

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 2020, circulated February 2021.
- 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 2020 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 The Salix Scheme has closed.
- 3.2 Currently, maintained schools are 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 proposed introduction of a new International Financial Reporting Standard –

IFRS16 – relating to the accounting of operating and financial leases needs to be referenced in the scheme to give clarity to schools.

- 3.3 Reference to balances remaining when a school closure does not result in a replacement establishment are not explicit.
- 3.4 Re-organisation of the NLC structure requires changes to replace reference to the Director of Governance & Partnerships and the Director of Learning Skills and Culture.
- 3.5 The list of maintained establishments at Annex A requires updating.

4. ANALYSIS OF OPTIONS

- 4.1 **Borrowing by schools** – paragraph 3.6 - Reference to the Salix Scheme has been removed.
- 4.2 The implementation of IFRS16 will end the distinction between operating and finance leases and in effect, all leases will be classified as finance leases. The DfE has 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 asset which will 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
- 4.3 The planned introduction of IFRS 16 has been postponed in relation to 2022 to 2023 and is currently expected to be adopted from April 2024. Details of these changes will be included in the NLC Scheme for Financing – paragraph 3.6 – Borrowing by schools when IFRS 16 becomes operational.
- 4.4 **Balances of closing and replacement schools** – paragraph 4.8 – provision has been made for circumstances when an education establishment closes with no replacement. Any remaining funds

(surplus or deficit) will revert to the LA DSG reserve or High Needs reserve as appropriate.

- 4.5 **Cosmetic changes** – references to the Director of Governance and Partnerships have been replaced with the Director of Governance and Communities. References to the Director of Learning, Skills and Culture have been changed to the Director of Children and Families as appropriate.
- 4.6 **Annex A** – List of schools maintained by North Lincolnshire Local Authority has been updated to remove Wrawby C of E Primary and the Darley Centre.

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 2022.

7. **RECOMMENDATIONS**

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

STRATEGIC LEAD (FINANCE SERVICE DESK)

Author: Rosie Maughan
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Background Papers used in the preparation of this report –

Statutory guidance – Scheme for Financing Schools – 31 March 2022