

**TITLE OF REPORT: Nursery Schools in Financial Difficulty**

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**Purpose of the Report**

1. To bring to Schools Forum the proposal for a Nursery Schools in Financial Difficulty Procedure.

**Background**

2. Following the proposal to introduce a financial difficulty procedure for all schools which is still under legal review, it is proposed that a financial difficulty process for nursery schools should be developed in the interim.
3. Advice has been provided from the DfE that additional funding for maintained nursery schools can be provided from the Early Years Block of the Dedicated Schools Grant (DSG) under current regulations and operational guidance.
4. Below is an extract from the Early years entitlements: local authority funding of providers Operational guide 2020-21 which is the current guidance.

“6.2 Additional funding for maintained nursery schools

Local authorities with MNS continue to receive supplementary funding for the whole of the 2020-21 financial year. This funding is provided in order to enable local authorities to protect their 2016-17 funding rates for the universal 15 hour entitlement for MNS (that is, the rates that existed before the EYNFF) and the government expects it to be used in this way. As mentioned in section 6.1.1, all providers must be paid the same hourly base rate; this also applies to maintained nursery schools. However, local authorities may continue to use ‘lump sums’ to distribute additional funding to maintained nursery schools.”

**Proposal**

5. It is proposed that maintained nursery schools can apply for additional lump sum funding in the form of a financial difficulty payment to enable the school to remain viable and provide a safe learning environment for early years children. For transparency purposes it is proposed that the procedure in Appendix 1 is used for maintained nursery schools to apply for additional lump sum funding and that the outcome of any application will be brought to Schools Forum for approval.

## **Recommendations**

6. It is recommended that Schools Forum approves the proposal for maintained nursery schools to be able to apply for additional lump sum funding via the procedure in Appendix 1.

### **For the following reasons: -**

- To enable maintained nursery schools to provide a safe learning environment for early years children.
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**Appendix 1**

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# **Financial Difficulty Funding – Nursery Schools Guidance**

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## **1) Purpose**

The purpose of this guidance note is to provide Nursery Schools with the process for applying for Financial Difficulty Funding.

## **2) Scope**

This procedure is intended to provide the process for both schools and the Local Authority (LA) on the application, review and allocation of Financial Difficulty Funding to ensure that the process is clear, transparent and fair.

## **3) Procedure Steps**

Below is guidance on how applications are to be made for a financial difficulty payment.

### **a) Schools Procedure for Applying for a Financial Difficulty Payment**

- i) Schools must make a formal request in writing for Financial Difficulty Funding.
- ii) Schools making an application must provide information as required by the Model of Reasonableness (appendix 3) and complete the Model of Reasonableness pro-forma application form (appendix 4) nursery schools.
- iii) Schools must clearly state the amount of contingency that they are applying for and the rationale for the amount requested.
- iv) Applications must be made in the first instance to the Finance Business Partner (Schools)
- v) Schools should contact their budget officer (buyback schools only) for assistance with the process and support with any financial information.

### **b) Review Process**

- i) The Finance Business Partner (Schools) will request financial information from the school budget officer for maintained schools, including 3 year plan projections, and possibly governing body minutes. A review of financial records will be undertaken to ensure that the circumstances of the financial difficulty are outside the control of the Governing Body. For Academies full data sharing including access to all management accounts, pay and grading structures, 3-year financial forecasts and any other information that maybe required to assist in the assessment of the financial difficulty funding request including Governing Body/Trustee and subcommittee minutes.
- ii) Finance Business Partner (Schools) will liaise with relevant officers and school staff to establish facts and for professional opinions.

- iii) Finance Business Partner (Schools) will request confirmation from Finance Business Partner (Children's)) on the value of funds available in Early Years Block of the Dedicated Schools Grant (DSG)
- iv) Once all information has been received, Finance Business Partner (Schools) will review all the information and determine if the application complies with the contingency criteria. The outcome of the review will be to make a recommendation to the Service Director Education, Schools and Inclusion.
- v) The Service Director Education, Schools and Inclusion will either approve or reject the recommendation from the Finance Business Partner (Schools).
- vi) All applications will be taken to Schools Forum for approval and applicants may be requested to attend Schools Forum to provide additional details and context.
- vii) At the end of the financial year in which Financial Difficulty Funding was received, the maintained schools outturn position will be reviewed. For academies both year-end management reports and year-end accounts will be reviewed. Where a school has a surplus balance above 0%, an amount will be deducted from the maintained school budget share or an invoice raised for academies. The calculation for the surplus balance does not include any additional grants including pupil premium. The amount deducted will be the lesser of either the total amount of Financial Difficulty Funding received or the amount of surplus balance above 0%.

### **c) Notification of Application Decision and Funding**

- i) The Finance Business Partner (Schools) will provide written confirmation on the outcome of the application process to the school, Finance Business Partner (Children's)), and where applicable, the school budget officer. The letter will include any funding awarded to the school.
- ii) Schools will then have 10 working days to appeal the decision, and the appeal will be reviewed by a sub group of the Schools Forum. The Sub Group will comprise of any 3 members of the Schools Forum to ensure that there are no conflicts of interest. The Head Teacher and Chair of Governors of the school applying for funding may be asked to attend a meeting to discuss the application for Financial Difficulty Funding. The decision of the Schools Forum Sub Group will be final.
- iii) Schools will receive their Financial Difficulty Funding allocation as a separately identifiable contingency payment. It is anticipated that the inclusion of this funding within the school's budget will enable the school to set a balanced budget for the next financial year.
- iv) All Financial Difficulty Funding appeals and decisions will be reported to Schools Forum at the next appropriate meeting.

## Appendix 1

### Detailed instructions for the application of Financial Difficulty Contingency Funding

1. All schools must make a request in writing to the Finance Business Partner (Schools), which must include the Model of Reasonableness Pro-forma Application form.
2. All areas must be completed.
3. Factors
  - a. Headteacher – provide the amount of teaching time undertaken by the Head.
  - b. Deputy Head - provide the amount of teaching time undertaken by the Deputy Head.
  - c. Salary Range – ISR for the school and the point both the Head and Deputy are currently on. If either of these are outside the ISR, provide the reason
  - d. Pupil teacher ratio – FTE teachers / pupils, (both excluding nursery and MSB units).
  - e. Adult pupil ratio – FTE adults / pupils, (both excluding nursery and MSB units)
  - f. Whole school Staffing Structure – how individual classes are staffed and managed on a routine basis. Number of teacher sessions that are not class based, including AEN requirements, PPA staffing and management time.
  - g. Office Staff – number and designation of staff.
  - h. Sickness Insurance – Evidence of either insurance bought into, or other method of minimising risk to the school budget.
  - i. Caretaking / PFI charges – level of caretaking and / or PFI costs for the school, (annual).
  - j. Use of other school income e.g. additional grants and Pupil Premium– How other forms of income are being or are intended to be used, including any income from external advisory work carried out by school employees.
  - k. Devolved Formula Capital Balance & Use – the planned current and future use of any DFC that the school currently holds and how this interacts with the school's revenue budget.

Use of Surplus Balances – if there are any surplus balances – how will these be utilised.

## **Appendix 2**

### **Contingency Funding Criteria**

The LA will retain centrally contingency funding that could provide in-year support to schools for:

Schools that are in financial difficulty and can demonstrate that they have taken all reasonable measures to address financial issues, and that the current financial difficulties are not as a result of financial mismanagement. Schools must apply the LA's "Model of Reasonableness" before making an application to demonstrate that they meet the criteria.

If contingency is given and a school ends the same financial year with a surplus the contingency payment, or a proportion of it, will be clawed back.



The below factors will only be used to inform discussions between the Local Authority and Schools who are requesting Financial Difficulty Funding, it is intended to help ensure Financial Difficulty Funds are allocated fairly.

The criteria below do not represent ideal staffing and service provision but are reasonable within the current financial constraints.

It is recognised that:

- Circumstances and needs of individual schools vary and the responsibility for the appointment and deployment of staff remains with the Headteacher and Governors.
- The Local Authority will make recommendations on Contingency Funding allocation and will request approval from Schools Forum of the recommendation.
- Schools that receive Contingency Funding and have balances over 0% at the end of the financial year will have amounts over the 0% and up to the amount of the Contingency Funding deducted from their balance.

	<b>Factor</b>	<b>Group 1 School</b>	<b>Group 2 School</b>	<b>Group 3 School</b>
1	Headteacher	Possible teaching commitment	No teaching commitment	No teaching commitment
2	Deputy Headteacher	Full teaching commitment Review and explain if outside ISR	Full teaching commitment (max. 3 x ½ days release) Review and explain if outside ISR	Teaching at least 50% (20%-50% release) Review and explain if outside ISR
3	Salary Range HT/DHT	Review and explain if outside ISR	Review and explain if outside ISR	Review and explain if outside ISR
4	Pupil Teacher Ratios	Should comply with teaching ratios for nursery and infant class sizes	Should comply with teaching ratios for nursery and infant class sizes	Should comply with teaching ratios for nursery and infant class sizes
5	Pupil Adult Ratios	To be appraised	To be appraised	To be appraised
6	Whole School Staffing Structure, (inc PPA)	To be appraised	To be appraised	To be appraised
7	Office Staff	1 F.T.	1.5 F.T. max.	1 – 2 F.T. max
8	Sickness Insurance	Must minimise the risk	Must minimise the risk	Must minimise the risk
9	Caretaking / PFI charges	At minimum level	At minimum level	At minimum level
10	Use of other school income e.g., additional grants and Pupil Premium	To be appraised	To be appraised	To be appraised
11	Devolved Formula Capital Balance & Use	To be appraised	To be appraised	To be appraised
12	Use of Surplus Balances	To be appraised	To be appraised	To be appraised

## Appendix 4

### MODEL OF REASONABLENESS FOR NURSERY SCHOOLS – Pro-forma Application Form

The below factors will only to be used to inform discussions between the Local Authority and Schools who are seeking deficit approval and Contingency Funding. It is intended to help ensure Contingency Funds are allocated fairly.

	Factor	
	School Grouping e.g. Group 1,2 or 3	
1	Headteacher	
2	Deputy Headteacher	
3	Salary Range HT/DHT	
4	Pupil Teacher Ratios	
5	Pupil Adult Ratios	
6	Whole School Staffing Structure, (inc PPA)	
7	Office Staff	
8	Sickness Insurance	
9	Caretaking / PFI charges	
10	Use of other school income e.g., Additional Grants and Pupil Premium	
11	Devolved Formula Capital Balance & Use	
12	Use of Surplus Balances	

#### The rational and amount of Contingency Funding Applied for

Total Amount of Contingency applied for	
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Rational for Contingency application	
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