. In addition, governing bodies shall determine procedures that should include processes for: - securing quotations - placing orders - keeping records - other appropriate incidental matters These should include the following thresholds: • Three quotations should be obtained for expenditure above £10,000 up to £60,000. • For all purchases above £60,000 four tenders should be sought. • For tenders expected to exceed EU thresholds, schools must comply with EU procurement requirements. • There is no requirement to seek LA officer counter signature for any contract for goods or services. • Schools may seek advice on a range of compliantly procured deals via Buying for schools on the DfE website https://www.gov.uk/guidance/buying-for-	**requirements** Schools are required to abide by Croydon Council's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking into account Croydon Council's policies and procedures. Schools are advised to: I. Gain three quotations should be obtained for expenditure above £10,000 up to £60,000. II. For all purchases above £60,000 four tenders should be sought. III. For tenders expected to exceed UK thresholds, schools must comply with UK procurement requirements1. IV. There is no requirement to seek LA officer counter signature for any contract for goods or services. V. Not do anything incompatible with any of the provisions of the Scheme, or any statutory provision, or any UK procurement directive VI. Schools may seek advice on a range of compliant procured deals via Buying for schools on the DfE website2. The artificial disaggregation or aggregation of orders to avoid procurement requirements should be always avoided. In addition, governing bodies shall determine procedures that should include processes for: - securing quotations - placing orders - keeping records - other appropriate incidental matters These should be included within the schools own "Financial policy and procedures" document produced in accordance with the Croydon financial documentation on Finance Matters (see Annex A)

schools These should be included within the schools own "Financial policy and procedures" document produced in accordance with the Croydon financial documentation on Finance Matters (see Annex A)	
3.1 Budget share instalments Schools shall receive their budget share termly in advance in three set weeks: 4th working week in August, for the Autumn term, 1st working week in January for the Winter term and 3rd working week in April for the Summer term. PVIs continue to be paid on the 22nd day, monthly as described in 3.2 below, except where these dates fall on a weekend, then they will then be paid the Friday before these dates.	**3.1 Budget share instalments** Schools shall receive their budget share termly in advance in three set weeks: 4th working week in August, for the Autumn term, 4th working week in January for the Winter term and 3rd working week in April for the Summer term. Providers of Early Education (schools, private, voluntary and independent sectors) will continue to be paid on the 22nd day of the month when payment is due to them, except where these dates fall on a weekend, then they will then be paid the Friday before these dates.
3.2 Proportion of budget share payable at each instalment Schools shall receive their terms funding in advance 5/12th of their delegated budget share for the Autumn Term 3/12th for the Winter Term and 4/12th for the Summer term. Appropriate adjustments to the allocations will be made where the budget share of the school changes during the financial year. Closing and opening schools will receive their delegated budget share in proportions to match their respective timetable of closing or opening	**3.2 Proportion of budget share payable at each instalment** Schools shall receive their delegated budget share funding in advance in the following order 5/12th for the Summer term on April 4/12th for the Autumn Term in August and 3/12th for the Spring Term in December. Appropriate adjustments to the allocations will be made where the budget share of the school changes during the financial year. Closing and opening schools will receive their delegated budget share in proportions to match their respective timetable of closing or opening.
3.3.1 Interest on late budget share payments Interest will be added to late payments of budget share instalments, where such late payment is the result of LA error. The interest rate to be used will be the Bank of England base rate at the time when the payment was due.	**3.3.1 Interest on late budget share payments** The LA will make all reasonable efforts to ensure that budget shares are paid in accordance with the timelines shown in paragraph 3.2 above. There may be the odd occasions where payments may be made later than expected, but this will be kept to a minimum. In these rare instances, the LA will not be charged any interest for late payment.
3.5 Banking and building society accounts Schools may have bank accounts for budget share purposes which are in the name of the school rather than the LA; but the LA can continue to have arrangements negotiated with certain banks whereby the accounts are in the name of the LA but specific to each school, and offer such arrangements to schools. If schools use the Council's banking facilities, they will be bound by regulations issued from time to time by the Director of Finance, Investment and Risk and S151 Officer. All arrangements with the	**3.5 Banking and building society accounts** Schools may have bank accounts for budget share purposes which are in the name of the school but noting the overriding interest of the LA. Otherwise, maintained schools can only have bank accounts where the LA have arrangements negotiated with certain banks whereby the accounts are in the name of the LA but specific to each school. Irrespective of whether schools LA banking facilities or not, maintained schools will be bound by regulations issued from time to time by the Corporate Director of Resources. All arrangements with the Council's bankers shall be made by the Corporate Director of Resources. In most cases, it is

Council's bankers shall be made by the Director of Finance, Investment and Risk and S151 Officer. It is anticipated that all schools will continue to operate their own bank accounts.	anticipated that all schools will continue to operate their own bank accounts.
3.6 Borrowing by schools Governing bodies may only borrow money (which includes the use of finance leases) on behalf of their school when they have the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval. Schools are not permitted to use credit cards and overdraft as this is a form of borrowing. The use of some procurement cards, issued by the Local Authority, is permitted provided schools take note of LA guidance contained in the *local financial documentation on Finance Matters.* The restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies makes no impact on Government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the authority when repaying loans. This provision does not apply to loan schemes run by the authority (see section 4.10).	**3.6 Borrowing by schools** Governing bodies may only borrow money (which includes the use of leases) on behalf of their school when they have the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. The introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent. The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS16 Maintained Schools Finance Lease Class Consent 2024. Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval. **3.6.1** Schools are not permitted to use credit cards and overdraft as this is a form of borrowing. The use of some procurement cards, issued by the Local Authority, is permitted provided schools take note of LA guidance contained in the *Annex A - local financial documentation on Finance Matters.* This restriction does not apply to Trustees and Foundations, whose borrowing, as private bodies makes no impact on Government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the authority when repaying loans. **3.6.2** This provision does not apply to loan schemes run by the authority (see section 4.10).
4.5 Planning for deficit budgets Schools should not plan for a deficit budget, unless the criteria indicated in 4.9 are met.	**4.5 Planning for deficit budgets** Schools should not plan for a deficit budget, unless the criteria indicated in paragraph 4.9 are met. Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year.
4.7 Writing off deficits	**4.7 Writing off deficits**

Croydon Council cannot write off the deficit balance of any school. In exceptional circumstances, where the LA decides to support a school in difficulty, it will do so from the Schools Budget (funded from the DSG) set aside specifically for that purpose, subject to any conditions that may be placed on such sums, such as an increase in the central expenditure limit.	Croydon Council cannot write off the deficit balance of any school.
4.9 Licensed deficits In certain circumstances, a school may plan for a deficit budget, with the agreement of the LA only if there: - is a significant unforeseen decrease in pupil numbers - is a significant over-projection in pupil numbers. - are extreme circumstances that could not be foreseen or catered for by the school The school must agree an action plan with the LA (authorisation from the Director of Finance, Investment and Risk and S151 Officer) in order that a non-deficit budget can be set at the end of a specified period. Full details will be contained in the Croydon financial documentation on Finance Matters (see Annex A and Annex H). The maximum size of any deficit that may be agreed will be 20% of the school's budget share and the minimum £10,000. The maximum proportion of the collective balances held by the LA that will be used to back the arrangement will not exceed 40%. The plan to put the school back into surplus must not exceed three years. Balances held by a school in an external bank account remain the property of Croydon Council, and may be taken into account in assessing the overall level of loan, which it might wish to make to the school. However, the view of the school is sought if the LA should take it into account in this way, so as to provide assurance for both LA and the school. Under the *deficit scheme* the only effect on the budget and out-turn statement is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of the repayment period (usually one year), because the school has constrained its expenditure to effect the repayment. No 'payment' to the school is recorded. In the *case of loans*, a cash advance is awarded to the school to help it meet its commitment during the difficult period.	**4.9 Licensed deficits** **4.9.1** In certain circumstances, a school may plan for a deficit budget, with the agreement of the LA only if there: - is a significant unforeseen decrease in pupil numbers - is a significant over-projection in pupil numbers. - are extreme circumstances that could not be foreseen or catered for by the school **4.9.2** The school must agree an action plan with the LA (authorisation from the Corporate Director of Resources) in order that a deficit budget can be set at the end of a specified period. Full details will be contained in the Croydon financial documentation on Finance Matters (see Annex A and Annex H). The maximum size of any deficit that may be agreed will be 20% of the school's budget share and the minimum is £10,000. The maximum proportion of the collective balances held by the LA that will be used to back the arrangement will not exceed 40%. **4.9.3** The plan to put the school back into surplus must not exceed three years, and in exceptional circumstances may be extended to five years. Balances held by a school in an external bank account remain the property of Croydon Council and may be taken into account in assessing the overall level of loan, which it might wish to make to the school. However, the view of the school is sought if the LA should take it into account in this way, so as to provide assurance for both LA and the school. **4.9.4**Under the *deficit scheme* the only effect on the budget and out-turn statement is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of the repayment period (usually one year), because the school has constrained its expenditure to effect the repayment. No 'payment' to the school is recorded. In the *case of loans*, a cash advance is awarded to the school to help it meet its commitment during the difficult period. **4.9.5** The LA may fund a licenced deficit of a school over the duration of the period specified for the deficit to be repaid (in accordance with paragraph 4.3 above). Such deficit funding will be subject to an agreement (the agreement) between the LA and the governing body of the maintain school. Such funds will be from the surplus balances of other maintain schools budget share. Where this is the case, interests may be charged on balances outstanding at the end of each term (or any other regular period as may be specified) in accordance with the agreement.

	4.9.6 If the school decides to convert to an academy in the future, the deficit funding balance will be required to be either repaid in full or transferred to the academy as part of the conversion process. A full repayment plan must be set out in the initial business case and agreed to prior to any funds being advanced. If the schools' performance differs to the business plan, the deficit funding may be withdrawn.
Consultation with the authority – Financial Aspects **13.3** Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the LA, and have regard to advice given to them by their LA. Consultation should include the Education Finance Team. **13.4** Schools are required to seek Croydon Council's advice. This information will be contained in the *local financial documentation on Finance Matters.* **13.5** Croydon Council will provide advice within a reasonable time and at no charge. Schools are required to inform the LA about what action has been taken following the LA's advice. Funding agreements – Authority Powers **13.6** The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved. **13.7** Croydon Council's requirements in relation to funding agreements with third parties (as opposed to funding agreements with the LA itself) are described in the Croydon financial documentation on Finance Matters. This will describe the requirement that any such proposed agreement should be submitted to the LA for its comments; and may impose a time requirement for doing so to give the LA adequate notice. However, Croydon Council do not have the right of veto such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Croydon Council consent to the agreement for it to proceed, such a requirement and the method by which Croydon Council consent is to be signified is a matter for that third party, not for the scheme. The Secretary of State does not consider that it is appropriate for LAs to have a general power of veto for these agreements. However, the scheme may remind schools that if an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the LA is seriously prejudicial to the interests of the school or the LA, that may constitute grounds for suspension of the right to a delegated budget. **13.8** In some instances, in order to protect the	**13.3 Consultation with the authority – Financial Aspects** Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the local authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their local authority. However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make. **13.4** Croydon Council's requirements in relation to funding agreements with third parties (as opposed to funding agreements with the LA itself) are described in the *local financial documentation on Finance Matters*. This will describe the requirement that any such proposed agreement should be submitted to the LA for its comments; and may impose a time requirement for doing so to give the LA adequate notice. However, Croydon Council do not have the right of veto such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Croydon Council consent to the agreement for it to proceed, such a requirement and the method by which Croydon Council consent is to be signified is a matter for that third party, not for the scheme. **13.5** The Secretary of State does not consider that it is appropriate for LAs to have a general power of veto for these agreements. However, if an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the LA is seriously prejudicial to the interests of the school or the LA, that may constitute grounds for suspension of the right to a delegated budget. **13.6** In some instances, in order to protect the financial interests of LA, the LA might insist that the facilities should be run through a limited liability company and/or by obtaining indemnity insurance for risks associated with the project. These requirements are described in the *local financial documentation on Finance Matters*. This provision will operate in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks. **13.7** Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The LA may, if it wishes, propose other scheme provisions of that nature which they believe necessary. In considering whether to approve any such provisions for inclusion in the LA's scheme, the Secretary of State will adopt a principal criterion that restrictions should only be in existence if they are necessary to safeguard the financial

financial interests of LA, the LA might insist that the facilities should be run through a limited liability company and/or by obtaining indemnity insurance for risks associated with the project. These requirements are described in the *local financial documentation on Finance Matters*. This provision will operate in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks. **13.9** Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The LA may if it wishes propose other scheme provisions of that nature which they believe necessary. In considering whether to approve any such provisions for inclusion in the LA's scheme, the Secretary of State will adopt a principal criterion that restrictions should only be in existence if they are necessary to safeguard the financial position of Croydon Council or school, or to protect pupil welfare or education. **Supply of Financial Information** **13.10** Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by LAs as their main source of information for the financial aspects of community facilities. However, the CFR timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk. (Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share). **13.10a** Schools are required to provide financial performance returns for the facilities for the previous six months and on an estimated basis, for the next six months. These requirements are described in the *local financial documentation on Finance Matters.* **13.11** If Croydon Council believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power then it will take the following action. It will give notice to the school that it will require such financial statements to be supplied every three months and, if the LA sees fit, to require the submission of a recovery plan for the activity in question. These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and the LA as to the financial reporting requirements arising from the funding in question.	position of Croydon Council or school, or to protect pupil welfare or education. **13.8 Supply of Financial Information** Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by LAs as their main source of information for the financial aspects of community facilities. However, the CFR timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk. (Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share). **13.8.1** Schools are required to provide financial performance returns for the facilities every six months. The report should include the actual financial information for the previous 6 months as well as on an estimated basis, for the next six months. This means there will be a rolling 12 months' worth of financial information at any given time. The time and month that his report is required will be communicated to schools at the beginning of the agreement. These requirements are described in the *local financial documentation on Finance Matters.*

13.23 Croydon Council allows schools to use one bank account for budget share and community facilities, with adequate controls to identify and account for use of each fund and not to use delegated funds to subsidise community facilities	**13.19 Banking** Croydon Council allows schools to use one bank account for budget share and community facilities, with adequate controls to identify and account for use of each fund and not to use delegated funds to subsidise community facilities. The council preference however would be for schools to have a separate bank account for community facilities purpose.
	Annex D The following schools have been removed from the list of maintained schools: - Regina Coeli RC Primary - Kenley Primary, Orchard Way Primary - The Minster / Parish Church Juniors - The Minster / Parish Church Infants - Woodcote Primary - Saint Andrew's C of E High - Coloma Convent - Virgo Fidelis Saffron Valley
ANNEX G – DSG Blocks & NFF formula factors • The 4 funding blocks within the DSG: – **Schools Block** (Funds the ISB) Individual School budgets are formed through the use of a formula – **Early Years Block**. Funding is provided on a per pupil basis (different values for 2 year olds to 3-4 year olds) and is allocated out through a locally derived formula – **High Needs Block**. A block of funding was ring-fenced to cover high needs the amount has remained around flat despite annual demand growth of around 5%. – **Central Schools Services Block** – to fund education services carried out by the LA and cover historic commitments • Each block's calculation is based on a different national formula • 99.5% of the schools block will be ring-fenced and must be distributed through the local formula for schools. • The schools NFF comprises of 14 factors – the minimum per pupil level is an additional factor to the 13 included in the original proposals by the DfE	**ANNEX G – DSG Blocks & NFF formula factors** G1. There are four funding blocks within the DSG: - **Schools Block –** uses formula to fund the budget of all mainstream schools (called Individual School budgets - ISB). - **Early Years Block –** Individual School budgets. Funding is provided based on hours taken up by parents with providers (participation). There are different rates for under 2 (U2), two year olds (2YO) and 3 & 4 years old (3&4 YO). Funding is allocated through a locally derived formula. - **High Needs Block.** A block of funding was ring-fenced to cover funding for pupils with Special Education Needs (SEN) in both mainstream and specialist provisions. The increase in this pot of funding has not been commensurate with the increased demand and level of needs presenting. - **Central Schools Services Block –** to fund statutory education services for all schools carried out by the LA and includes historic and on-going commitments. G2. Each block's calculation is based on a different national funding formula (NFF). G3. 99.5% of the schools block will be ring-fenced and must be distributed through the local formula for schools.
ANNEX H **1. A School's projected carry forward enters a deficit position <u>during</u> the financial year** A. The Chair of Governors contacts the Local Authority Finance Department as soon as the School enters a deficit position to discuss the position.	**ANNEX H** **The process for schools seeking to set a deficit budget is as follows:** **H.3. For a School submitting a proposed deficit budget at the beginning of the financial year. The following processes must be followed:**

B. If the projected deficit is less than £10k and the school anticipates that they will have a balanced budget within 3 months a licensed deficit Proforma is not required but monthly financial returns are required. C. If the amount increases above £10k or the time in deficit increases to greater than 3 months then a licensed deficit Proforma must be submitted, and points (**d)** to (**e**) below will apply. D. A recovery plan using the prescribed pro-forma link above must be completed and agreed by (1)the Director Children Families and Education. (2) the Director of Finance, Investment and Risk and S151 Officer E. The Director of Finance, Investment and Risk and S151 Officer will review and co-ordinate the approval as detailed below:- (1) Deficits under £100k to be approved by the Head of Finance & Deputy S151 Officer(2) Deficits over £100k to the Assistant Chief Executive F. The School will provide a monthly return to the same standard as the quarterly returns demonstrating action and progress to recover the deficit position and until the deficit is resolved. G. The School must agree with the LA an acceptable level of support for the preparation of the monthly returns. **2. A school which finds itself in a deficit position without firstly notifying the Local Authority will have a delegated budget review and face the prospect of losing the delegated budget status.** **3. A School that is unable to present a recovery plan that leads to a balanced budget over a two year period may lose its right to a delegated budget.**	H3.1. A recovery plan using the prescribed pro-forma (see link at H1.1. above) linked above must be completed and agreed by: (1) the Director of CYPE, and (2) the Corporate Director of Resources. H3.2. The Corporate Director of Resources (or his/her appointed representative) will review and co-ordinate the approval as detailed below: A. Deficits under £100k to be approved by the Deputy S151 Officer and Director of Education. B. Deficits over £100k to the Director CYPE and Director of Resources. H3.3. All schools in financial deficit (whether formally approved or not) will be required to provide a monthly return to the same standard as the quarterly returns demonstrating action and progress to recover the deficit position until the deficit is fully recovered and repaid. H3.4. Schools seeking permission to set a Licensed Deficit Budget can purchase their financial support from a provider of their choice but must seek approval from the Local Authority to use that provider. **H4. A School's forecast carry forward enters a deficit position <u>during</u> the financial year.** H4.1. The Chair of Governors should contact the Local Authority Finance Department as soon as the school knows the forecast position is going to result in deficit, to discuss the position. H4.2. If the projected deficit is less than £10k and the school anticipates that they will have a balanced position within 6 months or the end of the financial year (whichever is shorter), a licensed deficit Proforma is not required but monthly financial returns are required. H4.3. If the amount increases above £10k or the time in deficit increases to greater than 6 months then a licensed deficit Proforma must be submitted, and process outline in H3. Above will be followed. **H5.** A school which finds itself in a deficit position without firstly notifying the Local Authority may have their delegated budget reviewed and face the prospect of losing the delegated budget status. **H6.** A School that is unable to present a recovery plan that leads to a balanced budget over a three-year period may lose its right to a delegated budget.
ANNEX J – <u>Access for Schools to Make Online Payments by Bankline</u> A number of maintained schools have requested that the LA makes a process for undertaking	**ANNEX J – <u>Access for Schools to Make Online Payments by Bankline</u>** **J1.** A number of maintained schools have requested that the LA makes a process for undertaking online

online payments available to them (currently they undertake payments via cheque). The online banking facility will be made available to maintained schools who bank within the LA's banking arrangements (i.e. Schools within the Council's "Schools Group"). **1. Bankline - Online Payments** Appendix A outlines what Bankline can offer to schools, in terms of online payments.	payments available to them (currently they undertake payments via cheque). The online banking facility will be made available to maintained schools who bank within the LA's banking arrangements (i.e. Schools within the Council's "Schools Group") currently with Natwest. Schools operating non-Natwest accounts can also set-up online payments specific to their school but must follow the principle described later in this document. **J1.1** Any school that requires access to Bankline access will complete forms B1 B2. Once this is done, the Schools Finance team will take necessary step to set the school up on Bankline and provide the school with access. This includes being provided with a card, card reader and PIN. **J1.2** This will involve the creation of a user id which will then lead allow school to generate an authorisation code when login into Bankline for the first time. **J1.3** Completion of form B2 is required for those schools that want to make payment on Bankline. **J1.4** As in the operation of normal bank account, only school staff are allowed to have access to Bankline or to make payment from it. However, all forms must be discussed with and approved by governing bodies. **J2. Bankline - Online Payments** Appendix A outlines what Bankline can offer to schools, in terms of online payments.
2.1 Access Four individuals should be identified within each school, the individuals should all be full Council employees (i.e. not a governor, unless a staff governor and not agency staff) and at least two of these individuals should be in a senior position (ie Bursar / Finance Manager / Headteacher/). Ideally, these four individuals should already be on the School's bank mandate as signatures. All four will be allowed input access for the 'Faster / Standard' and 'Chaps' types of payments for their own school bank account only. All four employees can be set up as an authoriser access but they will only be able to authorise transactions input by others. (The bankline system will be set up to ensure they are not able to input and authorise a particular transaction).	**J4.1 Access** Four individuals should be identified within each school, the individuals should all be full Council employees (i.e. not a governor, unless a staff governor and not agency staff) and at least two of these individuals should be in a senior position (i.e. Bursar / Finance Manager /School Business Manager/Deputy (or Assistant) Head/ Headteacher/). Ideally, these four individuals should already be on the School's bank mandate as signatures. All four will be allowed input access for the 'Faster / Standard' and 'Chaps' types of payments for their own school bank account only. All four employees can be set up as an authoriser access, but they will only be able to authorise transactions input by others. (The banking system will be set up to ensure they are not able to input and authorise the same transaction).

6.Import directly from a school's ledger system into bankline is not permitted as such imports can be manipulated, undertaking such activity would increase the school's risk of fraud to an unacceptable level.	6.Import directly from a school's ledger system into Bankline is permissible using Bankers Automated Clearing Services (BACS). BACS process is described separately later in Appendix B to this Annexure. Any other import of payment directly from a school's ledger system into Bankline (or other form of online banking system) is not permitted as such imports can be manipulated, undertaking such activity would increase the school's risk of fraud to an unacceptable level.
8.Where a payment is processed but later rejected, this will be credited back to the schools bank account and will appear on their bank statement. This should be dealt with as follows: ○ This should be captured as part of the bank reconciliation as an outstanding item - the bank balance will differ to that of to the bank balance on the ledger ○ The payment should be reversed through the ledger to bring the bank and ledger into balance, and re-instating the creditor ○ The bank should be contacted to find out why the payment was rejected ○ The Supplier should be contacted A new payment should be processed, with details updated from discussions and confirmation of changes by both the bank and the supplier.	8.Where a payment is processed but later rejected, this will be credited back to the school's bank account and will appear on their bank statement. This should be dealt with as follows: ○ This should be captured as part of the bank reconciliation as an outstanding item - the bank statement balance will differ to that of to the bank balance on the ledger ○ The payment should be reversed through the ledger to bring the bank and ledger into balance, and re-instating the creditor ○ The bank should be contacted to find out why the payment was rejected ○ The Supplier should be contacted Once satisfied that the payment still needs to be made and all other errors resolved, a new payment should be processed, with details updated from discussions and confirmation of changes by both the bank and the supplier.
	Appendix 2 has been added
ANNEX L **Transactional and Credit Limits** It is recommended that Pcard limits are set at £500 per single transaction and at £2,500 for monthly credit limits. Higher limits can only be granted by agreement and approval at a meeting of the Full Governing Body (FGB). It is recommended that all card holder limits are reviewed on an annual basis by the FGB. It is also recommended that there is an independent review of the appropriateness of transactions. It is recommended that this review is carried out by the Head Teacher (where they are not the card holder or the Chair of the Finance Committee where the Head Teacher is the card holder.	**ANNEX L** **L2. Transactional and Credit Limits** L2.1 It is recommended that Pcard limits are set at £500 per single transaction and at £5,000 for monthly credit limits. Higher limits can only be granted by a business case signed off at the Full Governing Body (FGB) of the school and submitted to the Governance Team explaining why there is a business requirement for a higher limit. L2.2 It is recommended that all card holder limits are reviewed on an annual basis by the FGB. It is also recommended that there is an independent review of the appropriateness of transactions. It is recommended that this review is carried out by the Head Teacher (where they are not the card holder or the Chair of the Finance Committee where the Head Teacher is the card holder.

Any exemption for any of the above requires approval in advance from the FGB. This approval should be documented and retained by the card holder as part of the audit trail.	L4.3 Any exemption for any of the above requires approval in advance from the FGB. This approval should be documented and retained by the card holder as part of the audit trail. Where in doubt please contact the Council's Governance Team