

## Schools Forum

16<sup>th</sup> March 2019

### Scheme for Financing Schools – DfE directed revisions & updated guidance

#### 1. Purpose of report

To inform Forum members of the confirmed DfE directed revisions and updates to guidance for Schemes for Financing Schools.

#### 2. Recommendations

To note the directed revisions

#### 3. Background

- 3.1 The Secretary of State may, by a direction, revise the whole or any part of the scheme from a date specified in the direction.
- 3.2 In order to make a directed revision the Secretary of State is required to consult local authorities and other interested parties.
- 3.3 Following a consultation period in 2018, the Secretary of State has directed that revisions to the schemes of all local authorities in England will be incorporated.

#### 4. Directed Revision

- 4.1 The following text is to be added to 4.10.1 of the Scheme:

*It is open to an authority to include in its scheme a form of loan arrangement for schools that does not operate by way of a licensed deficit, but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. If so, the same parameters for the arrangement should appear in the scheme as listed at 4.10 above for licensed deficits.*

*Again, an authority may wish to invite schools with balances in external accounts to use some or all of those balances to back a loan scheme, and the scheme should make clear on what basis this would occur. If there is a loan scheme on this basis the authority must show in its budget statements the amount centrally retained for what would be a devolved payment to schools, and the payment should appear in the out-turn statements*

*Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.*

*Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.*

- 4.2 Although directed to include the text from the directed revision, it should be noted that the Scheme confirms that the local authority does not operate a loan scheme for schools.

## **5. Updates to Guidance**

- 5.1 Paragraph 4.9 - Balances of closing and replacement schools - has been updated to reflect changes on balances of closing schools, as detailed under regulation 25 (9) of Schools and Early Years Finance (England) Regulations 2018.
- 5.2 Previous guidance indicated that local authorities were not allowed to transfer balances, either surpluses or deficits to a replacement school. Updated guidance confirms local authorities may now add some or all of the surplus of a closing school to a new or enlarged school. The text in paragraph 4.9 of the Scheme is to read:

*Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.*

- 5.3 Annex 7 - Responsibility for redundancy & early retirement costs has been updated to reflect changes under Schedule 2 Part 7, of the Finance Regulations. This details how a local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree.

## **6. Financial implications/Value for Money**

There are no direct financial implications associated with scheme revisions.

## **7. Legal Implications**

An updated Scheme for Financing Schools in Walsall will be published and will be shared with schools.

**8. School Improvement**

Governing bodies should be made aware of the requirements of the Scheme for Financing Schools and any revisions.

**9. Members eligible to vote**

This item provides an update and no vote is required.

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