

NORTH LINCOLNSHIRE COUNCIL

SCHOOLS FORUM

SCHEME FOR FINANCING SCHOOLS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This paper introduces a new version of the North Lincolnshire Council Scheme for Financing Schools.
- 1.2 The Scheme was last revised in 2022, circulated September 2022.
- 1.3 There are no directed revisions from the Department for Education.
- 1.4 The authority is required to consult with all maintained schools when revising the scheme and receive approval of Schools Forum members representing maintained schools.

2. BACKGROUND INFORMATION

- 2.1 The scheme was last revised in 2022 and it is good practice to review for any required changes every couple of years and make any necessary cosmetic changes.

3. OPTIONS FOR CONSIDERATION

The following proposed changes will be made:

- 3.1 Maintained schools were generally free to take out operating leases, while finance leases require approval from the Secretary of State under the terms of the Education Act 2002. The introduction of a new International Financial Reporting Standard IFRS16 – Leases can now be referenced in the scheme to give clarity to schools.
- 3.2 Re-organisation of the NLC structure requires changes to replace reference to the Director of Governance and Communities to Chief Finance Officer (S.151).

- 3.3 The list of maintained establishments at Annex A requires updating.
- 3.4 Changes to the designated roles in the approval process for the Application for Licensed Deficit to reflect changes to the NLC structure and working practices.

4. ANALYSIS OF OPTIONS

- 4.1 The implementation of IFRS16 ended the distinction between operating and finance leases and in effect, all leases are now classified as finance leases. The DfE developed a new approach to allow schools to continue to use leases to support their operation without additional administrative burdens. The new approach involves the Secretary of State giving consent for particular classes of leased assets which do not need to be submitted to the DfE for approval, see below:
- all existing leases already in place by 1 April 2022 (maintained schools) and 1 September 2022 (academies)
 - IT equipment
 - telephony
 - catering equipment
 - furniture
 - bathroom/sanitary equipment
 - gym equipment
 - grounds keeping equipment
 - minibuses and other vehicles for the use of the school
 - temporary classrooms and equivalent structures
- 4.2 The introduction of IFRS 16 was postponed in relation to 2022 to 2023 and has been adopted from April 2023. Details of these changes will be included in the NLC Scheme for Financing Schools, paragraph 3.6 Borrowing by schools, now that IFRS 16 has become operational.
- 4.3 **Cosmetic changes** – references to the Director of Governance and Communities have been replaced with the Chief Finance Officer S.151 (CFO).
- 4.4 **Annex A** – List of schools maintained by North Lincolnshire Local Authority has been updated to remove Broughton Primary.
- 4.5 Currently approval for a one-year licensed deficit requires the submission of an action plan and is agreed by the Strategic Lead (Finance). Longer term deficits are reviewed by the Director of Children and Families to be satisfied that the school's staffing establishment is appropriate and the recovery plan will enable the school to maintain standards. The Director of Governance and Communities must be satisfied as to the soundness of the school's financial management and its ability to meet the reduction of deficit schedule.

- 4.6 Approval of one-year licensed deficit will continue to be Strategic Lead (Finance). Recommended changes are that the Assistant Director Education will confirm staffing is appropriate for maintaining standards and the Chief Finance Officer (S.151) will assure the ability to meet the reduction of deficit schedule and soundness of financial management.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There are no financial or other resource implications to the revision of the Scheme for Financing Schools.

6. OTHER IMPLICATIONS

- 6.1 A consultation exercise will be completed during the summer term with all maintained schools. The results will be reported to the Schools Forum in July 2024.

7. RECOMMENDATIONS

- 7.1 Schools Forum members for maintained schools agree to the changes to Scheme for Financing Schools.

STRATEGIC LEAD (FINANCE SERVICEDESK)

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Background Papers used in the preparation of this report –

Statutory guidance – Scheme for Financing Schools – 28 March 2024