

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>23 JANUARY 2017</b>
<b>SUBJECT:</b>	<b>FUNDING ARRANGEMENTS FOR NEW SCHOOLS</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
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<b>LOCAL MEMBERS:</b>	<b>n/a</b>

### **A - Recommendation/s and reason/s**

The current Fair Funding Policy was drawn up when delegated schools budgets were introduced in the early 1990s and has changed very little since and does not cater for the current situation where a number of existing schools close and a new single successor school opened. The following recommendations provide a method to deal with issues relating to the funding of the new schools in the first year and the subsequent years, dealing with reserves and dealing with the one off costs that arise from the changes.

#### **Recommendations**

1. In the first year of funding, to set school budgets for any closing or successor schools, based on the full year budget allocation of existing schools, then to allocate the total allocation between closing and successor schools, based on the opening or closing dates of each school.
2. To amend the Fair Funding Policy, to allow any combined surplus balance of closing schools to be transferred to the successor school, up to the threshold of £50,000 Primary / £100,000 Secondary and Special or 5% of the budget allocation of the successor school.
3. To transfer any surplus balances of closing schools over £50,000 / £100,000 or 5% of the new schools budget allocation, to the Central Education budget to pay for transitional costs in the first year.
4. When revenue savings are realised, as a result of closing schools and replacing with a successor school, any revenue saving will be deducted from the overall delegated Schools budget as a contribution to the increase in the capital financing costs which result from the investment in the new schools.
5. Any Pay Protection pressures will be deducted from the revenue saving above (point 4). The average salary for the new school should include any pay protection pressures. The new school will be responsible for paying the pay protection costs. Once the pay protection has come to an end, this saving will also be deducted from the Delegated Schools Budget.

### **B - What other options did you consider and why did you reject them and/or opt for this option?**

n/a

<b>C - Why is this a decision for the Executive?</b>		
This matter is delegated to the Executive.		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
<b>D - Is this decision within the budget approved by the Council?</b>		
<b>DD - Who did you consult?</b>		<b>What did they say?</b>
1	<b>Chief Executive / Strategic Leadership Team (SLT) (mandatory)</b>	
2	<b>Finance / Section 151 (mandatory)</b>	n/a– this is the Section 151 Officer's report
3	<b>Legal / Monitoring Officer (mandatory)</b>	TBC
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	
<b>E - Risks and any mitigation (if relevant)</b>		
1	<b>Economic</b>	
2	<b>Anti-poverty</b>	
3	<b>Crime and Disorder</b>	
4	<b>Environmental</b>	
5	<b>Equalities</b>	
6	<b>Outcome Agreements</b>	
7	<b>Other</b>	
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>Appendix A – Funding Arrangements for New Schools</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
Funding Arrangements for New Schools		

## FUNDING ARRANGEMENTS FOR NEW SCHOOLS

### 1. Introduction

- 1.1 The Authority is part way through the 21st Century Schools Programme for Band A Schools.
- 1.2 The Full Business Case for Ysgol Cybi and Ysgol Rhyd Y Llan were approved on 20th July 2015 and 30th November 2015 respectively.
- 1.3 The Full Business Cases above, has resulted in the closure of six Primary Schools from August 2017, with the pupils being transferred to the two new build schools from the beginning of the new school year in September 2017.
- 1.4 The Fair Funding Policy has been unchanged for a number of years. There is a need to review the policy to ensure that it is fit for purpose, particularly for arrangements such as the above.
- 1.5 In recent months, discussions have been held between the Education and Resources Function Services, over the funding arrangements for closing schools and new schools. The main points for consideration have been summarised below;

### 2. School Funding

- 2.1 Each school receives its budget allocation for a financial year, based on the School Funding Formula. The school funding formula is heavily driven by pupil numbers on the school roll at the previous September.
- 2.2 As the number of pupils for the successor schools are not known with any certainty, it is proposed for the first financial year i.e. 2017/18 in the case of Ysgol Cybi and Ysgol Rhyd y Llan, that we calculate what the full year budget allocation would be for the six existing schools, and allocate 5/12ths of this total to the existing schools (to fund the period April – August), and allocate 7/12ths of this total to the successor schools (to fund the period September to March). It may be necessary to adjust the split of funding for certain budget lines such as Energy, so that more of the funding is targetted towards the winter months.
- 2.3 In the second financial year of the school (2018/19), the funding will be allocated using the delegated school funding formula (same methodology as all other schools). This may lead to a significant change in the schools funding allocation from year 1 to year 2. Each school will be made aware of the potential reduction in funding in year 2.

### 3. Additional Costs

- 3.1 The establishment of a new school is likely to lead to unbudgeted costs for the first 3 years. These costs include: Appointment of a Headteacher before the date that pupils are enrolled to the school, pay protection costs for officers who have received a decrease in their salary, and some premises related costs for the buildings which we have closed, until the date of their disposal.
- 3.2 Costs relating to the Headteacher and the premises related costs will be funded by the Education Service (see paragraph 4 below). The pay protection costs will be allowed for in the school funding formula (see paragraph 5 below).

## 4. School Balances

- 4.1 The treatment of School Balances when an existing school closes and is replaced by a successor school, is at the discretion of the Local Authority. Isle of Anglesey's Fair Funding policy currently states:

*"When a school closes any balance (whether surplus or deficit) reverts to the LEA; it will not be transferred as a balance to any other school, even where the school is a successor to the closing school."*

However, the application of the clause as it stands will result in new schools being set up without having any reserves to fall back on should they face additional cost pressures in year 1. The issue was discussed at a recent meeting of the School's Finance Forum and there was general agreement to the proposed change.

It is recommended that this is amended to state:

*"When schools close and are replaced by a successor school, the combined surplus balance of the closing schools, up to the lowest of £50,000 (Primary) / £100,000 (Secondary and Special) or 5% of the successor school's budget share, will be transferred to the successor school. Any deficit balance or surplus balances above these thresholds will revert back to the LEA. The use of School balances will be restricted within the final 12 months prior to the closure of any school. Any use of school balances within the 12 month period prior to the school closing will need to be approved by the Head of Lifelong Learning and the Section 151 Officer."*

This may allow additional resource to new schools, which can be used towards funding any additional unbudgeted costs that may arise from establishing a new school.

- 4.2 Any school balances above the £50,000 or 5% threshold will revert back to the LEA. It is proposed that this funding is reallocated to the Central Education Service. The Central Education Service will use this funding to pay for the transitional costs of early appointment of a Headteacher prior to the date at which pupils are enrolled to the School, amalgamation related costs and any premises related costs for the schools which have closed.
- 4.3 At the end of the financial year, there will be a need to evaluate how the funding allocated to Central Education Service compares to the actual transitional costs paid (Headteacher cost and premises cost). A decision will need to be made to determine if additional funds are required, or if some of the funding needs to be clawed back / earmarked for future 21st Century Projects.

## 5. Budget Savings

- 5.1 When existing schools close and are replaced by a successor school, it is likely that this will result in revenue savings from the delegated schools budget. Any resulting revenue saving will be deducted from the overall Delegated Schools Budget in the consecutive year following the opening of the new school.
- 5.2 When the revenue saving is estimated, the additional pressure of funding any pay protection costs will be taken into consideration. When delegating budget to the new school, it is proposed to include any pay protection pressures in the average salary calculation for the new school and this will increase the funding received through the allocation formula. The pay protection costs will then be paid by the new school, although it is accepted that the actual pay protection costs may not exactly match the sum allocated through the formula.
- 5.3 In the financial year following the termination of any pay protection costs, this budget will also be deducted from the Delegated Schools budget to bring the level of savings back in line with the original business case.