

6. Update to the Scheme for Financing Schools

- 1.1 Issue 11 of statutory guidance from the Department for Education (DfE) for local authorities on schemes for financing schools was published on 1 April 2020. It relates to Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act.
- 1.2 Local Authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. The guidance lists the provisions which a local authority's scheme must, should or may include. Schemes need not follow the format used in the published guidance.
- 1.3 In making any changes to their schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum
- 1.4 The changes to the Scheme for Financing Schools proposed in this paper are all indicated by the DfE via the Government website, link below

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

Proposed Changes

- 1.5 *Change 1:* The DfE has clarified the requirement introduced last year for schools to submit annual three-year budget forecast by inserting a paragraph entitled Submission of Financial Forecast, extract below.

Paragraph to add

2.9 SUBMISSION OF FINANCIAL FORECASTS

- 2.9.1** Schools are required to submit an annual three-year budget forecast alongside the annual budget by 30 May.
- 2.9.2** These forecasts will assist the LA in supporting the school's position in achieving the SFVS.

- 1.6 *Change 2:* The DfE has removed reference to the EU in the section entitled Purchasing, Tendering and Contracting Requirements. The first paragraph below replaces the second.

Paragraph to add

- 2.16.5 The fact that a local authority contract has been let in accordance with Public Contracts Regulations procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement directives schools are viewed as discrete contracting local authorities.

Paragraph to remove

2.15.5 Where the LA has entered into a contract in accordance with EU procurement procedures, it does not follow that schools are bound into that contract. For the purposes of the procurement directives schools are viewed as discrete contracting local authorities

1.7 *Change 3:* The DfE has clarified the assistance available to schools who require a licensed deficit. An extension to paragraph 4.9.12 confirms that in circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance, not a loan.

Paragraph to add

4.9.12 Under a Licensed Deficit Scheme, the only effect on budget and outturn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share. This reduces to zero by the end of the recovery period because the school has constrained its expenditure to restore a balanced outturn position. There is no payment to the school by the LA. In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

Paragraph to remove

4.9.12 Under a Licensed Deficit Scheme, the only effect on budget and outturn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share. This reduces to zero by the end of the recovery period because the school has constrained its expenditure to restore a balanced outturn position. There is no payment to the school by the LA.

Recommendation - Schools Forum are requested to approve the changes to the Scheme for Financing Schools described above