

Southwark Scheme for Financing Schools 2024-25

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Purpose of the report

The Scheme for Financing Schools (the scheme) is the basis on which local devolved financial management of maintained schools operates. It applies to all maintained schools and to the local authority (LA) and it is for the LA to maintain the scheme, but it is for the schools forum to agree it.

This report provides an update on the Department for Education's (DfE) recent changes to the statutory guidance on schemes and seeks approval from the Schools Forum on the consequent amendments to Southwark Council's scheme.

Schools Forum actions

That the Schools Forum

- A. Note and adopt the changes in the DfE statutory guidance; and
- B. Approve the amendment to Southwark Council's Scheme for Financing Schools relating to borrowing, as per the DfE revision in March 2024.

(NB: both decisions are required by maintained schools representatives only)

Introduction

1. LAs are required to publish Schemes for Financing Schools, setting out the financial relationship between them and the schools they maintain. [The School and Early Years Finance and Childcare \(Provision of Information About Young Children\) \(Amendment\) \(England\) Regulations 2024, Schedule 4](#) sets out the minimum content of those schemes.
2. The DfE provides [Statutory Guidance](#) (Issue 16, updated 28 March 2024) about the contents, but there is local discretion on some aspects of it. It is for the LA to maintain the scheme, but it is for schools forum to agree it, following consultation with all maintained schools.
3. Revisions to the scheme, directed by the Secretary of State for Education, are mandatory requirements of the scheme and require no consultation with schools. In making any other changes to their schemes, LAs must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. LAs must take the guidance into account when they revise their schemes, in consultation with the schools forum.

Changes from previous issue (15) of the statutory guidance

4. There are no new directed revisions in issue 16 of the statutory guidance and the following updates have been made by the DfE to reflect current policy positions and changes in legislation:
 - A. About this guidance: the issue number of the statutory guidance has been updated from 'issue 15' to 'issue 16'.
 - B. Borrowing by schools: the guidance on borrowing has been updated to
 - (i) reflect the introduction of International Financial Reporting Standard 16 (IFRS16) and the Secretary of State providing blanket consent to certain categories of finance lease; and
 - (ii) clarify that the introduction of IFRS16 for LAs from 1 April 2024 ends the distinction between operating and finance leases at maintained schools and in effect, all leases will be classified as finance leases for accounting purposes.

Consultation

5. As set out in the introduction to this report, only revisions directed by the Secretary of State do not require consultation with all maintained schools. The revised guidance makes it explicit that the updates outlined above are not directed revisions.
6. None the less, the updates do reflect revised accounting standards and current DfE policy decisions and contain no element of LA discretion. Undertaking a consultation with all maintained schools cannot influence the inclusion of these updates.
7. Consequently, it is proposed that the Schools Forum adopt the amendments as set out in Issue 16 to ensure compliance with the statutory guidance, without consultation with all maintained schools.

Amendment

8. Appendix 1 of this report sets out:
 - (i) the current text in Southwark's Scheme, clause 3.8 (Borrowing by Schools); and
 - (ii) the revised text (in italics) to incorporate the updates detailed in paragraph 4B, above.
9. Appendix 2 summarises the general consent for the most common leasing activities granted by the Secretary of State.
10. In addition, the final paragraph in clause 1.1 (The Funding Framework) of the Scheme will be updated to state that:

The scheme has been written in accordance with issue 4316 of statutory guidance (updated 28 March 2024) given by the Secretary of State pursuant to section 48(4) and paragraph 2A(2) of schedule 14 to the School Standards and Framework Act 1998.

Next steps

11. The amended scheme will be operational on the date of approval by the Schools Forum.
12. All maintained schools will be notified of the publication of the revised scheme, drawing attention to the amendments and, more specifically, the blanket consent given to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#).

Conclusion

That the Schools Forum

- A. Note and adopt the changes in the DfE statutory guidance; and
- B. Approve the amendment to Southwark's Scheme for Financing Schools relating to borrowing, as per the DfE revision in March 2024.

(NB: both decisions are required by maintained schools representatives only)

Appendix 1

3.8 Borrowing by Schools Amendment

Schools may borrow money (including finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. Any request to the Secretary of State for such permission must have been subject to prior notification to Southwark.

Deleted Text:

~~From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Governing bodies can choose to use any scheme approved by the Secretary of State without prior approval of the LA. Currently the only scheme with such approval is the Salix scheme, which is designed to support energy saving.~~

Revised Text:

With the introduction of International Financial Reporting Standard 16 (IFRS16) for local authorities from 1 April 2024, the distinction between operating and finance leases at maintained schools has ended for accounting purposes. That is, under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent.

However, the Secretary of State has agreed to provide blanket consent to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#). Governing bodies can choose to use any scheme that the Secretary of State has said is available to schools without specific approval.

Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives.

The general provision in the paragraphs above forbidding governing bodies to borrow money shall not apply to schemes operated by Southwark as set out in paragraphs 4.9 and 4.10. Governing bodies do not act as agents of the LA when repaying loans.

Schools are reminded that using credit cards constitutes a form of borrowing, and accordingly schools are not permitted to apply or use credit cards for borrowing fund purposes. If, therefore, schools opt to use credit cards or charge cards for purchasing items that cannot be purchased using cheque payments, no interest should be incurred by the school with balances fully cleared on a monthly basis.

The governing body can authorise the use of procurement cards, including charge cards only after considering the potential risk and reviewing the procedures detailed in the schools financial procedures manual.

The above does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the trustees or foundation are able to provide as a consequence of their own borrowing.

The scheme for financing schools places a duty on the governing body of all maintained schools to plan and conduct its affairs so as to remain solvent. Schools must not borrow to finance a deficit, including through a bank overdraft. Schools shall apply good financial management practice by forecasting their cash position with reasonable accuracy to ensure that they refrain from incurring a revenue deficit, as well as maximising interest from available funds

Appendix 2

IFRS16 Maintained Schools Finance Lease Class Consent 2024

The Secretary of State for Education's general consent can be located @ [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#).

In summary, consent may be given for borrowing of a particular class and the Secretary of State for Education has granted consent, from 1 April 2024, for borrowing comprised in a lease entered into by or for one or more maintained schools where the lease is of a description specified in the following Schedule:

1. All existing leases in place on 1 April 2024 for items included in this list
2. Leases related to IT equipment (for example laptops, tablets, desktop computers, printers, photocopiers, servers, door entry security systems, CCTV Systems, whiteboards and touch screen boards)
3. Leases related to telephony (for example mobile phones, landline phones and telephone systems)
4. Leases related to catering and cleaning equipment (for example tills, water coolers, vending machines, dishwashers, washing machines, ovens, fridges, freezers, water boilers, small kitchen appliances, crockery and cutlery)
5. Leases related to furniture (for example desks, tables and chairs)
6. Leases related to bathroom and sanitary items (for example hand dryers, towel dispensers, sanitary bins)
7. Leases related to gym equipment (for example treadmills, free weights and weight machines, rowing machines and exercise bikes)
8. Leases related to groundskeeping equipment (for example lawn mowers, string trimmers, leaf blowers and salt spreaders)
9. Leases related to LED lighting system (for example lightbulbs, control mechanisms and control panels) - consent is granted where the product has been sourced with support from the Department for Education through Get help buying for schools or from a recommended route on our Find a framework website
10. Leases related to minibuses and other vehicles for the use of the school
11. Leases related to temporary classrooms and equivalent structures (but not land leases they sit on, which may require separate consent – see school land transactions guidance)