

Date: 14 March 2023 Item: TBC	Type of report: Item for discussion and approval
Report title:	Southwark Scheme for Financing Schools 2023-24
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Executive Summary

The Scheme for Financing Schools (Scheme) is the basis on which local devolved financial management of maintained schools operates. It applies to all maintained schools and to the local authority (LA) and it is for the LA to maintain the Scheme, but is for Schools Forum to agree it, following consultation with all maintained schools.

Following a comprehensive review of the 2021-22 Scheme, a number of amendments were made to the Scheme to more closely reflect the statutory guidance, to simplify some clauses and to strengthen the arrangements to provide a clear, consistent and meaningful framework for the financial management of schools.

After 12 months of operation of the revised Scheme, the LA is now proposing further amendments to correct drafting errors and to provide additional clarification of the operation of the Scheme.

Schools Forum Actions

That the Schools Forum

- Note and comment on the proposed and draft amendments to Southwark's Scheme for Financing Schools 2023-24; and
- Note and comment on the proposed timeline for consultation with all maintained schools; and
- In the event of no significant objections to the proposed amendments to the Scheme following consultation with all maintained schools, agree to delegate approval of the 2023-24 Scheme to Chair's action.

1. Background

- 1.1 LAs are required to publish Schemes for Financing Schools, setting out the financial relationship between them and the schools they maintain. [The School and Early Years Finance \(England\) Regulations 2023, Schedule 5](#) sets out the minimum content of those schemes.
- 1.2 The DfE provides [Statutory Guidance \(Issue 14, updated 31 March 2022\)](#) about the contents, but there is local discretion on some aspects of it. It is for the LA to maintain the Scheme, but it is for Schools Forum to agree it, following consultation with all maintained schools.
- 1.3 Revisions to the scheme, directed by the Secretary of State for Education, are mandatory requirements of the scheme and require no consultation with schools. In making any other changes to their schemes, LAs must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. LAs must take the guidance into account when they revise their schemes, in consultation with the schools forum.

1.4 It is the School Forum that approves the scheme, the latest version approved being the 2022-23 Scheme, approved in December 2021 following consultation with all maintained schools in November that year. The current Scheme can be located [here](#).

2. The proposed amendments

2.1 Whilst Issue 15 of the Statutory Guidance is expected imminently (by 31 March 2023), the Council does not anticipate any substantial changes to the content of the Scheme to be included. On that basis, the Council will proceed with consultation on the proposed amendments, outlined in Appendix A, in accordance with the timetable set out below.

3. Timetable

3.1 The proposed timetable for consultation and approval is set out below:

Draft amendments discussed	14 March 2023 @ School Forum
Consultation launched	16 March 2023
Consultation period ends	6 April 2023
Final Scheme presented for approval	10 April 2023 (Chair's Action) 15 June 2023 @ School Forum
Revised Scheme effective for	2023-24 Financial Year

4. Scheme approval

- 4.1 Consultation on the proposed amendments is expected to conclude on 6th April. As there is no scheduled School Forum until 15th June 2023, the Council proposes that, if there are no significant objections to the proposals, approval of the Scheme be delegated as Chair's action and ratified at the next sitting of the School Forum.
- 4.2 In the event that there are significant objections, formal approval will be deferred for decision until the next sitting of the full School Forum.
- 4.3 If, following the release of Issue 15, there are further substantial changes to the Scheme required (that are not directed revisions) additional consultation with maintained schools will be undertaken and consequent approval requested from the School Forum.

5. Conclusion

- 5.1 The proposed amendments are set out in Appendix A and the School Forum is asked to note and comment, specifically, on the proposed amendments, the outlined consultation timetable and, in the event of no significant objections to the proposed amendments to the Scheme following consultation with all maintained schools, agree to delegate approval of the 2023-24 Scheme to Chair's action.

Section	Current Scheme	Proposed Amendment
SECTION 3:	INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS	
<p>3.5</p> <p>Budget Shares for Closing Schools</p>	<p>The budget shares of schools for which approval for discontinuation has been secured, will continue up to the date of closure.</p> <p>However, the maximum amount that will be made available will be the pro rata share of what would have been the annual budget share had the school not been discontinued, (including any deductions in respect of deficits from earlier years) together with any agreed variations for exceptional circumstances. Consequently the percentages set out in paragraph 3.2 above may need to be adjusted appropriately depending on the date of closure. Where the closure is phased over more than one financial year these arrangements will only apply in the last financial year in which the LA maintains the school.</p> <p>Any spending from the budget share of a closing school must have regard to all aspects of this scheme. In order to minimise the Authority’s liabilities, the Authority may wish to take the appropriate action to prevent schools entering into contractual arrangements or committed expenditure beyond the school closure date. Any monies incurred in this way may become the responsibility of the governing body.</p>	<p><i>Enhanced to specify examples of the action the LA may take if closing schools do not pay due regard to the scheme (proposed amendments are in bold text):</i></p> <p>Any spending from the budget share of a closing school must have regard to all aspects of this scheme. In order to minimise the Authority’s liabilities, the Authority may wish to take the appropriate action, which may include action permitted by this Scheme, the Education and Inspections Act 2006 (Section 66) and / or the School Standards and Framework Act 1998 (Section 51) to prevent schools entering into contractual arrangements or committing to unnecessary committed expenditure prior to beyond the school closure date. Any monies incurred in this way may become the responsibility of the governing body.</p>

<p>3.7 Restrictions on accounts</p>	<p>The LA's treasury management policy requires that only the following banks can be used for schools banking arrangements: HSBC plc National Westminster bank plc Allied Irish Bank (AIB UK) plc Bank of Scotland/HBOS plc Lloyds Bank plc</p>	<p><i>Updated to remove Allied Irish Bank as this bank no longer meet the Council's Treasury Management Policy criteria:</i></p> <p>The LA's treasury management policy requires that only the following banks can be used for schools banking arrangements: HSBC plc National Westminster bank plc Allied Irish Bank (AIB UK) plc Bank of Scotland/HBOS plc Lloyds Bank plc</p>
<p>SECTION 4:</p>	<p>THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES</p>	
<p>4.8 Balances of closing and replacement schools</p>	<p>Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes.</p>	<p><i>Updated to include clarity on the treatment of balances for schools that close that are not subject to a prescribed alteration (proposed amendments are in bold text):</i></p> <p>Where in the funding period, a school has been established or is subject to a prescribed alteration¹ as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes</p> <p>For the avoidance of doubt, when a maintained school closes and it is not due to a 'prescribed alteration', the final established balance (whether surplus or deficit) of the school will be transferred to Southwark.</p>
<p>SECTION 6:</p>	<p>THE CHARGING OF SCHOOL BUDGET SHARES</p>	

¹ As defined by the *School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2013*

<p>6.1 General provision</p>	<p>The budget share of a school may be charged by the LA without the prior consent of the governing body only in circumstances set out below in 6.2. The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.</p>	<p><i>Updated to clarify the reference to circumstances where charges can be (proposed amendments are in bold text):</i></p> <p>The budget share of a school may be charged by the LA without the prior consent of the governing body only in circumstances set out below in 6.2 expressly permitted by the Scheme under paragraph 6.2 and 6.3. The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.</p>
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