

# **Scheme for Financing Schools**

## **Consultation on Revisions**

**2015-16**

## **Introduction**

The Department for Education (DfE) requires each local authority to provide a Scheme for Financing Schools, setting out details of the financial relationship between the local authority and its maintained schools. This scheme does not apply to academies which are subject to separate arrangements.

The DfE and the Local authority has recommended some changes to the guidance on the local authority scheme. Local authorities must consult all maintained schools and then receive the approval of the members of their schools forum that represent maintained schools.

Some of the areas are very minor and are just wording changes and some are not directly relevant to Slough.

You will find at the end of this document the consultation response form and this should be returned to Coral Miller, Interim Principal Accountant, Schools Finance, by Friday **11th September 2015**.

Responses can be by email to coral.miller@slough.gov.uk or by post to:

Schools Finance  
2<sup>nd</sup> Floor  
The Centre  
Farnham Road  
Slough  
SL1 4UT

## **Changes recommended by Slough Borough Council**

<b>1</b>	
Addition to the scheme	<b>2.9 Register of business and other interest</b>
This register should be published for example on a publicly accessible website.  The DFE requires that the register be publicly available, suggesting a publicly accessible website.	

<b>2</b>	
Addition to the scheme	<b>3.6 Borrowing by schools</b>
Please see the new wording to make it clear as recommended by the DFE that financial leases is borrowing and the Secretary of State need to approve any such contract.  Governing bodies may borrow money only with the written permission of the	

Secretary of State (this includes finance leases).

A finance lease is a leasing contract in which the school takes ownership of the asset and is responsible for all maintenance and insurance, but pays for the asset over a period of time. **This is effectively a borrowing agreement.**

A operating lease is a leasing contract in which the ownership for the asset remains with the lessor and they remain responsible for the maintenance, insurance and repairs. This is a rental agreement.

Schools may not use credit cards as this is regarded as borrowing. However, the use of procurement cards by schools is permissible and can be a useful means of facilitating electronic purchases.

However from time to time, the Secretary of State may introduce limited schemes in order to meet broader policy objectives which are available to school i.e. Salix Scheme designed to support energy saving and these schemes will not require specific approval.

**3**

Addition to the scheme

#### **4.2 Revenue Balance Control Mechanism (BCM)**

This is a Local Authority change, to set a level of surplus carried forward that will require School Forum approval (schools only) to be carried forward and extend the period of when you can spend the carried forward from 1 year to 2. Please see below:

The BCM threshold is set at 5% for secondary schools and 8% for primary and special schools. For any school exceeding the threshold, local authority officers will expect evidence of intend spend over 2 financial years in the school's return on Planned Use of Balances. The highest amount acceptable for explanation is 16%. The retention of surplus above this higher level will be conditional on individual cases made by the schools to the Schools Forum (schools only members).

Amounts not fully supported by evidence will be considered as potentially subject to clawback and again this will be reported to the School Forum for final decision. For example, if a primary school has a balance of 16% then it will be asked to supply evidence to cover all of that balance. If evidence is supplied for 8% then 8% would be recoverable, being the figure above 8%. Similarly, for a primary school with a balance of 16%, if evidence for 7% were supplied, 8% would be recovered, again being the amount above 8%. However there would be no recovery if evidence were supplied for 16%.

**Scheme for Financing Schools – Consultation 2015-16 Response Form**

<b>Name</b>	
<b>School</b>	
<b>Role</b>	

**Please tick to agree or disagree as suggested in the narrative above.**

<b><u>Suggested Change</u></b>		<b>Agree: Yes/No?</b>
<b>1</b>	<p><b>Addition: 2.9 Register of business and other interest.</b></p> <p>The addition of publicly publishing the Register with the DFE suggestion on making it available on a publicly accessible website.</p>	<b><u>agreed</u></b>
<b>2</b>	<p><b>Addition: 3.6 Borrowing by schools</b></p> <p>As recommended by the DFE and supported by the LA to make borrowing much clearer and define which leases are defined as borrowing and need the Secretary of States approval.</p>	<b><u>agreed</u></b>
<b>3</b>	<p><b>Addition: 4.2 Revenue Balance Control Mechanism (BCM).</b></p> <p><b>This is from the LA to keep the ideal levels of surplus but to define the maximum level you can exceed this with the appropriate evidence, now allowing you to plan over 2 year instead of 1year to bring your levels back to 8% and 5%.</b></p> <p>Then any surpluses above this will require the School to make a case for keeping this funding to the School Forum rather than automatically clawback.</p>	<b><u>Defer until further investigations can be carried out.</u></b>
<b><u>Any Comments:</u></b>		

**Please return by Friday 11th September 2015**

**Consultees on Changes to the Scheme for Financing Schools**

Heads and Chairs of Governors for maintained Slough Schools

