

REVISED FINANCING SCHEME FOR SCHOOLS

Cabinet Member(s)	Councillor David Simmonds CBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Deputy Leader & Education and Children's Services Finance, Property and Business Services
Officer Contact(s)	Peter Malewicz, Finance
Papers with report	Revised Scheme for Financing Schools

HEADLINES

Summary	This report seeks Cabinet approval to agree the proposed amendments to the Scheme for Financing Schools, to be effective from 1 August 2018, following the release of revised statutory guidance on 22 March 2018.
Putting our Residents First	This report supports the following Council objectives of: <i>Strong financial management.</i>
Financial Cost	There are no direct financial implications arising from this report. However, the changes to the Scheme, provide clarity on what constitutes as a loan and differentiates this from advance payments of the schools budget share for those schools facing cashflow difficulties. It also provides clarity on the treatment of school balances should a school close
Relevant Policy Overview Committee	Residents, Education and Environmental Services
Relevant Ward(s)	All Wards

RECOMMENDATION

That the Cabinet approves the Revised Scheme for Financing Schools.

Reasons for recommendation

The Scheme for Financing Schools is a statutory document that sets out the financial relationship between the Council and maintained schools within the Borough and the duties placed on both within that relationship. The Council is required to have in place an up to date and agreed Scheme for Financing Schools, which needs to be readily accessible to the general public.

Alternative options considered / risk management

If the Council does not have an agreed and up to date Scheme in place, it potentially stands the risk of not being able to charge legitimate costs to schools, as it would not have the ability to do so.

Policy Overview Committee comments

None at this stage.

SUPPORTING INFORMATION

1. The Department for Education released the latest update to the Scheme for Financing Schools statutory guidance on 22 March 2018. This guidance sets out the financial relationships that exist between maintained schools and the local authority and the duties placed on both within that relationship.
2. The requirements of the regulations are that the Council must consult with Schools Forum (maintained school representatives only) prior to acceptance by the Council. Historically the Council has consulted with all schools, but in this instance, as all of the changes are those required by the DfE or are mandated changes as directed by the Secretary of State, this step has not been taken.
3. The revised Scheme was discussed at the Schools Forum meeting on 27 June 2018. At this meeting it was proposed that the value of debt write off approval be increased from £250 to £500, which is in line with the Council's policy. Schools Forum agreed to accept the changes.
4. The changes noted in the revised Scheme are **highlighted** in the revised scheme attached and include all of the revisions set out in the statutory guidance and also include post title amendments, where applicable. The major changes to note are as follows:

Balances of closing and amalgamating schools

5. Updates have been made to the DfE guidance, to mirror changes in the Schools and Early Years Finance (England) Regulations 2018, in relation to the balances of closing schools. The updated guidance provides more clarity on the treatment of balances of closing schools, as detailed under Regulation 25 (9). The revised wording is in paragraph 4.8 within the Revised Scheme for Financing Schools.

Loan schemes

6. The DfE ran two consultations, one in March 2017 and another in November 2017, which sought views on proposed changes to the definition of a loan within the Scheme for Financing Schools. Most of the local authorities who responded to the consultation were

not in favour of the proposed changes, however, the DfE remain of the view that the Scheme for Financing Schools needs to be amended to clarify what is deemed as a loan.

7. Effective from 22 March 2018, local authorities will no longer be able to classify an advance of cash to assist with a schools cash-flow as a loan, but will need to classify it as a Cash Advance of the schools delegated budget. As this is a directed revision from the DfE there is not a requirement for the local authority to consult on this change to the scheme. This change is in paragraph 4.10 of the Scheme for Financing Schools.

Financial Implications

There are no direct financial implications arising from this report. However, the clarity provided on the treatment of school balances could potentially result in the Council having to fund school deficits on closure. Additionally, the change in the definition of a loan, changes the way in which local authorities treat advance payments of a schools delegated budget to schools that are experiencing cash flow difficulties, which also generally ties into those schools that are in deficit.

As stated in the main report, the Scheme for Financing Schools sets out the financial relationship between the Council and maintained schools.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

Having an up to date Scheme for Financing Schools in place ensures the correct treatment of costs between the Council's base budget and the Dedicated Schools Grant.

Consultation carried out or required

As most of the changes to the Scheme for Financing Schools have been directed by the Secretary of State, it was felt sensible that only Schools Forum needed to be consulted. This consultation took place at the Schools Forum meeting on 27 June 2018, at this meeting, Schools Forum proposed one amendment, which was to increase the level at which schools needed to seek permission from the Council for writing off debt from £250 to £500.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed the report and the detailed revised Scheme for Financing Schools from August 2018. It is noted that although the recommendations have no direct financial implications, the revised scheme for financing schools sets out the framework through which maintained schools should manage their financial resources and how they will work with the Council to ensure that its responsibilities for school related financial administration is undertaken as required by the DFE.

Legal

The Borough Solicitor confirms that the Council's Scheme for Financing Schools complies with the Statutory Guidance issued by the Department for Education and that there are no legal impediments to Cabinet approving the Scheme.

BACKGROUND PAPERS

[Schemes for Financing Schools 2018](#) - the statutory guidance issued by the Department for Education which sets out the requirements for what needs to be included in a local Scheme for Financing Schools.