

NORTH LINCOLNSHIRE COUNCIL

SCHOOLS FORUM

THE SCHEME FOR FINANCING SCHOOLS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. It is statutory guidance that sets out what local authorities must do to comply with the law (School & Early Years Finance Regulations 2020).
- 1.2 From time to time the local authority need to revise the Scheme and part of the process is consultation with schools and the School Forum.
- 1.3 This revision includes directed revisions by the Department for Education (DfE), other important changes and administrative changes proposed by the local authority.

2. BACKGROUND INFORMATION

- 2.1 The scheme for financing schools sets out the financial relationship between the local authority (LA) and the schools it maintains. The scheme contains requirements relating to the financial management and associated issues which are binding on both the LA and the Governing Bodies of schools.
- 2.2 All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools.
- 2.3 The Secretary of State may by direction revise the whole or part of this scheme following consultation with local authorities and other interested parties.

3. OPTIONS FOR CONSIDERATION

- 3.1 There are two directed revisions to be incorporated into the North Lincolnshire scheme with immediate effect.

- 3.1.1 Budget Planning must cover three years – the purpose of requiring a three year budget plan includes giving the LA means to ensure schools are undertaking effective planning, allow effective evaluation of the Schools Financial Value Standard and allow the LA to conduct balance control.
- 3.1.2 Schools which have deficits over 5% of their budget must submit a recovery plan. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish.
- 3.2 From 1st April 2020 local authority maintained schools have been able to join the risk protection arrangement (RPA) instead of taking out insurance. It is proposed to make a change to the scheme to contain a provision which allows schools to join the RPA when any insurance contract of which they are part expires. In addition, the scheme will enable primary and/or secondary maintained schools to join the RPA collectively by agreeing through schools forum to de-delegate funding
- 3.3 The local authority is also proposing to make other changes to its scheme.
 - 3.3.1 Deficit Budget Procedures to include reference to LA intervention using a pre-warning notice prior to the use of statutory powers.
 - 3.3.2 Restrictions on Accounts – update to the list of bank and building society accounts that can be used for the purpose of receiving budget shares.
 - 3.3.3 Timing of completion of the SFVS – suggestion of summer or autumn term.
 - 3.3.4 Payment of budget share to bank account schools net of charges and grant income.
 - 3.3.5 Control of assets – inventories to include portable and attractive items e.g. electronic tablets.
 - 3.3.6 The LA will include in the annual statement information on when school income information will be available.
 - 3.3.7 General changes on the phrasing of guidance to update terminology now in general use e.g. value for money, effective school resource management and maximising pupil outcomes.

4. ANALYSIS OF OPTIONS

- 4.1 The North Lincolnshire Scheme already contains the requirement for schools to submit a three-year financial forecast between 1st May and 31st May each year and as such no change is required.
- 4.2 The NL scheme states schools with a revenue deficit in excess of 2% of their budget share at the end of any one year, or a revenue deficit in excess of 1% of their budget shares in two successive years, measured as at 31 March are required to submit an action plan along with their 3 year budget plan showing recovery within one year. We are not

proposing to make changes to the current requirements of the North Lincolnshire Scheme.

- 4.3 The DfE have indicated that the change to include the RPA may become a directed revision once they have had the opportunity to carry out a consultation with local authorities.
- 4.4 The option for the authority to use a pre-warning notice prior to the use of statutory powers was agreed at Schools Forum in November 2019.
- 4.5 The reference to specific banks and building societies has been removed and replaced with the requirement to use banks or building societies with a credit rating of A- or above, bringing this in line with the authority's Treasury Management Strategy.
- 4.6 The other administrative changes are made to update the scheme, suggest a more useful timing for the completion of the SFVS, provide schools with timely information on income and make best use of inventories.

5 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There are no financial or other resource implications to this report.

6 OUTCOMES OF CONSULTATION

- 6.1 A consultation with schools has commenced with a closing date for responses of 19 January. Results will be reported at the meeting.
- 6.2 The consultation included a question on control of surplus balances as this has previously been an area of discussion at Schools Forum. The local authority has powers to redistribute excessive surplus balances for the benefit of all schools across North Lincolnshire. Schools were asked if they thought the authority should use these powers.

7 RECOMMENDATIONS

- 7.1 Schools Forum approve the changes to the scheme of Finance as described in the report.

STRATEGIC LEAD (FINANCE SERVICEDESK)

Hewson House
SCUNTHORPE
North Lincolnshire
DN20 8XB
Author: Rosie Maughan
Date: 13 January 2021

Background Papers used in the preparation of this report –
Statutory Guidance – Scheme for financing local authority maintained schools -
updated 5 August 2020