

## SCHOOLS' FUNDING FORUM

<b>SUBJECT:</b>	Changes to the Scheme for Financing Schools
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<b>DATE:</b>	27 April 2018

### **SUMMARY OF REPORT:**

The Department for Education (DfE) has made directed revisions to the Scheme for Financing Schools in response to their consultation on 'Changes to the criteria for agreeing loan schemes' which was undertaken to distinguish loans from licensed deficits. The Local Authority (LA) has now included Licensed Deficits in its Scheme to ensure a level of protection for the LA in respect of schools in deficit.

<b>FOR:</b>	Approval (by maintained schools and Pupil Referral Unit (PRU) members only)
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### **1. Background**

- 1.1 The Scheme for Financing Schools is the statutory document that governs the relationship on 'all matters financial' between the LA and maintained schools (including PRUs) in Kent. It does not apply to Academies. It is the umbrella document that contains the rules and regulations which other finance guidance feeds from.
- 1.2 The Scheme was last approved by this Forum in November 2015.
- 1.3 We have made changes to reflect directed revisions from the DfE and the consequences of no longer providing schools in financial difficulty with revenue loans.

### **2. Summary of Scheme Changes**

Directed revision	Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, The Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.
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Updates to the guidance	Paragraph 4.8 updated to reflect changes on balances of closing schools, as detailed under Regulation 25 (9) in the Schools and Early Years Finance (England) Regulations 2018.
	Annex B – Responsibility for redundancy and early retirement costs has been updated to reflect under Schedule 2 Part 7, of the Finance Regulations.
Addition to the guidance	Paragraph 4.9 added due to the directed changes to the Loan Scheme by the DfE. This is because if a maintained school chooses to convert to an academy and has a Licensed Deficit agreement with an LA this will transfer with the academy. The ESFA will agree a repayment schedule with the academy and the ESFA pay these funds to the LA directly. Where the school converts as a sponsored academy, through the intervention of the Secretary of State, the deficit will remain with the LA.

### 3. Recommendation

- 3.1 Maintained School and PRU members of the Forum are asked to APPROVE the amended version of the Scheme for Financing Schools as attached in Appendix 1.