



## Schools Forum

### **Report title: Scheme for Financing Schools**

**Date:** 15<sup>th</sup> October 2020

**Key decision:** No.

**Item number:** 6

### **Outline and recommendations**

*The report identifies amendments to the Scheme for Financing Schools as required by the Department for Education.*

*As the changes are prescribed, there is no requirement to consult.*

*Purpose of this report is to update Schools Forum on the required Change*

### **Timeline of engagement and decision-making**

This report is for information and to update Schools Forum on the changes required by the DfE to the Scheme for Financing Schools

## Summary

- 1.1 In July 2020, the Department for Education (DfE) published issue 12 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of Schedule 14 to the School Standards and Framework Act 1998, School Standards and Framework Act 1998.**
- 1.2 This report identifies the changes required to the schools funding scheme arising from the publication of issue 12.
- 1.3 Schools forum will recall the detailed review of the scheme last year, including a full consultation. As the changes to the Scheme arising out of issue 12 are prescribed, a consultation is not required.
- 1.4 This report is therefore as an update and not for approval

## Background

- 1.5 Local authorities are required to publish their Scheme for Financing Schools setting out the financial relationship between them and the schools they maintain. This document outlines the necessary updates as prescribed by the DfE.**

## Changes required to the Scheme for Financing Schools

### 1.6 Directed revisions

The Secretary of State may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.

Certain amendments have been made to the wording included in some of the directed revisions listed below, to reflect more recent policy positions.

The most recent directed revisions are detailed below. Following consultation that closed on 30 September 2019, the Secretary of State directs that from 1 April 2020 the text below shall be incorporated into the schemes of all local authorities in England.

#### *Section 4.3: Submission of financial forecasts*

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*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.*

1.7 The DfE also advises that:

Local authorities should consider the extent to which such forecasts may be used for more than just confirming that 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.

1.8 Comment from Lewisham – Schools in Lewisham already produce 3 year budget plans which are received by the Schools Finance Team. We have recently advised schools that the documents will be used to consider the schools financial health check. This will include RAG rating (Red/Amber Green) to assess the support required by the school. The schools will have an opportunity to discuss their rating and determine next steps for example, Deficit Recovery Plan, Deficit Prevention Plan, or no action required. The Deficit Recovery Plan is already covered in the Scheme. The Deficit Prevention plan at this stage is a voluntary process, which we are working with schools to consider embedding.

1.9 ***Section 6.5: 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.*

1.10 Lewisham Comment - The requested change is effective from March 2021. The wording strengthens and formalises existing procedures.

1.11 ***Section 12: Insurance***

*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.*

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*The scheme should contain a provision which allows schools to join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires.*

*The scheme should also provide for all primary and/or secondary maintained schools to join the RPA collectively by agreeing through the schools forum to de-delegate funding.*

- 1.12 **Lewisham Comment;** There is updated elsewhere on the agenda on the RPA scheme. The above wording enables schools to participate in the government RPA scheme.

### **Financial implications**

- 1.13 There are no direct financial implications arising for schools from the changes required by the Department for Education. Mainly the changes formalise existing process- e.g. the requirement to have 3 year budgets. The 5% threshold for schools before progressing into a recovery plan is a strengthening of process and something that Lewisham has been working towards with schools
- 1.14 The RPA is a alternative insurance option. Schools have always had a choice to procure services from alternative providers. This adds a further option for schools to consider.
- 1.15 As the changes are prescribed by the DfE, no consultation is required. The current Scheme for Financing Schools will be amended to reflect the changes required in this report.

### **Legal implications**

- 1.16 “Every local authority must maintain a scheme dealing with matters connected with the financing of their schools as required by the Schools Standards and Framework Act 1998 and The School and Early Years Finance (England) Regulations 2020. The Secretary of State may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.

The most recent directed revisions as set out in this report follows a consultation that closed on 30 September 2019, and the Secretary of State directs that from 1 April 2020 the text set out as set in this report shall be incorporated into the schemes of all local authorities in England.”

### **Equalities implications**

- 1.17 There are no direct equalities impacts arising.

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### **Climate change and environmental implications**

1.18 Not applicable

### **Crime and disorder implications**

1.19 Not applicable

### **Health and wellbeing implications**

1.20 Not applicable

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