

<b>DATE &amp; TIME OF MEETING:</b>	<b>Thursday, 26 January 2017</b> <b>@ 2pm</b>
<b>VENUE:</b>	<b>The Grand Meeting Room,</b> <b>County Hall, Northallerton, DL7 8AD</b>
<b>Please confirm attendance by e-mail to <a href="mailto:deborah.wilbor@northyorks.gov.uk">deborah.wilbor@northyorks.gov.uk</a> or telephone 01609 534416.</b>	

**Important information for those attending:**

Declaration of Interests

Members of the Education Partnership who have an interest in an agenda item beyond the generality of the group they represent are required to declare the existence and nature of that interest to the Chair prior to the start of the meeting. *Further information can be found in paragraph 13 of the constitution of the North Yorkshire Education Partnership.*

Election of Chair

**We are seeking to elect a new chair to the Partnership. Nominations are therefore sought from members either in advance or at the meeting.**

Voting

Voting on proposals in relation to the school and early years funding formulae may only be undertaken by (i) those listed as “Schools’ Members” on the Membership page of this agenda and (ii) the Early Years representative.

Where a phase-related de-delegation proposal requires a vote, only schools’ members representing schools within that phase may vote.

All members are entitled to vote on proposals other than those relating to the funding formulae.

Observers cannot vote on any proposal brought before the Education Partnership.

Voting requirements will be clearly identified in the agenda item.

Information only reports

Reports marked for information only will not, under normal circumstances, be presented to the Education Partnership. Any comments or questions arising from the report should be directed to the Clerk who will either (i) seek a response from the author or (ii) request their attendance in order to respond directly to the members of the Education Partnership.

General Public

Meetings of the Education Partnership are public meetings

The Chair will request that any members of the public leave the meeting for items marked as confidential and which involve the likely disclosure of exempt information as defined in part 1 of Schedule 12A of the Local government Act 1972.

*Further information can be found in paragraph 11 of the constitution of the North Yorkshire Education Partnership.*

## Agenda

### Part 1: Procedural

Item	Title	Lead
1.1	Election of Chair	
1.2	Welcome and apologies	Chair
1.3	Membership update	Chair
1.4	Minutes from the previous meeting and matters arising	Chair
1.5	Notification of other urgent business	Chair

### Part 2: School Funding

Item	Title	Lead
2.1	Schools Block Budgets 2017-18	Anton Hodge/Sally Dunn
2.2	Early Years Block Budgets 2017-18	Sally Dunn
2.3	High Needs Block Budget 2017-18	Anton Hodge
2.4	National Funding Formula Consultation - presentation	Anton Hodge/Sally Dunn
2.5	Review of LMS Contract Procedure Rules	Anton Hodge

### Part 3: School Improvement

Item	Title	Lead
3.1	School Improvement verbal update	Paul Brennan

### Part 4: Future Agendas

Dates of future meetings	Title
9 Mar 2017 15 Mar 2017	
25 May 2017	
14 Sept 2017	
19 Oct 2017	



## Membership

<b>Schools Members (30)</b>			
<b>Headteachers (17)</b>			
Primary	Tammy Cooper	Ruswarp CoE VC Primary School	Jan 2020
Primary	Ian Clennan	Selby Community Primary School	Dec 2017
Primary	Rachel Wells	West Heslerton CE Primary School	Dec 2017
Primary	Ian Yapp	Riverside Community Primary School	Jan 2018
Primary	David Barber	Hambleton CoE Primary School	Aug 2019
Primary	Robert Campbell	Leeming RAF Community Primary School	May 2020
Primary	Jillian Baker	Barlby Community Primary School	May 2020
Primary	Vacancy		
Secondary	Vacancy		
Secondary	Mark McCandless	Ryedale School	May 2018
Secondary (IP Chair)	Rob Pritchard	St John Fisher Catholic High School	Apr 2019
Secondary	Vacancy		
Secondary	Vacancy		
Special	Marianne Best	Welburn Hall	Sept 2020
Nursery	Jane Pepper	Childhaven Nursery	Aug 2019
<b>School Governors (8)</b>			
Primary	Vacancy		
Primary	Vacancy		
Primary	Ken Blackwood	Appleton Wiske Primary School	Oct 2019
Primary	Jim Martin	Newby and Scalby Primary School	Nov 2017
Primary	Geoff Archer	Applegarth Primary School	Apr 2019
Secondary	Vacancy		
Secondary	Vacancy		
Secondary	Gerry Price	Bedale High School	Apr 2019
<b>Academy Representatives (6)</b>			
Primary	Helen Flynn	Hookstone Chase Primary School	Jan 2021
Secondary	John Barker	Skipton Girls' High School	Dec 2017
Secondary	Catherine Brooker	Stokesley School	Jan 2021

Special	Annette Fearn	The Woodlands Special School	Aug 2019
PRS	Catherine Farrell	The Grove Academy	Aug 2019

<b>Pupil Referral Service Representative (1)</b>			
PRS	Les Bell	Selby PRS	Oct 2018

<b>Non-Schools Members (6)</b>			
Early Years	Vacancy		
RC Diocese	Vacancy		
CoE Diocese	Vacancy		
Unison	Stella Smethurst		Dec 2016
Teachers Unions	Chris Head		Dec 2019
16-19 Providers	Debra Forsythe-Conroy	Harrogate College	Aug 2018

<b>Observers (4)</b>		
County Councillor	Arthur Barker	Lead Member for schools, 16-19 year old education and early years provision
County Councillor	Janet Sanderson	Lead Member for children's services, special needs, youth justice, youth service and adult education
EFA Observer	Keith Howkins	Education Funding Agency
	Stephen Payne	Teachers' Association
	Wendy Ripley	Chair – Primary Improvement Partnership

Vacancy Update:

Primary headteachers – 1

Secondary headteachers – 3

Primary governor – 2

Secondary governor – 2

Non-schools vacancies - 3



## NORTH YORKSHIRE EDUCATION PARTNERSHIP

<b>Date of meeting:</b>	
<b>Title of report:</b>	<b>Minutes of the Education Partnership – 16 November 2016</b>
<b>Type of report:</b>	For information only
<b>Executive summary:</b> Including reason for submission	The minutes of the previous meeting of the North Yorkshire Education Partnership are presented for approval.
<b>Budget / Risk implications:</b>	N/A
<b>Recommendations:</b>	The minutes are approved as an accurate record.
<b>Voting requirements:</b>	N/A
<b>Appendices:</b> To be attached	N/A
<b>Report originator and contact details:</b>	Marion Sadler – Clerk to the NYEP Tel: 01609 532234 E-mail: <a href="mailto:marion.sadler@northyorks.gov.uk">marion.sadler@northyorks.gov.uk</a>
<b>Presenting officer:</b> If not the originator	N/A

**PRESENT:**

<b>Chair:</b>	Carl Sugden
<b>Primary Headteachers:</b>	Ian Clennan, Robert Campbell, Jillian Baker, Ian Yapp
<b>Secondary Headteachers:</b>	Mark McCandless
<b>Nursery Headteacher:</b>	Jane Pepper
<b>Special Headteacher:</b>	Marianne Best
<b>Pupil Referral Service:</b>	Les Bell
<b>Academies:</b>	Andy Bayston, John Barker
<b>Governors:</b>	Geoff Archer, Helen Flynn, Gerry Price, Jim Martin, Rosemary Rees
<b>Early Years Providers:</b>	-
<b>16-19 Providers:</b>	-
<b>Diocesan Representatives:</b>	-
<b>Trade Unions:</b>	Chris Head
<b>Observers:</b>	Cllr Arthur Barker, Cllr Janet Sanderson, Stephen Payne
<b>In Attendance:</b>	Pete Dwyer, Anton Hodge, Jill Hodges, Carolyn Bird, Sally Dunn, Suzanne Firth, Andrea Sedgewick, Marion Sadler, Paul Brennan
<b>Apologies:</b>	Tammy Cooper, David Barber, Catherine Farrell, Annette Fearn, Debra Forsythe-Conroy, Gill Hunton, Rob Pritchard, Wendy Ripley, Stella Smethurst, Rachel Wells, Wendy Jemison

**685: WELCOME**

The Chair welcomed everyone to the meeting.

**686: MEMBERSHIP OF THE EDUCATION PARTNERSHIP**

The following resignations were noted: Carl Sugden, Rosemary Rees, Michele Costello, Gill Hunton. The Chair expressed thanks for their significant contribution to the work of the Education Partnership during their time as members.

It was noted that there were now vacancies for headteachers, governors and diocesan authorities. It was noted that Andy Bayston was in attendance as an Academy representative and that Helen Flynn, following academy conversion of her school, would also remain on the Partnership. Work was progressing to reassess the proportional representation of the Partnership prior to filling of vacancies and pending

discussion of item 2.2 on the agenda regarding future strategic education partnership arrangements.

Pete Dwyer informed the Partnership that Carolyn Bird, Assistant Director – Strategy & Commissioning and Jill Hodges, Assistant Director – Education & Skills, would be taking early retirement in the near future and thanked both for their significant contribution to the Children and Young People’s Service and improving outcomes for children and young people. Paul Brennan was introduced as the new Assistant Director, Education & Skills and would take up post in the Spring thus demonstrating the importance with which education continued to be viewed by the Council at a time of significant national change. A further review of Assistant Director portfolios would follow.

**687: MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the minutes of the previous meeting be agreed.

**688: MATTERS ARISING**

There were no matters arising.

**689: NOTIFICATION OF OTHER URGENT BUSINESS**

There were no notifications of other urgent business for consideration.

**690: SCHOOLS THAT WORK FOR EVERYONE**

CONSIDERED: report, presented by Carolyn Bird, providing an update on the contents of the Green Paper “Schools that work for everyone” and seeking views on the Authority’s proposed response to the DfE consultation.

It was noted that the Green Paper, published on 12 September 2016, set out a number of proposals including:

- expansion of existing and/or creation of new grammar school places
- greater involvement of the independent school sector with state schools, including the setting up of free schools or academy sponsorship and bursaries to “those who are insufficiently wealthy”
- requirement on those Universities who wish to charge higher tuition fee levels to sponsor an academy or set up a free school
- Removal of 50% limit on faith based admissions

A factual amendment to the report was made to paragraph 4.4 in that, at the time of writing of the report, the Authority was not aware of any proposals but subsequently Skipton Girls High School had launched a consultation on moving to a five form entry alongside a proposal from Ermysted’s Grammar School to increase their PAN by seven. Priority would be given to children from disadvantaged backgrounds.

John Barker raised an objection on the grounds that he felt it inappropriate to request that the Partnership express a collective view on what was potentially a divisive issue was noted. He indicated that the Partnership’s role should be encouraging individual schools to respond to the consultation. Carolyn Bird clarified that a collective view was not being sought but rather the views of the Partnership were sought to help inform the LA’s response to the consultation. Pete Dwyer confirmed that, as part of the Partnership’s expanded role, the LA was keen to seek their views as to how provision for young people could be improved. There was no criticism of existing arrangements within the report rather views were sought on a critical national debate.

Helen Flynn said that it was important to remain focused on place planning and how these proposals could have implications on the effectiveness of having a strategic approach to school places. She would welcome a modelling exercise as to how the proposals could potentially cause problems with the overall strategic planning of



places. Chris Head, on behalf of the Teachers' Panel, indicated that he did not support the proposals within the Green Paper and that government's focus should be on good schools for all rather than on segregation by selection. Rosemary Rees supported the view expressed by Helen Flynn given the demography of the County, rising rolls and funding changes and felt it was the role of the Partnership to determine how it could best ensure sufficient high quality provision in the round was available for all children and young people in the County. Andy Bayston expressed support for this view and stressed that the strength of North Yorkshire was its eclectic mix of schools with all good/outstanding schools supporting those which required improvement to become good/outstanding.

The Chair asked Partnership members whether discussion should be about how views could feed into a County Council response. Pete Dwyer suggested that officers be asked to draft a Local Authority response reflecting some of the views expressed. Cllr Barker made reference to the Motion passed at County Council on 9 November 2016 whereby it welcomed the government's commitments to improved outcomes and called on government to pursue these through existing policies to enable all schools to be good/outstanding and through Opportunities Area initiatives rather than the expansion of grammar schools. This was overwhelmingly supported by Council Members. The Motion would be submitted to government.

RESOLVED: that LA officers produce a draft response to the consultation, with inclusion of those views on which there was consensus, and the draft be shared with Partnership members for information.

#### **691: IMPLICATIONS OF THE EDUCATION WHITE PAPER AND SUBSEQUENT ANNOUNCEMENTS**

CONSIDERED: report, presented by Carolyn Bird,

- a) advising the Partnership of actions taken following publication of the White Paper and subsequent announcements, including the likely timetable for any legislative changes;
- b) inviting discussion and views on the potential for the development of a North Yorkshire Learning Trust and implications for the work of the Partnership within a changed context.

It was noted that for the vast majority of schools there was not a need to rush into any changed structural arrangements given the announcement that further legislation would not be brought forward within this parliamentary session. There was reference to the development of a Leeds/York Diocesan Northern MAT. There would continue to be an important strategic role for the Local Authority in future and the outcome of the Alan Wood Review was expected early in the New Year. Given the breadth of strategic partnership working in North Yorkshire and the changing educational landscape, proposals to create a coherent, holistic strategic forum (North Yorkshire Learning Trust) were being developed and the views of Partnership Members were requested.

In response, the following views were expressed:

- Consensus that a facilitated workshop to develop thinking further would be beneficial
- Given the level of commitment which would be required from other stakeholders, invitations should be extended to wider stakeholders outside North Yorkshire Education Partnership and should include representation from the Diocesan and employers

- Some concern about possible difficulties in relationships concerning Diocesan position around church schools within MATs linked to Memorandum of Understanding between National Society and DfE
- Membership of the Trust would be dependent on its purpose: if focus was on outcomes in general terms then skills input via employer representation would be critical
- Future arrangements would need to be light footed and flexible given rapid pace of change and adaptive to new landscapes and functions. The growth and possible future repositioning/divorce of MAT arrangements may cause turbulence in the system. A new Partnership arrangement could give overarching support, challenge and coherence focussed on geography/place.

Anton Hodge confirmed that whichever successor body undertook the functions of the school forum, the Partnership needed to be mindful that within the school funding consultation proposals there was a gradual reduction in local decision making regarding funding formulas and central budgets but a greater focus for the forum in future on high needs funding. Although some of the detail around local flexibility may change it was unlikely that the overarching move to a national funding methodology would not be progressed given the stated commitments made by previous and current Secretaries of State.

Pete Dwyer said that whilst academy sponsorship proposals had been put forward previously, which had been rejected by RSC in favour of alternative sponsor solutions, there should not be a defensiveness about the growth of academies in the County. It was critical, however, that there was awareness of the risks of incoherence around geography or place and the potential to create a system which made conversations about place and/or local identity more difficult and fragmented. He indicated that the LA very much welcomed the creation of a body which embodied and enhanced work with schools, the LEP and others, in a holistic way, across the geographic footprint of the County. Discussion should therefore be focussed on its membership/representation and associated delivery arrangements.

Andy Bayston said that there had been MAT rebrokerage situations for both positive and other reasons and that the levels of rebrokerage were often overstated in the media. He said he would welcome clarity about the status of the body (eg charitable company with trust status, a representative partnership etc). Pete Dwyer indicated that currently the thinking was not that developed and the pros and cons of different governance structures would be considered.

Geoff Archer felt that the proposal to hold a workshop was sensible but asked that consideration be given as to timing given that the outcomes of the consultation on the Green Paper would still be awaited amidst a constantly changing educational landscape.

Carolyn Bird confirmed that the proposal was to suggest the holding of a workshop. It was not the intention that a final proposal would be available following initial workshop discussion rather that developments would then take some months to move forward alongside parallel developments nationally.

RESOLVED: that an externally facilitated workshop be developed with invitations sent not only to the partnership representatives but also to other stakeholders. Potential dates to be circulated as soon as possible.

## **692: PERFORMANCE UPDATE AND IMPROVEMENT PARTNERSHIP REPORTS**

CONSIDERED: report, presented by Jill Hodges, providing an update on the work of the four Improvement Partnership Boards, including priorities together with the impact of individual projects commissioned via the Improvement Partnership funding.

The consensus of the Partnership was that it would be helpful if future reports described more clearly how outcomes had been improved together with impacts which have influenced young people rather than a description of activity undertaken. This should particularly be the case where significant sums of expenditure had been invested.

The Chair enquired as to how the Improvement Partnerships would evaluate impact and whether desired outcomes had been met in respect of individual projects. Jill Hodges confirmed that this would be the discussion at the Improvement Partnerships' next round of meetings. A report would be produced evaluating impact and difference made to be discussed by the Improvement Partnership Boards prior to release of year 2 funding. Improvement Plans were in place for each of the Boards. The report to the next meeting of the North Yorkshire Education Partnership would include a summary of the development plans and evaluation of impact of work to date together with priorities for the future including a summary of cost/impact analysis alongside development plans.

Andy Bayston said that, in relation to primary teaching schools, the possibility to distribute the next allocation of funding on a needs basis or on a desire to increase level of work would be beneficial rather than allocating the funding as a blanket amount across all teaching schools. Jill Hodges indicated that an analysis of 2016/17 expenditure would be undertaken to help inform appropriate funding levels for year 2.

**693: SCARBOROUGH OPPORTUNITIES AREA AND THE SCARBOROUGH PLEDGE**

CONSIDERED: report, presented by Pete Dwyer, providing an update on the recent Secretary of State announcement regarding the Opportunity Areas initiative.

There were six areas being progressed in the first phase, including Scarborough district, with £6M investment over three years to improve children and young people's life outcomes. The Scarborough Opportunities Area would include Whitby and Filey areas also. A holistic approach involving early years, schools, further and higher education and employers would be adopted building on the strong foundations of the Scarborough Pledge work.

A planning workshop was to be held on 7 December to develop the delivery plan from April 2017 although there was DfE agreement that some elements of the Scarborough Pledge already in place should be enhanced and/or widened from January 2017.

There would be further discussion as to whether the Pledge methodology could be extended to other areas of the County. The approach by government to the LA was to be welcomed, given the direction of travel with regard to the LA's future role in school improvement.

Rosemary Rees enquired whether the Education Services Grant, which covered the LA's role in school improvement, would be returned to the LA given previous indications that local authorities would "step aside" from school improvement from September 2017. PD confirmed that the LGA and others were lobbying government for this funding to continue to remain with the LA rather than cease from August 2017. Clarity about future funding arrangements was awaited.

Andy Bayston welcomed the Scarborough Opportunities Fund designation and congratulated the LA on the quality of the work around the Pledge which had enabled Scarborough to be one of the first six authorities. Jane Pepper welcomed the initiative particularly given structural factors on the coast which made improved outcomes more challenging. Excellent work had been done through the Scarborough Pledge which had provided the additional capacity to drive improvement forward.

Jill Hodges reflected on the progress made following the Scarborough Education Summit which had put the LA in a strong starting position to make early progress in delivering the aspirations of the Opportunities Areas initiative. This programme would offer opportunities across the whole spectrum from early years to higher education accessing several national programmes to supplement local provision. It would also be possible to look at extending the Scarborough Pledge methodology and framework to other areas.

#### **694: NATIONAL FUNDING CONSULTATION**

CONSIDERED: report, presented by Anton Hodge, providing an update on the school funding position for 2017-18 in relation to

- requests for exceptions to the formula
- Income Deprivation Affecting Children Index (IDACI) formula developments
- Prior attainment formula developments
- school budget pressures for 2017-18;

and seeking views and appropriate approvals, in principle, for certain Schools Block budgets in 2017-18 pending clarification from the Department for Education.

RESOLVED: that

1. the update on school funding be noted together with concerns about the lack of clarity due to the non-publication of key information, impacting on school and LA budgets from 2017, by the Department for Education at the time of the meeting.
2. the 2017/18 exceptions to the formula as set out in section 4.0 of the report, which will be submitted to the DfE, be approved unanimously
3. the current approach of using weighted numbers be retained for a further 12 months (carried with 6 in favour of retention, 4 against 2 abstentions)
4. the 'Model 10' approach be adopted for the calculation of the 2017-18 school budgets (carried with 10 in favour, 1 vote against and 1 abstention)
5. the budget pressures facing schools in 2017-18 be noted.
6. pending on any further information, the dedelegated and centrally managed historic commitments budgets set out in 8.4 of the report continue to be supported in 2017-18
7. in the absence of further information from DfE at this stage, any residual ESG funding allocated through the DSG be used to support the responsibilities set out in section 8.5 of the report.

#### **695: EARLY YEARS FUNDING UPDATE**

CONSIDERED: report, presented by Anton Hodge, Sally Dunn and Andrea Sedgewick, providing an update on work undertaken to date in relation to the proposals contained within the DfE consultation "An Early Years National Funding Formula" and seeking views on possible options for the implementation of the new early years funding rate together with potential use of the early years reserve to support the process.

Anton Hodge briefed the Partnership on the proposal from East Riding via the F40 Group that there be a national floor level for funding of £4.90 which would be supported by North Yorkshire. Andrea Sedgewick fed back from recent meetings with providers who had indicated that provision would not be sustainable at the proposed national rates. There was no market indicator as yet with regard to take up of 30 hour entitlement. Anton Hodge confirmed that the early years reserve was not part of the

DSG schools reserve. There needed to be further consideration as to the best use of reserves both for schools and early years to offset transitional arrangements.

There was discussion of Options 2 and 3.

RESOLVED: that

1. the work undertaken in relation to the proposed change to early years funding for 2017-18 be noted.
2. Option 3 be agreed for 2017-18
3. the momentum of lobbying government through all channels to influence the decision regarding early years funding levels and to provide clarity around 15 hours entitlement be maintained.

#### **696: HIGH NEEDS FUNDING**

CONSIDERED: report, presented by Anton Hodge, setting out the current position with regard to High Needs funding in North Yorkshire and work in progress to review the impact of the Resource Allocation System in order to agree local methodology for 2017/18. A further report would be brought back to the Education Partnership for consideration at its next meeting on 26 January 2017.

RESOLVED: that the report be noted.

#### **697: TRADED SERVICES PANEL**

Ian Yapp gave a verbal update on the recent meeting of the Panel and undertook to circulate the minutes of the now renamed Customer Reference Group. Points to note included:

- Work to analyse performance intelligence data and customer feedback of individual traded services
- Forward planning for further development of traded services.

Given the refocus of the group it may be necessary for the Partnership to receive an annual financial report from the SmartSolutions Board. AH confirmed this would be possible and that a high level summary of accounts was also included within the County Council's accounts statement.

#### **698: ANY OTHER BUSINESS**

Pete Dwyer reported on the contribution made to the national initiative regarding unaccompanied asylum seekers. A welcome centre had been established to undertake assessments and planning before a more permanent placement was identified for individual young people.

#### **699: FUTURE MEETINGS**

26 January 2017

15 March 2017

25 May 2017

14 September 2017

19 October 2017

<b>Date of meeting:</b>	Thursday 26 January 2017
<b>Title of report:</b>	<b>School Budgets 2017-18: The Schools Block</b>
<b>Type of report:</b> Delete as required	For decision
<b>Executive summary:</b> Including reason for submission	<p>This paper sets out the planned expenditure on the Schools Block Budget in 2017-18. The largest part of this budget is delegated funding to schools and there are a number of options which the Partnership is asked to consider to enable final decisions to be taken. Some of these were discussed at the meetings in Autumn 2017, but a recommendation is also sought on an issue which has arisen since then concerning the funding through IDACI.</p> <p>The paper also suggests the use of one-off reserves to fund additional pupil numbers which will arise in-year and will not be funded by the DfE in 2017-18.</p> <p>Changes in Centrally-managed budgets are also set out, showing the additional delegation of £1.955m to schools in 2017-18</p>
<b>Budget / Risk implications:</b>	
<b>Recommendations:</b>	That the North Yorkshire Education Partnership agrees the recommendations as set out in section 6
<b>Voting requirements:</b>	Schools only
<b>Appendices:</b> To be attached	
<b>Report originator and contact details:</b>	Anton Hodge, Assistant Director – Strategic Resources <a href="mailto:anton.hodge@northyorks.gov.uk">anton.hodge@northyorks.gov.uk</a> 01609 532118
<b>Presenting officer:</b> If not the originator	Anton Hodge and Sally Dunn

## 1 PURPOSE OF THE REPORT

- 1.1 This paper sets out the planned expenditure on the Schools Block Budget in 2017-18. At the Partnership meeting in November, it was noted that at that stage there had been no further announcements from DfE about funding for 2017-18 (other than the consultation on Early Years) and this had delayed the normal budget planning process.
- 1.2 The NYEP was therefore asked to take some decisions, based on assumptions, to facilitate preparations and calculations for the 2017-18 budget.
- 1.3 This paper builds on those decisions and takes into account further information received, and work undertaken, following the November meeting.

## 2 DSG Allocations 2017-18

- 2.1 The DSG is made up of three main blocks (Schools, High Needs and Early Years). In November 2016 the Partnership considered the impact of the DfE producing new baseline figures for the 2016-17 DSG.
- 2.2 The amount subsequently confirmed (at this stage) for 2017-18 is in line with expectations. Overall there has been an increase in the baseline figure of £9.7m to £405m. This is due to four factors:

- increased pupil numbers in the mainstream schools, as illustrated below:

Pri	1,993
Sec	<u>74</u>
Total	<u><u>2,067</u></u>

- changes to Early Years funding particularly for increased entitlement to 30 hours from September for children with working parents and transitional protection for nursery schools as part of the introduction of new funding arrangements from April 2017
  - Transfer of Post-16 funding in the base to High Needs (although this comes with matched costs) and recognition of pressures across the country
  - Transfer of the “retained duties” element of the Education Services Grant to the DSG
- 2.3 There has been no increase to the 2016-17 funding rate per pupil and therefore schools and other DSG-funded budgets remain under pressure.
  - 2.4 In summary therefore, the change in DSG (before deductions for Academies and other direct funding of High Needs Places by the Education Funding Agency) shows:

School Budgets 2017-18: The Schools Block

	<b>£000</b>
2016-17 base	395,245
Education Services Grant - allocated to DSG	1,216
Changes in 2 yr old funding - population	329
Changes in 3&4 yr old funding - 15 hours per week	-45
Early Years Pupil Premium	-54
Changes in 3&4 yr old funding - 30 hours per week	4,121
Transitional funding for nursery schools	282
Early Years Disability Access Fund	105
Primary and Secondary schools - population	2,067
High Needs - additional responsibilities (Post 16)	762
High Needs - funding for pressures	958
	404,987

(These figures include estimates for Early Years Pupil Premium and other Early Years funding.)

2.5 The final allocation is dependent on final early years numbers and academy recoupment and therefore the total DSG will change throughout the financial year.

2.6 The initial allocation of the funding to each of the three blocks is as below:

<b>NYCC Split</b>	<b>Schools</b>	<b>High Needs</b>	<b>Early Years</b>	<b>Total</b>
2016-17 baseline	325,506	46,182	23,558	395,246
ESG – Retained Duties	1,216			1,216
Post-16 High Needs		762		762
Increase in pupil numbers	2,067		285	2,351
High Needs Adjustments		958		958
Early Years Adjustments			4,454	4,454
2017-18	328,789	47,902	28,296	404,987
High Needs Recoupment		-3,312		-3,312
Initial DSG after HN Recoupment	328,789	44,590	28,296	401,675



### 3.0 Proposed Changes for 2017-18

#### Education Services Grant

3.1 The Education Services Grant contains two elements. The first is for Retained Duties of the LA for all schools and academies and is a flat rate of £15 per pupil. This covers funding for the responsibilities set out below. The descriptions which follow are from the DfE:

- Asset management: The retained duties ESG rate that local authorities currently receive is in part intended to reflect the fact that they hold responsibilities under this heading for all schools. These include expenditure in relation to the management of the authority's capital programme and negotiation and management of private finance transactions.
- Education welfare: Local authorities currently receive ESG funding for education welfare services. This includes attendance services and prosecutions, tracking children missing education, and undertaking licensing and registration responsibilities in respect of child employment and engagement in performances. Local authorities will continue to have a strong and important role in ensuring educational needs are catered for, and acting as champions for parents, families and vulnerable pupils.
- Statutory and regulatory duties: The LA must appoint a Director of Children's Services (section 18, Children Act 2004) and strategically plan for its education service (sections 13 to 15B, Education Act 1996). It must also prepare revenue budgets: information on income and expenditure relating to education, for incorporation into the authority's annual statement of accounts; and the external audit of grant claims and returns relating to education (Local Government Act 1972); and perform internal audit and other tasks necessary for the discharge of the authority's chief finance officer's responsibilities under section 151, Local Government Act 1972. There are also responsibilities relating to the provision of information to or at the request of the Secretary of State (section 29, Education Act 1996). Although the March consultation talked about reducing some of these roles, it also noted that  
*"Many of these statutory duties, however, remain an ongoing part of the local authority's role."*

3.2 This amount (£1,215k in North Yorkshire) has transferred from the Council budget to the DSG and can continue to be used to support such statutory duties. At the meeting in November 2016, the Partnership agreed that this funding would continue to support the responsibilities set out above.

3.3 The second general element is an amount of £77 per pupil (in 2016-17) which is allocated to academies or LAs (to cover services for LA-Maintained schools). This is funding to cover the following:

- School Improvement, including monitoring national curriculum assessment
- Education Welfare: in addition to those for those duties relating to all schools set out above, the LA also has the right to inspect school registers (Education (Pupil Registration) (England) Regulations 2006).
- Asset Management: The current ESG general funding rate is intended to include expenditure on asset management responsibilities that authorities

**School Budgets 2017-18: The Schools Block**

- hold only for maintained schools, such as contracts and landlord premises functions.
- Statutory and regulatory duties: in addition to those for all schools, set out above, the LA also has certain responsibilities around Finance, Human Resources, Religious Education, Equalities, Health and Safety and School Companies
  - Premature Retirement/Redundancy Costs
  - Other Central Support Services, including music, outdoor education and pupil support
- 3.4 As expected, the DfE has confirmed that this amount will be paid at a reduced rate – outside the DSG – to LAs and academies, but will cease from September 2017.
- 3.5 The DfE has previously said that it would “*amend regulations to allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG*”
- 3.6 This has now been confirmed. However, NYCC is not bringing forward a proposal to top-slice the DSG to fund such duties. These services will continue but it does not seem appropriate to top-slice school budgets to remove funds that have not been allocated to schools. The Council has been expecting this removal of funding to meet government spending requirements and has planned that into its Medium Term Financial Strategy.

**Central Budgets – Historic Commitments**

- 3.7 In November, the Partnership also considered the issue of centrally-managed budgets in the Schools Block, and in particular, the potential impact of the proposed National Funding Formula (NFF). Although the DfE’s July announcement confirmed a pause in the implementation of new NFF arrangements until April 2018, it also suggested that the proposed restrictions on local-decision making regarding non-delegated budgets would begin to take effect from next April. However in the absence of any further information for the DfE at that point, the Partnership agreed that the treatment of such budgets would continue in 2017-18 as previously.
- 3.8 The November report to NYEP also noted that any change in their guidance would have real implications for these services and staff from that date.
- 3.9 In December 2016, the DfE issued further guidance around these budgets and the impact of this is that a number of the centrally-managed budgets will have to be delegated to schools in April 2017, along with the responsibility of meeting any costs associated with them. A summary of these budgets and the proposed method of delegation is shown below:

School Budgets 2017-18: The Schools Block

Item	Impact	Amount £'000	Method of Delegation
Outdoor Learning	The service will be looking to revise its offer to schools from 2018-19 to incorporate the impact of additional delegation	389	AWPU (£189k) + FSM (£200k)
Finance Team	This will be a responsibility funded from retained duties in 2017-18 with further review in 2018-19, depending on NFF proposals	29	AWPU
Property Service (Incl. Arboricultural)	This will be a responsibility funded from retained duties in 2017-18 with further review in 2018-19, depending on NFF proposals	332	AWPU
Asbestos Removal	Further details to be considered in March, but with eventual cost to schools of this responsibility	261	AWPU
Broadband	Temporary funding to be used to continue to subsidise schools until 2019. Further details/options to be brought to NYEP in due course	770	AWPU
IMPULSE System	Cost to be picked up by LA	90	AWPU
Operational overheads associated with services	Cost to be picked up by LA	84	AWPU
<b>Total New Delegation</b>		<b>1,955</b>	

3.10 This means that the following budgets will continue to be de-delegated in 2017-18 (although the current NFF proposals would mean delegation of these in April 2018):

De-delegated budgets (£000s)

Schools in Financial Difficulty	655
Unreasonable School Expenditure	85
Behaviour Support Services	199
Ethnic Minority Support	917
Free School Meals Eligibility	18
Trade Union Costs	105
	<u>1,978</u>

**School Budgets 2017-18: The Schools Block**

- 3.11 The only former historic commitment which can continue to be centrally-managed is the Prevention Service (£1,788k). This is classified as a combined budget historic commitment with an educational benefit and supports a service for all schools and academies.
- 3.12 Other central budgets will, under the NFF proposals, transfer into a new non-delegated Central Schools Services Block and will therefore continue in 2017-18 as previously. In North Yorkshire these are (£000s):

Commissioning of Services	57
Strategic Support	11
School Admissions	790
Schools Forum	100
Copyright Licences	466
Falling rolls	301
Pupil growth	201
	<hr/>
	1,926
	<hr/>
	<hr/>

- 3.13 Therefore the changes for 2017-18 mean that an additional £1.955m will be delegated to schools. A full summary of the 2017-18 Schools Block is included in section 4.4.

Delegated Budgets: Prior Attainment

- 3.14 At the November meeting, the Education Partnership decided to continue to apply a downward weighting to the results from the Early Years Foundation Stage Profile introduced on 2013.
- 3.15 The 2016 KS2 assessments are the first which assess the new more challenging national curriculum. At a national level, a higher number of the Year 7 cohort in the 2017-18 financial year will be identified as having low prior attainment. The DfE has applied a national weighting to ensure that this cohort does not have a disproportionate influence. The weighting of Year 7 has been confirmed at 48.02%. The weighting cannot be changed, but Local Authorities will be able to adjust their secondary low prior attainment unit value if deemed appropriate. An update on the North Yorkshire secondary low prior attainment unit values will be provided at the meeting.

Delegated Budgets: Index of Deprivation Affecting Children Index (IDACI)

- 3.16 At the November meeting of the Education Partnership a review of the IDACI band values used within North Yorkshire was agreed. The current values of the different IDACI bands used in North Yorkshire were determined a number of years ago, at a time when the "Least Worst" formula option was adopted in order to minimise the overall turbulence in school funding. This approach created some anomalies which resulted in funding values attached to the IDACI bands that do not necessarily correlate to the level of deprivation. The Partnership decided to adopt a combined

**School Budgets 2017-18: The Schools Block**

methodology for 2017/18 which amended both deprivation and AWPU funding to achieve correlation in the IDACI band values.

- 3.17 In addition to the local North Yorkshire band value changes for 2017-18, the DfE has considered the turbulence caused by the national update to the IDACI dataset undertaken last year which showed a markedly different distribution to the 2010 dataset. The DfE has updated the band methodology for 2017-18 to “a roughly similar size (in terms of the proportion of pupils in each band) as in 2015-16.” The new IDACI band methodology is detailed in the table below:

Bands used in 2015-16 and 2016-17	IDACI score	% pupils in each band (2015-16)	% pupils in each band (2016-17)	New bands for 2017-18	IDACI score	% pupils in each new band (2015 October census)
T	U	V	W	X	Y	Z
6	Between 0.60 and 1.00	3%	1%	A	Between 0.50 and 1.00	3%
5	Between 0.50 and 0.60	6%	3%	B	Between 0.40 and 0.50	8%
4	Between 0.40 and 0.50	10%	8%	C	Between 0.35 and 0.40	7%
3	Between 0.30 and 0.40	12%	14%	D	Between 0.30 and 0.35	8%
2	Between 0.25 and 0.30	7%	9%	E	Between 0.25 and 0.30	9%
1	Between 0.20 and 0.25	8%	10%	F	Between 0.20 and 0.25	10%
0	Less than 0.20	53%	56%	G	Less than 0.20	56%

- 3.18 The impact of the local and national changes to the IDACI bands for 2017-18 will be provided at the meeting.

Delegated Budgets: Exceptions (approved by the Secretary of State)

- 3.19 At the November meeting, the Education Partnership approved the following exceptions to the formula for 2017/18:
- Staynor Hall Community Primary Academy - a request to vary the pupil numbers for calculating the funding for 2017/18 to reflect that the school will not be operating a full number of year groups until September 2018. The variation will reflect the impact of an additional year group from September 2017. The intention is to use reserves for this.
  - Eskdale School & Caedmon College – a request to vary the pupil numbers for calculating funding for 2017/18 to reflect Eskdale School admitting Year 10 pupils in September 2017 which will impact on the pupil numbers at both Eskdale School and Caedmon College.

The DfE has confirmed the approval of the Secretary of State to these exceptions to the formula for 2017/18.

In addition to the above exceptions, the 2017/18 school formula funding calculation will also need to take account of Scarborough University Technical College not yet operating at full capacity with additional pupils being admitted from September 2017. This intention is to use reserves to fund this additional requirement.

School Budgets 2017-18: The Schools Block

Delegated Budgets: Sparsity Funding

- 3.20 At the time of writing we are currently finalising sparsity calculations and any changes will be reported at the meeting.

**4.0 Impact of Proposals**

- 4.1 At the time of writing, work is underway to allocate budgets to schools and other service areas. We are expecting budgets to be able to be sent to schools in the week before half term.
- 4.2 We hope, by the time of the meeting, to be able to report on the impact on the Minimum Funding Guarantee (MFG) and the “cap” for schools.
- 4.3 Overall pupil numbers have increased as higher numbers of younger children begin to make their way through the system. The financial impact of this over the last four years is shown below (figures in £000s):

	2013-14	2014-15	2015-16	2016-17	2017-18
Pri	3,557	1,041	1,119	1,833	1,993
Sec	-3,188	-3,141	-1,709	-261	74
Total	369	-2,099	-590	1,572	2,067

- 4.4 A full summary of the Schools Block in 2017-18, including a list of de-delegated and centrally-managed budgets is shown below.

ISB (delegated budgets)	321,950	97.9% <sup>1</sup>
Schools in Financial Difficulty	655	
Unreasonable School Expenditure	85	
Behaviour Support Services	199	
Ethnic Minority	917	
Free School Meals Eligibility	18	
Trade Union Costs	105	
	<u>1,978</u>	0.6% <sup>2</sup>
<u>Central Budgets</u>		
Prevention Service	1,720	
Commissioning of Services	57	
Strategic Support	11	
School Admissions	790	
Schools Forum	100	
Copyright Licences	466	

<sup>1</sup> This includes new delegation of £1.955m

<sup>2</sup> This figure will reduce if more schools convert to academy status

School Budgets 2017-18: The Schools Block

Falling rolls	301	
Pupil growth	201	
ESG – Retained Duties	1,215	
	<u>4,861</u>	1.5%
	<u><u>328,790</u></u>	

- 4.5 For comparison, in 2016-17 the split for 2016-17, adjusted to take account of change in ESG was:

	<b>2016-17</b>	
Delegated	317,892	97.3%
De-delegated	2,016	0.6%
Central	6,817	2.1%
	<u>326,725</u>	<u>100.0%</u>

## 5.0 Apprenticeship Levy

- 5.1 The Apprenticeship Levy is to be introduced on 6 April 2017 and will be payable by employers with pay bills in excess of £3m per year. The Levy will be charged at a rate of 0.5% of an employer's total pay bill with each employer receiving an allowance of £15,000 to offset against their Levy payment. HMRC will be responsible for its collection and management. In relation to community and voluntary controlled schools NYCC will be considered as the employer so the collective pay bill across the LA (including schools) would be taken as the qualifying figure for the Levy charge. A proportionate charge will be passed onto community and voluntary controlled schools via a recharge mechanism (still to be determined). The schools share of the NYCC levy will equate to approx. £1.4 million. The exceptions to this are foundation and voluntary aided schools, who typically employ their own staff and are considered to be separate employers. They will only pay the levy if their individual pay bill exceeds £3 million. These arrangements are also applied to academies (multi academy trusts are considered to be a single employer).
- 5.2 The Levy charges will be transferred to the employers Digital Apprenticeship Service account. Schools will be able to draw on this for funding apprenticeship training and assessment. The funds cannot be used for apprentice salaries and associated costs.
- 5.3 The application of the Apprenticeship Levy charge to schools is concerning in two respects. Firstly, it is unlikely that schools in North Yorkshire will, overall, be accessing the funding available from the Levy to the value of the £1.4 million contributed and therefore the Levy is simply a 'tax' on school budgets. Secondly, the Levy is inequitable in terms of how it is applied to the different classifications of school with it being applied to all community and voluntary controlled LA maintained schools but it is not applied to voluntary aided school, foundation schools and academies unless their pay bill is in excess on £3 million.

**6.0 Recommendations**

- 6.1 The North Yorkshire Education Partnership is asked to note the contents of this report and to agree the Schools Budget as presented in the summary in section 4.4. In particular the Partnership is asked to agree the proposed methods for new delegation, as set out at 3.9 above.

PETE DWYER

Corporate Director – Children and Young People’s Service



<b>Date of meeting:</b>	Thursday 26 <sup>th</sup> January 2017
<b>Title of report:</b>	<b>Early Years Funding Update</b>
<b>Type of report:</b> Delete as required	For information and decision
<b>Executive summary:</b> Including reason for submission	This report provides an overview of the DfE response to the Consultation 'An Early Years National Funding Formula'. The report also presents possible options for the implementation of the new early years funding rate which has been consulted on with all providers in North Yorkshire. The results of the consultation are detailed in the report along with recommendations for the 2017/18 funding rates.
<b>Budget / Risk implications:</b>	The DfE Consultation response and associated requirements for 2017/18 will have a significant impact on the sustainability of providers of early education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. There will also be an impact on the services provided by the council and there will be staffing implications
<b>Recommendations:</b>	The Education Partnership is asked to: <ul style="list-style-type: none"> <li>•To note the content of this report including the DfE response to the Consultation 'An Early Years National Funding Formula', the resultant changes required and the impact on the Early Years sector within North Yorkshire and the responses received from providers to the local North Yorkshire Early Years funding consultation.</li> <li>•To support the 3 &amp; 4 years old funding rate recommendations for 2017/18 detailed in Section 7 of the Report</li> </ul>
<b>Voting Requirements</b>	
<b>Appendices:</b> To be attached	Appendix 1 – North Yorkshire Early Years Funding Consultation Document  Appendix 2 - A full list of comments received from respondents to the consultation.
<b>Report originator and contact details:</b>	Sally Dunn, Head of Finance – Schools & Early Years <a href="mailto:sally.dunn@northyorks.gov.uk">sally.dunn@northyorks.gov.uk</a>
<b>Presenting officer:</b>	Sally Dunn and Andrea Sedgewick

**Early Years Funding Update****1.0 PURPOSE OF THE REPORT**

1.1 This report provides an overview of the DfE response to their consultation ‘An Early Years National Funding Formula’ and the implications for Early Years Funding in North Yorkshire. The report also provides an overview of the funding consultation which has recently been undertaken with Early Years Providers in North Yorkshire and the associated responses received in order to inform the decision on the Early Years funding rates for 2017/18.

**2.0 BACKGROUND**

2.1 The DfE launched the consultation ‘An Early Years National Funding Formula’ on 11<sup>th</sup> August 2016 with responses required by 22<sup>nd</sup> September 2016. The key consultation proposals were:

- A universal hourly LA base rate of funding which reduced the funding rate for North Yorkshire from £4.31 per hour in 2016/17 to £4.09 per hour in 2017-18 to £3.97 per hour in 2018/19
- 93% of LA funding to be ‘passed through’ to providers in 2017-18 and 95% in 2018/19. The cost of central services provided to early years providers in 2016/17 for North Yorkshire is £2.17m and this equates to 10.6%
- Local authorities are required to set a universal base hourly funding rate for all providers by 2019/20. North Yorkshire currently has differential funding rates for the various categories of early years’ providers.
- The minimum funding guarantee protection which ensures that providers cannot currently lose more than 1.5% in their hourly funding rate will be removed.
- Funding for supplements e.g. deprivation, is deducted from the provider hourly funding base rate and is limited to 10% of the overall base funding rate.
- The proposals are to be implemented from April 2017.

2.3 The key concerns in relation to the impact of the proposals for North Yorkshire are:

- The NYCC historic spending priority on early years and the associated DSG funding level is effectively being redistributed to other parts of the country
- The proposed LA national funding formula does not reflect the factors impacting on the cost of early years provision in a large, rural area
- The impact of the reduced funding on the financial viability of providers against a background of significantly increasing costs
- The impact of reduced funding on provider engagement with the free early years education and childcare agenda
- The potential reduction / loss of central LA service provision to early years providers
- The impact on the quality of early years provision of reduced funding and reduction in free support from the LA
- The impact on Maintained Nursery Schools

2.4 Within North Yorkshire Early Years Providers, Elected Members and LA Officers made significant representation to the DfE, to local MPs and to the local and national media with regard to their concerns about the impact of the proposals on the early years sector within the County.

## Early Years Funding Update

2.5 The DfE response to the consultation was received on the 1<sup>st</sup> December 2016. The response sets out the new national arrangements for 3 and 4 year old funding which will require implementation from April 2017. The response also indicated an expectation that local authorities would consult with Early Years Providers on local funding rates before Christmas.

3.0 EARLY YEARS FUNDING CONSULTATION RESPONSE AND THE IMPACT ON EARLY YEARS FUNDING RATES IN NORTH YORKSHIRE

3.1 The DfE response to the consultation 'An Early Years National Funding Formula' was received on the 1<sup>st</sup> December 2016. The consultation response document and illustrative LA funding figures can be found at: <https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds> .The changes will be implemented in April 2017.

3.2 The DfE have confirmed that funding will be allocated to local authorities based on a national funding formula for the existing 3 & 4 year old 15 hour free entitlement and the additional 15 hour entitlement for 3 & 4 year olds of eligible working parents from September 2017. The allocation at Local Authority level – to produce the new Early Years Block of the DSG – will consist of an hourly funding rate constructed from the following:

- a universal base rate for each child
- an additional education needs factor (based on Free School Meal eligibility for KS1 and KS2 children, Disability Living Allowance and English as an additional language at KS1 and KS2)
- an Area Cost Adjustment (ACA) designed to reflect differences at local authority level in relation to staffing and premises costs. (The factor is based on the General Labour Market measure and rateable values of nursery premises).

This allocation will be the same for both the existing free 15 hour entitlement and the additional 15 hours for eligible children.

3.2 The DfE have confirmed transitional arrangements where no local authority will experience a reduction of greater than 10% compared to its 2016/17 baseline as a result of the introduction of the new formula. Annual funding reductions to local authority hourly rates are limited to 5%.

3.3 In addition to the transitional arrangements, the DfE have introduced **a minimum funding rate of at least £4.30 per hour** which guarantees all local authorities at least this level of funding. **The local authority funding rate for North Yorkshire will be at this level.** This is an improvement on the rates contained within the original consultation which were £4.09 per hour for 2017/18 and £3.97 per hour for 2018/19 for North Yorkshire.

Early Years Funding Update

- 3.4 It is important to note that the local authority hourly funding rate covers both the costs of provider funding and any central services delivered to early years' providers which are free at the point of delivery. The provider hourly funding rate will be lower than the local authority rate.
- 3.5 The local authority hourly funding rates (Table 1) and the hourly funding rate components (Table 2) for North Yorkshire along with the national average rates are detailed below. This shows that the current North Yorkshire average hourly rate for the Early Years Block is £4.31. This funds both the direct allocations to providers (£18,256k) and central support (£2,170k), with the entire Early Years Block (excluding 2-year-old funding and Early Years Pupil Premium) being £20,426k.

Table 1:

3 & 4 Year Old Hourly Funding Rate					
	<i>North Yorks. (Consultation Rates)</i>	<b>North Yorks. (Early Years National Funding Formula)</b>	National Average (Early Years National Funding Formula)	% Difference North Yorks. Funding Rate v National Average	% Reduction in North Yorks. funding rate compared to 2016-17
2016-17	£4.31	<b>£4.31</b>	£4.43	-2.71%	N/A
2017/18	£4.09	<b>£4.30</b>	£4.78	-11.16%	-0.23%
2018-19	£3.97	<b>£4.30</b>	£4.78	-11.16%	-0.23%

Table 2:

Hourly Funding Rate Factor	North Yorks. Hourly Funding Rate	National Average Hourly Funding Rate
Basic Hourly Rate	£3.74	£4.17
Free School Meals	£0.18	£0.38
English As An Additional Language	£0.01	£0.07
Disability Living Allowance	£0.04	£0.05
Min. Funding Rate Protection	£0.33	£0.06
Transitional Protection	£0.00	£0.05
Total	£4.30	£4.78

- 3.6 Whilst for North Yorkshire the increase in the hourly funding rate to £4.30 from the rates contained within the Consultation is welcome, it does need to be recognised that the rate is still a reduction on the current funding rate. It is also highly questionable as to whether the rate properly reflects the additional costs, both for providers and the local authority, of delivering early years' education and child care in a large rural area.

Early Years Funding Update

- 3.7 It also needs to be noted that the funding rate is likely to remain static for the next 3 years and in this respect both Early Years providers (including schools) and the local authority will face increasing financial pressure with service delivery costs, especially in relation to staffing, continuing to rise.
- 3.8 The DfE has confirmed the funding pass through rate to providers will be 93% in 2017/18 and 95% in 2018/19. Table 3 below provides details as to how this will impact in North Yorkshire (the information is based on the illustrative EYNFF Local Authority allocations (based on January 2016 data) contained within the DfE Consultation response)

Table 3

	2017/18 £'000	2018/19 £'000
<b>3&amp;4 Year Old Funding:</b>		
Universal Entitlement	20,381	20,381
Additional Entitlement	4,121	7,065
<b>Total</b>	<b>24,502</b>	<b>27,446</b>
<b>Required Pass Through Funding:</b>		
<b>2017/18 – 93%</b>	<b>22,787</b>	
<b>2018/19 – 95%</b>		<b>26.074</b>
<b>Funding Available for Centrally Managed Service Provision</b>	<b>1,715</b>	<b>1,372</b>

The funding retained for Centrally Managed Service provision in 2016/17 is £2,170k.

- 3.9 Local authorities will be required to set a universal rate where all provider types will receive the same base rate funding. This approach is to be implemented by no later than 2019-20. The North Yorkshire Education Partnership and the North Yorkshire Early Years Improvement Partnership have supported a recommendation to move to a universal funding rate across all providers in North Yorkshire from September 2017. Section 4 of this report provides possible options in relation to base funding rates which North Yorkshire Early Years Providers have been consulted on.
- 3.10 The Minimum Funding Guarantee protection for provider funding rates will be removed from April 2017.
- 3.11 Local authorities will be able to use funding supplements, with a total value capped at 10% of the allocated budget to Early Years providers. Supplement funding will need to be deducted from the universal base rate funding and will therefore result in a reduced minimum level of funding for providers. The permitted funding supplements are:
- Deprivation (mandatory)

**Early Years Funding Update**

- Rurality / sparsity (optional)
- Flexibility (optional)
- Quality – to support workforce qualifications and system leadership (optional)
- English as an additional language (optional)

The optional supplements for efficiency and for delivery of the additional 15 hours which were included in the Consultation will now not be available. In response to feedback from the Consultation, the DfE have introduced optional supplements for Quality and English as an Additional Language. Section 4 to this report provides possible options in relation to supplements and their associated funding levels.

- 3.12 A Disability Access Fund has been confirmed of £12.5 million. This will enable a fixed lump sum payment of £615 per year for each child in receipt of Disability Living Allowance to be paid to early years settings that are providing a free entitlement place for three and four year olds.
- 3.13 The DfE will require all local authorities to set up a SEN Inclusion Fund for three and four year olds from April 2017. Local authorities will be responsible for deciding the amount of funding which is allocated to the SEN Inclusion Fund and how the fund will be allocated to providers. There will be a requirement for local authorities to publish details of the eligibility criteria for accessing the Fund, the planned value of the Fund at the start of the year and the process for accessing the Fund as part of their 'Local Offer'. The DfE expect that the majority of the SEN Inclusion Fund will be allocated in the form of top grants for individual children; this funding will be counted as part of the pass through rate. Any funding from the Fund used to support central specialist SEN services will not be counted as part of the pass through rate and will be counted within the 7% / 5% centrally managed service funds retention allowance.
- 3.14 Additional supplementary funding for maintained nursery schools has been confirmed by the DfE of £55 million per year for the duration of this Parliament in order to provide stability in their funding during the implementation of the national funding formula.
- 3.15 The Early Years Pupil Premium will continue. The DfE have indicated that they will review the delivery mechanism of the Early Years Pupil Premium alongside the Disability Access Fund in the future
- 3.16 The local authority hourly funding rate for disadvantaged 2 year olds in North Yorkshire has been confirmed at £5.20 per hour for 2017/18. The new funding rate for eligible 2 year olds will be implemented from April 2017 and will be passed on to providers in full.

4.0 OPTIONS FOR THREE AND FOUR YEAR OLD FUNDING RATES FOR EARLY YEARS PROVIDERS IN NORTH YORKSHIRE

- 4.1 Within North Yorkshire differential funding rates are currently paid to early years providers for the free universal three and four year old 15 hour entitlement. The current rates are detailed in table 4 below:

Early Years Funding Update

Table 4:

Maintained Nursery School	£5.67
Maintained / Academy / Independent School Nursery Class	£4.16
Childminder	£5.56
Full Day Care	£3.92
Sessional	£3.76

- 4.1 At the November meetings of the North Yorkshire Education Partnership and the North Yorkshire Early Years Improvement Partnership consideration was given to possible implementation options for the new three and four year old funding rates in 2017/18. Based on the national DfE Consultation proposals both Partnerships agreed that it was appropriate to use funding from the Early Years Reserve to enable current funding rates to be retained for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017. This decision recognised:
- The timescales required for businesses to restructure their operations, if deemed possible, in order to respond to the funding reduction.
  - The level of disruption caused for children and parents if providers close or stop delivering funded provision mid academic year
  - The expectation from providers that the minimum funding guarantee mechanism would protect their funding levels.
- 4.2 The implementation of the funding floor rate of £4.30 does provide some improvement on the position within North Yorkshire when compared to the consultation proposals. However, it is still highly likely that the majority of providers will still see a reduction in their base rate of funding after the funding of supplements has been accounted for. In this respect, it is considered appropriate to recommend that this arrangement is still implemented but with a slight amendment that if the agreed universal base hourly funding rate is higher than the current provider funding rate, the universal hourly base funding rate will be paid for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017.
- 4.3 The DfE illustrative figures (based on January 2016 data) indicate a funding quantum of £22.787 million in 2017/18 and £26.074 million in 2018/19 to be passed through to providers. This funding relates to both the universal base rate funding and the supplement funding. Clearly there is a direct relationship between the two funding elements i.e. the higher the universal base rate funding, the lower the supplement funding available and vice versa.
- 4.4 Modelling has been undertaken to consider the possible options for the universal base provider funding rates for 2017/18 along with associated illustrative figures for 2018/19. This modelling includes:
- the implications (as per DfE estimates) of the implementation of the extended additional 15 hour entitlement for eligible three and four year olds from September 2017

**Early Years Funding Update**

- the limits of 7% in 2017/18 and 5% in 2018/19 on the funds able to be retained for the provision of centrally managed services to Early Years Providers.

Consideration of the models also has regard to:

- current three and four year old funding rates (Table 4 above);
- current levels of supplement funding used in North Yorkshire in relation to Deprivation and Sparsity. Table 5 below provides details of current supplement funding levels and, if these levels were maintained, how they could translate to the increase in funded hours from September 2017 with the introduction of the extended entitlement.
- the funding implications of using any additional optional supplements

Table 5:

	2016/17	2017/18	2018/19
3 & 4 Year Old Funded Hours	4,504,431	5,698,176	6,382,746
Deprivation Supplement - £ total	£404.8k	£512.8k	£574.4
Deprivation Supplement - £ / hour	£0.09/hour	£0.09/hour	£0.09/hour
Sparsity Supplement – £ total	£100k	£125.4k	£140.4k
Sparsity Supplement - £ / hour	£0.022/hour	£0.022/hour	£0.022/hour
Potential Supplement Funding Requirement (based on 2016/17 levels)	£504.8k	£638.2k	£714.8k

- 4.5 Three possible three and four year old funding rate options have been developed for consideration and have been used in the North Yorkshire consultation with Early Years Providers in relation to arrangements for 2017/18:

**Option 1**

A universal base funding rate of £3.85 per hour for all providers and an increase in the quantum of supplement funding available compared to 2016/17 levels. The available supplement funding would increase from £638.2k (based on 2016/17 levels – see table 5 above) to £849.0k.

This option enables greater scope in relation to the use of supplement funding in order to target funding towards providers who are delivering provision related to priorities supported by the funding supplements in operation. However, this is at the cost of the universal base funding rate.

The amount of funding required from the Early Years Reserve in order to provide transitional support to providers by retaining the current funding rates (where they are higher than the new universal base funding rate) until 31<sup>st</sup> August 2017 is £419.1k.

**Option 2**

A universal base funding rate of £3.88 per hour for all providers and a similar quantum of supplement funding available compared to 2016/17 levels. The available



**Early Years Funding Update**

supplement funding would be £678.1k compared to £638.2k (based on 2016/17 levels – see table 5 above).

This option enables supplement funding to continue at broadly current levels.

The amount of funding required from the Early Years Reserve in order to provide transitional support to providers by retaining the current funding rates (where they are higher than the new universal base funding rate) until 31<sup>st</sup> August 2017 is £377.4k.

**Option 3**

A universal base funding rate of £3.90 per hour for all providers and a reduction in the quantum of supplement funding available compared to 2016/17 levels. The available supplement funding reduce to £564.1k compared to £638.2k (based on 2016/17 levels – see table 5 above). The deprivation supplement funding based on 2016/17 levels is £512.8k (see table 5 above).

This option provides the highest universal base funding rate. However, this is likely to result in only allowing funding to be available for the mandatory deprivation funding supplement, assuming the current deprivation supplement funding quantum and payment profile is maintained.

The amount of funding required from the Early Years Reserve in order to provide transitional support to providers by retaining the current funding rates (where they are higher than the new universal base funding rate) until 31<sup>st</sup> August 2017 is £349.6k.

Table 6 below provides details of the options for 2017/18 along with illustrative potential figures for 2018/19. Further consultation would be required in 2017/18 to determine the actual funding rates for 2018/19.

Table 6:

	<b>2017/18</b>	<b>2018/19</b>
Pass Through Funding Quantum	£22,787,006	£26,073,517
Illustrative 3 & 4 Year Old Funded Hours (as per DfE)	5,698,176	6,382,746
<b>Option 1</b>		
2017/18 Universal Base Funding Rate - £3.85/Hour	£21,937,977	
2018/19 Universal Base Funding Rate - £3.93/Hour		£25,084,191
Supplement Funding	£849,029	£989,326
<b>Option 2</b>		
2017/18 Universal Base Funding Base Rate - £3.88/Hour	£22,108,922	
2018/19 Universal Base Funding Base Rate - £3.96/Hour		£25,275,674
Supplement Funding	£678,084	£797,843
<b>Option 3</b>		
2017/18 Universal Base Funding Base Rate - £3.90/Hour	£22,222,886	

Early Years Funding Update

2018/19 Universal Base Funding Base Rate - £3.98/Hour		£25,403,329
Supplement Funding	£564,120	£670,188

4.6 There is a mandatory requirement for deprivation supplement funding to be used in 2017/18. The DfE have indicated that local authorities should revise the metrics currently used for the allocation of this funding and consideration should be given to the use of more factors than income. The DfE make reference to Ofsted's recent report 'Unknown children – destined for disadvantage?' as a valuable source of helpful criteria. The methodology for the distribution of the deprivation funding supplement within North Yorkshire is currently a banded approach based on the deprivation level associated with the post codes of the children attending a particular setting.

4.7 The current criteria, funding rates and funding profile for the deprivation bands used in North Yorkshire are:

Band	IMD Score	Funding Per Hour	Total Funding £k	% of Total Funding
Band A	>34.17	£0.57	161.0	39.9
Band B	>20 <34.17	£0.10	73.8	18.3
Band C	>10 <20	£0.07	116.6	28.9
Band D	>10	£0.03	52.1	12.9

4.8 The allocation profile of deprivation funding within North Yorkshire to the different provider types for 2016/17 was as follows:

Provider Type:	Deprivation Funding £k	Band A %	Band B %	Band C %	Band D %
Maintained - Nursery Schools	16.8	17	30	29	24
Maintained - Nursery classes	128.9	9	22	38	31
Maintained - Pre-Reception classes	0.3	0	48	10	42
PVI – Academies	12.8	13	19	39	29
PVI - Independent Schools	12.0	2	7	45	46
PVI - Full Day care	145.9	5	16	37	42
PVI - Sessional care	73.5	3	12	40	45
PVI – Child Minders	13.3	5	16	44	35

4.10 In addition to the mandatory deprivation supplement, the DfE are permitting a number of other optional funding supplements to be used. These are:

- Rurality / sparsity
- Flexibility
- Quality – to support workforce qualifications and system leadership
- English as an additional language

Early Years Funding Update

4.11 Currently, within North Yorkshire, a Sparsity supplement is paid. The budget for this for the 2016/17 financial year is £100k. Sparsity funding is allocated to providers where there is no other similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider. In order to be awarded funding, the provider has to be projecting that they will be operating at a loss in the next 12 months without any sparsity funding and that they have less than 3 months operating costs within their reserves. The level of funding awarded is based on a financial assessment and there is a maximum award of £16k. Currently only 3 providers are receiving sparsity funding within North Yorkshire.

5.0 NORTH YORKSHIRE EARLY YEARS 3 & 4 YEAR OLD FUNDING CONSULTATION

5.1 The DfE indicated in their response to the national consultation received on the 1<sup>st</sup> December 2016 that they expected Local Authorities to consult before the Christmas break with Early Providers with regard to the funding rates for 2017/18. Within North Yorkshire initial discussions were undertaken with the Early Years Improvement Partnership on the 15<sup>th</sup> December 2016 in order to inform the content of the local consultation. The consultation was launched to providers on the 16<sup>th</sup> December 2016 with a closing date of 16<sup>th</sup> January 2017. A consultation meeting was held on the 11<sup>th</sup> January 2017 and 27 providers attended this meeting. Appendix 1 to this report provides a copy of the consultation document.

5.2 115 responses have been received to the local funding consultation from Early Years providers within North Yorkshire. The table below provides a summary of the responses received by provider:

Provider Type:	No. Responses Received	Total No. Providers	% Response Rate
Maintained - Nursery Schools	3	3	100%
Maintained – Nursery / Pre Reception classes	23	102	22.5%
PVI – Academies	5	9	55.6%
PVI - Independent Schools	2	15	13.3%
PVI - Full Day care	23	140	16.4%
PVI - Sessional care	29	136	21.3%
PVI – Child Minders	25	279	9.0%
<b>Total</b>	<b>110</b>	<b>684</b>	<b>16.1%</b>

A further 5 responses have been received from schools who do not currently offer early years provision.

5.3 In response to the universal funding rate question in the consultation, the majority of providers supported the rate of £3.90 per hours with approx. 70% of respondents choosing this option. Only 3.5% of respondents supported £3.85 per hour and 14.8% supported £3.88 per hour. The table below provides a summary of the responses received.

Early Years Funding Update

Type of Provider	Option 1 £3.85	Option 2 £3.88	Option 3 £3.90	No pref.	None Response	Total
PVI - Full Day Care			21	2		23
Maintained – Nursery / Pre Reception Classes		6	16	1		23
PVI - Sessional Care	2	7	19	1		29
PVI - Childminders		3	15	3	4	25
PVI - Independent Schools		1	1			2
Maintained - Nursery Schools	2		1			3
PVI - Academies			5			5
Primary Schools who do not currently offer early years provision			2	3		5
<b>Grand Total</b>	<b>4</b>	<b>17</b>	<b>80</b>	<b>10</b>	<b>4</b>	<b>115</b>
<b>% Option Response</b>	<b>3.5%</b>	<b>14.8%</b>	<b>69.5%</b>	<b>8.7%</b>	<b>3.5%</b>	<b>100%</b>

5.4 It is recommended that a universal base funding rate for 3 & 4 year olds of £3.90 per hour is implemented for 2017/18. This recommendation has regard to:

- The majority of providers responding to the consultation indicating this as their preferred funding rate
- Recognition of the increasing financial pressures on providers in relation to the living wage, pension costs, business rate increases and general inflationary increases
- Seeking to ensure provider engagement with the free early years education and childcare agenda
- Recognition of the impact of the introduction of the extended entitlement for the eligible 3 & 4 year olds and the restrictions this places on providers being able to charge a higher hourly rate for non-funded places

5.5 Providers were asked to comment on whether they agreed with the current method of allocating deprivation funding which is based on post codes of the children attending the setting. This question received a very mixed response and a summary of the responses received is detailed in the table below:

Early Years Funding Update

Type of Provider	Yes	No	No pref.	No Response	Total
PVI - Full Day Care	3	10	9	1	23
Maintained - Nursery / Pre Reception Classes	8	7	7	1	23
PVI - Sessional Care	14	7	7	1	29
PVI - Childminders	8	4	7	6	25
PVI - Independent Schools	1	1			2
Maintained - Nursery Schools	3				3
PVI - Academies	2	3			5
Primary Schools who do not currently offer early years provision	3		2		5
<b>Total</b>	<b>42</b>	<b>32</b>	<b>32</b>	<b>9</b>	<b>115</b>
<b>% Option Response</b>	<b>36.6%</b>	<b>27.8%</b>	<b>27.8%</b>	<b>7.8%</b>	<b>100</b>

- 5.6 It is recommended that the current banded deprivation funding methodology and rates continue for 2017/18, with a more in-depth review of the funding criteria and rates been undertaken for 2018/19. This recommendation has regard to:
- No clear choice has been expressed by the providers responding to the consultation
  - Both the DfE and a number of providers have indicated that consideration should be given to developing a methodology which follows the child
  - The amount of time available to undertake a considered and fundamental review of the methodology is not sufficient to enable the implementation of a new methodology for April 2017.
  - Delaying the implementation of any new methodology will enable a view to be developed on the distribution profile of the deprivation supplement in relation to the introduction of the extended entitlement for eligible 3 & 4 year olds.
- 5.7 Providers were asked for their views as to whether any other funding supplements should be paid in addition to the mandatory deprivation funding supplement. Again a number of different and varied views have been expressed by providers in relation to the supplements that should be used. The table below provides a summary of the responses received from providers:

Early Years Funding Update

Type of Provider	No Other Supps.	EAL	Quality	Sparsity Rurality	Flexi-bility	No Pref.	No Response
PVI - Full Day Care	8	6	7	6	4	4	0
Maintained - Nursery / Pre Reception Classes	5	6	6	7	3	4	1
PVI - Sessional Care	3	3	9	9	3	6	2
PVI - Childminders	3	2	4	4	2	7	7
PVI - Independent Schools	0	0	2	0	0	0	0
Maintained - Nursery Schools	0	1	2	2	1	0	0
PVI - Academies	2	1	1	0	1	2	0
Primary Schools who do not currently offer early years provision	0	3	1	3	0	1	0
<b>Total</b>	<b>21</b>	<b>22</b>	<b>32</b>	<b>31</b>	<b>14</b>	<b>24</b>	<b>10</b>

5.8 It is recommended that for 2017/18 the current Rurality / Sparsity funding supplement is retained with the same eligibility criteria but with a reduction in the funding quantum from £100k to £50k. It is not proposed to introduce any further supplements for 2017/18. It is also recommended that a wider review of the use of funding supplements is undertaken for 2018/19. This recommendation has regard to:

- The varied views expressed by providers in the consultation
- The amount of time available to undertake a considered review of the mechanics and impact of the operation of the various supplements is not sufficient to enable implementation for April 2017.
- Delaying the introduction of any new funding supplements will enable experience of the operation of the extended entitlement to be gained before final decisions are made with regard to the most appropriate and affordable supplements to be used in North Yorkshire in addition to the mandatory deprivation supplement.
- The retention of a small sparsity supplement will enable funding protection to be provided to any rural provider facing financial viability difficulties where parents would have to travel a significant distance to access early years' provision if that provider was not offering provision in a particular rural area. At this stage, the impact of the extended entitlement on the small rural providers in North Yorkshire is an unknown.

5.9 Appendix 2 provides a full list of comments received from respondents to the consultation.

## 7.0 RECOMMENDATIONS

7.1 The Education Partnership is asked to:

- To note the content of this report including the DfE response to the Consultation 'An Early Years National Funding Formula', the resultant

**Early Years Funding Update**

changes required, the impact on the Early Years sector within North Yorkshire and the responses received from providers to the local North Yorkshire Early Years funding consultation.

- To support the 3 & 4 year old funding rate recommendations for 2017/18:
  - A universal base funding rate of £3.90 for all providers (implementation from September 2017)
  - The current banded deprivation funding methodology and rates continue for 2017/18 with a more in-depth review of the funding criteria and rates been undertaken for 2018/19
  - The current Rurality / Sparsity funding supplement is retained for 2017/18 with the same eligibility criteria but with a reduction in the funding quantum from £100k to £50k. It is also recommended that a wider review of the use of funding supplements is undertaken for 2018/19.

PETE DWYER

Corporate Director – Children and Young People’s Service

# **NORTH YORKSHIRE COUNTY COUNCIL**

## **CONSULTATION ON THE FUNDING FOR EARLY YEARS PROVIDERS & SCHOOLS (3&4 year olds)**

**December 2016**

**Consultation period:  
16 December 2016 - 16 January 2017**



## **CONSULTATION ON THE FUNDING RATES FOR EARLY YEARS PROVIDERS & SCHOOLS (3&4 year olds)**

### **Forward from the Chair of the North Yorkshire Early Years Improvement Partnership**

Dear colleagues,

Following the publication of the government's response to the consultation on the Early Years National Funding Formula, we have considered the options available to us in North Yorkshire, and now wish to consult with you about how we should implement the formula.

We recognise that most providers will see a reduction in their hourly rate and that the choices available to us are limited. Please take some time to put forward your views so that we can take them into consideration. I'm sorry that this comes right at the end of term, but I'm sure you will appreciate that the timetable is determined by the national government, and not by NYCC.

On behalf of the Early Years Improvement Partnership I'd like to wish you all a restful holiday and Merry Christmas .

Jane Pepper  
Chair of the Early Years Improvement Partnership

## 1.0 Background and Introduction

In December 2016, the DfE announced their response to the Consultation 'An Early Years National Funding Formula'. The response confirmed the following:

- From April 2017 Local Authority hourly rate funding for 3 & 4 year olds will be based on a new national funding formula based on a universal base rate for each child, an additional educational needs factor and an Area Cost Adjustment
- Transitional arrangements in relation to the introduction of the new formula and a minimum local authority funding level of £4.30 per hour for 3 & 4 year olds.
- The removal of the minimum funding guarantee protection for providers from April 2017
- The pass through rate in relation to 3 & 4 year old funding from the local authority to providers will be 93% for 2017/18 and 95% for 2018/19
- Local authorities are required to set a universal provider rate for all providers by no later than 2019/20.
- Deprivation will be a mandatory funding supplement and optional funding supplements can be used in relation to rurality / sparsity, flexibility, quality (to support qualifications and system leadership) and English as an additional language
- Supplement funding is limited to 10% of the allocated budget to Early Years providers. Supplement funding is deducted from the universal base rate funding so will result in a reduced minimum level of funding for providers.
- A lump sum payment of £615 per year for each child in receipt of Disability Living Allowance will be paid to early years settings that are providing a free entitlement place for three and four year olds.
- Local authorities are required to set up a SEN Inclusion Fund for three and four year olds from April 2017.
- Additional supplementary funding will be available for maintained nursery schools in order to provide stability in their funding during the implementation of the national funding formula
- The Early Years Pupil Premium will continue
- The local authority hourly rate for disadvantaged 2 years has been confirmed at £5.20 per hour for 2017/18 for North Yorkshire.

**The North Yorkshire local authority funding rate for 3 & 4 year olds has been confirmed at £4.30 per hour.** This rate represents a reduction on the current 3 & 4 year old funding rate for North Yorkshire of £4.31 per hour. It is important to note that this rate covers provider funding, supplement funding and centrally managed service provision. Within North Yorkshire for 2016/17 reserve funding of £400,000 was used to protect funding rates in anticipation of the DfE increasing Early Years funding in the future. This anticipated increase has clearly not materialised and the new Local Authority funding rate of £4.30 per hour will result in a reduction in the 3 & 4 year old hourly funding rate for the majority of providers within North Yorkshire.

**In considering the early years funding position for North Yorkshire in 2017/18, the North Yorkshire Education Partnership and the North Yorkshire Early Years Improvement Partnership agreed to use contingency funding from the Early Years Reserve to enable the current 3 & 4 year old hourly funding rates to be retained for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017 for those providers where the new universal funding base rate is lower than their current funding rate. This decision recognised:**

- The timescales required for businesses to restructure their operations, if deemed possible, in order to respond to the funding reduction.
- The level of disruption caused for children and parents if providers close or stop delivering funded provision mid academic year
- The expectation from providers that the minimum funding guarantee mechanism would protect their funding levels.

**The two Partnerships also agreed that the new universal funding base rate will be implemented for all early years' providers within North Yorkshire from the 1<sup>st</sup> September 2017.**

We have looked at three options for calculating the universal hourly funding base rate paid to early years' providers for 3&4 year olds along with the associated level of funding available for supplements. In addition to the universal hourly funding base rate we need to also consider what, if any, funding supplements are used within North Yorkshire in addition to the mandatory deprivation supplement. We have been working on the proposals contained in this consultation with the Early Years Improvement Partnership which includes representatives from Sessional Providers, Full Day Care Providers, Independent Schools, Childminders, Maintained Nursery Classes and Nursery Schools.

### **Proposed changes to 3 & 4 Year Old Funding**

This document sets out proposals for changes to the calculation of the hourly funding rate for 3&4 year olds with effect from September 2017 and to the supplement funding from April 2017.

The rate options have been modelled on the DfE illustrative figures and assumptions for the take up of the extended 15 hour entitlement from September 2017 and are based on January 2016 data. For comparative purposes analysis of the current supplement funding levels within North Yorkshire has been undertaken as to how this would translate, if these levels were maintained, to the increase in funded hours from September 2017 with the introduction of the extended entitlement. The proposed options exclude the additional ring-fenced maintained nursery school supplementary funding.

The North Yorkshire Education Partnership will consider the feedback from this consultation and will make a final decision on which proposals to implement on 26<sup>th</sup> January 2017.

I would therefore be grateful if you could complete and send the Consultation Response Form by **Monday 16<sup>th</sup> January 2017** either by email to [Catriona.lowin@northyorks.gov.uk](mailto:Catriona.lowin@northyorks.gov.uk) or post to Catriona Lowin, Integrated Finance, North Yorkshire County Council, The Village, County Hall, Racecourse Lane, Northallerton, North Yorkshire DL7 8AE . All responses will be treated as confidential.

## 2.0 Current 3 & 4 Year Old Funding Rates & Proposals for the Universal Base Funding Rate and the Level of Funding Available for Supplements

	<b>2016/17 (equivalent level) For comparative purposes</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
<b>Universal Base Funding Rate</b>	£5.67 <i>maintained nursery school</i> £5.56 <i>childminders</i> £4.16 <i>maintained nursery classes</i> £4.16 <i>incl. schools &amp; academies</i> £3.92 <i>full day care providers</i> £3.76 <i>sessional providers</i>	<b>£3.85/Hour</b>	<b>£3.88/Hour</b>	<b>£3.90/Hour</b>
<b>Supplement Funding Available</b>	£638,500 (Deprivation £512,000) (Sparsity £126,500)	<b>£849,100</b>	<b>£678,100</b>	<b>£564,200</b>

**The new universal funding base rate will be implemented for all early years' providers with North Yorkshire from the 1<sup>st</sup> September 2017.**

### **Option 1**

A universal base funding rate of £3.85 per hour for all providers and an increase in the quantum of supplement funding available compared to 2016/17 levels. The available supplement funding would increase from £638,500 (based on 2016/17 levels) to £849,100

This option enables greater scope in relation to the use of supplement funding in order to target funding towards providers who are delivering provision related to priorities supported by the funding supplements in operation. However, this is at the cost of the universal funding base rate.

### **Option 2**

A universal funding base rate of £3.88 per hour for all providers and a similar quantum of supplement funding available compared to 2016/17 levels. The available supplement funding would be £678,100 compared to £638,500 (based on 2016/17 levels).

This option enables supplement funding to continue at broadly current levels.

### **Option 3**

A universal funding base rate of £3.90 per hour for all providers and a reduction in the quantum of supplement funding available compared to 2016/17 levels. The available supplement funding would reduce to £564,200 compared to £638,500 (based on 2016/17 levels). The deprivation supplement funding based on 2016/17 levels is £512,000

This option provides the highest universal funding base rate. However, this is likely to result in only allowing funding to be available for the mandatory

deprivation funding supplement, based on the current deprivation supplement funding level.

### **3.0 Funding Supplements**

The amount of funding passed through to early years' providers by the Local Authority is available to fund the universal hourly funding base rate and funding supplements. In this respect, there is a direct relationship between the two funding elements and the higher the level of the universal hourly funding base rate, the lower the level of funding available for supplements and vice versa.

**Any changes to funding supplements will be implemented from 1<sup>st</sup> April 2017**

#### **3.1 Mandatory Deprivation Funding Supplement – Method of Distribution**

There is a mandatory requirement for a deprivation funding supplement to be used in 2017/18.

A deprivation funding supplement is currently paid within North Yorkshire. The methodology for the distribution of this funding is currently a banded approach based on the deprivation level associated with the post codes of the 3 & 4 year old children attending a particular setting. Early Years settings with children attending who live in the most deprived areas attract higher levels of deprivation supplement funding.

The current funding rates for the deprivation bands are:

- Band A - £0.57 / hour
- Band B - £0.10 / hour
- Band C - £0.07 / hour
- Band D - £0.03 / hour

Provider views are requested as to whether the current methodology for the distribution of the deprivation supplement should continue to be used? Providers are invited to suggest alternative options for the distribution of the deprivation funding supplement if they feel that there is a better alternative.

#### **3.2 Other Optional Funding Supplements**

In addition to the mandatory deprivation supplement, the DfE are permitting a number of other optional funding supplements to be used. These are:

- Rurality / sparsity
- Flexibility
- Quality – to support workforce qualifications and system leadership

- English as an additional language

Currently, within North Yorkshire, a Sparsity supplement is paid. Sparsity funding is allocated to providers where there is no other similar provider within 3 miles, and where for at least 50% of children attending the setting it is their nearest similar provider. In order to be awarded funding, the provider has to be projecting that they will be operating at a loss in the next 12 months without any sparsity funding and that they have less than 3 months operating costs within their reserves. The level of funding awarded is based on a financial assessment and there is a maximum award of £16k. Currently only 3 providers are receiving sparsity funding within North Yorkshire. The budget of £100,000 for 2016/17 is unlikely to be fully utilised.

Providers are invited to identify any other funding supplements which they feel should be used within North Yorkshire, in addition to the mandatory deprivation supplement? If other funding supplements are considered appropriate, providers are also invited to suggest possible distribution methodologies.

<b>Date of meeting:</b>	Thursday 26 January 2016
<b>Title of report:</b>	<b>School Budgets 2017-18: The High Needs Block</b>
<b>Type of report:</b> Delete as required	For decision
<b>Executive summary:</b> Including reason for submission	This report deals with the commissioning elements in the High Needs Block of the DSG and the services funded from that. Final recommendations are sought regarding these, and their cost implications, to enable work to be completed on allocations to schools and other providers.
<b>Budget / Risk implications:</b>	Funding pressures are set out in this report as are recommendations on how to deal with these
<b>Recommendations:</b>	That the North Yorkshire Education Partnership endorses the proposals.
<b>Voting requirements:</b>	Schools only
<b>Appendices:</b> To be attached	Appendix 1 – Summary of High Needs Commissioning Funding
<b>Report originator and contact details:</b>	Anton Hodge, Assistant Director – Strategic Resources <a href="mailto:anton.hodge@northyorks.gov.uk">anton.hodge@northyorks.gov.uk</a> 01609 532118
<b>Presenting officer:</b> If not the originator	



## **1 PURPOSE OF THE REPORT**

- 1.1 This report deals with the commissioning elements in the High Needs Block of the DSG and the services funded from that. Final recommendations are sought regarding these, and their cost implications, to enable work to be completed on allocations to schools and other providers.

## **2 High Needs Block Commissioning Budgets**

- 2.1 The overall High Needs Block budget available is, as set out elsewhere in this agenda, £44.590m.
- 2.2 To enable final decisions to be taken regarding this budget, this paper deals specifically with the commissioning budgets in the High Needs Block, i.e. the funding which is allocated to schools, the Pupil Referral Service (PRS) and other providers including Early Years Providers, Independent & Non Maintained Schools, FE Colleges, Specialist Post 16 Institutions and Commercial & Charitable Providers to support children and young people with High Needs.
- 2.3 The recommendations in this paper are based on discussions which took place at the December 2016 meeting of the Formula Review Group. Invitations to attend these meetings were extended to all headteachers of special schools and PRS.
- 2.4 This report also takes into account announcements and decisions made by the DfE in December of last year.
- 2.5 Appendix 1 provides a reminder of how this element of the Schools Budget works in practice. This report will set out each of the main issues which the Partnership is invited to consider.

## **3.0 Element 3 Funding through the Resource Allocation System (RAS), also known as the Can-Do**

- 3.1 Modelling work undertaken prior to the introduction of the RAS in 2015-16 suggested that there would be a shift in resources of £866k from primary and secondary to special schools. It was agreed that there would be transitional arrangements during 2015-16 and 2016-17 in order to give some time for moderation to test the robustness of the system and to take account of the potential national funding reforms that will impact on the LA and schools budgets. This resulted in no school losing out while there was capping of gains at some schools, where changes in individual packages were limited to an increase of 25% in both years.
- 3.2 At the meeting of the Formula Review Group on 2 December 2016, it was noted that the CAN-Do has been monitored since implementation and this has allowed the main areas for development to be identified. These were then discussed with stakeholders through a series of CAN-Do sub groups/consultation meetings involving Heads, SENCO's, LA officers (including finance) and parents. The main outcomes of these meetings were to;
- a) Achieve a better level of transparency, ensuring the weightings and allocations against assertions (question on the CAN-Do form) are correct and properly

**School Budgets 2017-18: The High Needs Block**

substantiated with an evidence base, i.e. the reason why each assertion generates a particular amount.

- b) Ensure that the CAN-Do balances back to the high needs block budgeting process overall. We will have clear definitions of what portions of the budget will be allocated automatically as a block allocation to schools, what portions will be held back for contingencies and what portion of the budget will be solely allocated via the CAN-Do scores.
  - c) Ensure that assertions have been based on a standard viewpoint but phrased in different language to match different age phases, e.g. questions asked related to an 18 year old need to be differentiated from those asked related to a 3 year old.
  - d) Move the CAN-Do onto a secure online platform to provide more security and ease of access.
- 3.3 Following discussions, it is being proposed that the transitional funding is removed in 2017-18 which may result in additional funds being identified for special schools, who have been capped up until this point. This may also be the case for some CYP in mainstream schools. This of course means that transitional funding for schools seeing a reduction compared with previous years will have their protection removed.
- 3.4 While there is confidence that this will provide a more reflective funding related to individual CYP needs, work is continuing to identify winners and losers so the impact on individual schools is clear and there will possibly be some contingency set aside for issues related to that.
- 3.5 The CAN-Do is, and will remain, indicative, i.e. it is a tool that generates a funding figure that will be balanced against the evidence and all of the information available related to individual children and young people.
- 3.6 Although work has not yet been finalised, figures to date suggest that the total budget for Mainstream schools, allocated through the RAS, will be sufficient for 2017-18. There is a net increase required in top-up for mainstream and schools of around £200k. Current indications also show an additional £100k pressure for children and young people in special schools in other Local Authorities. These pressures will be met from the additional funding allocated by DfE.

Other Pressures

- 3.7 There are also pressures in the High Needs Block.
- 3.8 The extension of Early Years provision to 30 hours for some children later this year will also have an effect on the Element 2 and Element 3 top up for Early Years. At this stage however any additional cost is uncertain .
- 3.9 There is a larger additional cost pressure for Independent Schools of around £400k. The number of day placements in 2016-17 is currently expected to be 15 over the number projected due to placement pressures. This figure is also slightly higher due to the redesignation of a Non Maintained Special School changing to an Independent Special School. Costs of placements in Independent Special are higher than those in Non Maintained Special Schools, which are run by charities in the main.
- 3.10 While such data are still being finalised, any cost pressures will have to be managed within the increased High Needs Block.

## School Budgets 2017-18: The High Needs Block

**4.0 Special Schools**

- 4.1 There are no fundamental changes proposed for the funding of special schools for 2017-18 although the updated CAN-DO will have an impact and further analysis and work is ongoing regarding the amounts to be allocated to individual schools for supporting complex medical needs. There are also proposed changes to the SLD Outreach service as summarised below.
- 4.2 Special school outreach has played a significant part in supporting developments, including building capacity in schools through CPD and access to specialist teachers, supporting more collaborative working and direct working with individual children and young people.
- 4.4 However, despite major changes in the SEND system and a changing balance of needs, school based commissioned services are much the same as when they were first initiated and the cost of this in relation to special schools is exceptionally high considering the number of children and young people it supports.
- 4.5 In addition to SLD outreach, NYCAP has also been delivered by four special schools as it was set up initially to support the development of skills in relation to alternative and augmentative communication (AAC), most commonly a need in these schools.
- 4.6 Assessment for high tech AAC systems will in future be carried out by the regional specialised service, based at Barnsley for the South of the county and the North East for Northallerton and district. The role of NYCAP therefore, will be to support the decision making process around which children and young people should be referred for specialist equipment, rather than actually assessing.
- 4.7 To take the above into account and to rebalance provision to meet current local authority needs, changes to the commissioning model consist of:
- a) Reducing the funding significantly; by 50% from 2017/2018 and by 100% from 2018/2019 (whilst taking into account potential difficulties this could create in schools, e.g. redundancy, which may require a staggered timescale to ameliorate).
  - b) From the savings made, re-commission a more cost effective special school outreach service, targeting SLD and autism/complex SEMH needs. This will better reflect current local authority needs and concerns of SENCo's and Headteachers (as highlighted in the recent ISOS review).
  - c) Remove the NYCAP service from special schools as there are national changes to AAC, e.g. there is now a regional AAC hub, based in Barnsley, and this may be more cognisant with future ways of working.
  - d) Transfer the AAC service from special schools and move to the centrally based inclusive education service (IES), under the communication and interaction (C&I) service area by September 2017. This will better utilise specialist practitioners within the IES, who have the capacity to take up the support role for AAC that will fall outside of the new regional hub model.
- 4.8 The above changes will ensure a better use of resources and help to manage the overall cost pressures within the High Needs Block, although we recognise that there will be financial implications for special schools that currently carry out the NYCAP and SLD outreach roles.
- 4.9 Discussions are taking place with schools directly impacted by these proposals and the Partnership is asked for its views on the above.

## 5.0 Pupil Referral Service

- 5.1 There are no major changes proposed for the funding of the Pupil Referral Service.
- 5.2 The number of places allocated is based on a formula agreed in 2013 and this may result in changes at individual establishments. Overall however the total amount of places commissioned will be 88, as in previous years.
- 5.3 In 2016-17 there has been pressure in this budget (currently projecting an overspend of approximately £60k.) This is largely due to an increase in the number of statutory places – currently projecting 17 over the total commissioned places of 88. Contingency funding is given for those PRUs that have exceeded their commissioned places.
- 5.4 At the meeting in December, it was agreed that further work would take place during 2017-18, once the proposals for High Needs funding were published by DfE and to analyse what appeared to be an increase in PRS balances in recent years. This will take place, but in the meantime action will be investigated to retain the PRS budgets within the current funding pot.

## 6.0 Contingencies

- 6.1 The High Needs Block currently retains a number of contingencies and these were also discussed at the Formula Review Group in December.

### Exceptional Support – Element 2

- 6.2 This contingency was originally approved by the Schools Forum in October 2013 and was £1.2m for 2014-15. In 2015-16 it reduced to £1m. This remains the position for 2016-17 and no change in this level is proposed for 2017-18. To ensure there is clarity among schools regarding how this contingency works, the LA is putting together some FAQs.
- 6.3 It provides additional Element 2 funding to schools that have a disproportionate number of children with either a Statement of Special Educational Needs or an Education Health or Care Plan (EHCP).
- 6.4 There is no need for schools to apply for the additional funding as it is calculated automatically on a monthly basis using the following details: -
- The amount of Element 2 funding the school currently receives;
  - The actual number of pupils attending the school at the end of the given month with either a Statement or an EHCP including children from other local authorities;
- 6.5 The number of pupils that a school should be able to meet the first £6,000 of additional and different support for =

### The Notional SEN Budget for the school x 60%

£6,000

- 6.6 As an example, for a school that currently has 10 pupils attracting top up funding and a notional SEN budget of £80,000 through the Element 2 formula:

**School Budgets 2017-18: The High Needs Block**

*Notional SEN Budget for School = £80,000*

*Pupils to be funded = £80,000 x 60% / £6,000 = 8*

*(60% of the Element 2 budget is used to allow schools greater freedom over the use of 40% of the funding to provide support for lower levels of need.)*

*The LA would provide SEN exceptional funding at £5,000 per FTE where the number of pupils with Statements or EHCP was greater than the notional numbers that could be supported out of the 60% of the Element 2 funding.*

*In this example the school would receive an additional £10,000 per year whilst these circumstances remained the same.*

- 6.7 This contingency can also be used to provide additional Element 3 Top-up funding for children undergoing a statutory assessment, after consideration by the SEN Panel.

#### Alternative Provision

- 6.8 For 2015-16 and 2016-17 a contingency was also agreed for Alternative Provision that would
- provide additional top-up funding for statutory places that have exceeded the number of commissioned places, and
  - provide additional place-led funding.
- 6.9 Any adjustment is not made until the end of the financial year. There are some months that Alternative Provision would be below their statutory places and some months when they would be exceeded and therefore the financial adjustment will reflect the overall position for the year.
- 6.10 This is funded from the contingency that already existed for Alternative Provision which is approximately £179k.
- 6.11 Any in-year adjustments to top-up funding are met from within the current budget. However in some cases further financial pressures result from additional place-led funding where the number of North Yorkshire children and young people have exceeded the North Yorkshire commissioned places.

#### Specialist Provision

- 6.12 For 2015-16 a contingency was also agreed for Specialist Provision that would provide additional Element 2 funding where the number of North Yorkshire pupils has exceeded the commissioned places. The additional funding would be based on a pro-rata calculation and was only paid at the end of the financial year where applicable as exceptional funding.
- 6.13 In 2016-17 adjustments are undertaken at specific points during the year. However one minor change is being proposed for 2017-18 and this is related to funding in academic years, rather than financial. The local authority will use the existing methodology that is applied to all of its special schools when allocating additional funding for over commissioned places. The local authority will fund the additional places at the full amount of £10,000 per place and then a calculation will be made

**School Budgets 2017-18: The High Needs Block**

based upon the monthly full time equivalents (FTEs). Therefore, if a school has no further leavers then it will not see a reduction in the contingency funding allocated. However, if there are any further leavers then the funding is reduced automatically. However, the local authority acknowledges that funding cannot be reconciled over a financial year as per the EFA guidance which states 'academic year'. Therefore, the local authority confirms that it will only review the additional allocation towards base funding on an academic year basis rather than a financial year basis.

This is part of a wider contingency fund of approximately £500k which also covers additional costs in all specialist providers.

**Post-16 Maintained Schools**

- 6.14 Under the School and Early Years Finance Regulations 2015, local authorities have the flexibility to determine the place funding on the basis of the number of pre-16 places in maintained schools and pupil referral units (PRUs) agreed locally, without reference to EFA. For 2017 to 2018, this same flexibility to determine place funding locally, without reference to EFA, will be extended to post-16 high needs places in maintained mainstream schools, maintained special schools and PRUs with mainstream sixth forms. The funding allocation will be made at local authority level, rather than at individual school level, and local authorities will be able to agree post-16 place numbers in maintained mainstream schools, maintained special schools and PRUs without reference to the EFA.
- 6.15 The LA will shortly be sending out proposed commissioned places for Post 16 maintained mainstream schools which provides a summary of the number of current Post 16 High Needs learners that are expected to continue attending their school in 2017-18 academic year. This will then be used to inform a possible change, or not, to the number of high needs places in 2017-18 academic year. If the actual Post 16 numbers, go above the commissioned places, then additional funding will be allocated through the contingency.

**7.0 Enhanced Mainstream Schools**

- 7.1 North Yorkshire continues to provide a high level of resourcing in relation to all areas of SEND, not typically found in the majority of other Local Authorities. However, the imbalance of provision does not reflect the current needs within the local authority.
- 7.2 In addition, we know from talking to schools/settings and analysing SEND that autism and complex SEMH are their primary concerns. These areas are also significantly high in relation to the national perspective.
- 7.3 Currently, there is considerable variation in staffing across school based commissioned services and the number of CYP that they support. There is similarly, variation in practice between the provision, which has been highlighted in recent audits (October 2016).
- 7.4 As the EMS model has enabled the development of local provision in schools and settings, their role should now be to target CYP with higher needs and consideration is being given to how this funding will be used in future, as summarised below.
- 7.5 Development of school based commissioned services includes:

School Budgets 2017-18: The High Needs Block

Type of EMS	Future direction (for implementation within the 16/17 academic year)
1. EMS for social, emotional and mental health 2. Primary EMS for communication and interaction (autism) 3. Secondary EMS for communication and interaction (autism)	a. Continue with the current level of funding. b. Update the commissioning model in the longer term, from 2018. c. Encourage and support more local flexibility in provision design, e.g. some EMS already have their SENCo fulfilling the Teacher-in-Charge role in addition to whole school SENCo responsibilities. This is a better way of working as it means an EMS can then become truly 'whole school'.
4. EMS for SpLD	a. Ensure resources are targeted towards the most effective ways of achieving outcomes for local CYP, schools and settings, i.e. SpLD EMS can support best through specialist teacher input rather than teaching assistants. Part of the specialist teacher role includes up-skilling teaching assistants in local schools. b. Remove the admin element of funding as this is not now necessary due to much of the admin functions happening centrally, via the SPA process. c. Specialist teaching staff will remain directly employed by schools. However, where Heads are seeking a different approach staff may be moved to central employment. This will typically be due to Heads not wishing to retain financial responsibility for staff related to the EMS post academisation. d. This will not include administration or teaching assistants, which are not required for future delivery. There may be some resultant redundancy situations in relation to this.

**7.6 Benefits of the proposed new way of commissioning**

- a) School based commissioned services would be maintained in all localities, both from mainstream schools (EMS) and special schools. This has been widely recognised as an effective way of supporting CYP with SEND (ISOS, Ofsted). Up skilling of staff in EMS and local mainstream schools will remain a priority.
- b) There would be a better use of resources, i.e. reduced costs but without compromising a more targeted service delivery. This can further support secondary schools, which are developing or have already developed their own provision in order to strengthen their SEND offer.
- c) In 2016/2017 the budget for school based commissioned services (EMS) is approximately £3,646,378. This funding is from the high needs block (HNB). In 2016/2017, funding for SpLD EMS amounts to approximately £648,665 (total expenditure budget as at April 2016: initial allocation to schools). The identified changes will result in approximately £224,817 being redistributed within the HNB to support other areas of need.

**School Budgets 2017-18: The High Needs Block**

- 7.7 Re-organisation of provision to reflect current and future needs is imperative to ensure value for money. Equally, targeting resources and addressing the balance of provision will better reflect the essential support for CYP and settings in relation to changing needs for different areas of SEND. This means redistributing resources, specifically in relation to SpLD EMS, where there will be financial implications.
- 7.8 The above changes will ensure a better use of resources, although we recognise that there will be financial and staffing implications for SpLD EMS who currently carry out the outreach roles.
- 7.9 Discussions are taking place with schools directly impacted by these proposals and the Partnership is asked for its views on the above.

**8.0 Overall Impact**

- 8.1 Although figures are still being finalised, and discussions with institutions ongoing, our current estimate is that the overall High Needs position for 2017-18 will be able to contain the pressures outlined above. Work needs to continue to address the increasing pressures in this area, particularly around spending on Post-16 and Independent Schools, for which we have received no additional funding. It is suggested that this is pursued in collaboration with the various providers who are also experiencing financial pressures.
- 8.2 The remaining work to finalise High Needs budgets will continue and any remaining issues can be discussed at the next meeting of the Funding Review Group (date to be confirmed). Any items requiring agreement with the Partnership can be picked up at the meeting on 15<sup>th</sup> March.

**9.0 Recommendations**

- 9.1 The Partnership is asked to note the contents of this report, in particular the discussions which have already taken place in the Funding Review Group and the recommendations falling out from those. In particular the Partnership is asked:
- to agree in principle to end the transitional arrangements with respect to the RAS allocations, subject to the assessment of impact at individual schools (section 3)
  - to note and comment on proposals regarding SLD Outreach funding (section 4)
  - to note that no major changes are proposed for the allocation of funding for the Pupil Referral Service (section 5)
  - to agree to the continuation of the contingencies (section 6)
  - to note and comment on proposals regarding Enhanced Mainstream Schools (section 7)
  - to note the overall budget position
  - to note that the remaining work to finalise High Needs budgets will continue and any remaining issues can be discussed at the next meeting of the Funding Review Group (tbc). Any items requiring agreement with the Partnership can be picked up at the meeting on 15<sup>th</sup> March.

PETE DWYER

Corporate Director – Children and Young People's Service



## APPENDIX 1: SUMMARY OF HIGH NEEDS COMMISSIONING FUNDING

### CURRENT POSITION

- 1 The Education Funding Agency (EFA) allocates funding to local authorities for High Needs as part of the Dedicated Schools Grant (DSG). This “High Needs Block” is not based on any national assessment of resources required; it simply reflects historic decisions made by schools and councils in the past two decades, although additional funding has been made to councils recently to assist with financial pressures. The High Needs Block is not separately ring-fenced within a local authority’s DSG. This means that local authorities can decide to spend more or less of the funding than they have been “allocated.”
- 2 Local authorities decide how much to set aside in their high needs budget, for the place and top-up funding to institutions (except place funding to FE institutions, commercial and charitable providers (CCPs) and specialist Post-16 institutions (SPIs). Some of the place funding is included in local authorities’ initial DSG allocation and then deducted by the EFA so that it can pay the funding direct, for example to academies.
- 3 There may be instances where aspects of high needs provision are not allocated through place funding. For instance, specialist support for pupils with sensory impairments, or tuition for pupils not able to attend school for medical or other reasons. Local authorities may fund this provision from their high needs budget as a separate arrangement. Where such services are delivered by, or commissioned from, schools or other institutions, the authority may devolve funding from its high needs budget to that institution through a service level agreement.
- 4 Pupils and students who receive support from local authorities’ high needs budgets include:
  - children aged 0 to 5 with SEN whom the local authority decides to support from its high needs budget. Some of these children may have EHC plans
  - pupils aged 5 to 18 (inclusive of students who turn 19 on or after 31st August in the academic year in which they study) with high levels of SEN in schools and academies, further education (FE) institutions, specialist post-16 institutions (SPIs) or other settings who receive top-up funding from the high needs budget. Most, but not all, of these pupils will have either statements of SEN or EHC plans
  - those aged 19 to 25 in FE institutions and SPIs who have a EHC plan and require additional support costing over £6,000 (if aged 19 to 25 without an ECH plan, local authorities must not use their DSG to fund these students)
  - school-age pupils placed in alternative provision by local authorities or schools.

- 5 High Needs Funding system has two main components:
- **core funding** - included within mainstream schools' and academies budgets, derived from their local funding formula. Other institutions receive place funding (sometimes known as elements 1 and 2 for post-16).
  - **top-up funding** (sometimes known as element 3).

High needs places

- 6 Place funding is allocated to an institution and includes the funding pupils and students attract for their core education and basic programmes and to provide a contribution to the additional costs associated with a support package. Most high needs places are typically funded at £10,000 per year in pre-16 settings, although this amount varies dependent on institution type. The following table sets out the responsibilities for funding high needs provision in different types of provider for both pre and post 16 students:

Pre-16		Post-16		
Type of provision	Core funding	Top up funding (real time)	Core funding	Top up funding (real time)
Mainstream schools Mainstream academies	Funding to meet first £6,000 of additional need delegated within school budget and academy grant derived from local formula (in addition to the age-weighted pupil unit (AWPU) funding).	LA can provide additional funds where it would be unreasonable to expect school to fund from within notional SEN budget. Agreed per-pupil top up paid by commissioning LA	Element 1 (based on 16-19 National Funding Formula (NFF)) plus Element 2 (£6,000) based on allocated place number	Agreed per-pupil top-up paid by commissioning LA
HN Units in mainstream schools HN units in mainstream academies	£10,000 per place based on agreed place number	Agreed per-pupil top-up paid by commissioning LA	Element 1 (NFF) plus Element 2 (£6,000) based on agreed place number	Agreed per-pupil top-up paid by commissioning LA
Maintained special schools Special academies Non maintained special schools	£10,000 per place based on agreed place number	Agreed per-pupil top-up paid by commissioning LA	£10,000 per place based on agreed place number	Agreed per-pupil top-up paid by commissioning LA

Pre-16		Post-16		
Type of provision	Core funding	Top up funding (real time)	Core funding	Top up funding (real time)
Independent Schools	N/A	Agreed per-pupil funding paid by commissioning LA	N/A	Agreed per-pupil funding paid by commissioning LA
Maintained pupil referral units (PRUs) AP Academies	£10,000 per place based on agreed places	Agreed per-pupil top-up paid by commissioning school or LA	N/A	N/A
Further education and sixth form colleges, Post 16 Independent Specialist Providers and CCPs	N/A	N/A	Element 1 (NFF) plus Element 2 (£6,000) based on places commissioned by LAs	Agreed per-student top-up paid by commissioning LA

#### High Needs Top-up funding

- 7 Top-up funding, sometimes known as element 3, is the funding required over and above the place funding to enable a pupil or student with high needs to participate in education and learning. This is paid by the local authority in which the pupil or student is resident or belongs (in the case of looked after children), from their high needs budget, in line with their place commissioning.
- 8 Top-up funding rates should mainly reflect the additional support costs relating to individual pupils and students, in excess of core funding, that the institution receives. Top-up funding can also reflect costs that relate to the facilities needed to support a pupil's or student's education and training needs (either for individuals or on offer to all), and can take into account expected place occupancy levels and other factors.
- 9 Top-up Funding in North Yorkshire is now allocated through the Can-Do Resource Allocation System (RAS) as agreed and finalised by the Schools Forum in November 2014 and March 2015. Transitional arrangements were confirmed for the current financial year which resulted in the capping of gains at some schools and the minimising of losses at others. This was agreed in order to give some time for moderation to test the robustness of the system.

<b>Date of meeting:</b>	Thursday 26 January 2016
<b>Title of report:</b>	<b>DfE Consultation – National Funding Formula</b>
<b>Type of report:</b> Delete as required	For discussion
<b>Executive summary:</b> Including reason for submission	<p>This item will consist of a presentation about the proposals published in December regarding a National Funding Formula for schools.</p> <p>The LA will be consulting with schools about how best to respond and will bring a final draft response to the next meeting of the Partnership on March 15 – in time for submission by 22 March.</p> <p>Accompanying this presentation is a copy of the briefing note sent to schools before Christmas.</p>
<b>Budget / Risk implications:</b>	As with any change in formula, there will be winners and losers.
<b>Recommendations:</b>	That the North Yorkshire Education Partnership considers and comments on the proposals.
<b>Voting requirements:</b>	N/A
<b>Appendices:</b> To be attached	
<b>Report originator and contact details:</b>	<p>Anton Hodge, Assistant Director – Strategic Resources  <a href="mailto:anton.hodge@northyorks.gov.uk">anton.hodge@northyorks.gov.uk</a>            01609 532118</p>
<b>Presenting officer:</b> If not the originator	

## **SECTION 1 – BRIEFING NOTE FOR SCHOOLS IN NORTH YORKSHIRE**

The DfE has launched Stage 2 of a consultation on a National Funding Formula for schools. The consultation, which can be found at <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/> lasts until 22 March 2017.

This consultation builds on (and confirms) much of Stage 1, which took place in March of this year. It includes a school level calculation showing indicative impact of the proposals. However schools should note that this calculation uses 2016-17 data (in order to give a like-for-like comparison) and will therefore change over time.

A short summary of the key points follows:

### **Schools NFF**

- Changes will take effect from April 2018. For 2018-19, the new formula will be used to allocate a total pot of funding at Local Authority level, but a local formula will still be possible to allocate budgets to schools.
- From April 2019, individual school budgets will be calculated using the national formula
- The new formula will contain elements similar to those we currently use, although the amounts allocated through each will change. A summary of the current North Yorkshire formula and the NFF is attached to this note
- A sparsity factor continues to be part of the formula, alongside a lump sum for every school – although this latter will be the same for primary and secondary schools
- There will be a mobility factor. The March consultation proposed that this be deleted and we lobbied hard for this to continue.
- A new central services block will be created in the Dedicated Schools Grant (DSG) to fund some historic commitments and cost of statutory duties currently funded through the Education Services Grant
- Although the NFF will see around £7m of extra funding coming to North Yorkshire, the picture for schools is mixed as a result of the change to direct national funding.
- In North Yorkshire, indicative figures show that 282 (90%) of primary schools will **gain**, while 23 (55%) of secondary schools will **lose**.
- Transitional arrangements will apply – no school will see a loss of more than 3% per pupil. The Minimum Funding Guarantee (-1.5% per pupil) will also continue.

### **High Needs NFF**

- The basis of the proposed allocation of high needs funding is, as in the schools proposals, the current pattern of distribution. There is a strong desire to maintain stability in funding with the inclusion of a historic spend factor.
- The DfE have also made funding available to ensure that no local authority will see a reduction in the level of funding received currently (assuming baseline funding agrees). North Yorkshire is one of those LAs with no change in funding.
- The proposed change of treatment to the funding of resource provision in mainstream schools outlined in the first stage consultation has been confirmed. Schools will receive funding for pupils as part of their mainstream funding with a further £6,000 provided by the local authority on the basis of agreed places. Earlier modelling undertaken showed this to have a negative effect on primary schools, where the per-pupil funding is often much less than £4,000.
- The proposal to include independent schools within the framework for “place-plus” has not been included within the new proposals, following the responses from the first stage.

**DfE Consultation – National Funding Formula**

- The proposed high needs formula allocation uses the factors contained within the first stage consultation. This is shown in the table below:

<b>Formula factors</b>		<b>Other formula factors and adjustments</b>
<b>Basic entitlement: basic unit of funding for pupils and students in specialist SEN institutions</b>		
<b>Population factor</b>		<b>Area cost adjustments (ACA)</b>
<b>Health and disability factors:</b>	Disability living allowance	<b>Import/export adjustments</b>
	Children in bad health	
<b>Low attainment factors:</b>	Key stage 2 low attainment	<b>Funding floor factor</b>
	Key stage 4 low attainment	
<b>Deprivation factors:</b>	Free school meals	<b>Hospital education factor</b>
	IDACI	
<b>Historic spend factor</b>		

- The DfE proposes a further review of the high needs formula in four years' time.

**Appendix 1 – Comparison of DfE proposed and existing NYCC values**

Factor	Phase	NYCC		NFF		Current averages	
		Current 2016-17 value	% of Overall budget	Proposed values	% of Overall budget	Current values	% of Overall budget
AWPU	Primary	2,910	78.12%	£2,712	72.5%	£3,024	76.6%
	Secondary KS3	£3,763		£3,797		£4,169	
	Secondary KS4	£4,666		£4,312		£4,683	
Deprivation - FSM	Primary	£472	4.43%	£980	9.3%	£963	7.6%
	Secondary	£634		£1,225			
Deprivation - Ever 6 FSM	Primary			£540		£1,132	
	Secondary			£785			
Deprivation (IDACI - Primary)	Band 1 (f)	£630		£200		£128	
	Band 2 (e)	£906		£240		£191	
	Band 3 (d)	£769		£360		£320	
	Band 4 (c)	£1,264		£360		£476	
	Band 5 (b)	£1,375		£420		£626	
	Band 6 (a)	£1,612		£575		£704	
Deprivation (IDACI - Secondary)	Band 1 (f)	£940		£290		£161	
	Band 2 (e)	£1,166	£390	£254			
	Band 3 (d)	£775	£515	£417			
	Band 4 (c)	£1,221	£515	£639			
	Band 5 (b)	£1,097	£600	£840			
	Band 6 (a)	£183	£810	£874			
LAC	All	£2,404	0.2%	£0	0%	£662	0%
Low attainment	Primary	£509	2.54%	£1,050	7.5%	£812	4.3%
	Secondary	£637		£1,550		£1,058	
EAL	Primary	£953	0.43%	£515	1.2%	£482	0.9%
	Secondary	£921		£1,385		£926	
Mobility	Primary	£999	0.27%	Subject to historic spend	0.1%	£346	0.1%
	Secondary	£19,068				£532	
Lump Sum	Primary	£89,047	11.02%	£110,000	7.1%	£128,213	8.2%
	Secondary	£175,000		£110,000		£139,473	
Sparsity	Primary	£0 - £52,000	0.97%	£0 - £25,000	0.08%	£6,206	0.05%
	Secondary	£100,000 - £150,000		£0 - £65,000		£10,515	
Other – Growth, Rates, Split Sites, Rents		Varies			2.22%		2.3%

**NORTH YORKSHIRE COUNTY COUNCIL**  
**NORTH YORKSHIRE EDUCATION PARTNERSHIP**  
**26<sup>th</sup> JANUARY 2017**  
**REVIEW OF THE LMS CONTRACT PROCEDURE RULES**

**1.0 PURPOSE OF REPORT**

- 1.1. To inform the North Yorkshire Education Partnership (NYEP) on the latest thinking relating to potential changes to the LMS Rules, Part 3, Contract Procedure Rules (the Rules).

**2.0 BACKGROUND**

- 2.1. A comprehensive review of the Rules has been undertaken as it is recognised that the existing Rules are not aligned to the Public Contract Regulations 2015.
- 2.2. This report seeks to give members of the NYEP an overview of the thinking behind the proposed changes which will take effect from 1<sup>st</sup> April 2017.
- 2.3. The revised Rules are included at **Appendix 1**.

**3.0 PROPOSED CHANGES**

- 3.1. The Contract Procedure Rules govern how Schools procure goods, services and works. Most changes arise in relation to OJEU procurement processes in response to changes in The Public Contract Regulations. The latest significant amendments were implementation of The Public Contract Regulations 2015.
- 3.2. The revised Public Contract Regulations 2015 aim to:
- Simplify the procurement process
  - Speed up procurement process
  - Provide a more cost effective procurement processes
  - Promote sustainable procurement
  - Drive supplier engagement and innovation
  - Provide increased flexibility in relation to certain social and other specific service contracts covered by the light touch regime (LTR)



- Open competition to SMEs through removal of the Pre-Qualification Questionnaire for below threshold procurement exercises.
- 3.3. Some of the changes ensure that SMEs have access to NYCC school contract opportunities, making it easier for them to do business with schools and therefore aiming to increase spend either directly or in supply chains, which goes to SMEs and the local economy.
- 3.4. As detailed in Table 1 on page 3, the proposed changes offer significantly increased flexibilities and freedoms to schools in relation to procuring contracts. The changes also ensure that opportunities are open, fair, transparent and competitive in order to ensure value for money.
- 3.5. The process is less bureaucratic; time/resource intensive and less costly.
- 3.6. The revised rules include reference to the new Her Majesty's Revenue and Customs (HMRC), IR35 requirements. IR35 is a set of rules which affect the tax and national insurance payable when hiring or engaging-workers who are not on the payroll. The new rules come into force from April 2017 and mean it is the responsibility of the School to ensure compliance with the HMRC legislation, ensuring that payment for such service is made through PAYE/Real Time Information processes, deducting employee tax/ national insurance at source in addition to employer NI deduction. **Appendix 2** outlines a simple decision making tree to assist schools in understanding whether IR35 applies. It should be noted that this is still in draft and the council's, Schools HR team will be undertaking stakeholder consultation on decision tree. This decision tool is an interim arrangement until the Government launch the IR35 assessment tool.

#### **4.0 TRAINING AND COMMUNICATIONS**

- 4.1. Due to the changes being substantial the Procurement and Contract Management Service will be offering training to schools, via SmartSolutions. Further to this a communications plan will be developed in order to ensure all schools are aware of the change in requirements.

## 5.0 KEY CHANGES – Table 1.0

<b>PREVIOUS PROCESS</b>			
<b>Value</b>	<b>Process</b>	<b>Decision making</b>	<b>Contract signature</b>
Up to £5K	No mandatory process.	Decision making with school.	As per details below.
£5k - £100k	Seek 3 quotes.	Decision making with school. If the decision is taken not to seek 3 quotes, and none of the exceptions apply, approval is required by the Governing Body and NYCC.	<ul style="list-style-type: none"> <li>• Primary schools contracts up to £10k (except building contracts where the value is up to £20k).</li> <li>• Secondary schools contracts up to £20k (except building contracts where the value is up to £50k).</li> <li>• Governing Bodies can sign up to £100k although advice must be sought from NYCC Head of Legal Services.</li> </ul>
£100k – OJEU limit	Tenders	Decision making with school. If the decision is taken not to seek tenders, and none of the exceptions apply, approval is required by the Governing Body and NYCC.	Contracts in excess of £100k must be countersigned by NYCC Head of Legal Services.
OJEU limit	OJEU tendering process	Decision making with school. If decision not to seek OJEU tenders, and none of the exceptions apply, approval is	Contracts in excess of £100k must be countersigned by NYCC Head of Legal Services.

Item 2.5

		required by the Governing Body and NYCC.	Where contracts required Sealing this must be done by NYCC Head of Legal Services.
<b>NEW PROCESS</b>			
Up to £25k	No mandatory process	Decision making with school.	School – Headteacher of delegated Officer.
£25k – OJEU limit	Open bid process	Decision making with school. If decision taken not to complete open bids, approval required from Headteacher and Governing Body Chair or delegated Officers.	School – Headteacher and Chair of Governing Body or delegated Officers.
OJEU limit	OJEU tendering process	Decision making with school. If decision taken not to seek OJEU tenders, approval required by Headteacher, Governing Body Chair (or delegated Officers) and NYCC.	School – Headteacher and Chair of Governing Body or delegated Officers. AND NYCC Head of Legal Services.

## **6.0 RECOMMENDATIONS**

- 6.1. Members of the North Yorkshire Education Partnership are requested to note the contents of the report and to offer any observations in advance of a formal request for changes to the Rules.

### **REPORT AUTHOR:**

Rachel Woodward

Procurement & Quality Assurance Officer

North Yorkshire County Council

January 2017

**LMS Procedure Rules**

**Section:** Cover

**Page:** 1 of 57

**Date:** Approved by Executive Members 23 December 2014

# **LMS Financial and Contract Procedure Rules**

**PART 1 INTRODUCTION**

1	Introduction	4
2	Definitions	6
3	Responsibilities	8
4	Review of LMS Procedure Rules	11
5	Guidance	11

**PART 2 LMS FINANCIAL PROCEDURE RULES**

1	General	12
2	Preparation of Revenue Budget	12
3	Control of Revenue Budget	13
4	Income of the School	15
5	Capital Expenditure	17
6	Accounting Records and Procedures	17
7	Grant Application and Claims	17
8	Procurement of Services, Supplies and Works	18
9	Payment of Accounts	19
10	Petty Cash Arrangements	19
11	Inventories and Stores	19
12	Payroll, Pensions and Other Emoluments	20
13	Travelling and Subsistence Allowances	20
14	School Bank Accounts	20
15	Borrowing and Investments	22
16	LMS Licensed Deficits and LMS Loan Scheme	23
17	Charging of School Budget Shares	24
18	Voluntary Funds	26
19	Insurance and Risk Management	26
20	Internal Audit	27

21	Best Value	28
Appendices	Appendix 1 Specimen Budget Management Policy	29
	Annex A Model Terms of Reference for Finance/Resources Committee	40
	Annex B Model Scheme of Delegation to the Headteacher	43

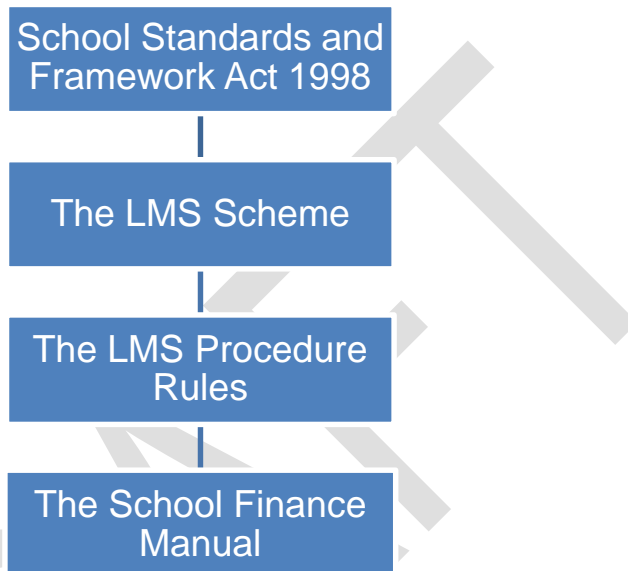
**PART 3 LMS CONTRACT PROCEDURE RULES**

<b>1</b>	<b>General</b>	<b>45</b>
<b>2</b>	<b>Compliance with Legislation and Standards</b>	<b>48</b>
<b>3</b>	<b>Capital Expenditure</b>	<b>48</b>
<b>4</b>	<b>Form of Contract</b>	<b>48</b>
<b>5</b>	<b>Signature/Sealing of Contracts</b>	<b>49</b>
<b>6</b>	<b>Leasing Agreements</b>	<b>50</b>
<b>7</b>	<b>Bonds and Liquidated Damages</b>	<b>50</b>
<b>8</b>	<b>Bids</b>	<b>50</b>
<b>9</b>	<b>Tenders</b>	<b>52</b>
<b>10</b>	<b>Options for Tender</b>	<b>52</b>
<b>11</b>	<b>Receipt and Opening of Tenders</b>	<b>53</b>
<b>12</b>	<b>Tender Evaluation and Acceptance</b>	<b>53</b>
<b>13</b>	<b>Electronic Commerce</b>	<b>54</b>
<b>14</b>	<b>Hiring and Engaging Staff</b>	<b>54</b>
<b>15</b>	<b>Purchasing Cards</b>	<b>54</b>
<b>16</b>	<b>Property Contracts</b>	<b>54</b>
<b>17</b>	<b>Exceptions to LMS Contract Procedure Rules</b>	<b>54</b>
<b>18</b>	<b>Contract Monitoring</b>	<b>56</b>
<b>19</b>	<b>Declaration of Interests</b>	<b>56</b>
<b>20</b>	<b>Training for Procurement</b>	<b>56</b>

## **PART 1 – INTRODUCTION**

### **1.0 INTRODUCTION**

- 1.1 The LMS Procedure Rules, as set out in this document, form part of the overall control framework within which Schools, administered by the Local Authority, operate.
- 1.2 The financial control framework takes the form of a hierarchy, as illustrated below:



- 1.3 The School Standards and Framework Act 1998 (Section 48) requires that the Local Authority sets out in an LMS Scheme the financial controls within which the delegation of funds to Schools works.

The Scheme and any revisions are approved by the Secretary of State for Education.

- 1.4 The LMS Scheme is the funding framework for Schools. It sets out the financial relationship between the Local Authority and the maintained Schools it funds. Contained within it are requirements relating to financial management and associated business which are binding to both the Local Authority and its Schools. Subject to the provisions of the Scheme, School Governing Bodies may spend budget shares for the purposes of the School and on any additional purposes as prescribed by the Secretary of State for Education. The Scheme, whilst based on a model prescribed by the Secretary of State for Education, adopts the principles which are consistent with the County Council's Financial Procedure Rules and Contract Procedure Rules, both of which form part of the County Council's Constitution. The Scheme contains a specific requirement to abide by the County Council's LMS Procedure Rules in the procurement of Supplies, Services and Works as well as other contracting matters. However, any section of the Council's LMS Procedure Rules shall not apply, under the terms of the approved LMS Scheme, if it requires Schools to:-



- a) do anything incompatible with any of the provisions of this Scheme, or any statutory provision, or any EU Procurement Directive;
- b) select suppliers only from an approved list;

The LMS Scheme requires Schools, in managing their delegated budgets, to abide by the County Council's requirements on financial and contractual controls and monitoring, i.e. those set out in these LMS Procedure Rules and the School Finance Manual.

The County Council may suspend a School's right to a delegated budget if the provisions of the LMS Scheme (or the Rules applied by that Scheme) have been substantially or persistently breached, or the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State for Education.

The Scheme is updated to reflect both local arrangements and Governmental direction.

- 1.5 The LMS Procedure Rules form a part of this overall control framework. They aim to facilitate service delivery by setting out best practice for the administration of all financial and contractual matters within Schools. This, then, ensures a high quality of financial information thereby enabling better decision making. They should not be viewed as a barrier to executive action and are constantly kept under review to ensure that they remain relevant to the day to day activities of Schools.

Certain of the financial requirements are specifically incorporated in the LMS Scheme whilst others are detailed in these LMS Procedure Rules. The LMS Procedure Rules reflect and record all the key issues in the LMS Scheme.

The LMS Procedure Rules are consistent with the principles of the LMS Scheme and embrace elements of the Council's own Financial and Contract Procedure Rules judged necessary to reflect the status and delegated responsibility of Schools and their Governing Bodies.

- 1.6 The **School Finance Manual** contains both the LMS Scheme and the LMS Procedure Rules together with all financial instructions and associated guidance. It is a comprehensive document detailing all aspects of financial systems and procedures and is designed for use on a day to day basis by staff or members of the Governing Body involved in any aspect of School financial administration.

The manual is produced by North Yorkshire County Council for its maintained Schools and is updated to reflect any changes of a local or national nature.

- 1.7 **Financial Instructions** will be issued to Schools as and when necessary by the CD-SR in accordance with paragraph 1.1 of Part 2 of the LMS Financial Procedure Rules. Revised instructions will be incorporated, as appropriate, in revisions of the LMS Scheme, the LMS Procedure Rules, or the School Finance Manual. In addition, there will be instructions issued to Schools on other finance related issues.

- 1.8 Other guidance and policies for Schools are produced by the Local Authority outside of the LMS Scheme and LMS Procedure Rules including the Procurement Guide for Schools and issues relating to Human Resources and Property.

**2.0 DEFINITIONS**

In these Rules, unless the context otherwise requires:

<b>ACE(LDS)</b>	means the Council's Assistant Chief Executive (Legal and Democratic Services).
<b>Asset</b>	means any asset including material and intellectual Property (e.g. software), but excluding any estate or interest in land and buildings, (i.e. 'Property' as defined by these Rules).
<b>BAFS</b>	means the Bank Account for Schools Scheme operated by the County Council.
<b>Best Value Form</b>	Means the form to be completed to capture the rationale for not seeking bid in accordance with <a href="#">Rule 8.1</a> .
<b>Bid</b>	Means the process for conducting procurements under EU threshold but above £25K, previously termed 'Quotation'.
<b>Building Contract</b>	means a Contract for Works such as the erection of a building, or the refurbishment or extension to an existing building at a School.
<b>Contract</b>	means any Agreement made between the School and any other Person which is intended to be legally enforceable and involves the acceptance of any offer made by one party to commit itself to an action or series of actions and subject to the exceptions in LMS Contract Procedure <a href="#">Rule 1.3</a> .
<b>Contractor</b>	means a Person with whom the School has a Contract.
<b>Council</b>	means the North Yorkshire County Council, the Local Authority.
<b>CD-CYPS</b>	means the Corporate Director – Children and Young People's Service of the Council.
<b>CD-SR</b>	means the Corporate Director – Strategic Resources of the Council, the Officer appointed by the Council to exercise the powers defined in Section 151 of the Local Government Act 1972.
<b>E-Sourcing System</b>	Means the Council's E-sourcing system (currently YORtender) or an appropriate alternative.
<b>EU</b>	means the European Union.
<b>EU Threshold</b>	means the current threshold above which the Public Contracts Regulations 2015 (PCR) apply, currently £164,176 for Services and Supplies, £4,104,394 for

Works and £589,148 for Social and Other Specific Services.

<b>Executive</b>	means the Council's Executive.
<b>Framework Agreement</b>	means an agreement with one or more public sector bodies which establishes an arrangement for: <ul style="list-style-type: none"><li>i. multiple orders to be placed with one Contractor (a single supplier framework), or</li><li>ii. a framework of multiple Contractors to engage in further competitions (a multiple supplier framework)</li></ul>
<b>Governing Body</b>	means the Governing Body of a School.
<b>Governor</b>	means a member of the School's Governing Body.
<b>Head of Internal Audit</b>	means the Head of the Council's appointed Internal Auditors, currently Veritau Ltd.
<b>Headteacher</b>	means the Headteacher of a School. The term 'Headteacher' shall be taken to include Officers delegated by them to undertake duties and responsibilities set out in these Rules. A record of such designations shall be maintained by the Headteacher.
<b>Internal Audit</b>	means the Council appointed Internal Auditors, currently Veritau Ltd.
<b>ITT</b>	means an invitation to tender.
<b>ITB</b>	Means invitation to bid.
<b>Leasing Agreement</b>	means a Contract for the provision of finance to enable Supplies or Services to be obtained and where ownership in any such Supplies does not automatically pass to the Council at the end of the Contract period.
<b>Letting</b>	means the hiring of part of the School premises by a club or other group under an ad hoc licence arrangement.
<b>MEAT</b>	means Most Economically Advantageous Tender.
<b>Officer</b>	means a School employee or other authorised agent of the School.
<b>OJEU</b>	means the Official Journal of the European Union.
<b>Participant</b>	means a Person or entity participating in a procurement process.
<b>PCR</b>	means Public Contracts Regulations 2015 (as amended).

<b>Person</b>	means any individual, partnership, company, trust, other School or Local Authority, Government department or agency.
<b>Procurement Guide for Schools</b>	means the guide to accompany these Rules which provides detailed guidance on procurement techniques and the effect of these Rules.
<b>Property</b>	refers to any estate or interest in land or buildings.
<b>Property Contract</b>	means a Contract which creates an estate or interest in land or buildings.
<b>Property Service</b>	means the service formerly known as the Corporate Landlord Services (CLS) or the Corporate Property Landlord Unit (CPLU).
<b>Responsible Officer</b>	means the Officer in the School who is responsible for the procurement and/or management of a Contract.
<b>Rules</b>	means these Rules which include the LMS Financial Procedure Rules and the LMS Contract Procedure Rules.
<b>School</b>	means an educational institution for pupils aged between 3 and 19 controlled or aided by the Council.
<b>SQ</b>	Selection Questionnaire, replacing previously termed PQQ.
<b>Services</b>	means Services of any description (including IT software) except employment and <b>Service Contract</b> means a Contract relating to Services provided for a School.
<b>Supplies</b>	means goods of any description (including IT hardware) and <b>Supply Contract</b> means a Contract relating to Supplies provided for a School.
<b>Works</b>	means Works of any description (including building and engineering Works) and <b>Works Contract</b> means a Contract relating to Works carried out for a School.
<b>YPO</b>	means the Yorkshire Purchasing Organisation.

### 3.0 RESPONSIBILITIES

#### Corporate Director - Strategic Resources

3.1 The Council's Constitution and the LMS Scheme define the framework within which the powers to make decisions, take action, etc are delegated to the appropriate level in the organisation. In particular, they empower the CD-SR to:

- act as the Proper Officer under Section 114 of the Local Government Finance Act 1988; and

- exercise the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.
- 3.2 This means that the CD-SR has a statutory responsibility to ensure that adequate systems and procedures exist to account for all income due and expenditure payments made on behalf of the Council, and that controls operate to protect the Assets of a School from loss, waste, fraud or other impropriety. In addition to these Rules, the CD-SR may discharge this responsibility, in part, by the issue and maintenance of financial instructions such as the School Finance Manual, with which any Officer of a School, together with any Person employed by an organisation contracted by the Council, shall comply.
- 3.3 As Section 114 Officer of the Council, the CD-SR shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit Regulations 2011. The CD-SR shall also be responsible for all arrangements relating to the external audit of the Statement of Final Accounts in accordance with those Regulations. This responsibility also extends to financial information contained within any Statutory Plan published by the Council, including any statutory reporting requirements under LMS.
- 3.4 The CD-SR shall, in compliance with Section 114 of the Local Government Finance Act 1988, report to the Council if a Governing Body or an Officer:
- a) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;
  - b) has taken or is about to take a course of action which, if pursued, to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the School or Council; or
  - c) is about to enter an item of account (in the ledger), the entry of which is unlawful.
- 3.5 The CD-SR may also produce a report if it appears that the expenditure proposed by the School in a financial year is likely to exceed the resources available to meet its expenditure. (Further details on Licensed Deficits are included in Section 16 of Part 2 of these Rules).
- 3.6 The CD-SR will monitor adherence to these Rules with the assistance of Internal Audit. The CD-SR will maintain a record of the exercise of duties and responsibilities delegated to him by these Rules.
- 3.7 The CD-SR is responsible for the review of these Rules (see paragraph 4.0).
- 3.8 The CD-SR and the CD-CYPS, or their representatives, shall have the right to attend any meeting of the School Governing Body for the purposes of giving advice or reporting on any matter of financial significance to the Council or involving any financial irregularity. The Council will give prior notice of any such attendance unless it is impractical to do so and CD-SR attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.
- Internal Audit Service**
- 3.9 Schools are required to co-operate with both internal and external auditors, the latter being appointed to audit the Council itself. This includes the provision of such information and explanations thereof as the auditors consider necessary to comply with this responsibility.
- 3.10 In instances where a School wishes to seek an additional source of assurance at its own expense, a School is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Council internal

or external audit process. Where a School chooses to seek an additional audit it does not remove the requirement that the School must co-operate with the Council's internal and external auditors. Further details on Internal Audit are provided in Section 20 of Part 2 of these Rules.

- 3.11 In addition to the normal internal and external audits, Schools must provide CD-SR with audit certificates of any voluntary or private funds they hold and the accounts of any trading organisation controlled by the Council. Further details on Voluntary Funds are provided in Section 18 of Part 2 of these Rules.

#### **Governing Bodies**

- 3.12 Every Governing Body shall be responsible for the proper administration of financial resources, for the observance of the Rules within their School and for the training of staff under their supervision to enable them to comply with these Rules. This principle also applies to any instructions or guidance, published in the School Finance Manual, issued under the authority of these Rules.
- 3.13 If any Governing Body employs a consultant, agency staff or an external Contractor to undertake any duties which would normally be undertaken by an Officer of the School, they must ensure that every such Person acts in accordance with these Rules. It is the responsibility of the Governing Body to ensure such Persons are aware of this responsibility and are given training, if appropriate, to enable them to carry out these duties. Every Agreement for such work should include adequate remedies to enable the School to secure reimbursement if there is a failure to comply with these Rules which leads to a financial loss for the School.
- 3.14 A Governing Body is responsible for all Revenue and Capital Expenditure which it or its Officers incur. It is the responsibility of the Governing Body to consider the extent to which it wishes to delegate its powers to the Headteacher and to record its decisions, together with its reasons, in the minutes of the Governing Body. The Governing Body must also monitor the effectiveness of these arrangements. The County Council has no wish to impose uniformity on Schools but considers that the desirable level of delegation to Headteachers is as set out in Annex B to Appendix 1 to these Rules. Whatever arrangements are put in place the Person(s) responsible shall exercise their responsibilities in accordance with these Rules.
- 3.15 Governing Bodies are free to spend budget shares 'for the purposes of the School', subject to any provisions in these Rules. A Governing Body must spend its delegated budget in a manner which is consistent with the implementation of a national curriculum and the Council's policy in the approved Children and Young People's Plan together with any modifications agreed by the Governing Body. Public money is entrusted to the School and careful consideration should be taken not to offer inappropriate levels of hospitality to members of the Governing Body, School staff or third parties. If Schools are in any doubt as to what is acceptable they should contact the Legal and Democratic Services Helpdesk, details of which are in section 5.2 below, for advice.
- 3.16 Governing Bodies shall supply to the Council all financial and other information which might reasonably be required to enable the Council to satisfy itself as to the School's management of its delegated budget share and devolved capital or the use made of any other allocations by the Council (e.g. earmarked funds) to the School.
- 3.17 The Governing Body is a corporate body and, consequently, Governors will not incur any personal liability in the exercise of their powers to spend the delegated budget share, provided they act in good faith.
- 3.18 Each Governing Body shall maintain, and keep up to date by an annual review, a register which lists for each member of the Governing Body and staff who make

purchasing decisions, any business interests they or their immediate family have. This register will be available for inspection by the Council, Governors, staff and parents. Guidance on the drawing up of such a Register is included in Section 17 of the School Finance Manual. In addition, a register of gifts and hospitality received by Governors and School staff shall be maintained in line with the protocol circulated to Schools.

**Failure to Comply with these Rules**

- 3.19 Every Governor and Officer shall comply with these Rules. Any unauthorised failure to comply with these Rules, and any related instructions or guidance contained in the School Finance Manual or the Procurement Guide for Schools, may lead to disciplinary action being taken against individual Officers. It may also lead to the suspension of Delegation.
- 3.20 Any loss arising from negligence, failure to adhere to the advice of the Council or failure to provide reasonable standards of financial administration, having regard to these Rules or any other related guidance, will be charged against the School budget and may ultimately lead to the suspension of delegation or the withdrawal of the BAFS account from the School.

**4.0 REVIEW OF LMS PROCEDURE RULES**

- 4.1 The CD-SR (in consultation with the ACE(LDS)) shall regularly review the application and effect of these Rules and shall, after consulting with the Schools Forum, propose such updated Rules to the Executive Members for Children & Young People as the CD-SR may consider appropriate. The CD-SR welcomes feedback on the operation of these Rules, or any aspect of the School Finance Manual and the Procurement Guide for Schools, to ensure that they both remain effective and relevant to the day to day operational activities of Schools.

**5.0 GUIDANCE**

- 5.1 The Rules make reference to specific guidance documents which can be found via the following links:

**LMS Scheme** <http://cyps.northyorks.gov.uk/index.aspx?articleid=13975>

**School Finance Manual** <http://cyps.northyorks.gov.uk/index.aspx?articleid=13975>

**The Procurement Guide for Schools** <http://cyps.northyorks.gov.uk/index.aspx?articleid=23802>

**School Information Governance Manual** <http://cyps.northyorks.gov.uk/index.aspx?articleid=16018>

**The Governors' Handbook** <https://www.gov.uk/government/publications/governors-handbook--3>

- 5.2 The Council recognises the complexity of some of these Rules and Schools are therefore encouraged to seek the support available from the Legal and Democratic Services Helpdesk:

Telephone number 01609 532347

E-mail [legal.services@northyorks.gov.uk](mailto:legal.services@northyorks.gov.uk)



## **PART 2 - LMS FINANCIAL PROCEDURE RULES**

### **1.0 GENERAL**

- 1.1 The nature and format of all accountancy systems and related financial procedures and records maintained in Schools must comply with any instructions issued by the CD-SR. The financial ledger maintained by the CD-SR will be regarded as the primary financial record of the Council, for both actual expenditure and income transactions. The principles shall also be applied to any partnership or joint working arrangement with a third party whereby the School agrees to allocate to, or receive (and then administer) funds from a third party under the terms of the partnership or joint working arrangement. No funds should be allocated to, or received from, a third party on this basis without the agreement of the CD-SR as to the financial systems and procedures that will be adopted either by the School or the third party.
- 1.2 Each Governing Body is responsible for the proper financial management of all resources allocated to their School. They shall devise and implement such controls and procedures, in accordance with the instructions in these Rules and the guidance in the School Finance Manual, as are necessary to carry out their duties and prevent loss, waste, fraud or other impropriety in relation to the Assets or integrity of the School. If the School has any doubts over its proposed controls and procedures it shall seek the advice of CD-SR.
- 1.3 Each Governing Body shall define a budgetary control policy for the resources (revenue or capital) allocated to their operational area, record its decisions, and ensure it is enforced. The same principle shall apply to any funds allocated to, or received from, a third party under a partnership or joint working arrangement (see Rule 1.1). A model Budget Management Policy for consideration by Governing Bodies is attached as an Appendix 1 to these Rules.
- 1.4 Given the very high proportion of Local Authority spending which flows through delegated budgets, the government has determined that Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements. To assist Schools in doing this the principles of Best Value are set out in Annex C of the LMS Scheme.
- 1.5 Only allowances in respect of purposes specified in the Education (Governors' Allowances) (England) Regulations 2003 may be paid to Governors from a School's delegated budget share. Schools are expressly forbidden from paying any other allowances to Governors. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by him to Schools under special measures.
- 1.6 Schools are required to use their best endeavours in spending the budget share to meet the special educational needs of children.

### **2.0 PREPARATION OF REVENUE BUDGET**

- 2.1 The detailed form of the Council's annual budget and its preparation shall be determined by the CD-SR. The Governing Body will be required to compile, consider and submit such data and statistics as the CD-SR might require to assist in the preparation of that annual budget.

- 2.2 Schools are required to:
- a) prepare budgets in accordance with any instructions from the CD-SR; and
  - b) provide the Council with details of expected and actual expenditure and income at times determined by the CD-SR. The current requirements are set out in the following paragraph.

2.3 The Governing Body of each School must prepare and regularly update a financial management plan as part of its School Development Plan. The plan should cover the ensuing budget year and two subsequent years, and should include:-

- a) a resource utilisation strategy in broad terms (e.g. finance, manpower, Property, equipment); and
- b) a detailed spending plan for the ensuing budget year and the assumptions underpinning that plan. The format of the Plan should accord with the format determined by the CD-SR. In determining the format, the CD-SR will follow the requirements of the Department for Education as set out in the Consistent Financial Reporting Framework.

The CD-SR and the CD-CYPS retain the right to specify any further information that may reasonably be required in connection with the financial management plan of a School.

The detailed spending plan for the ensuing budget year (the Start Budget) must be prepared and approved by the Governing Body and a copy sent to the CD-CYPS before **1 June of each budget year**. An indicative budget should also be prepared of estimated income and expenditure for the two following financial years. The projection should be considered by the Governing Body during either the Summer or Autumn Term and should be made available, if required, to the CD-CYPS.

The CD-SR will also require the submission of revised plans by the end of the Autumn Term (see also arrangements for Licensed Deficits in Section 16 of Part 2 of these Rules).

### **3.0 CONTROL OF REVENUE BUDGET**

- 3.1 The funds delegated to a School by the Council in accordance with the LMS Scheme represent a cash limited resource allocation for a given financial year and Governing Bodies **must** therefore control spending within this allocation.
- 3.2 From the start of each financial year, expenditure may be incurred within the overall revenue budget approved by the Governing Body. Similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved budgets shall be exercised by the Governing Body.
- 3.3 Expenditure on behalf of the School can only be committed against approved budgets and in accordance with the policies for which the budget was established. Any significant commitment to continuing liabilities (including staffing changes - see Rule 3.4 below) in future years in excess of current budget provision or any proposed change in policy likely to affect the current approved budget and/or the forecast budget for future years (see Rule 2.3) shall be the subject of a report to the Governing Body prepared by the Headteacher which sets out clearly the full financial implications. Such proposals may relate to expenditure and/or income and this should be made explicit in any statement of financial implications (see Rule 2.3).
- 3.4 Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Governing Body

- 3.5 A Governing Body must not anticipate resource allocations for future years by overspending in the current year with the intention of funding this via underspendings in later years except in exceptional circumstances to be approved in advance by the CD-CYPS and CD-SR. These exceptional circumstances and the arrangements for prior approval of any anticipated overspend, known as a licensed deficit, are set out in Section 16 of Part 2 of these Rules.
- 3.6 Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the School's budget share for the year plus/minus any balance brought forward from the previous year, subject to the Balances Control Scheme.
- 3.7 To exercise adequate budgetary control during a financial year, a Governing Body should record, analyse and monitor expenditure and income against its detailed spending plan and, as necessary, approve a virement of resources between the various budget heads that have been established. Governing Bodies are advised to establish the criteria for virements and financial limits above which the approval of Governors is required. To assist in this process the CD-SR will provide regular information to Schools including all income and expenditure data which it holds about employee related costs and other financial transactions processed centrally on behalf of the School. A School must ensure that the information provided by the CD-SR is reconciled regularly to the School's accounting records.
- 3.8 Regular budget monitoring reports shall be submitted to the Governing Body. The Governing Body must receive a report at least termly whether the routine monitoring is delegated to a sub-committee made up of a selection of members of the Governing Body and the Senior Team i.e. a Finance Committee, or not. The sub-committee shall submit a brief summary report to the full Governing Body once per term.
- 3.9 As soon as possible after the end of the financial year, the CD-SR will produce a statement of actual expenditure and income for that year in respect of each School. This will be the definitive statement of the financial position for that School at that financial year end. The Governing Body must ensure that this is fully reconciled to the School records and considered at its earliest meeting with a supporting report from the Headteacher.
- 3.10 The Council is authorised to make sums available to Schools from central funds in the form of an allocation which are additional to and separate from the School's budget share. Such allocations shall be subject to conditions setting out the purpose or purposes for which they may be used and, whilst these conditions may not preclude virement (except, of course, where the funding is supported by a specific grant where the Council itself is not permitted to vire), this should not be carried out to the point of assimilating the allocations into the School's budget share.
- 3.11 Such earmarked funding from centrally retained funds is to be spent only on the purpose for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the School's budget share. These earmarked funds must also be spent and accounted for in accordance with these Financial Procedure Rules including any specific instructions issued about their use by the CD-SR and/or the CD-CYPS. It may be a requirement that such earmarked funds, if not spent 'in year', must be returned to the Council.

**4.0 INCOME OF THE SCHOOL**

- 4.1 All income received in respect of activities where related expenditure is incurred by the School's resource allocation, shall be paid into the BAFS account. This shall include, with the exception **only** of Voluntary Aided Schools, all income and expenditure related to the Letting of School premises, grounds or facilities. The retention of income from Lettings is subject to any alternative provisions arising from Joint Use or PFI Agreements.
- 4.2 Schools are permitted to cross-subsidise Lettings for community and voluntary use with income from other Lettings, provided there is no net cost to the budget share.
- 4.3 Each Governing Body shall be responsible for the determination of Lettings and other fees and/or charges relevant to the activities carried out by/within their School. For practical purposes this responsibility should be linked to the budget management arrangements established in accordance with Rules 1.3 and 2.3. The arrangements, including the respective responsibilities of the School and the Council, for the fixing and review of Lettings are set out in the School Finance Manual.
- 4.4 Lettings and other fees and/or charges within the control of the School shall be subject to review at least annually by the Governing Body except as provided in any specific agreements between the School and relevant third parties.
- 4.5 Schools may retain the proceeds of the sale of Assets except in cases where the Asset was purchased with non-delegated funds. This provision does not apply to "Property" i.e. land or buildings forming part of the School premises which are owned by the Council. Income from the sale of Assets purchased with delegated funds may only be spent for the purposes of the School and must be paid into the BAFS account. Prior to the disposal of any Asset, a School must ensure that the Asset is of no further use to the School and consult the CD-SR in respect of any Assets subject to a Leasing Agreement.

The procedures defined in the LMS Contract Procedure Rules apply to the disposal of any Assets of the School. In particular, no quotations or tenders for other than the highest price shall be accepted without reference to LMS Contract Procedure Rules 8.7 and 8.9 and/or 9.8 and 12.2 as appropriate. For items valued at under £250 and to save the costs of disposal, to reduce the need to send items to landfill and to maximise the use of Council and School resources, local arrangements can be made in line with the guidance included in Section 21.3.5 of the School Finance Manual.

- 4.6 In the case of a proposal to dispose of Property, the School shall consult the CD-CYPS on any suggestions regarding disposal. The disposal, if agreed, will be processed by the Council.
- 4.7 Income collected by a School shall be in accordance with the terms of the Charging and Remissions Policy for School Activities agreed by the Governing Body of that School. Schools are required to have regard to any policy statements and charging guidance produced by the Council.
- 4.8 The Governing Body must formally designate those Officers who shall be responsible for the collection of income, issuing receipts, raising debts and the banking and recording of income. In formulating these arrangements, the Governing Body should have regard to the key concept of division of duties. In all but the smallest Schools where there are staffing limitations, different members of staff must be responsible for raising debts and collecting and recording the settlement of those debts. In most Schools, although not achievable in all, a further separation of duties would be helpful by having a different Person taking responsibility for the updating of the financial system as compared with the

responsibility for collecting and recording the receipt of income. The nature of the arrangements that a Governing Body must establish shall be subject to the detailed guidance from the CD-SR as set out in Chapter 11 of the School Finance Manual.

- 4.9 Schools may operate an online income collection system but must only use a supplier whose system has been approved by the CD-SR. Transaction charges for on line payments must not be passed on to the payee unless the School has adopted a policy to that effect and communicated it to parents.
- 4.10 Income may not be used to directly offset payments due. All money received on behalf of the School shall, as soon as practicable, be either banked intact for the credit of the School's BAFS account or deposited with the CD-SR. The use of 'intermediate accounts', i.e. Post Office accounts, to facilitate effective banking arrangements shall be operated in accordance with arrangements authorised by the CD-SR. All income in 'intermediate accounts' shall be transferred to the main BAFS account as soon as practical and, in any event, within one month of deposit.
- 4.11 Schools may not retain income from fees and charges where a service is provided by the Council from centrally retained funds.
- 4.12 Where it is necessary to raise an invoice in connection with a debt it should be done promptly using a proforma debtor invoice form approved by the CD-SR. Sums due for up to £250 which are considered to be irrecoverable shall not be written off without the prior written approval of the Governing Body of the School. Sums in excess of £250 shall not be written off without the additional consent of the CD-SR and, in such circumstances, the Headteacher shall provide copies of all relevant documents to the CD-SR.
- 4.13 Where an invoice has been raised in respect of a debt and it subsequently becomes apparent that the debt was not legally due to the School (on the grounds that, for example, it was mistakenly believed that the School had a valid legal claim against the debtor), then the invoice may be cancelled by the Headteacher in consultation with the Chair of the Governing Body.
- 4.14 If an overpayment has been made by the School to a third party (including, but not limited to, employees and suppliers) then all necessary steps shall be taken to recover the amount of the overpayment. If, however, it is considered appropriate not to recover the overpayment (on grounds including, but not limited to, cost effectiveness or compassionate reasons) then approval not to pursue the overpayment must be obtained from:
- a) the Governing Body in respect of debts up to £250
  - b) the CD-SR in respect of amounts of £250 and above.
- 4.15 The Education Act 2002 empowers Schools to provide community facilities. Governing Bodies are required to follow the provisions in Section 12 of the LMS Scheme and associated guidance in chapters 12 and 19 of the School Finance Manual.
- 4.16 The Headteacher has significant responsibilities in relation to income collection procedures whilst not being involved, to any significant degree, in its financial administration. It is particularly important that the Head should be sufficiently informed to be able to readily identify problems, potential or actual, which arise including, very occasionally, fraudulent intent. In order to safeguard against these eventualities, the following precautions are advocated:
- a) The budget monitoring process in itself should highlight many potential problem areas i.e. if income targets are failing to be achieved;
  - b) The Headteacher must approve the action proposed for debts which have been outstanding for more than 8 weeks; and

- c) An occasional examination of the income records should be conducted and tests applied, to ensure that the invoices have been settled in a timely manner and any outstanding debts are being pursued vigorously. A useful check would be to trace all income from the School's income record to the appropriate bank statement.

## **5.0 CAPITAL EXPENDITURE**

- 5.1 The definition of capital expenditure will be determined by the Council having regard to appropriate national regulations and guidelines. The current definition is set out in the Guidance Notes on Consistent Financial Reporting. Capital expenditure will be controlled by the Council within the limits of a capital programme prepared each year.
- 5.2 The Rules relating to a Governing Body's use of its own budget share and Devolved Capital allocation to meet capital expenditure on School premises are set out in **sections 2 and 3 of Part 3** of the LMS Contract Procedure Rules.

## **6.0 ACCOUNTING RECORDS AND PROCEDURES**

- 6.1 All expenditure incurred and income generated by a School under the terms of the LMS Scheme will form part of the overall accounts of the Council and, therefore, all accounting procedures, records and vouchers will be determined by/or be subject to approval by the CD-SR as the Officer holding overall statutory responsibility for the financial affairs of the Council. Detailed instructions and guidance, including those set out in the LMS Scheme, these Rules and the School Finance Manual, will be issued by the CD-SR in conjunction with the CD-CYPS about the processes, systems and controls required for the satisfactory standard of probity and regularity which the Governing Body and School staff must maintain.
- 6.2 All financial records and vouchers must be retained for a minimum period determined by the CD-SR. Detailed guidance on the retention periods for accounting and other records maintained by Schools is contained in Section B of the Schools' Information Governance Manual and Chapter 19 of the School Finance Manual.
- 6.3 A Governing Body shall ensure the timely and accurate completion of any statistical returns required by any Government department or the Council.

## **7.0 GRANT APPLICATION AND CLAIMS**

- 7.1 The CD-SR should be consulted prior to a School submitting a grant or external funding application, or accepting a grant or external funding award where no application was required, for amounts in excess of £100,000. The School shall comply with such requirements as the CD-SR may stipulate relating to the application for the grant or external funding.
- 7.2 The CD-SR shall determine the accounting arrangements for grant and external funding awards in excess of £100,000 including the completion and approval of grant claims and, where applicable, any requirements for external audit approval.
- 7.3 Certain grant claims are required to be audited and an opinion provided on the accuracy of the expenditure being claimed by the Head of Internal Audit. Each Headteacher shall ensure that records are retained to enable the Head of Internal Audit to complete the work and provide explanations, as necessary, for any matters raised. Upon acceptance of any grant award that requires audit certification, the

School shall contact the Head of Internal Audit to discuss the audit requirements of the particular grant.

- 7.4 Further detailed information can be found in Section 6 of Chapter 15 of the School Finance Manual.

### **8.0 PROCUREMENT OF SERVICES, SUPPLIES AND WORKS**

- 8.1 A Governing Body shall be responsible for the following:
- a) the procurement of all Services, Supplies and Works by their School;
  - b) ensuring that the Services, Supplies and Works ordered are received and are of the correct quality;
  - c) ensuring that Services, Supplies and Works are only ordered by Officers with authority to do so and provided there is approved budgetary provision to cover the associated costs (see Rule 9.2); and
  - d) ensuring that the certification of invoices in accordance with arrangements approved by the CD-SR. Details are set out in section 9 of these Rules with more detailed guidance in Chapter 8 of the School Finance Manual. Detailed guidance on Purchasing is provided in Chapter 6 of the School Finance Manual.
- 8.2 All Supplies or Services, with the **exception** of the following list, shall require the issue of an official Council order form, approved by the CD-SR (except where he specifically waives this requirement), signed by the Headteacher or other Officer as approved by the Governing Body, who shall be responsible for all orders issued by the School.
- a) gas, electricity, telecommunications services, rent, rates, water and sewerage charges;
  - b) small purchases using the Petty Cash account where the transaction is completed at the point of sale/service (see Rule 10);
  - c) training courses for members of the Governing Body or staff;
  - d) purchases made by means of a Purchasing Card operated within the scheme organised by the CD-SR; or
  - e) such other items as the CD-SR may from time to time determine.
- 8.3 A Governing Body must establish arrangements to ensure that the financial commitment arising from all Contracts are properly recorded and monitored in the School's financial records and that, by virtue of checks carried out by someone other than the Person signing the order, all Supplies and Services ordered by a School are, in fact, received and are correct as to quality, quantity and price before payment is authorised. **For the avoidance of doubt, an order form is a Contract.** The nature of the arrangements that a Governing Body must establish shall be the subject of detailed advice from the CD-SR.
- 8.4 Individuals must not use official orders to obtain Supplies or Services for their own private use or for third party organisations/individuals, other than for other North Yorkshire Schools.
- 8.5 The Council shall determine on what basis Services from centrally retained funds will be provided to Schools. The Council is debarred from discriminating in its provision of Services on the basis of categories of Schools except where:
- a) funding has been delegated to some Schools only, or

b) such discrimination is justified by differences in statutory duties.

8.6 Any Services which the Council is providing for a charge must be offered in a way which does not unreasonably restrict Schools' freedom of choice.

## **9.0 PAYMENT OF ACCOUNTS**

9.1 With the exception of any payment made on behalf of the School by the CD-SR, all payments for Supplies, Services and Works (but subject to the requirements of the Construction Industry Scheme), will be made by way of the BAFS account.

9.2 The Governing Body must formally designate those Officers who shall be responsible for raising orders, authorising invoices for payment and signing cheques. In formulating these arrangements the Governing Body should ensure, wherever possible, that neither the Person who signed the order nor the Person who checked the receipt of Supplies or Services, certifies the invoice for payment. The nature of the arrangements that a Governing Body must establish shall be the subject of detailed guidance from the CD-SR as set out in Chapter 8 of the School Finance Manual.

9.3 The member of staff responsible for certifying invoices shall do so in manuscript after having ensured that the invoice, or other payment voucher, has been thoroughly checked, accurately coded and that the transaction has been recorded on the copy order and in the School's accounting records.

9.4 Duly authorised invoices shall be paid by standing order, direct debit, BACS transfer or cheque drawn on the BAFS account or by the CD-SR in accordance with the terms of trade specified by the supplier. It will be the responsibility of the School to ensure that any guidance issued by the CD-SR regarding Value Added Tax or the Construction Industry Scheme is adhered to when making such payments (see also Rule 14.18).

9.5 Any amendment to an account shall be made in ink and initialled by the Officer making it, stating briefly the reasons where they are not self-evident.

## **10.0 PETTY CASH ARRANGEMENTS**

10.1 A Governing Body may arrange a petty cash imprest to enable the School to make small payments in cash within financial limits which the CD-SR will, from time to time, prescribe.

10.2 VAT receipts should be obtained, wherever possible, to support purchases made from the petty cash imprest and to enable the recovery of VAT.

10.3 Further details can be found in Section 16 of Chapter 5 of the School Finance Manual.

## **11.0 INVENTORIES AND STORES**

11.1 The Governing Body of a School shall be responsible for the safe custody and control of all vehicles, furniture, equipment, stocks and stores and other Council Property and shall maintain an inventory (in a form approved by the CD-SR) of all Assets used in the School which belong to the School whose individual cost or value exceeds £100. This Rule also applies to any Asset acquired under a Leasing Agreement (see LMS Contract Procedure Rule 6).

11.2 Checks of such inventories shall be carried out at least annually and any losses or shortages exceeding £1,000 in value shall be reported promptly to the CD-SR. The



procedure for the disposal of surplus, obsolete or unserviceable items shall be agreed with the CD-SR.

- 11.3 The Governing Body shall also be responsible for the custody of all cash and financial documents used in the School. Cash held on the School premises should not exceed any sums for which the School is insured.

## **12.0 PAYROLL, PENSIONS AND OTHER EMOLUMENTS**

- 12.1 The calculation and payment of all salaries, wages, pensions, gratuities, compensation and other emoluments payable by the School to its current employees or a former employee shall be performed in accordance with arrangements approved by the CD-SR.
- 12.2 Each Headteacher shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the CD-SR.
- 12.3 The CD-SR shall be authorised to implement national and provincial pay awards with effect from their implementation dates.
- 12.4 All time records or other pay documents shall be in a form prescribed or approved by the CD-SR. The Governing Body shall ensure that these records or documents are accurately and fully completed, in accordance with the appropriate timetable, and checked and certified in manuscript on behalf of the said Governing Body. The names of Persons authorised to certify such records shall be sent to the CD-SR by the Headteacher together with specimen signatures.
- 12.5 Where a School makes its own payroll processing arrangements, it must supply all returns required by the Council to comply with statutory requirements and, in particular, the requirements of Her Majesty's Revenue and Customs, DWP, Teachers Pensions Agency, Local Government Pension Scheme and the National Fraud Initiative, in a timely fashion.
- 12.6 Schools shall take account of the advice on Human Resources matters issued by the HR Shared Service for Schools. The Council may charge a School's delegated budget in respect of items detailed in Rule 17.5 below where such advice has not been taken.

## **13.0 TRAVELLING AND SUBSISTENCE ALLOWANCES**

- 13.1 The calculation and payment of all travelling and subsistence allowances payable by the School to its employees shall be performed in accordance with arrangements approved by the CD-SR.
- 13.2 Each School shall maintain a record of Officers authorised to certify claims on its behalf. Certification of a claim shall signify that the Headteacher is satisfied that the allowance or expenses are properly payable by the School in respect of duties performed by the claimant.

## **14.0 SCHOOL BANK ACCOUNTS**

- 14.1 Budget shares will be made available to Governing Bodies monthly by the Council.
- 14.2 Budget share instalments will be remitted on a predefined date in each month to each School by BACS, or its equivalent, by means of a credit into the School's bank account. Before the beginning of the financial year, the Council will issue an

annual timetable of dates on which BACS payments will be credited to the School account and arrangements for the first payment in each financial year.

- 14.3 The manner in which monthly advances are calculated is summarised in Section 3 of the LMS Scheme.
- 14.4 Schools may have an external bank account known as the BAFS account into which their budget share instalments (as determined by other provisions) are paid. Where Schools have such accounts, they shall be allowed to retain all interest receivable on the account.
- 14.5 The CD-SR shall determine, and review periodically, the minimum criteria for School bank accounts. The CD-SR will also maintain a list of “approved institutions” which provide accounts that meet these criteria. Details of the minimum criteria and the list of approved institutions are included in Chapter 5 of the School Finance Manual.
- 14.6 A Governing Body shall only operate a BAFS account provided by an approved institution which meets the minimum criteria. The CD-SR retains the right to refuse approved status for a particular account and/or institution if the minimum criteria are not met. Similarly the terms and conditions of the account provided by financial institutions already on the ‘Approved List’ may change if the account now fails to meet the minimum criteria. In these circumstances, the CD-SR will remove the account from the ‘Approved List’ and require any Schools using that particular account, subject to three months’ notice in writing, to make alternative banking arrangements.
- 14.7 When a Governing Body initially opens, or subsequently wishes to change its BAFS account, it shall submit to the CD-SR, not less than 25 working days before commencing to operate the said account, details of the name and address of the financial institution (and/or branch if appropriate), the title of the account(s), the account(s) number plus relevant sort code, together with the name and title of proposed cheque signatories.
- 14.8 Schools are allowed to have accounts for budget share purposes which are in the name of the School rather than the Council. However, the Council will continue with arrangements negotiated with the Yorkshire, Lloyds TSB and Barclays Banks, whereby the accounts are in the name of the Council and the School.
- 14.9 The BAFS account shall be entitled “*North Yorkshire CC (or NYCC) ..... School*” and this narrative must appear on all cheques drawn on the BAFS account.
- 14.10 Except for small cash payments made from a petty cash imprest, all non-employee related transactions must be processed via the School’s BAFS account. The BAFS account can only be used to process transactions in line with the requirements of the LMS Scheme.
- 14.11 A School bank account must not be overdrawn.
- 14.12 Payments from the BAFS account shall be made by crossed cheque, BACS transfer, Direct Debit, or Standing Order. The use of cheque cards, including credit and debit cards, with the exception of Purchasing Cards operated within a scheme organised by the CD-SR, is not permitted. Once prepared, all cheque payments shall be signed in manuscript by at least two Officers designated by the Governing Body. One cheque signatory shall also authorise the invoice for payment. Blank cheques shall not be pre-signed and must be kept in a secure location. Any cheques which require cancellation must be clearly marked “cancelled” and retained by the School. BACS transfers shall only be processed by means of a system approved by the CD-SR and be input and authorised by different Officers designated by the Governing Body.

- 14.13 A Governing Body shall arrange for the printing of cheques. Cheques may be personalised with, for example, the School logo, but the full account title (as defined in Rule 14.9 above) must appear on the cheque. The number of unused cheques retained in the School shall be kept to a minimum. This can be achieved by requesting the financial institution operating the BAFS account to retain cheque stocks. A Governing Body shall maintain a record of all cheque stocks held at the School in a form prescribed by the CD-SR.
- 14.14 Schools shall receive bank statements at least monthly. The CD-SR will require Schools to provide copies of the statements showing balances on the account at 31 March of each financial year and to submit electronic bank reconciliations on a monthly basis.
- 14.15 Schools shall submit monthly VAT returns, including the related statistical information, in a form prescribed by the CD-SR. VAT will be reimbursed to the School in accordance with Chapter 16 of the School Finance Manual.
- 14.16 The Governing Body shall arrange for a reconciliation to be made at the end of each month of the balance shown on the bank statement with the School's accounting records of income and expenditure. The CD-SR will require copies of the reconciliation statement each month.
- 14.17 A detailed return of the School's annual income and expenditure shall be provided to the CD-SR as soon as possible after the end of each financial year. The form of the return will be determined by the CD-SR but will follow any Department for Education requirements for Consistent Financial Reporting.
- 14.18 As the Council has a number of statutory obligations which are not waived by the operation of BAFS, the Council will provide detailed guidance to Schools regarding such matters as Income Tax, National Insurance, Value Added Tax and the Construction Industry Scheme. Any penalties and other liabilities subsequently suffered by the Council but arising from the School's failure to follow the relevant guidance on such matters will be regarded as the responsibility of the School and will, therefore, be a charge against the School's delegated budget
- 14.19 Where a Governing Body operates private bank accounts for School funds, local trusts or endowments, these must not be used for any payments or receipts relating to the resources allocated to the School in accordance with the Council's LMS Scheme (see Rule 15.1 below).
- 14.20 Balances held by the Council on behalf of Schools will attract no interest.

**15.0 BORROWING AND INVESTMENTS**

- 15.1 A Governing Body cannot transfer any Council funds, including balances held in its BAFS account(s), into a private fund or other deposit account without the written approval of the CD-SR.
- 15.2 A Governing Body is permitted to transfer funds between its BAFS "current" account and an "investment" account operated by the same or another approved financial institution without CD-SR approval provided the terms or conditions of the "investment" account involve no risk to the principal sum involved. Any such transfers should be made only on the written instruction of two approved cheque signatories and must not involve any intermediary.
- 15.3 A Governing Body may not raise money by securing any legal charge upon Property.
- 15.4 A Governing Body is not permitted to arrange any form of loan or equivalent borrowing, bank overdraft or credit facility, except with the express permission of

the Secretary of State for Education other than in accordance with the LMS Scheme (see also Rule 16.13).

## **16.0 LMS LICENSED DEFICITS**

- 16.1 Deficit balances will be carried forward by the deduction of relevant amounts from the following year's budget share.
- 16.2 Schools may only plan for a deficit budget in accordance with the terms for licensed deficits.
- 16.3 The Council will charge interest on a licensed deficit and any cash flow advances necessary in accordance with Section 4 of the LMS Scheme.
- 16.4 The Council has no power to write off the deficit balance of any School.
- 16.5 The general provision forbidding Schools to borrow money shall not apply to any schemes run by the Council for licensed deficits and loans.
- 16.6 The Council may permit Schools to plan for a deficit budget in particular circumstances.
- 16.7 Schools are permitted only to enter into a cumulative deficit with the prior approval of the CD-SR and the CD-CYPS. Deficits, when approved, are referred to as **licensed deficits**.
- 16.8 Approval to have a licensed deficit will be given only in exceptional circumstances where it assists in maintaining the viability of the School. Circumstances where approval is given may include a temporary reduction in pupil numbers or a large and unforeseen loss in income.
- 16.9 The licensed deficit will be approved for a limited period with conditions. It will be based upon a medium term financial plan covering the whole period of the approved deficit and for at least one financial year beyond that.
- 16.10 The conditions for an approved licensed deficit will include the following:
- a) the School informing the CD-CYPS of any unforeseen circumstances which, unless corrective action is taken, may jeopardise the achievement of the plan;
  - b) prior approval, as considered necessary by the CD-CYPS, to staffing changes;
  - c) regular provision of monitoring information;
  - d) the written agreement to the terms by the Chair of Governors; and
  - e) such other conditions as are considered appropriate by the CD-SR and the CD-CYPS.
- 16.11 The period of the licensed deficit will be as short as possible given the circumstances of the individual School and, in most cases, will cover a period of less than two financial years. The maximum permitted period for a licensed deficit is five years. Whilst plans will be reviewed to reflect developments during the period of the licensed deficit, any extensions to the period of a licensed deficit will be approved only in exceptional circumstances. If a School fails to take agreed action necessary to clear the deficit, the Council will consider withdrawal of delegation.
- 16.12 The School will keep the size of any approved deficit to a minimum and, in any event, the deficit must not exceed 10% of the School's annual budget share in any

financial year. The percentage will be determined by CD-SR by reference to the budget share in the year concerned.

- 16.13 A licensed deficit will not **normally** be approved to enable a School to bring forward a major purchase(s). In the absence of a County LMS loan scheme, any request from a School for an approved licensed deficit in order to make a purchase that would in the past have been undertaken by means of a LMS loan application will be considered upon full presentation of the facts relating to both the planned purchase and the School's budget forecasts. Approval is by no means guaranteed.

### **17.0 CHARGING OF SCHOOL BUDGET SHARES**

- 17.1 The Council must charge salaries of School-based staff to School budget shares at actual cost. The budget share of a School may be charged by the Council without the consent of the Governing Body but only in the circumstances set out in Rule 17.5 below.
- 17.2 The Council shall consult a School as to the intention to so charge, and shall notify a School when it has been done.
- 17.3 Schools are reminded that the Council cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.
- 17.4 The Council shall refer any dispute procedures for such charges to the Executive Member for Children and Young People's Services.
- 17.5 The circumstances under which charges may be made are taken from the LMS Scheme for the Financing of Schools (Section 6) and are listed below:
- a) Where premature retirement costs have been incurred without the prior written agreement of the Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council).
  - b) Other expenditure incurred to secure resignations where the School had not followed Council advice.
  - c) Awards by courts and industrial tribunals against the Council or out of court settlements, arising from action or inaction by the Governing Body contrary to the Council's advice.
  - d) Expenditure by the Council in carrying out health and safety work or capital expenditure for which the Council is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work.
  - e) Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares or Devolved Capital allocations, where the premises are owned by the Council.
  - f) Expenditure incurred by the Council in insuring its own interests in a School where funding has been delegated but the School has failed to demonstrate that it has arranged insurance cover at least as good as that which would have been arranged by the Council.
  - g) Recovery of monies due from a School for Services provided to the School, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the School to the Council.
  - h) Recovery of penalties imposed on the Council by Her Majesty's Revenue and Customs, the Contributions Agency, Teachers Pensions, the

Environment Agency or regulatory authorities as a result of the School's negligence.

- i) Correction of Council errors in calculating charges to a budget share (e.g. pension deductions).
- j) Additional transport costs incurred by the Council arising from decisions by the Governing Body on the length of the School day, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs.
- k) Legal costs which are incurred by the Council because the Governing Body did not accept the advice of the Council.
- l) Costs of necessary health and safety training for staff employed by the School, where funding for training has been delegated but the necessary training has not been carried out.
- m) Compensation paid to a lender where a School enters into a Contract for borrowing beyond its legal powers, and the Contract is of no effect.
- n) County Debits and other deductions will be charged against Budget Shares and Budget Shares will be credited with Supplementary Resource Allocations and Reimbursements in accordance with the arrangements set out in Section 3 of the LMS Scheme.
- o) Interest on late payments which by statute is chargeable arising as a result of a School failing to pay a supplier within statutory time limits or arising from delays in passing an invoice for payment to the Council if the School does not operate its own bank account.
- p) Contributions from Schools' budgets for shortfalls in insurance in accordance with Rule 19 below.
- q) Cost of work done in respect of teacher's pension remittance and records for Schools using non-Council payroll contractors, the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligations.
- r) Costs incurred by the Council in securing provision specified in a statement of SEN where the Governing Body of a School fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- s) Costs incurred by the Council due to the submission by the School of incorrect data.
- t) Recovery of amounts spent from specific grants on ineligible purposes.
- u) Cost incurred by the LA as a result of the Governing Body being in breach of the terms of the Contract.
- v) Costs incurred by the authority or another School as a result of a School withdrawing from a cluster arrangement, for example where this has funded staff providing Services across a cluster.

- 17.6 Legal costs incurred by the Governing Body, although the responsibility of the Council as part of the cost of maintaining the School (unless they relate to the statutory responsibility of Voluntary Aided School Governors for buildings) may be charged to the School's budget share unless the Governing Body acts in accordance with the advice of the Council. Any disputes regarding whether or not the Governing Body has acted in accordance with advice given will be resolved either by further discussions with the School or, failing that, the Executive Member for Children and Young People's Services.

**18.0 VOLUNTARY FUNDS**

18.1 The correct administration of School funds is the responsibility of the Governing Body but the Council has an overall responsibility to ensure that adequate financial stewardship is observed. A Governing Body should therefore ensure that:

- a) a Treasurer and an independent examiner are formally appointed;
- b) there are at least two joint cheque signatories;
- c) all individuals who are involved in the spending, collection or custody of private fund resources must observe satisfactory standards of financial probity and regularity as reflected in these Rules or by the detailed guidance issued by the CD-SR;
- d) proper rules are operated to secure adequate standards and that satisfactory records and procedures are maintained;
- e) regular reports on fund transactions and balances are received and checked against bank statements;
- f) annual statements of expenditure and income and fund balances are prepared and audited and that the certified audited annual accounts are submitted to them for approval; and
- g) a copy of the audited accounts is supplied annually to the CD-SR.

18.2 Governing Bodies are strongly recommended to consider registering their voluntary fund accounts with the Charity Commissioners. Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent Person, and must meet the timescales set out for such reports. Although there is no requirement from the Charity Commission, it is a requirement of the LMS Scheme that small registered charities with gross income (or total expenditure) of £10,000 or less will arrange for their accounts to be examined annually by a competent independent Person. A copy of the accounts and the appropriate audit or independent examiners report shall be supplied to the CD-SR immediately after the meeting of the body. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

18.3 Voluntary funds not registered with the Charity Commissioners, shall have formal accounts prepared and examined annually by a competent Person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the CD-SR immediately after the examination. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

18.4 Voluntary Funds, and any related bank accounts, shall be operated in accordance with procedures set out in Chapter 14 of the School Finance Manual.

**19.0 INSURANCE AND RISK MANAGEMENT**

19.1 Governing Bodies are free to make their own insurance arrangements. However, the Council may require the School to demonstrate that the cover relevant to the Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council if the Council makes such arrangements, either paid for from central funds or from contributions from Schools' delegated budgets. A list of policies that are required to be maintained by Schools is shown in Chapter 23 of the School Finance Manual.

- 19.2 A School shall notify the CD-SR as soon as it becomes aware of:
- a) any event which may result in a claim against the Council and/or its insurers, rather than against the School or its insurers;
  - b) the terms of any indemnity which the Council is required to give; and
  - c) any new risks which might require to be insured, together with changed circumstances affecting existing risks.
- 19.3 The Council does not accept any liability for private Property, such as employees' cash and possessions brought onto School premises. In exceptional circumstances, a Governing Body (whilst not admitting any legal liability) may nevertheless wish to consider making an ex gratia payment. The reasons for the ex gratia payment should be recorded in the minutes of the Governing Body.

## **20.0 INTERNAL AUDIT**

- 20.1 Every School is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within the School.
- 20.2 The Council has determined that the CD-SR shall be responsible for maintaining an adequate and effective Internal Audit of the activities of the County Council. The CD-SR will set out the purpose, authority and responsibility of Internal Audit in the Terms of Reference for Internal Audit. The Terms of Reference will be reviewed annually and any amendments will be submitted to the Audit Committee for approval. Every Governing Body shall make arrangements for the CD-SR or the Head of Internal Audit, or their authorised representative, to:
- a) enter at all reasonable times on any premises or land used by the School;
  - b) have access to all correspondence, documents, books or other records relating to any financial or other transactions of the School;
  - c) require and receive such explanation(s) as he/she considers necessary to establish the correctness of any matter under examination; and
  - d) require any Officer of the School to produce cash, stores, or other School Property under his/her control for inspection.
- 20.3 The Head of Internal Audit shall have regard to all relevant International Auditing Standards, professional guidelines and codes of practice including the Public Sector Internal Audit Standards (PSIAS).
- 20.4 The CD-SR shall maintain a continuous Internal Audit of the arrangements for delegated management and the operation of the BAFS accounts including regular School audits. It shall be the responsibility of the Head of Internal Audit to review, appraise and report upon:
- a) the soundness, adequacy and application of internal controls;
  - b) the extent to which the Council's Assets and interests are accounted for and safeguarded from losses of all kinds arising from:
    - i. fraud and other offences
    - ii. waste, extravagance, inefficient administration, poor value for money or other cause
  - c) the suitability, reliability and effectiveness of financial and other management records maintained within a School.



- 20.5 Any Internal Audit report shall receive prompt consideration by the Governing Body of the School concerned.
- 20.6 The Head of Internal Audit shall be notified immediately by a Governor, Headteacher or Officer of any suspected fraud or financial irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the School's functions or related to the delivery of any of the School's Services. Such communications may be oral, initially, but must be confirmed promptly in writing.
- 20.7 The CD-SR shall determine the scope of any internal enquiries or investigations, subject to consultation with the Chair of the Governing Body and/or Headteacher.
- 20.8 The CD-SR, in consultation with the Chair of the Governing Body and/or Headteacher shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- 20.9 If a suspected irregularity involving staff that are the responsibility of the CD-SR occurs, the CD-SR shall inform the Council's Chief Executive.
- 20.10 The CD-SR or his/her representative, shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules with regard to any School.
- 20.11 The Head of Internal Audit shall have the right to communicate directly with the Leader of the Council, the Executive, the Chief Executive, the Chair of the Audit Committee, the ACE(LDS) or the CD-CYPS on any matter that he deems appropriate.
- 20.12 The Proceeds of Crime Act (2002), the Money Laundering Regulations (2007) and the Terrorism Act (2000) place certain responsibilities on public authorities and the staff working for them. In addition, any member of staff may commit specific offences under money laundering legislation, particularly if they suspect money laundering is taking place and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions to the Head of Internal Audit (as the Council's nominated Money Laundering Reporting Officer). All staff shall have regard to the Policy and supporting Guidance.
- 20.13 The Money Laundering legislation requires any individual member of staff to report any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.
- 21.0 BEST VALUE**
- 21.1 Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements which are set out in these Rules. It is for Headteachers and Governors to determine at School level how to secure better value for money.

**LMS Procedure Rules**

**Section:** PART 2 – Financial Procedure Rules Appendix 1  
**Page:** 30 of 57  
**Date:** Approved by Executive Members 23 December 2014

{School Name}

**BUDGET MANAGEMENT POLICY****MISSION STATEMENT**

{school to complete}

**Document Status**

<b>Date of policy creation/review</b>	<b>Reasons for review</b>	<b>Date of adoption by the Governing Body</b>	<b>Date of next review</b>
<b>Responsible officer</b>	<b>Responsible officer</b>	<b>Responsible officer</b>	<b>Responsible officer</b>
<b>Signed and dated:</b>			
<b>Headteacher</b>		<b>Chair of Governors</b>	

**Links to Other Policies**


**CONTENTS:**

<b>Section Heading</b>	<b>Page</b>
Aims and guidelines	3
<b>Organisation of Responsibility and Accountability</b>	4
➤ Roles and responsibilities	4
1. The Governing Body	4
2. Finance/Resources Committee	4
3. The Headteacher	4
4. The Bursar/Business Manager	5
➤ Procedures	5
➤ Pecuniary and other business interests	5
➤ Budget	6
1. Aims and objectives	6
2. Budget timetable	6
3. Efficiency and value for money	7
4. Financial benchmarking	7
5. Review of contracts for services	7
6. Standards of financial management	7
7. Level of balances	7
8. Virement procedures	8
9. Quality of information	8
10. Extended activities	8
11. Capital expenditure	8
12. Documentation and retention of records	8
13. Purchasing	8
14. Purchasing cards	9
15. Procedures and security	9
16. Security of stocks and equipment	9
17. Petty cash	9
18. Income	10
19. VAT returns	10
20. Staffing	10
21. Insurance	10
22. Computer Systems	10
23. Counter fraud arrangements	10
24. Audit	11
Annex A – Terms of Reference for a Finance/Resources Committee	12
Annex B – Scheme of Delegation to the Headteacher	15

## LMS Procedure Rules

**Section:** PART 2 – Financial Procedure Rules Appendix 1  
**Page:** 32 of 57  
**Date:** Approved by Executive Members 23 December 2014

### AIMS:

It is the aim of the Governing Body to ensure that all financial resources made available to the school are used in an efficient and effective manner in order to ensure that Value for Money is achieved. The aim of this policy is to create a framework within which individual members of the school staff and the Governing Body can achieve this.

This policy conforms to the requirements of the LMS Scheme for the Financing of Schools (hereafter referred to as the LMS Scheme) as set out by the Department for Education (DfE) and the North Yorkshire County Council LMS Financial and Contract Procedure Rules (hereafter referred to as the LMS Procedure Rules). The framework within this policy should be operated in conjunction with both the LMS Scheme and the LMS Procedure Rules. It is based on the County Council's recommended model.

### GUIDELINES:

Financial decisions will be made after consideration of:

- a) the needs of the pupils/students and staff of the school;
- b) the conditions and requirements as laid down in the LMS scheme;
- c) the need to support and deliver the National Curriculum together with any additional elements as agreed by the Governing Body;
- d) the financial resources delegated to the school; and
- e) the priorities as identified in the costed school development plan.

## ORGANISATION OF RESPONSIBILITY AND ACCOUNTABILITY

### ROLES AND RESPONSIBILITIES

#### 1. The Governing Body

The Governing Body has a statutory responsibility to oversee the financial management of the school and to ensure adherence to the LMS Procedure Rules.

The Governing Body recognises the importance of clearly defining the roles and responsibilities of its committees, the Headteacher and other staff.

#### 2. Finance or Resources Committee

*Schools are increasingly establishing a "Resources" Committee which combines a number of individual committees such as Finance, Premises and Staffing under a single umbrella. This is reflected in this section and the Terms of Reference at Annex A. Schools should delete the terms that are applicable to other individual committees if a Resource Committee is not in place.*

Consisting of members of the Governing Body and the Senior Team, the *Finance/Resources* Committee will work to the agreed Terms of Reference as set out at Annex A.

The *Finance/Resources* Committee will meet at least once a term to consider, as a minimum, the following:

- a) financial monitoring statements,
- b) the school's budget and long term financial forecast,
- c) the end of financial year outturn statement, and
- d) the annual completion and submission of the Schools Financial Value Standard (SFVS).

The *Finance/Resources* Committee will submit a brief summary report to the full Governing Body at least once per term.

#### 3. The Headteacher

The Headteacher is responsible for:

- a) the detailed preparation of an annual school budget which addresses the strategic aims and targets established by the Governing Body;
- b) the day to day management of the school budget under the Scheme of Delegation as set out at Annex B and approved by the Governing Body; and
- c) ensuring the effective operation of the finance function within the school, to include:
  - i. the roles of each member of staff being clearly defined and the duties of staff with responsibility for financial transactions being, as far as is practicable, distributed to ensure that key tasks such as the processing of orders and invoices, are assigned to separate members of staff (segregation of duties) and that appropriate systems of internal check exist;
  - ii. the adherence to the LMS Procedure Rules;
  - iii. the establishment of systems to ensure that financial control is maintained at all times including procedures in the absence of key staff; and

- iv. the maintenance of appropriate documentation and transactional records.

#### **4. The Bursar/Business Manager**

*(Optional Paragraphs – tasks covered will be dependent on the level of service purchased from the FMS Team). Either:*

The Bursar/Business Manager is responsible for or The Governing Body has elected to employ the services of a **Financial Management Services (FMS) Team Support Officer** who is responsible for:

- a) the preparation of the school's annual budget and longer term spending plans;
- b) the maintenance of computerised records of income and expenditure in line with the DfE recommendations for Consistent Financial Reporting;
- c) the checking and reconciliation of the school's financial records to monthly tabulations provided by the Local Authority and to monthly bank statements; and
- d) the undertaking of monitoring procedures and the production of regular monitoring statements for the Headteacher and Governing Body (or Finance/Resources Committee).

#### **PROCEDURES**

All documentation of accounts and finances will be kept in accordance with advice from the Local Authority.

Procedures for keeping accounts will be in accordance with the LMS Procedure Rules.

A copy of the school's most recent auditor's report will be available for inspection by Governors, OFSTED Inspectors and Officers of the Local Authority.

#### **PECUNIARY AND OTHER BUSINESS INTERESTS**

Governors and staff of the school will be required to complete a Register of Business Interests and declare any links they or any member of their immediate family have with any firm from which the school may wish to buy goods or services. The basic principle to be followed is that any interest should be recorded which could be seen to improperly influence any decisions taken, pecuniary or otherwise, regarding the operation of the school.

The Register will be:

- a) annually reviewed;
- b) maintained for any in-year changes as notified; and
- c) made available for inspection by Governors, staff, parents and the Local Authority.

**BUDGET****1. Aims and Objectives**

The Finance/Resources Committee together with the Headteacher will consider and provide costing information both for maintaining the required level of educational provision as well as proposals to develop the short, medium and long term aims and objectives as identified in the School Development Plan.

Such consideration will include the determination of an appropriate level of general contingency and the formulation of a policy for the application of any balances in excess of the agreed target for general contingencies on the development proposals within the School Development Plan.

It is recognised that finite resources will lead to a need to prioritise proposals and to accelerate/delay spending plans as circumstances change.

**2. Budget Timetable**

The Headteacher (or their delegated representative) will prepare financial information for consideration by the Finance/Resources Committee and submit it to the Local Authority, where applicable, in line with the following timetable:

<b>Date</b>	<b>Action / Response</b>
Mid February	S251 budget resource allocation for the next financial year received from the Local Authority
Spring term	Prepare papers on issues to be <u>addressed</u> in preparation for the setting of the following year's budget
By March 31 <sup>st</sup>	Prepare and submit a Schools Financial Value Standard (SFVS) return, together with a copy of the relevant minute of the Governing Body or Committee at which it was approved
March / April	Prepare and present to the Governing Body the <b>proposed start budget</b> for the next financial year and the <b>long term financial forecast</b>
May	Prepare and present <b>outturn statements</b> to enable the Governing Body to consider the financial performance in the previous financial year
May	Prepare and submit a Consistent Financial Report return detailing the income and expenditure from the previous financial year (to be used for future benchmarking purposes) to the Local Authority
By June 1 <sup>st</sup>	Submit the <b>approved start budget</b> to the Local Authority
Autumn term	Prepare and present to the Governing Body the <b>revised budget</b> and <b>updated long term financial forecast</b> , reflecting any staffing changes or updated spending plans, or changes to pupil numbers
By December 31 <sup>st</sup>	Submit the <b>approved revised budget</b> to the Local Authority

The Governing Body will not submit a deficit budget unless there are exceptional circumstances and advice and written agreement have been received from representatives of the Local Authority bearing in mind that deficits require the prior approval of the Corporate Director – Strategic Resources and the Corporate Director – Children and Young People’s Service.

Budget monitoring reports will be considered by the Finance/Resources Committee at least once a term with a brief report to the Full Governing Body. Reports will reflect both sums paid and sums committed but not yet paid and estimated expenditure and income for the remainder of the financial year against approved budget headings and will be reconciled to the Local Authority’s ORACLE statements and school bank statements.

### **3. Efficiency & Value for Money**

The School will seek to achieve efficiencies and value for money to optimise the use of its financial resources and to invest in teaching and learning. It is the responsibility of the Headteacher and Governing Body to determine at school level how to secure better value for money.

### **4. Financial Benchmarking**

The Headteacher (or their representative) will prepare for consideration by the Finance/Resources Committee financial benchmarking comparisons on an annual basis each Autumn Term. The benchmarking data will be extracted for similar schools from either the local financial benchmarking database for North Yorkshire schools or the national DfE financial benchmarking database. The conclusions and recommendations resulting from this process will be used to inform the financial planning and resource allocation process.

### **5. Review of Contracts for Services**

The Finance/Resources Committee will review the quality, cost and impacts of services purchased from external providers (including the Local Authority) on a regular basis **and** before contracts are renewed. To assist in this process the Headteacher or their representative will prepare a schedule of service contracts to include values and renewal dates in order that priorities for review can be determined. After each review the Finance/Resources Committee will make recommendations to the Governing Body.

### **6. Standards of Financial Management**

The Governing Body will have regard to any Standards of Financial Management endorsed by the DfE to self-evaluate the quality of financial management processes and to aid in training staff to become better financial managers.

### **7. Level of Balances**

The Finance/Resources Committee will annually review the balances situation of the school and make recommendations to the Governing Body. In making its recommendations, the Finance/Resources Committee will indicate an optimum level of balances which has regard to the specific issues facing the school whilst acknowledging that financial resources are allocated to schools annually on the number of pupils in the school at that time.

The Finance/Resources Committee will have regard to any balance limits placed on schools by the Local Authority and DfE.



## **8. Virement Procedures**

Unless the level of change does not warrant it the budget will be revised each Autumn Term and the Finance/Resources Committee will be able to vire funds between budget headings within the school's overall budget (with the exception of any earmarked funds) or from unallocated resources as appropriate.

Requests by the Headteacher for the further virement of funds outside the scope of the Scheme of Delegation to the Headteacher will also be considered by the Finance/Resources Committee and be subject to their minuted approval.

## **9. Quality of Information**

Governors expect that the financial information they receive will be relevant, timely, reliable and understandable.

## **10. Extended Activities**

The Governing Body will discuss, decide and minute their intention to use school budget funding to support the provision of extended school activities.

The following extended school activities are provided by the school:

*School to complete as appropriate.*

## **11. Capital Expenditure**

The Finance/Resources Committee will give consideration to the use of the devolved capital allocations available to the school in the light of the priorities identified in the School Development Plan and then make recommendations to the Governing Body.

The School will submit a Project Proposal Form in order to seek the Local Authority's consent for any proposed building work, irrespective of the funding source, as per the LMS Procedure Rules.

## **12. Documentation and Retention of Records**

All financial systems and procedures carried out will be in accordance with the Local Authority's LMS Procedure Rules, Scheme of Delegation to the Headteacher and the School Finance Manual. A copy of these documents will be readily available and kept up to date.

All records will be retained in line with the Local Authority's Records Retention and Destruction Schedule for Schools.

## **13. Purchasing**

Before any purchase is made, consideration will be given to any potential economies of scale to be had through use of Local Authority negotiated corporate contracts.

Information available from the North Yorkshire Procurement Service for Schools will be given due consideration.

Consideration will be given to obtaining quotations for all purchases in order to ensure that Value for Money is achieved and where a single purchase of more than £5,000 is involved, quotations will be sought from at least 3 suppliers and Governors consulted before a purchase is made.

For purchases in excess of £100,000 tenders will be obtained as laid down in the LMS Procedure Rules.

The Governing Body requires that staff will follow official ordering procedures at all times and written pre-numbered orders will be used. Verbal orders will be followed up by a written confirmatory order. Individuals must not use official orders to obtain goods and services for their private use. All official orders will be recorded on the school's computerised financial system. Orders made on-line should also be followed by an official order.

When making purchases, staff **must** adhere to the LMS Procedure Rules.

#### **14. Purchasing Cards**

The Governing Body will follow the Local Authority policy and procedures for the use of purchasing cards. Cards must only be used to procure goods and services on behalf of the school. They must not be used to obtain cash or for personal transactions.

#### **15. Procedures and Security**

The school will make use of a computerised financial monitoring package approved and supported by the Local Authority.

Data will be input on a regular basis including financial commitments made by the school. Information will be input from and reconciled to the Local Authority's financial statements and school bank statements every month.

Appropriate use of the package and orderly filing procedures will ensure that all transactions are traceable.

Security passwords will be maintained on the computer and documentation will be kept in a secure location.

Regular backups will be made of the information held on the computer with the backups stored securely and separately from the computer.

#### **16. Security of Stocks and Equipment**

An inventory of stocks and equipment held in the school will be maintained and checked on an annual basis in accordance with the LMS Procedure Rules and the Local Authority's guidance.

The Governing Body will ensure appropriate and adequate insurance arrangements are in place to protect the school's assets and a copy of the policy document will be available for inspection.

A register will also be maintained of equipment removed from school for use off-site and when it was returned.

The Governing Body will authorise all write-offs and disposal of surplus stocks and equipment in accordance with LMS Procedure Rules.

When it is considered appropriate, the Governing Body will request and act upon the advice of a Crime Prevention Officer.

#### **17. Petty Cash**

The amount of cash in the school will be kept to a minimum and all monies and associated financial records kept in secure storage. Only staff authorised to do so will have access to petty cash.

There will be a limited use of petty cash. Gifts for employees, including the purchase of flowers, will be met from staff donations and not petty cash.

**18. Income**

The Governing Body will implement a charging and remissions policy for school activities which will be made publically available on the school website. Steps will be taken to ensure the early collection of income due and receipts issued and records will be kept in line with the LMS Procedure Rules.

The school will operate an online income collection system which has been approved for school use by the Local Authority and in line with the LMS Procedure Rules.

The writing off of debts will be undertaken in line with the LMS Procedure Rules; that is:

- a) For debts up to £250 in value, the school will seek the approval of the Governing Body; and
- b) For debts over £250, the approval of the Local Authority must be sought (further to the endorsement of the Governing Body to do so).

**19. VAT Returns**

VAT returns will be made promptly and accurately using the computerised system in line with the Local Authority's deadlines.

**20. Staffing**

The Personnel Committee (or equivalent) will be responsible for the Pay Policy annually within the provision of the Finance/Resources Committee and will consider appointments, terminations, promotions and performance management as necessary.

**21. Insurance**

The Finance/Resources Committee will make recommendations annually to the Governing Body as to the insurance requirements of the school. The recommendations will have regard to the minimum cover requirements of the Local Authority and to the costs of insurance services offered by the Local Authority and other providers.

The school will consider the additional "voluntary" insurance arrangements offered by the Local Authority (i.e. staff absence insurance, contents insurance).

The Finance/Resources Committee will have due regard to the terms of the insurance documents and these will be considered on an annual basis.

The Governing Body will notify the Insurance and Risk Management Section of any eventuality that could affect the Local Authority's insurance arrangements.

**22. Computer Systems**

The school will maintain approved software for the administration of financial records.

The school has been registered in accordance with the Data Protection Act 1998. All data handling procedures undertaken by the school are in accordance with the Local Authority's recommended practices for data security and information governance.

**23. Counter Fraud Arrangements**

The school will maintain a robust system of controls to safeguard itself against fraudulent or improper use of public money and assets. The Governing Body will ensure that it has adopted a whistle-blowing policy and, along with the Headteacher, must inform all staff of all school policies and procedures related to fraud and theft, the controls in place to prevent them and the

## LMS Procedure Rules

**Section:** PART 2 – Financial Procedure Rules Appendix 1  
**Page:** 40 of 57  
**Date:** Approved by Executive Members 23 December 2014

consequences of breaching these controls. This information must also be included in the induction of new school staff and Governors.

### 24. Audit

The systems for finance and administration will be subject to review from time to time by the Local Authority's Internal Audit Service provider and the County Council's external auditors. The Governors, Headteacher and staff will co-operate with auditors in accordance with the requirements of the LMS Procedure Rules and will consider and implement their requirements in a timely manner.

DRAFT

**ANNEX A****FINANCE/RESOURCES COMMITTEE****TERMS OF REFERENCE****FINANCE**

1. To ensure the sound management of the school's financial situation by the regular monitoring and evaluation of financial performance through the use of the Schools Financial Value Standard (SFVS).
2. To establish regular reporting procedures and make recommendations, where necessary (including virement proposals), to the Governing Body.
3. To oversee long term financial planning within the school in the context of the School Development Plan and the policies and objectives of the school.
4. To consider and approve the first formal Budget Plan of the Financial Year and longer term financial plans.
5. To ensure that the school complies with the principles of Value for Money and Efficiency (including the use of local and national financial benchmarking data) in using the resources available to the school.
6. To ensure that the annual self-evaluation of the school's financial management procedures is undertaken by means of the completion and submission to the Local Authority of the DfE's **Schools Financial Value Standard**; to identify any remedial actions required and the associated timescales for implementation. A summary report and recommendations will be presented to the Governing Body.
7. To regularly review the policy of and to consider appropriate levels of school balances with recommendations to be made, as appropriate, to the Governing Body.
8. To evaluate the quality, cost and impact of services purchased from all outside providers, including North Yorkshire County Council Children and Young People's Service, in good time before contracts are due for renewal.
9. To consider the priorities for the use of the school's allocation of Devolved Formula Capital funding and to make recommendations to the Governing Body.
10. To consider the annual insurance requirements and make recommendations to the Governing Body.
11. To receive the report of the Local Authority's auditors and to act upon any recommendations made therein. A summary report is to be presented to the Governing Body.
12. To determine the school's charging and remissions policy for adoption by the Governing Body and to annually review.
13. To determine the school's lettings policy for adoption by the Governing Body and to annually review.
14. To carry out an annual review of the school's Budget Management Policy and to make recommendations to the Governing Body.

## LMS Procedure Rules

**Section:** PART 2 – Financial Procedure Rules Appendix 1  
Annex A  
**Page:** 42 of 57  
**Date:** Approved by Executive Members 23 December  
2014

### PREMISES

15. To provide support and guidance to the Headteacher on all matters relating to the school premises.
16. To prepare and maintain, in conjunction with the Headteacher, an Asset Management plan for the school.
17. To inspect the school premises annually and to prepare a report of the conditions and a proposed order of priorities for maintenance, improvement and development.
18. To approve the costs and arrangements for maintenance, repairs and redecoration, within the allocated budget and to oversee the preparation and implementation of building contracts.
19. To formulate and implement proposals for the use of the Devolved Formula Capital funding.
20. To prepare, monitor and review an Accessibility Plan which will meet the requirements of the Disability Discrimination Act 1995 and the Special Educational Needs and Disability Act 2001.
21. To agree procedures to be followed for carrying out emergency work and to make recommendations to the governing Body about delegation to the Headteacher for taking appropriate action on behalf of the Governing Body in the event of an emergency.
22. To be aware of the specific responsibilities of Governors and the Local Authority in relation to premises and ensure that the Local Authority is informed of any matters for which it has responsibility.
23. To report the findings of inspections and audits to the Headteacher and liaise with him to ensure that appropriate remedial action is taken.
24. To regularly monitor the school's security measures and implement appropriate action when necessary.
25. To liaise and consult with the Local Authority's Strategic Planning Team as appropriate.
26. To discharge the responsibilities of the Governing Body regarding litter and refuse under the Environmental Protection Act 1990.
27. To prepare, adopt, implement and review a plan for the reduction, re-use, refurbishment or recycling of waste.
28. To assist the Governing Body and the Headteacher to discharge their duties under the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Regulations 1999 and other associated legislation, in collaboration with the Local Authority.
29. To consider the Local Authority's health and safety policies and guidance, and to prepare and review a School Health and Safety Policy, for consideration by the Governing Body.
30. To ensure that the necessary school safety management system is in place to implement the health and safety policy.
31. To ensure that risk assessments are carried out and implemented.
32. To monitor the effectiveness of the school's health and safety arrangements and performance.

## **LMS Procedure Rules**

**Section:** PART 2 – Financial Procedure Rules Appendix 1  
Annex A  
**Page:** 43 of 57  
**Date:** Approved by Executive Members 23 December  
2014

33. To review any health and safety reports from the Headteacher.
34. To make periodic recorded inspections of buildings, plant, materials and equipment; to report to the Governing Body at least annually; and to ensure that the premises are safe and do not put the health of persons at risk whilst they are on the premises.
35. To ensure access to competent persons to assist the school with their health and safety measures.
36. To attend or commission appropriate training for Governors.

### **STAFFING**

37. To prepare a strategy for the overall staffing structure of the school for approval by the Governing Body, after which, to ensure its implementation and review.
38. To approve requests to recruit and advertise vacant and new posts within the allocated budget and to make recommendations to the Governing Body.
39. To prepare job outlines, person specifications and shortlisting criteria for any recruitment exercise.
40. To liaise with the Local Authority for all senior staff appointments.
41. To be involved in the shortlisting and interviewing of shortlisted applicants in compliance with current employment law.
42. To undertake an annual assessment of staff salaries in accordance with the agreed pay policy.
43. To regularly review those policies affecting staffing and make any recommendations for change.
44. To review job descriptions to ensure that they adequately reflect the current requirements of the role.

**ANNEX B****SCHEME OF DELEGATION TO THE HEADTEACHER**

The Headteacher shall have delegated power to undertake all functions delegated to the Governing Body relating to the LMS Scheme except that:

1. they shall comply with all policy directions given to them from time to time by the Governing body;
2. they shall have the authority to expend all monies allocated to individual or specific items in the approved budgets without further reference to the Governing Body.

Where no such specific item exists in the budget they shall not enter into any financial commitment without the consent of the Governing Body or, in the case of an urgent matter, the Chair thereof;

3. the above delegation shall not apply in respect of the appointment of staff. It shall be for the Governing Body to determine, from time to time, the extent of the power of the Headteacher to deal with staffing matters;
4. the Headteacher shall not vire from one budget head to another any sum exceeding 0.5%\* of the delegated budget or £5,000\* whichever is the lesser, without the consent of the Governing Body or, in the case of an urgent matter, the Chair thereof;
5. the Headteacher shall maximise school funds by the careful use of agreed investment opportunities; they shall not transfer funds between current and investment accounts established under the BAFS policy unless a policy to do so has been agreed by the Governing Body (terms should be stated);
6. the Headteacher shall submit to the Governing Body at least once each term, and on such further occasions as the Governing Body may specify, reports on all expenditure incurred and commitments entered into, together with details of any income generated, since the last such report to the Governing Body; this report to include a comparison of these latest figures with the budget for the year;
7. any proposal to incur expenditure on new or significantly different policies is to be the subject of a report by the Headteacher to the Governing Body; the report to include details of cost in both the current and future years;
8. the Headteacher shall have the power to nominate the Deputy Headteacher or another named (senior) member of staff to exercise the powers of this delegation during any periods of absence; and
9. the Headteacher and any other person nominated under Regulation (8) above shall ensure that, at all times, the LMS Procedure Rules relating to schools with delegated budgets are complied with.

\*the figure to be determined by the Governing Body



## **PART 3 – LMS CONTRACT PROCEDURE RULES**

### **1.0 GENERAL**

- 1.1 The LMS Scheme specifies that Schools are required to abide by these Contract Procedure Rules on purchasing, tendering and other contracting matters, including the requirement to assess in addition, where relevant, the health and safety and competence of Contractors taking account of the Council's policies and procedures on these matters. **(See Rule 2.4).**
- 1.2 These Rules are made by the Council on the advice of the CD-SR in consultation with the ACE(LDS) under the LMS Scheme.
- 1.3 These Rules apply to all Contracts for Goods, Works and Services but do not apply to:
  - a) Contracts of employment
  - b) Property Contracts (which are covered by the Property Procedure Rules) and
  - c) Financial instruments (including, but without limitation, shares, bonds, bills of exchange, future or options contract (which are covered by the Financial Procedure Rules).
- 1.4 The Financial procedure Rules shall be applied in conjunction with these Rules.
- 1.5 References in these Rules to the value of any Contract are to the total estimated aggregate gross value payable over the full period of the Contract including any options to extend the Contract without any deduction for income due to the Contractor or the School. For the purpose of the Rules values shall be calculated exclusive of Value Added Tax.
- 1.6 The School shall ensure that all documentation relating to Contracts and procurement processes (including bids) is retained in accordance with the Records Retention and Disposal Schedule for Schools.
- 1.7 Where the School has awarded a Contract to any Person to supervise or otherwise manage a Contract on its behalf such a Person shall be required to comply with these Rules as if he were an Officer of the School.
- 1.8 The School must maintain a Contracts Register the purpose of which is to record key details of all contracts with an aggregated value of £25,000 or more.
- 1.9 The Council recognises the complexity of some of these Rules and Schools are therefore encouraged to seek the support available from the Procurement & Contract Management Service, telephone number **01609-533450** or email [procurement@northyorks.gov.uk](mailto:procurement@northyorks.gov.uk) .
- 1.10 Where the total Contract value for procurement is within the values in the first column of Tables 1-3, below, the award procedure in the second column must be followed.

**Table 1: Goods and Services (excluding Social & Other Specific Services)**

<b>Total Contract Value</b>	<b>Award Procedure</b>	<b>Signature/Sealing Contract</b>
Up to £25,000	Bids not mandatory. Best Value Form to be completed where Bids are not invited.	One signature The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).
£25,000 up to EU Threshold (currently £164,176)	Bids must be invited in accordance with <b>Rule 8</b> . These should be advertised using an E-Sourcing system.	Two signatures: The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).  <b>AND</b> Chair of the Governing Body (or by an Office authorised by the Governing Body).
Above EU Threshold (currently £164,176)	Follow the appropriate EU Procedure as set out in <b>Rules 10 and 11</b> .	Two signatures: The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf). <b>AND</b> The ACE(LDS) (or by an Officer authorised by the ACE (LDS) to sign on his behalf).  Sealing (where appropriate) ACE(LDS) (or by an Officer authorised by the ACE (LDS) to sign on his behalf) in accordance with <b>Rule 5</b> .

**Table 2: Works**

<b>Total Contract Value</b>	<b>Award Procedure</b>	<b>Signature/Sealing Contract</b>
Up to £25,000	Bids not mandatory. Best Value Form to be completed where Bids are not invited.	One signature The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).
£25,001 up to EU Threshold (currently £4,104,394 for Works)	Bids must be invited in accordance with <b>Rule 8</b> . These should be advertised using the E-Sourcing system.	Two signatures: The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).  <b>AND</b> Chair of the Governing Body (or by an Office authorised by the Governing Body).  Contracts with a value in excess of £1m must be sealed by ACE(LDS) (or by an Officer authorised by the ACE(LDS) to sign on his behalf) in accordance with <b>Rule 5</b> .

Total Contract Value	Award Procedure	Signature/Sealing Contract
Above EU Threshold (currently £4,104,394 for Works)	Follow the appropriate EU Procedure as set out in <b>Rules 10 and 11.</b>	Contracts must be sealed by ACE(LDS) (or by an Officer authorised by the ACE(LDS) to sign on his behalf) in accordance with <b>Rule 5.</b>

**Table 3: Social & Other Specific Services**

Total Contract Value	Award Procedure	Signature/Sealing Contract
Up to £25,000	Bids not mandatory. Best Value Form to be completed where Bids are not invited.	One signature The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).
£25,001 up to EU Threshold (currently £589,148)	Bids must be invited in accordance with <b>Rule 8.</b> These should be advertised using the E-Sourcing system.	Two signatures: The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf).  <b>AND</b> Chair of the Governing Body (or by an Office authorised by the Governing Body).
Above EU Threshold (currently £589,148)	Follow the appropriate EU Procedure as set out in <b>Rules 10 and 11.</b>	Two signatures The Headteacher (or by an Officer authorised by the Headteacher to sign on their behalf). <b>AND</b> The ACE(LDS) (or by an Officer authorised by the ACE (LDS) to sign on his behalf).  Sealing (where appropriate) ACE(LDS) (or by an Officer authorised by the ACE(LDS) to sign on his behalf) in accordance with <b>Rule 5.</b>

## **2.0 COMPLIANCE WITH LEGISLATION AND STANDARDS**

2.1 Every Contract shall comply with all relevant applicable legislation and government guidance including:-

- a) EU Law
- b) Acts of Parliament
- c) Statutory Instruments including, but without limitation, the Public Contracts Regulation 2015.

2.2 Where relevant, every Contract shall specify that materials used, goods provided, Services supplied or Works undertaken (as the case may be) shall comply with applicable standards. Such standards are, in order of priority:-

- a) EU Standards
- b) British Standards implementing international standards
- c) British Standards

2.3 In consultation with the ACE(LDS), Headteachers shall ensure that the School has the legal power to enter into any Contract and that in respect of all Contracts, regardless of whether they involve the procurement or provision by the School of Works, Supplies or Services Headteachers shall ensure that no Contract shall be entered into which is ultra vires.

2.4 In respect of grounds and buildings the School shall **at all times**:-

- a) Follow the guidance issued by the Property Service and any other guidance from the Council on the management of risk and health and safety and security matters
- b) Act on the instructions of the Council as "landlord" (this does not apply to Voluntary Aided Schools)
- c) Follow statutory requirements on Health and Safety, Construction (Design and Management) Regulations, Asbestos, Building Regulations, Planning Approval and other statutory and regulatory requirements
- d) Be responsible for any loss arising from a failure to follow the advice of the Council as "landlord" (this does not apply to Voluntary Aided Schools)
- e) Seek the consent of the Council's Strategic Planning Team to proposed building work whatever the source of funds. This must be done through the completion of the Project Proposal Form which can be requested from [ampsuitability@northyorks.gov.uk](mailto:ampsuitability@northyorks.gov.uk) from where schools can also request any advice or guidance which may be required.

## **3.0 CAPITAL EXPENDITURE**

3.1 Governing Bodies are permitted to use their budget share to meet the cost of capital expenditure on School premises. The Devolved Capital allocation to the School must be used in accordance with any rules and conditions specified as a condition of the award of the grant which funds the allocation. Currently Devolved Capital can be used only for capital expenditure.

3.2 A Governing Body shall provide timely information, as required by the CD-SR, for the allocation, monitoring, accounting and claiming of grant in respect of Devolved Capital or any other capital funding allocated to the School.

3.3 Unused Devolved Capital allocation may be carried forward to the following financial year if the rules of the Department for Education permit.

## **4.0 FORM OF CONTRACT**

4.1 Every Contract shall be evidenced in writing (by the use of a purchase order, exchange of correspondence or other written medium).

- 4.2 Wherever appropriate, and for all Contracts exceeding £25,000 in value, such written agreement shall be made on the basis of terms and conditions agreed by the ACE(LDS). Such terms and conditions may be incorporated into standard order conditions. The School may accept different terms and conditions proposed by a Contractor provided that the advice of the ACE(LDS) (and the Property Service in the case of Works Contracts), as to their effect has been sought and considered.
- 4.3 The written form of agreement must clearly specify the obligations of the School and the Contractor and shall include:-
- a) the work to be done or the Supplies, Services or Social and Other Specific Services provided
  - b) the standards which will apply to what is provided
  - c) the price or other consideration payable
  - d) the time in which the Contract is to be carried out
  - e) the remedies which will apply to any breach of Contract
- 4.4 All term Contracts, and Framework Agreements may include a financial limit above which value, work to be done or Services to be supplied shall be the subject of a separate procurement exercise in accordance with these Rules.
- 4.5 The written form of agreement for all Contracts exceeding £25,000 in value must include the following or equivalent wording:-
- a) *"If the Contractor:-*
    - i. *Has offered any gift or consideration of any kind as an inducement or disincentive for doing anything in respect of this Contract or any other Contract with the School or the Council, or*
    - ii. *Has committed any offence under the Bribery Act 2010, or*
    - iii. *Has committed an offence under Section 117 (2) of the Local Government Act 1972.*

the School may terminate the Contract immediately and will be entitled to recover all losses resulting from such termination".
  - b) *"If the Contractor is in persistent and/or material breach of Contract the School may terminate the Contract and purchase the Supplies, Works, Services or Social and Other Specific Services from a third party and the School may recover the cost of doing so from the Contractor"*
- 4.6 The standard clauses contained in the Procurement Guide for Schools relating to the Freedom of Information Act 2000 and the Data Protection Act 1998 shall, wherever possible, be included in all contracts exceeding £25,000 in value.
- 4.7 Other standard clauses are contained in the Procurement Guide for Schools relating to, for example, equalities, the Public Services (Social Value) Act 2012, sustainability and best value; these are not mandatory for each such written agreement referred to in Rule 4.5 above, but should be included where appropriate.

## **5.0 SIGNATURE/SEALING OF CONTRACTS**

- 5.1 Every written contract must be either signed or sealed in accordance with this Rule.
- 5.2 Contracts may be signed as outlined in **Rule 1.10, Tables 1-3**, provided that:
- a) appropriate authority exists for the School to enter into the Contract, and
  - b) the Contract is either
    - i. in a nationally recognised form, or
    - ii. a standard form prepared or approved by ACE(LDS), or
    - iii. is otherwise in a form approved by ACE(LDS)

- c) any variations to approved forms of Contract must themselves be approved by ACE(LDS), whether or not they are effected by amending the Contract itself or by correspondence
- 5.3 Contracts for Works may be awarded only to Contractors who have provided evidence to the School of a current employers' liability insurance policy with cover of at least £10 million and a current public liability insurance policy with cover of at least £5 million.

## 6.0 LEASING AGREEMENTS

- 6.1 Because the nature of these Leasing Agreements may conflict with the Council's position regarding the application of Government capital expenditure controls any such agreements **must** meet the following criteria:
  - a) The agreement must **not** allow the School to become the owner of the equipment; in other words, the School cannot buy the equipment at any stage from the lessor.
  - b) The duration of the agreement **must** be short enough for the estimated value of the equipment at the end of the agreement period to be at least 10% of its initial cost. This condition must be specified in the agreement. An agreement for a large, heavily used photocopier, for example, should probably not exceed three years.
  - c) The agreement **must not** give the School an automatic right to continue with the lease at the end of the agreement period. However, if the Governing Body wishes to extend the agreement this can be arranged subsequently at an open market rental.
  - d) Any sale proceeds arising from the disposal of equipment **must** be payable to the leasing company and not to the School.
  - e) The new lease cannot be used to settle any outstanding debt on a previous lease arrangement.

## 7.0 BONDS AND LIQUIDATED DAMAGES

- 7.1 Where appropriate Schools (in consultation with the Property Service) shall consider whether to include provision for the payment of liquidated damages by a Contractor for breach of Contract.
- 7.2 Where considered appropriate by a School (in consultation with the Property Service), the Contractor will be required to provide a performance bond to secure the performance of the Contract. Such performance bonds should provide for a sum of not less than 10% of the total value of the Contract or such other sum as the Property Service considers appropriate.

## 8. BIDS

- 8.1 Where the estimated value of a Contract is £25,000 or less the invitation of Bids is not mandatory, but written Bids should be invited where appropriate and best value should always be sought. If a School is not seeking three Bids then the Best Value Form must be completed to capture the rationale for this decision.
- 8.2 If the estimated value of a Contract exceeds £25,000 but is less than the appropriate EU Threshold, Bids must be invited from all potential Contractors in accordance with **Rule 1.10, Tables 1-3**. A notice advertising the opportunity should be published through an E-Sourcing System (however this is not compulsory) and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website.

The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract, how the Invitation to Bid (ITB) documents may be obtained and the closing date for receipt of Bids by the School.

- 8.3 All potential Contractors invited to submit Bids shall be provided in all instances with identical information and instructions. Where considered appropriate, Schools may permit potential Contractors who have been invited to submit Bids under **Rule 8.2** to also submit variant Bids (i.e. Bids which do not comply with some or all of the requirements of the primary Bid). The same opportunity to submit variant Bids must be given to all potential Contractors.
- 8.4 A written Bid may only be considered if:-
- (a) it has been received electronically through the E-Sourcing System, or
  - (b) it has been received in a sealed envelope marked "Bid" and indicating the subject matter of the Bid and
  - (c) it has been opened after the expiry of the deadline for submissions and at the same time as other Bids for the same subject matter in the presence of at least two staff members authorised to open Bids.
- 8.5 Before Bids with a value in excess of £25,000 are requested the evaluation criteria must be recorded in writing in the ITB evaluation model. The evaluation criteria must be identified and the weighting between price and quality established and stated in the request for Bids sent to Participants.
- 8.6 If a Bid other than the most economically advantageous Bid is to be accepted, the written approval of the Chair of the Governing Body shall be sought and obtained before the bid is accepted. The results of all bid exercises shall be reported to the Governing Body.
- 8.7 A Bid cannot be accepted where the value exceeds the relevant EU Threshold. If the value of the Bid exceeds the relevant EU Threshold a School must seek tenders in accordance with **Rules 10 and 11**.
- 8.8 Before a Contract is awarded after a Bid exercise such steps shall be taken as are reasonably necessary (having regard to the subject matter, value, duration of the Contract and other relevant factors) to complete a risk assessment of the potential Contractor's financial stability.
- 8.9 Bids may be altered only in accordance with **Rule 9**.

## **9. POST BID NEGOTIATION AND CLARIFICATION**

- 9.1 Post Bid negotiations may not be undertaken where the value of the Contract exceeds the relevant EU Threshold. If the value of a Bid exceeds the relevant EU Threshold, the School must invite tenders in accordance with **Rules 10 and 11**.
- 9.2 Post Bid negotiations with selected Participants shall only be carried out where:-
- (a) post Bid negotiations are permitted by law; and
  - (b) the School considers that added value may be obtained; and
  - (c) the post Bid negotiations are conducted by a team of suitably experienced Officers who have been trained in post Bid negotiations; and
  - (d) a comprehensive, written record of the post Bid negotiations is kept by the School; and

- (e) a clear record of the added value to be obtained as a result of the post Bid negotiations is incorporated into the Contract with the successful Participant.

9.3 **Rules 9.1 and 9.2** shall not operate to prevent clarification of all or part of any Bid to the extent permitted by law and where such clarifications are sought the provisions of **Rules 9.2 (c) and 9.2 (d)** shall apply, except that the word "clarification" shall be substituted for the word "negotiation" in these Rules.

## 10. OJEU TENDERS

10.1 Tenders for Contracts which exceed the EU Threshold shall be invited and awarded in accordance with the PCRs and as prescribed in **Rule 10 and 11.**

### General Requirements

10.2 Before an OJEU Tender is requested the evaluation criteria to be applied to the OJEU Tender must be recorded in writing in the ITT evaluation model. The evaluation criteria must be identified and the weighting between price and quality established and stated in the ITT sent to Participants.

10.3 Irrespective of the procurement process being undertaken an OJEU notice must be published through the E-Sourcing system.

10.4 All Participants invited to submit OJEU Tenders shall be provided in all instances with identical instructions and information.

10.5 Where considered appropriate, a School may, permit Participants to submit variant OJEU Tenders (i.e. tenders which do not comply with some or all of the requirements of the primary tender). The same opportunity to submit variant OJEU Tenders shall be given to all Participants. Variant OJEU Tenders shall only be considered if the Participant also submits a compliant primary tender.

10.6 The evaluation of the OJEU Tender submissions shall be carried out by Officers who are considered appropriate having regard for the subject matter and value of the Contract.

## 11. OPTIONS FOR OJEU TENDER

11.1 The School shall identify which of the following OJEU Tender processes shall be used to invite tenders for Contracts with a value in excess of the relevant EU Threshold:

- (i) the Open Procedure (as prescribed by Regulation 27)
- (ii) the Restricted Procedure (as prescribed by Regulation 28)
- (iii) the Competitive Procedure with Negotiation (as prescribed by Regulation 29)
- (iv) the Competitive Dialogue Procedure (as prescribed by Regulation 30)
- (v) the Innovation Partnership Procedure (as prescribed by Regulation 31)
- (vi) Negotiated Procedure without prior publication (as prescribed by Regulation 32)
- (vii) Framework Agreement (as prescribed by Regulation 33)
- (viii) Dynamic Purchasing System (as prescribed by Regulation 34)
- (ix) Electronic auctions (as prescribed by Regulation 35)
- (x) Electronic catalogues (as prescribed by Regulation 36)
- (xi) Light Touch Regime (as prescribed by Regulations 74-76)

and such identified process shall be used for the invitation of OJEU Tenders in accordance with the requirements of the PCR's.



## **12. RECEIPT AND OPENING OF OJEU TENDERS**

- 12.1 A written OJEU Tender may only be considered if:-
- (a) it has been received electronically through the E-Sourcing System; or
  - (b) it has been received in hard copy in a sealed envelope marked "OJEU Tender" and indicating the subject matter of the OJEU Tender, and the identity of the Participant cannot be ascertained from the tender envelope; and
  - (c) (subject to **Rule 12.4**) it has been received by the OJEU Tender closing date and time
- 12.2 The Headteacher (or a person designated by the Governing Body) shall be responsible for the reception and safe custody of OJEU Tenders until they are opened.
- 12.3 Tenders must be opened at the same time and in the presence of a Governor and the Headteacher (or other Officer designated by the Governing Body) who shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the Persons present, the identities of tenderers and the tendered sums (where readily ascertainable). A copy of such a record shall be provided as soon as practicable to Internal Audit.
- 12.4 If a Tender is received after the specified tender closing date it may not be considered unless the Headteacher and Chair of the Governing Body are satisfied that the Tender was posted or otherwise dispatched in sufficient time to be delivered before the specified time but that delivery was prevented by an event beyond the control of the tenderer and that other Tenders have not been opened.

## **13. OJEU TENDER EVALUATION AND ACCEPTANCE**

- 13.1 The School shall evaluate OJEU Tenders using the evaluation model published in accordance with **Rule 10.2**.
- 13.2 Only in exceptional circumstances agreed by the Governing Body and the ACE(LDS) can an OJEU Tender other than the MEAT be accepted. In these circumstances a signed and dated record of the reasons for the action taken shall be made.
- 13.3 If, as a result of the OJEU Tender evaluation process the School is satisfied that an arithmetical error has been made inadvertently by a Participant such an error may, after clarification with the Participant, be corrected. The School shall record any such clarification in writing.
- 13.4 Before a Contract is awarded the School shall complete a risk assessment to ascertain the financial stability of the successful Participant. The risk assessment shall take into account the subject matter, complexity, duration, value and any other such factors as may be deemed to be relevant.
- 13.5 On completion of the evaluation of the OJEU Tenders received and once all internal approvals have been obtained, the School shall write to all Participants informing them of the outcome of the OJEU Tender evaluation and providing feedback on the content of their submission, in accordance with Regulation 55 of the PCRs.
- 13.6 The School shall wait a minimum of ten days (15 days if not sent electronically) from the date of issue of the letters notifying the Participants of the result of the evaluation before completing the Contract with the successful Participant.
- 13.7 The Headteacher shall send for publication a Contract Award Notice stating the outcome of the procurement procedure no more than 30 days after the award of the Contract.

## **14.0 ELECTRONIC COMMERCE**

14.1 Nothing in these Rules shall prevent:

- a) invitations to bid or tender being issued by use of the internet. A School (in consultation with the CD-SR) may publish invitation to tender notices on appropriate internet web sites in substitution for publication in newspapers or trade journals.
- b) receipt of bids or tenders by use of the internet provided the School and the Head of Internal Audit have agreed that suitable privacy and security mechanisms are in place for the receipt and opening of such submissions.

14.2 Schools are encouraged to advertise procurement opportunities over £25,000 on the E-Sourcing System. If a School wishes to use the E-Sourcing System the North Yorkshire County Council Corporate Procurement and Contract Management Service will assist with this process. **From October 2018 the use of an E-Sourcing System will be mandatory for any OJEU procurement.**

## **15.0 HIRING AND ENGAGING STAFF**

15.1 Where a school is hiring or engaging a worker who is not on the payroll there is a legal requirement to determine whether it is the responsibility of the School to deduct employee tax and national insurance (NI) at source and associated employer NI, in accordance with the legal requirements of IR35.

## **16.0 PURCHASING CARDS**

16.1 Where purchasing cards are issued by the School the following provisions shall apply:-

- a) their use shall be subject to the procedures laid down by the CD-SR
- b) cards shall only be issued to, and used by, Officers nominated by the Headteacher
- c) CD-SR shall be notified of all Cardholders and maintain a register
- d) for the purpose of **Rule 4.1** the payment invoice will constitute evidence in writing of the Contract.

## **17.0 PROPERTY CONTRACTS**

17.1 Schools may not enter into Property Contracts in their own right and only the ACE(LDS) (or an Officer designated by them) shall sign Property Contracts, which are subject to the Council's own Property Procedure Rules.

## **18.0 EXCEMPTIONS TO CONTRACT PROCEDURE RULES**

18.1 A School does not need to invite bids in accordance with **Rule 8**, in the following circumstances:-

- (a) purchases via Framework Agreements which have been established either by the Council or by other public sector bodies or consortia (including, but not limited to YPO) and where such framework agreements are lawfully accessible to the School. Contracts awarded from such Framework Agreements shall be awarded in accordance with the provisions of that Framework Agreement; or
- (b) where a grant or other external funding is received by the School, either in its own right or as an accountable body, and the terms of such grant or other external funding state that such grant or other external funding must be applied in accordance with the terms of such grant or other external funding; or

- (d) purchases at public auctions (including internet auction sites, e.g. Ebay) where the School is satisfied that value for money will be achieved; or
- (e) the purchase of Supplies, Works, Services or Social and Other Specific Services which are of such a specialised nature as to be obtainable from one Contractor only; or
- (f) repairs to or the supply of parts for existing proprietary machinery or plant where to obtain such supplies from an alternative supplier would invalidate the warranty or contractual provisions with the existing supplier; or
- (g) Social or Other Specific Services Contracts where:-
  - (i) the service is currently supplied by a Contractor to the satisfaction of the Governing Body, is considered to be offering value for money and where the foreseeable disruption to service users cannot justify the invitation of further bids, or
  - (ii) the service is of a specialist or personal nature and where service users must be involved in the selection of the Contractor and where the Governing Body considers it inappropriate for bids to be invited, or
  - (iii) where the Governing Body is satisfied that the urgency of the need for the service prevents the invitation of bids in which case consideration shall be given to the duration of that service; or
- (h) Contracts where the Governing Body agree that for reasons of extreme urgency brought about by unforeseeable events un-attributable to the School, the timescales for obtaining bids cannot be met. A written record shall be signed and dated by the Governing Body, whenever this Rule applies.

18.2 Where any of the exceptions set out in **(d) to (h)** above are applied a written record shall be signed, dated and kept. The Headteacher shall maintain a register of all recommendations made under this Rule.

18.3 A School does not need to invite OJEU tenders in accordance with **Rule 10 and 11**, in the following circumstances:-

- (a) purchases via Framework Agreements which have been established either by the Council or by other public sector bodies or consortia (including, but not limited to YPO) and where such Framework Agreements are lawfully accessible to the School. Contracts awarded from such Framework Agreements shall be awarded in accordance with the provisions of that Framework Agreement. Where appropriate Officers should apply a minimum 10 day standstill period for all call-off Contracts awarded under an existing Framework Agreement. This is not mandatory but is deemed best practice; or
- (b) where:
  - (i) Regulations 12 or 72 of the PCRs apply; or
  - (ii) any other specific exclusions as set out in the PCRs apply;

and the ACE(LDS), the Headteacher, the Governing Body and CD-SR are in agreement. A written record shall be signed and dated whenever this Rule applies and the Headteacher shall maintain a register of such written records.

## **Waivers**

- 18.4 Specific exceptions to **Rule 8** are permitted in such other circumstances as the Headteacher and the Governing Body may agree. This shall be recorded in writing and shall specify the reasons for the request.
- 18.6 The Headteacher shall maintain a register of all requests made under this Rule and the responses given to them.
- 18.7 Specific exemptions to **Rule 10 and 11** may be permitted in exceptional circumstances as the ACE(LDS) and CD-SR may agree in accordance with the PCRs. The ACE(LDS) shall maintain a register of all requests made under this Rule and the responses given to them.

## **19.0 COMPLIANCE**

- 19.1 Every Officer shall comply with these Rules and any unauthorised failure to do so may lead to disciplinary action.
- 19.2 The Headteacher shall be responsible for monitoring adherence to these Rules.
- 19.3 Each Headteacher shall take all such steps as are reasonably necessary to ensure that Officers within their School are aware of and comply with these Rules.

## **20.0 CONTRACT MONITORING**

- 20.1 The Responsible Officer shall take all such steps as are appropriate to monitor and review the performance of the Contract, having regard to its value, nature, duration and subject matter. As part of the monitoring and review process the Responsible Officer shall maintain adequate records of Contract performance and details of review meetings with the Contractor. Such records and details shall be made available to Internal Audit whenever required. Such records should also be used on the basis for any permitted extension to the Contract.

### **Contract Variation**

- 20.2 Contracts with a value below the relevant EU Threshold may be varied in accordance with the terms of that Contract. Any proposed variations which have the effect of materially changing the Contract must be approved by the ACE(LDS), whether or not they are effected by amending the Contract itself or by correspondence.
- 20.3 Contracts with a value in excess of the relevant EU Threshold may be varied in accordance with the terms of that Contract or as outlined in Regulation 72 of the PCRs. Any proposed variations which have the effect of materially changing the Contract must be approved by the ACE(LDS), whether or not they are effected by amending the Contract itself or by correspondence.

## **21.0 DECLARATION OF INTERESTS**

- 21.1 If it comes to the knowledge of a Governor or Officer that a Contract in which that Governor or Officer has an interest has been or is proposed to be entered into by the School, that Governor or Officer shall immediately give written notice to the Headteacher.

## **22.0 TRAINING**

- 22.1 Any Officer involved in procurement activities should have received a level of formal training commensurate with the nature of the procurement activity being undertaken.

22.2 Any Officer involved in an OJEU level procurement where they are not receiving support from the Councils Corporate Procurement and Contract Management Service or another procurement specialist must be suitably qualified in procurement.

DRAFT

Determine your liability for tax and NI (new IR35 regulations)

Effective from April 2017

This is relevant to schools hiring/engaging workers who are not on your existing payroll\*

Please note: Any engagement of teaching staff would automatically fall under IR35 – please see options below.

