

## **'School Funding' - A Briefing Paper for Scrutiny Panel**

### **1. Introduction**

- 1.1 *“The governing body has the collective and legal responsibility for the overall direction of the school and its strategic management. This includes the effective financial management of the school’ delegated budget and the responsibility for ensuring that the school’s financial resources are utilised in support of improving learner outcomes in the most effective and efficient way.”*

Governor guide on Governors and Finance, 2014

- 1.2 The purpose of this document is to provide an understanding of the regulations that encompass the allocation of school budgets, the budget process and the calculation of the delegated budget received from the Local Authority.

### **2. Regulations**

- 2.1 The School Funding (Wales) Regulations 2010 is the key legislation affecting school funding.
- 2.2 The main requirements for local authorities from these regulations are as follows:
- 2.3 There must be a ‘Scheme for Financing Schools’ which sets out the broad responsibilities of the school and the local authority.
- 2.4 There must be an agreed system of allocating pre-16 funding across schools – the ‘Funding Formula’
- 2.5 There must be a School Budget Forum whereby issues relating to school budgets, changes to the Formula, grants and Service Level Agreements (SLA) can be discussed and agreed. The School Budget Forum consists of headteacher representatives from both the primary and secondary sectors.
- 2.6 Local authorities must allocate funding to three budgets:
- 2.6.1 Local Authority budget – relates to central local authority functions such as strategic management, access to education and school improvement
- 2.6.2 Schools budget – covers expenditure directly aimed at supporting schools. The Local Authority may determine to retain some of this funding centrally, for example to fund Special Educational Needs (SEN).
- 2.6.3 Individual Schools Budget - The amount of Schools Budget that is retained centrally by the Local Authority is deducted from the overall Schools Budget and the remainder is allocated to individual schools via the funding formula.

#### **GARETH MORGANS B Ed. M. Sc**

Cyfarwyddwr Addysg a Gwasanaethau Plant  
Adran Addysg a Phlant, Adeilad 2, Parc Dewi Sant,  
Heol Ffynnon Job, Caerfyrddin, Sir Gaerfyrddin. SA31 3HB  
Director of Education and Children’s Services  
Department for Education and Children,  
Building 2, St. David’s Park, Jobs Well Road,  
Carmarthen, Carmarthenshire. SA31 3HB

*Mae Cyngor Sir Caerfyrddin yn croesawu  
gohebiaeth yn Gymraeg neu yn Saesneg  
Carmarthenshire County Council welcomes  
correspondence in Welsh or English*



**BUDDSODDWYR | INVESTORS  
MEWN POBL | IN PEOPLE**

- 2.7 The regulations requires that a minimum of 70% of the individual school budget is allocated using pupil-led factors i.e. is based on the number of pupils enrolled at the school.
- 2.8 The remaining 30% can be distributed using other factors which must also be fair and equitable. This element of the funding relates to factors that vary at each individual school. These could include the size and condition of premises and grounds, cleaning, dual stream and additional educational needs.

### **3. Other sources of Funding**

- 3.1 In addition to the Individual School Budget, governors need to be aware of other possible sources of funding, such as specific grants from the Welsh Government, such as Education Improvement Grant and Pupil Development Grant, or funds or income raised by the school such as Parent and Teacher Association donations.

### **4. Governing Body responsibilities**

- 4.1 In terms of the budget allocated to schools, the Governing Body is responsible for:
  - 4.1.1 Approving the annual budget
  - 4.1.2 Monitoring and controlling expenditure against the school's budget
  - 4.1.3 Approving adjustments to the working budget during the year. This would be in the form of virements to amend the amount of budget allocated between budget headings as a result of changes in assumptions or factors from when the budget was initially set.
  - 4.1.4 The Governing Body may delegate its powers to the headteacher. It is a matter for each governing body to determine the extent it wishes to delegate these powers and any such decision should be formally recorded in the governing body's minutes.

### **5. Planning the school budget**

- 5.1 An effective budget is the result of careful examination of what the likely income and expenditure will be in your school, and if there are enough funds to pay for activities that the governing body believe are necessary for the school to carry out the activities within the School Development / Improvement Plan, but above all, to ensure that resource allocation matches the overall school priorities.
- 5.2 The budget should be realistic. Budgets should not show a surplus position if the realistic position is that they will be in deficit. This enables the Governing Body, headteacher and local authority officers to plan and implement corrective actions in a timely manner.
- 5.3 Schools are required to agree their budget priorities and submit a 'Working Budget' to the Local Authority that is affordable within the available resources by 31 May.

## **6. Schools projecting a surplus reserve balance**

- 6.1 Any school that projects a surplus balance that is in excess of the statutory limit (£50,000 for primary schools and £100,000 for secondary and special schools) should consider the purpose for retaining that level of balance as it will need to be justified to the local authority. Failure to do this could result in the local authority clawing back funding from the school.
- 6.2 A spending plan should be submitted along with the working budget by the 31 May deadline. This should demonstrate how the school intends to utilise the excess surplus reserve.

## **7. Schools projecting a deficit reserve balance**

- 7.1 Schools that experience difficulty in setting a budget within the available funding, should contact the Local Authority as soon as possible so that support can be given, and to determine if a licensed deficit application is required.
- 7.2 A Licensed deficit application consists of a letter explaining the reasons for the deficit position, the proposed actions that are to be taken to bring the school back into a surplus position and a business plan illustrating the financial impact of these proposals over a period of time. This period of time is typically 3 years although the Scheme for Financing Schools allows for a period up to a maximum of 5 years.
- 7.3 The 31 May deadline also applies to the submission of the Licensed Deficit application.

## **8. Monitoring the budget**

- 8.1 The budget should be viewed as an evolving management tool that is constantly under review.
- 8.2 It is inevitable that the original working budget will be based on some estimated or projected information, such as pupil numbers. These assumptions should be continually scrutinised during the year.
- 8.3 The effective monitoring of budgets can act as an early warning system. The identification and reporting of these potential problems at an early stage can enable the governing body, headteacher and Local Authority officers to take appropriate action, with a view to minimising potential deficit positions.
- 8.4 Budget monitoring returns are requested back from schools in July, November and February.

## **Sources of information**

School Funding (Wales) Regulations 2010  
Carmarthenshire County Council - Scheme for the Financing of Schools  
Carmarthenshire County Council - Financial Procedure Rules for Schools  
Governors Wales – Governor guide on governors and finance  
Carmarthenshire County Council Education Accountancy section  
Carmarthenshire County Council Internal Audit

