

**Report of the Director of Children and Families**

**Report to the Leeds Schools Forum**

**Date: 25<sup>th</sup> February 2021**

**Subject: Revisions to the Leeds Scheme for Financing Schools**

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**Summary of main issues**

- 1 In July 2020 the DfE published the results of a national consultation on the 'Financial transparency of local authority maintained schools and academy trusts'. The consultation outlined the current financial transparency arrangements for maintained schools and academy trusts, and put forward a number of proposed changes.
- 2 The DfE has updated the statutory guidance on schemes for financing local authority maintained schools for the 2020 to 2021 financial year with the changes within this consultation response.
- 3 The changes to the scheme include the requirement for local authority schemes to include a requirement for schools to submit a 3-year budget forecast each year, and the directive for schools which have a deficit of over 5% to submit a recovery plan to the local authority.
- 4 The DfE has previously consulted on the extension of the risk protection arrangements (RPA), which can provide some insurance for schools. Following the subsequent decision to allow local authority maintained schools to join this, the DfE have determined that the scheme should contain a provision which allows schools to join the RPA.

**Recommendations**

- 5 Schools Forum is asked to note the update of the Leeds City Council Scheme for Financing Schools to reflect the latest DfE statutory guidance and revisions.

## **1 Background information**

- 1.1 Maintained schools, like academies, are funded by grant from the DfE (the Dedicated Schools Grant). Local authorities are the accountable body for maintained schools and, in line with national frameworks and guidance set by the DfE, monitor and intervene in these schools to reduce the risk of financial failure or misuse of funds. Each local authority has a scheme for financing schools which sets out the financial relationship between it and its maintained schools, and the DfE publishes guidance setting out what is required or permitted in schemes.
- 1.2 In July 2020 the DfE published the results of a national consultation on the 'Financial transparency of local authority maintained schools and academy trusts'. The consultation outlined the current financial transparency arrangements for maintained schools and academy trusts, and put forward a number of proposed changes.
- 1.3 As the current transparency measures used in academies are generally stronger than those in the maintained school sector, the consultation focused on using or adapting existing academy measures to help change and improve maintained schools' financial transparency and financial health.
- 1.4 The DfE has updated the statutory guidance on schemes for financing local authority maintained schools for the 2020 to 2021 financial year with the changes within this consultation response.
- 1.5 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 of the scheme for financing local authority maintained schools will take practical effect from 1 April 2021.

## **2 Directed revisions to the Leeds Scheme for Financing Schools**

- 2.1 The Secretary of State may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.
- 2.2 In response to the Transparency Consultation, directed revisions have made certain amendments to the wording to be included within the scheme to reflect the recent policy decisions.
- 2.3 The revisions have directed that the following statements regarding the submission of financial statements and planning for deficit budgets should be incorporated into all local authority schemes.
- 2.4 Submission of financial statements (section 2.3 of Scheme):  
  
'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'.

2.5 As part of the existing budget process we already require all Leeds maintained schools to produce a 3 year budget plan and so this revision will have no practical impact on Leeds maintained schools.

2.6 Planning for deficit budgets (section 4.5 of Scheme)

'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'.

2.7 The current deficit threshold for Leeds maintained schools is set at a minimum of 3% of the school budget share.

2.8 As an appendix to this report you will find a copy of the updated Leeds scheme for financing schools which now includes the revisions as referenced above.

### **3 Other Changes to the Scheme**

3.1 In addition back in November 2019 the DfE consulted on the extension of the risk protection arrangement, subsequently the Secretary of State decided that from April 2020 local authority maintained schools would be able to join the risk protection arrangement.

3.2 The DfE has changed the guidance as below and although they have not had time to conduct a consultation on a directed revision they may do that later. On this basis the DfE has determined that 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.

3.3 The Leeds scheme has been amended at section 10.2 to include the RPA provision.

### **4 Communication to Schools**

4.1 We will ensure that all Leeds maintained schools are made aware of the amendments to the Leeds scheme for financing schools included within this report and a copy of the updated scheme will be available on the Leeds for Learning site.

4.2 We intend to include this update within the next issued Financial Services to Schools update and Governors newsletter in addition to inclusion within the School admin session scheduled to take place in March.

### **5 Recommendations**

5.1 Schools Forum is asked to note the revisions to the Leeds scheme for financing Schools to reflect the latest DfE statutory guidance.