



ISLINGTON SCHOOLS FORUM

Chair: Abi Misselbrook-Lovejoy
c/o Governor Services
222 Upper Street
London N1 1XR

SCHOOL FORUM

MEETING DATE	20 May 2021
AGENDA ITEM 7	Scheme for Financing Schools 2021-22
RECOMMENDATIONS	That maintained school forum members a) Note the proposed changes to be consulted upon

1 Background

- 1.1 Section 48 of the School Standards and Framework Act 1998 requires Local Authorities (LAs) to prepare a Scheme for Financing Schools that sets out the financial relationship between the LA and its maintained schools. The Scheme should set out the requirements for financial management and associated issues that are binding on both the LA and its schools.
- 1.2 Updates in this report are in accordance with issue 13 of the statutory guidance given by the Secretary of State.
- 1.3 Any proposed revision to the Scheme is subject to consultation with maintained schools before final submission to Forum for approval by members representing maintained schools.

2 2021-22 Update

- 2.1 The Department for Education (DfE) produced a model scheme that was updated in April 2021. There are no new directed revisions to the scheme for 2021-22 and therefore no mandatory changes. However, due to delays caused by COVID-19, and in order to provide schools with sufficient notice to comply with the new requirements, the changes to Issue 12 (2020-21) of the scheme for financing local authority maintained schools will take practical effect from 1 April 2021. These were reported to Forum in October and can be viewed in Appendix A.
- 2.2 Other important changes to the guidance

➤ **Section 4.16 Schools financial value standards (SFVS)**

- Due to the coronavirus (COVID-19) outbreak, the Department for Education (DfE) has decided that the SFVS return should be delayed this year. This is to take account of the current pressures schools and local authorities are facing.
- For the financial year 2020 to 2021, schools should submit their SFVS to their local authority by no later than 28 May 2021.
- Local authorities should submit their assurance statement to DfE within 6 weeks, by no later than 9 July 2021.
 - Islington – Schools and Governors have been informed of the revised 2020-21 timescales

➤ **Section 5.8 Borrowing by schools**

- The introduction of IFRS 16 (financing and operating leases) was postponed in relation to 2020 to 2021. It has been postponed again, until April 2022. A further update to the scheme will be published prior to changes taking effect.

➤ **Section 6.9 Licensed deficits**

- 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
- 2.3 Islington are proposing to consult on any local changes with all schools and governors during June in order for Schools Forum to make formal decisions in July. This will be subject to further legislation issued by the DfE.
- 2.4 A tracked-changed document will be issued as part of the consultation as well as a simple table of proposed changes to enable recipients of the consultation to easily view the sections requiring decisions. Each change will require the final formal decision from Forum.
- 2.5 A key local change will be shown in 2.3.1 of the Scheme under the 'Provision of information by schools' section where it is proposed that all schools provide a monthly monitor to LA in the final quarter of the final year (January to March) and for the school to report on material variances, as is current within the scheme. By introducing this level of monitoring, greater confidence and certainty can be afforded on projected balances whilst also feeding into wider corporate strategic processes.
- 2.6 Further key changes will include:
- the governing body's responsibility for acknowledging and responding to future year's deficit financial forecasts. The scheme will specify that the governing body is responsible for ensuring appropriate action is taken to address deficits and that this is documented within relevant minutes.
 - The LAs request for further details upon receipt of schools three-year budget forecasts if material year on year variances are presented. In particular with regard to pupil number forecasts
 - That the LA will use the budget plan to assess a school's Schools Financial Value Standard (SFVS) return as well as using latest available DfE benchmarking data
 - Clarification of writing off debts – roles and responsibilities of governing bodies. There is currently a threshold disparity between documents provided to schools, the change to the scheme will bring both documents in line with one another and will meet audit requirements
- 2.7 The changes made are to reflect this latest guidance and in general reference the latest legislation or amend the word rather than the spirit of earlier guidance.

3 Recommendations

- 3.1 It is recommended that school forum note the directive changes be included in the 2021-22 Islington Scheme for Financing Schools and to note initial proposals for consultation.

Contact

Debbie Stevenson
Head of Schools & Early Years Finance Services
Tel: 020 7527 5763
Email: debra.stevenson@islington.gov.uk

Appendix A – Previous directed changes taking effect from 1 April 2021

Directed changes in the DfE documents are:

- 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:
 - **Submission of financial forecasts** - 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.
 - Islington currently requires schools to submit a financial forecast in CFR format covering a further two years beyond the current year's budget. Following the directed change, this will become mandatory from 2021-22. (2.11.1 in the Scheme)

- 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.
 - **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.
 - Islington requires a deficit recovery plan of any school entering into a deficit position. Following the directed change this requirement will become mandatory from 2021-22 where changes will be made to the Islington scheme. (4.5.2 in the Scheme)

- Other important changes to the guidance - Following consultation that closed on 19 November 2019, the Secretary of State has decided that from 1 April 2020 local authority maintained schools (LAMS) will be able to join the risk protection arrangement. The DfE have not had time to conduct a consultation on a directed revision but may do so later.
 - **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. 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.
 - Islington - whilst this is not a formal directed revision, the Islington scheme has been updated to include:

10.1.14 An alternative to taking out insurance with another provider, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA. Where all primary and/or secondary schools join the RPA collectively, then the phase representatives on the Schools Forum may agree to de-delegate funding.