

GUIDANCE NOTE FOR SCHOOLS - 2019-20 BUDGET AND FUNDING PAYMENT PROCESS

CHILDREN'S AND ADULT'S SERVICES

GUIDANCE NOTE FOR SCHOOLS ON CHANGES TO 2019-20 BUDGET AND PAYMENT PROCESSES

Advances and cash payments to schools

Background

Changes were implemented in 2016-17 to payments made to Ealing Schools from the LA. There is now two ways to process income from Ealing Council. Some payments are classified as 'advances' and some are 'cash income'. As a result, when new funding is provided there is sometimes confusion as to how a school should process LA payments on the schools finance system and as a result the schools systems and the LA systems do not always balance.

In the current climate the front loading of funding to schools creates problems for many schools on cashflow in period 12 as in some cases the funding is less than the payroll bill for the month.

The Council's finance system is only updated termly when schools send in their returns. We now have a new budgeting system and Schools Accountancy have not been able to send the normal BCR reports in a timely fashion.

Changes to be implemented

- i) All funding from the LA will move to a cash basis from April 2019. This change impacts on funding currently coded as an advance on the schools system:
 - School block funding for Reception to Year 11 Pupils
 - Place factor elements for SEN ARPS
 - Devolved Formula Capital
 - Teachers Pay Grant
- ii) Schools finance returns will be summarised on Agresso. Posting on the LA system will not be at account code level. Suggested posting on Agresso will be:
 - Employee Costs – Payroll
 - Non-Employee Costs
 - Funding from LBE at ledger code level
 - Non LBE funding
 - School Generated income
- iii) We are unable to send BCR reports under the new system. Schools will be asked to send in budget monitoring reports, balance and reserves report and cumulative expense report with the termly finance return
- iv) Payments:
 - a. **Schools block in equal twelfths**
 - b. Growth funding will be paid in September
 - c. **SEN Place Funding payment in April for the full year** (no change)
 - d. Special School, AP and ARPs - High Needs top up paid in equal twelfths with 2 months in May
 - e. Mainstream School High Needs top up in equal twelfths
 - f. PPG in equal twelfths Apr – Aug based on estimate; Sept – March adjusted based on actuals
 - g. Post 16 funding in equal twelfths
 - h. Early Years High Needs Block - April full allocation of place funding (no change)
 - i. Early Years High Needs and SEN Inclusion top up paid in equal twelfths with 1st payment in May (covers April and May)

Reasons for the changes

There have been a number of challenges over the past year as a result of schools coming under increasing funding pressure, as well as finance resourcing constraints within Schools Accountancy. The changes attempt to resolve many of these issues.

- Moving to a cash basis, rather than adjusting a school's budget share, changes should be minimal as school budget share and place funding is set for the year and remains unchanged
- It is also hoped that this process will also empower schools, allowing more autonomy and a firmer understanding of funding allocations.
- As all school funding will appear as income this should aid budget monitoring, enabling schools to see their in year over and underspends on actuals rather than having a spend budget.

Process changes

The implications in terms of processes are set out below

Schools

- Split LBE funding on the termly returns
- Match codes to CFR
- Set budget for income
- Send budget monitoring report and system reports with the finance return

LA

- Improve data management
- Improve communications to schools
- Ensure robust processes and timely payments of funding
- Update scheme for financing schools
- Update finance hand book

Budget setting in Schools

Table 1: The income codes are identified below:

FMS LEDGER CODE	DESCRIPTION	CFR CODE
8001	DSG - Schools Block	I01
8001	DSG – High Needs Place Funding Pre 16	I01
8011	DSG Early Years Block (EYSFF)	I01
8011	Early Years PPG	I01
8008	16-19 All Bursary Funding	I02
8014	DSG – High Needs Place Funding Post 16	I02
8014	ESFA Income Post 16	I02
8018	Summer School	I02
8012	DSG - High Needs Block Pre 16 Top Up (Including ICAN)	I03
8014	DSG - High Needs Block Post 16 Top Up	I03
8007	Pupil Premium	I05
8009	Year 7 Catch-Up Premium Grant	I06
8016	PE and Sports Grant	I18
8017	UIFSM - Universal Infant Free School Meals	I18
8017	Supplementary Free School Meal Grant	I18

The codes suggested are for schools local systems, so they can be differentiated and enable transparent monitoring,

This will not affect the school's ability to monitor budgets as the FMS system will remain the primary tool for managing schools' budgets. The council's financial system Agresso is not updated as frequently and will no longer match the coding in FMS. However, the council's financial system will need to reflect the gross income and expenditure, and the net position recorded on FMS at year end. This will simplify the schools finance return process and eliminate the need for detailed reconciliations between systems. The priority will be to ensure the year-end total income and total expenditure matches that of each school, but at a higher level than historic practice.

Example of budget setting changes

Table 2: Current method MAINSTREAM – all allocated through budget share with budget adjustments and advance adjustments in year

<i>Final Allocation:</i>			<i>Estimated by LA:</i>					
Schools block	De-delegation	Total Schools Block	High Needs Block	PPG	Post 16 ESFA funding	Early Years	Growth	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000
3000	(50)	2950	150	100	200	200	60	3660

Table 3: Current method SPECIAL – all allocated through budget share with in year adjustments £000

<i>Estimated by LA</i>					
High Needs Block	PPG	Post 16 EFA funding	Early Years	Growth	Total
£000	£000	£000	£000	£000	£000
3100	360	200	-	-	3660

Table 4: Below is an example of current budget load for all schools

Area of spend	£000
Salaries	2500
Agency	300
Supplies and services	920
Total Expenditure	3720
Balances	(50)
Income	(10)
Total Income	(60)
Net budget	3660

Table 5: Amended method MAINSTREAM – Schools block all allocated through budget share with no in-year adjustments, all other funding is on a cash basis.

<i>Funded through cash and recognised as income in schools financial reporting</i>								
Final Allocation notified in March			Estimated by LA in March School to be paid on actuals					
Schools block	De-delegation	Total Schools Block	High Needs Block	PPG	Post 16 EFA funding	Early Years	Growth	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000
3000	(50)	2950	150	100	200	200	60	3660

Table 6: Amended method SPECIAL – base allocated through budget share with no in year adjustments.

<i>Funded through cash and recognised as income in schools financial reporting</i>						
Allocation in March	Estimated by LA in March School to be paid on actuals					
High Needs Block Base	High Needs Block Top up	PPG	ESFA Post 16	Early Years	Growth	Total
£000	£000	£000	£000	£000	£000	£000
1000	2100	360	200	0	0	3660

Table 7: Below is an example of the amended budget load - MAINSTREAM

Area of spend	£000
Salaries	2500
Agency	300
Supplies and services	920
Total Expenditure	3720
Balances	(50)
Schools Block	(3000)
Schools De-Delegation	50
High Needs top ups – EALING children	(100)
EFA post 16 funding	(200)
High Needs top ups – out of borough children	(50)
PPG	(100)
Early Years	(200)
Growth	(60)
Income	(10)
Total Income	(3720)
Net budget	0

Table 8: Below is an example of the amended budget load – SPECIAL Schools, ARPs and Units.

Area of spend	£000
Salaries	2500
Agency	300
Supplies and services	920
Total Expenditure	3720
Balances	(50)
High Needs Block Base Funding	(1000)
High Needs top ups – EALING children	(1800)
EFA post 16 funding	(200)
High Needs top ups – out of borough children	(300)
PPG	(360)
Early Years	-
Growth	-
Income	(10)
Total Income	(3720)
Net budget	0

Advances

There will be no advances planned in 2019-20.

Note: If a capital code cannot be found then capital income may be the only area which advances may be needed.

Payment Schedule

Cash payments are intended to offer the schools maximum flexibility and enable good cash flow management. Table 9 below shows the profile of the payments to schools from the LA:

Table 9

	Payment	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
a	School Budget Share	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
b	Growth						100%						
c	Special schools Baseline place funding	100%											
c	AP and ARP Baseline place funding	100%											
d	Special schools top up funding		16.66%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
d	AP and ARP top up funding		16.66%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
e	Top up funding for schools not covered in d	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
f	Pupil Premium Grant (Estimated costs based on 2018-19 final)	8.33%	8.33%	8.33%	8.33%	8.33%							
f	Pupil Premium Grant Based on finalised 2019-20 allocation per the ESFA less payment made Apr - Aug						8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
g	Post 16 Funding per ESFA	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%
h	Early Years Baseline place funding	100%											
i	Early Years Top Up High Needs and Inclusion Funding		16.66%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%

All other grants

These will be passported to schools as soon as the allocations are announced. The ESFA have not advised of the payment schedule or allocations. Therefore, the LA will update schools once the information is available

VAT, returns to LA and statutory returns, Loading Finance Information onto the Council's Ledger

- Finance Returns and uploads, which includes VAT returns, will be accepted in July, December and March. These are to be sent electronically with signed scanned documentation as required.
- CFR returns should be submitted through the DFE portal within national timescales.
- The LA will continue to consider how these returns can be simplified

Scheme for Financing Schools

The above amendments are consistent with the guidance on financing schools as updated for 2019-20. Other minor changes to the scheme and detailed changes to the Schools Finance Handbook will be made over the summer.

The Scheme for Financing Schools will be available on EGFL once approved through Schools Forum

Annual timetable

The table below outlines the timetable for budget approval, and publications, (advances and payments are shown above). This will be subject to review in the light of experience.

KEY
Schools Forum
LA publications
Returns from schools to LA
Process change
EFA/DFE publications

Action Plan	Date
School Forum meeting approving budgets – indicative schools block published.	January
LA Notify school of budget share and income estimates and schedules published on EGFL	February
Estimate guidance notes published on EGFL including Proforma's and modelling tools	February
Budget setting, advances and cash guidance note	March - April
Funding update from ESFA (DSG, other grants)	March
Schools Forum – Scheme for financing schools, Payroll SLA, Finance SLA, high needs resource allocation and funding pressures. DFE consultation on funding reforms.	April
Schools to set budgets and send budget upload	May - June
Schools to send balance forms	May - June
Funding update from ESFA (PPG, DSG, other grants)	June
Schools Forum – Finance Handbook, high needs resource allocation and funding pressures highlighted for Forum. Annual Audit Report, School Balances and outturn figures reported. DFE consultation on funding reforms	July
Updates on funding estimates and schedules published on EGFL	September - October
Schools forum - Formula consultation and funding pressure report. National funding formula update.	October
Funding update from ESFA current financial year (DSG, other grants)	November
Funding update from ESFA next financial year (PPG, DSG, other grants)	December
Schools Forum – budget setting for next financial year	January
LA Notify school of budget share and income estimates for next financial year	February
Funding update from ESFA (PPG, DSG, other grants)	March