

**Item 5**

**TITLE OF REPORT: Directed Revisions to the Scheme for Financing Schools**

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**Purpose of the Report**

This report brings to Schools Forums attention the directed revisions to Gateshead's Scheme for Financing Schools and some additional amendments due to changes in procedures and school status for review before all maintained schools are consulted on the amendments to the Scheme.

**Background**

On 5 August 2020 the Department for Education (DfE) published new statutory guidance for local authorities on the Scheme for Financing Schools. The full guidance is available on the below link.

<https://www.gov.uk/government/publications/schemes-for-financing-schools/schemes-for-financing-local-authority-maintained-schools>

Under sections 48 of the School Standards and Framework Act 1998 and schedule 14 to the Act, each local authority must publish a Scheme for Financing Schools. The Scheme sets out the financial relationship between the Authority and the maintained schools which it funds, it contains requirements relating to financial management and associated issues, binding on both the Authority and schools.

The directed revisions state that all maintained schools must be consulted on any updates to the Scheme and receive approval of the members of Schools Forum representing maintained schools. The revised amendments must be published on a website accessible to the public.

The Scheme covers all Community, Voluntary Aided and Foundation schools and covers all sectors- Nursery, Primary, Secondary, PRU's and Special Schools. Academies and Free Schools are not covered by the Scheme.

It is anticipated that updates made to the guidance will be mirrored by changes in the Schools and Early Years Finance (England) Regulations expected to be published before the start of the new financial year.

A copy of the draft Scheme is electronically available for review.

## **Directed Revisions to the Scheme**

The main changes are summarised below:

### **Mandatory inclusions in the Scheme of:**

#### **Section 2.4: Submission of financial forecasts**

From the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June.

Local authorities should consider the extent to which such forecasts may be used for more than just confirming schools are undertaking effective financial planning or not. For instance, they could be used as evidence to support the local authority's assessment of schools financial value standards or used in support of the authority's balance control mechanism.

Local authorities must inform schools of the purposes for which they intend to use these 3-year budget forecasts: such a forecast may be used in conjunction with an authority's balance control mechanism.

Following consultation that closed on 30 September 2019, the Secretary of State directs that the text below shall be incorporated into the schemes of all local authorities in England, however due to coronavirus (COVID-19) the directed revision to follow will only be expected to be enforced from the 2021 to 2022 funding year.

#### **Section 4.5: Planning for deficit budgets**

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021.

A new deficit recovery procedure has been drafted to reflect this change as shown in appendix A and will be consulted on along with the directed revisions.

## **Other Revisions**

### **Section 2.5 Efficiency and Value for Money**

Wording updated to better reflect DfE guidance.

### **Section 2.9 Audit of Private Funds**

Wording added to for clarity to ensure that maintained schools understand that non-compliance with the provision of an audit certificate of within 3 months of the fund year end will be a breach of the scheme and as such will be reported to Internal Audit, the Strategic Director, Resources and Digital, and Children's Adults and Families and the Chair of Governors.

### **Section 3.2 Proportion of Budget Share**

A sentence was added for clarity on the availability of budget shares for maintained schools.

### **Section 4.2 Reporting on the Intended Use of Surplus Balances**

Wording updated due to the request of Schools Forum to suspend the surplus balance procedure.

### **Section 4.8 Licensed Deficits**

Wording updated to make it clear that the local authority is prohibited from writing off deficit budgets, and that the only financial assistance for a maintained mainstream school can be funded from a de-delegated centrally held contingency budget agreed by Schools Forum.

## **Section 10: Insurance**

The Secretary of State decided that from 1 April 2020 local authority maintained schools (LAMS) will be able to join the risk protection arrangements. The Department of Education (DfE) have changed the guidance as below.

Instead of taking out insurance, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA.

Wording has been updated to reflect the above requirement

Annex A – List of schools the scheme applies to

Updated for schools converting to academies

Annex D - Applying to set a Deficit Budget

Updated to comply with the directed revisions to the Scheme  
There have also been some title changes to reflect changes in the Council's structure.

The Scheme and the dates of any amendments will be updated and published on Gateshead Councils Website.

### **Proposal**

That Schools Forum reviews the draft Scheme prior to all maintained schools being consulted on the revised Scheme.

### **Recommendations**

Schools Forum is asked to review the changes to the Scheme for Financing Schools prior to the Scheme being sent out to all maintained schools for consultation.

### **For the following reason(s):**

- To provide Schools Forum with an opportunity to comment on the Scheme prior to consultation with all maintained schools.
- To ensure compliance with the Schools standards and Framework Act 1998 and schedule 14 to the Act.

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