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**WESTMINSTER CITY COUNCIL**

**SCHOOLS’ FORUM – 16TH JANUARY 2017**

**REPORT BY HEAD OF RESOURCES**

**SCHEME FOR FINANCING SCHOOLS**

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| **Purpose of the report**This report sets out the most recent updates to the Authority’s Scheme for Financing Schools, a comparison of key changes against the existing policy and recommendations for a consultation on the policy.**FOR APPROVAL** |

1. **Introduction**
	1. The Scheme for Financing Schools (the “policy”) sets out the financial relationship between the Local Authority and the maintained schools that it funds. It contains requirements relating to the financial management of its schools.
	2. The existing Local Authority policy was last updated in January 2007. The Department for Education (DfE) released new guidance in December 2015 (issue 8), outlining the provisions that a local authority's policy must, should or may include.
	3. The updated policy in Annex 1 of this report is compliant with DfE guidance and the Authority’s financial regulations.
2. **Highlight of key policy changes**
	1. The Local Authority policy has been out of date for some time which has meant that elements of the policy were not consistent with the latest DfE guidance. As a result, the policy has been largely rewritten.
	2. A number of changes have been made throughout the policy, in comparison to the existing version. This report will only focus on the key changes which may have a material impact on the financial relationship between the Authority and its maintained schools.

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| **Provision in new Scheme** | **Key change from the February 2012 Scheme** |
| **2.1.2** | **Provision of financial information and reports**The provision has been updated to reflect the required monthly, termly and year-end reporting requirements.  |
| **2.1.4** | **Control of assets**The provision has been updated to provide clarity on the types of assets that must be recorded. The de minimus for recording assets has been revised up to £10,000. |
| **2.16** | **Schools Financial Value Standard (SFVS)**A new provision has been implemented to set out responsibilities for completing the SFVS. |
| **2.1.7** | **Fraud**A new provision has been implemented to set out responsibilities for ensuring that there is sufficient fraud control within the school.  |
| **3.5.1** | **Restrictions on accounts**The list of banks that can be used for the payment of budget share instalments has been revised to include: * Halifax Bank of Scotland PLC
* Barclays Bank PLC
* Lloyds TSB PLC
* National Westminster Bank PLC
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| **4.3 & 4.6** | **Interest on surplus balances and Charging of interest on deficit budgets**The provision has been updated to show a reciprocal arrangement where balances held on behalf of schools will attract interest and in addition the Authority reserves the right to charge interest on deficit balances.  |
| **6.2**  | **Circumstances in which a charge may be made**The circumstances in which a charge can be made by the Authority to the school’s budget share has been updated in line with the latest DfE guidance.  |
| **13** | **Community facilities****13.2 Consultation with the Local Authority**More detailed provisions have been included to outline the consultation requirements for schools expressing an interest in providing community facilities. **13.3 Funding agreements – Authority powers**New provisions have been included to set the authority’s powers where schools choose to involve a third party in the running of community facilities. **13.4 Other prohibitions, restrictions and limitations**New provisions have been drafted to set out restrictions to protect the financial interests of the Authority. **13.5 Supply of financial information**New provisions have been drafted to set out the financial reporting schools with community facilities must provide the Authority.  |
| **Annex B** | **Responsibility for redundancy and early retirement costs**The Annex has been updated to clarify the responsibilities of the school and Authority in regards to redundancy and early retirement costs. The Annex also sets out examples where there may be exceptions may be taken by the Local Authority to the default position on redundancy costs. A procedure has been set out for schools wishing to make representation to the Local Authority to fund redundancy payments.  |

1. **Consultation**
	1. In accordance with the provisions within the policy (1.4 – Revision of the Scheme) and DfE guidance, “any proposed revisions to the Scheme will be the subject of consultation with the governing body and the headteacher of every school maintained by the Authority, before they are submitted to the schools forum for their approval”.
	2. To comply with this requirement, Schools forum are asked to note the new and updated provisions in the policy and provide consent for the policy to be circulated to all maintained schools for consultation.
	3. Schools Forum are requested to agree to the policy being placed on the agenda for the next Schools Forum meeting, to consider the consultation responses and review and formally approve the final policy.
2. **Schools Financial Procedures**
	1. Alongside the Scheme for Financing Schools, there will be a set of Schools Financial Procedures (the “procedures”). The aim of the procedures is to set out in greater detail the mechanisms by which the Scheme will be enforced and the procedures schools should seek to follow in ensuring they are compliant with the Authority’s financial policies.
	2. As part of the consultation exercise, the Schools Financial Procedures will be developed, in collaboration with business managers from each of the three authorities.
3. **Recommendations**
	1. Schools Forum are asked to:
		* note the new and updated provisions in the policy;
		* review and approve the policy to be consulted on with all maintained schools (in line with provision 1.4 of the policy); and
		* to agree the policy being placed on the agenda for the next Schools Forum meeting, to consider the consultation responses and review and approve the final policy.

**Andrew Tagg**

**Head of Resources**

**Clare Chamberlain**

**Tri-Borough Executive Director – Children’s Services**

**Background Papers**

* Department for Education: Statutory guidance for local authorities on producing and amending school financing schemes. <https://www.gov.uk/government/publications/schemes-for-financing-schools>

**Annexes**

* Annex A – Proposed Scheme for Financing Schools
* Annex B – Current Scheme for Financing Schools