

Date of meeting:	Thursday 16 September 2021
Title of report:	North Yorkshire County Council Scheme for Financing Schools
Type of report: Delete as required	For information and decision
Executive summary: Including reason for submission	This report provides an update and requests approval from the Schools Forum for the amendment of the North Yorkshire County Council Scheme for Financing Schools
Budget / Risk implications:	None for schools
Recommendations:	<p>The Schools Forum is asked:</p> <ul style="list-style-type: none"> - To note the DfE changes to the statutory guidance on Schemes for financing local authority maintained schools - To approve the proposed DfE statutory amendment to the North Yorkshire County Council Scheme for Financing Schools relating to licensed deficits.
Voting requirements:	LA Maintained School members only
Appendices: To be attached	None
Report originator and contact details:	Sally Dunn, Head of Finance – Schools & Early Years sally.dunn@northyorks.gov.uk
Presenting officer: If not the originator	

North Yorkshire County Council Scheme for
Financing Schools**1.0 PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide an update on the DfE recent changes to their statutory guidance on Schemes for financing local authority maintained schools and to seek approval from the Schools Forum on an amendment to the Scheme for Financing Schools to take effect from 1 April 2021.

2.0 BACKGROUND

- 2.1 Local authorities are required to publish a Scheme for Financing Schools that sets out the financial relationship between them and the schools they maintain.
- 2.2 Any amendments to the Scheme that are proposed by the local authority must be consulted on with all maintained schools within the local authority and be approved by the Schools Forum.
- 2.3 The DfE is able to direct local authorities to amend their schemes to reflect the latest statutory guidance. Schools are not required to be consulted on DfE directed changes.
- 2.4 In April 2021, a change in guidance has been issued by the DfE in relation to Schools financial value standards (SFVS), Borrowing by schools and Licensed deficits. Also in August 2020, following the DfE publication of the 'Financial transparency of LA maintained schools and academy trusts' consultation response, guidance was issued in relation to Planning for Licensed deficits.

3.0 SUMMARY OF AREAS TO NOTE AND CHANGES TO THE NYCC SCHEME FOR FINANCING

- 3.1 In August 2020 and April 2021, the DfE published the following changes to their statutory guidance in respect of local authority Schemes for Financing Schools:

a. 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.

It is proposed not to amend the NYCC Scheme for Financing for this item as this is an exception due to the coronavirus pandemic rather than a permanent change. Please note that the assurance statement was submitted to the DfE within the specified timeframe.

b. Borrowing by schools

The introduction of IFRS 16 was postponed in relation to 2020 to 2021. It has been postponed again, until April 2022.

No amendment is proposed for the NYCC Scheme for Financing for this item as this is for information rather than a permanent change.

c. 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 advance and not a loan. This will have no effect on the school's budget and outturn statements

This already reflects the current arrangement within North Yorkshire. For clarity the additional paragraph is proposed to be added to Section 4.9 Licensed deficits of the NYCC Scheme for Financing Schools:

Where a school is under a licensed deficit agreement any additional cash payments made, in order to ensure that the school are not overdrawn at the bank, will be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statement.

d. 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.

This requirement is already reflected in the current NYCC Scheme for Financing Schools. NYCC requires that schools submit a recovery plan in order to obtain approval for any level of budget deficit.

4.0 RECOMMENDATIONS

- 4.1 The Schools Forum is asked to note the changes in DfE guidance and to approve the proposed DfE statutory amendment to the North Yorkshire County Council Scheme for Financing Schools relating to licensed deficits.

STUART CARLTON
Corporate Director – Children and Young People's Service