

Report to: Schools Forum

Date: 20th September 2019

Title of Report: Update to the East Sussex Scheme for Financing Schools

By: Sarah Rice, Finance Manager

Purpose of Report: To consult the Schools Forum and seek approval to make changes to the Scheme for Financing Schools in line with Department for Education (DfE) guidance.

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### **Recommendation:**

Maintained School members to note and approve the changes to the East Sussex Scheme for Financing Schools.

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## **1. Background**

- 1.1** The School Standards and Framework Act 1998 states that every Local Authority (LA) must have a Scheme for Financing Schools. This Scheme defines the financial relationship between the LA and the maintained schools in its area. Schemes cover a wide range of areas and include items such as accounting, banking and audit arrangements.
- 1.2** The Scheme for East Sussex County Council is based on the model scheme produced by the DfE and can only be amended either by changes directed by the Secretary of State or following consultation with the Schools Forum.

## **2. Updates made to the scheme**

- 2.1** In line with recent updates to the statutory guidance for local authority schemes of finance a number of amendments have been made to the East Sussex Scheme to keep it consistent with the model scheme.
- 2.2** East Sussex Schools Finance Team have also made some procedural changes to the way money is advanced to schools, the Scheme has been updated to reflect these procedural changes and also to more accurately reflect current banking procedures overall.
- 2.3** The changes are summarised in the table in Appendix 1.
- 2.4** A copy of the updated Scheme and a summary of changes made will be made publically available via the Services to School Webshop once approval has been received.

## **3. Action Required**

- 3.1** Approval is sought from maintained school members for the amendments outlined in this paper to be applied to the ESCC Scheme for Financing Schools.

## Appendix 1: Summary of Changes to The East Sussex Scheme for Financing Schools Sept 2019

Section	Page Number	Description of Amendment	Reason For Change
Contents	2	Title for 2.4 changed from “ <i>Efficiency and value for money</i> ” to “ <i>School Resource Management.</i> ”	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
1.4 Revision of The Scheme	7	Sentence added “It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction.”	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
2.1.4 Control of Assets	11	Sentence amended. “However a register should be kept in some form <i>and should include anything that is portable and attractive such as cameras and computing equipment.</i> ”	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
2.4 School Resource Management	12	Sentence amended. “Schools must seek to achieve <i>effective management of resources</i> and value for money”	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
2.10 Purchasing, tendering and contracting requirements	14	Addition. “ <i>Schools may seek advice on a range of compliant deals via the Department for Educations Buying for Schools webpages <a href="http://www.gov.uk/guidance/buying-for-schools">www.gov.uk/guidance/buying-for-schools</a></i> ”	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
2.14 Capital spending from budget shares	15	Definition moved to its own paragraph <i>Capital expenditure is defined as the purchase, creation or enhancement of an asset. Expenditure on new or enhancement of existing assets can be recognised as capital if it is probable that future economic benefits or service potential will flow to the entity and the cost of the item can be measured reliably. Generally,(and there are exceptions) assets are items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one financial year.)</i>	Format change
2.15 Schools Financial Value Standard (SFVS)	16	Sentence amended. All maintained schools with a delegated budget must submit the form to the local authority’s finance department before the <i>end of the financial year.</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
3.2 Non-payroll costs	18	Changes to calculation and timing of bank advances	To reflect amended bank advance procedures
3.4 interest clawback	19	This clause has been amended to reflect current practice. Paragraph now reads “As schools are being advanced money for non-pay expenditure to their local bank	Simplified and amended to reflect current practice

		accounts at the beginning of the year, there is a resulting loss of interest or higher interest charges to the County Council than if payments had been made centrally. <i>The LA does not currently make adjustments for this. This is reviewed annually in light of the cost of financing and underlying interest rates.</i> "	
3.6 Bank and building society accounts	20	Amendment to reflect current practice paragraph reads: "If a school chooses to use an account operated within the County Council's banking arrangements then currently the school's account <i>will not attract interest</i> on cash balances in that account and <i>interest will not be charged on overdrawn balances. These arrangements are regularly reviewed in reference to base interest rates and where interest becomes a more significant factor, these arrangements are adjusted accordingly.</i> "	Amended to reflect current practice.
3.7 Borrowing by schools	21	Sentence added <i>Schools may also use any scheme that the Secretary of State has said is available to schools without specific approval (e.g. the Salix scheme).</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
4.3 Interest on Surplus Balances		Paragraph amended to read: " <i>No Interest will be accrued on either positive or negative balances held by the Authority on behalf of schools</i> "	Amended to reflect current practice.
5.1.1 Income from Lettings	27	Paragraph added: " <i>Income from school premises should not be payable into voluntary or private funds. However where the land is held in charitable trust it will be for the schools trustees to determine the use of any income generated by the land.</i> "	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
6.2.2 Circumstances where charges may be made	28	Sentence amended: Other expenditure incurred to secure resignations where <i>there is good reason to charge this to the school(see Annex B)</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
8.1 Provision of Services from centrally retained budgets	32	Paragraph amended "The Authority will not discriminate in providing these services on the basis of categories of school except where a) Funding has been delegated to some schools only, or b) such discrimination is justified by differences in statutory duties <i>in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.</i> "	As directed in the Scheme for Financing Guidance (DfE statutory guidance)

11.7 Special Educational Needs		Clause added: <i>“Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils. “</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
11.8 Interest on Late Payments	38	Clause added  Under statutory requirements, suppliers can charge interest on late payments for goods and services, any schools being charged are liable for the costs and they must be paid out of schools budget share.	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
11.9 Whistleblowing Clause	38	Clause added <i>“For persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, please refer to the schools whistleblowing policy. East Sussex County Council has a Confidential Reporting Hotline which can be used to report concerns. This can be accessed by either dialling 01273 481995 or emailing: confidentialreporting@eastsussex.gov.uk.”</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance)
11.11 Redundancy and Early Retirement Costs	38	Clause added <i>“The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made. If the authority proposes to make local arrangements in accordance with the act, then the scheme should contain a provision setting out how this will work. Further guidance is provided at Annex D.”</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance) NB Annex is not amended.
13 Community Facilities	39/40	Various clauses amended to reflect changes to the Children and Families Act 2014 – a school is no longer required to consult before establishing community facilities.  Paragraph added: <i>“Schools are no longer legally required to consult the local authority prior to providing community facilities, except where a funding agreement with external parties is involved. However, it is recommended that schools advise the LA before providing community facilities involving gross expenditure exceeding £15,000 or involving the provision of early education or childcare.</i>	As directed in the Scheme for Financing Guidance (DfE statutory guidance) NB Annex is not amended.

		<p><i>Schools are reminded that, as public bodies , they are required to act reasonably, which includes communicating with those affected by decisions they make”</i></p> <p>13.1.1 deleted 13.2 deleted</p>	
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