

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM 14th JANUARY 2025

REPORT OF THE DIRECTOR FOR CHILDREN, FAMILIES AND EDUCATION

Directed Changes to the Scheme for Financing Schools

1.0 EXECUTIVE SUMMARY

This report informs Schools Forum of directed changes to the Scheme for Financing Schools as required by the Department for Education (DfE) and changes to restriction on excess surplus balances following a period of consultation of clawback mechanism with Wirral maintained schools and the Schools Forum decision.

2.0 BACKGROUND

Local Authorities (LA) are required to publish Schemes for Financing Schools setting out the relationship between the LA and the schools they maintain. DfE guidance lists the provisions which a Scheme must, should or may include. The Scheme does not apply to Academy Schools.

3.0 Directed Change

3.1 Section 3.6 Borrowing by Schools

The DfE has updated the guidance on borrowing to reflect the introduction of International Financial Reporting Standard 16 (IFRS16) for local authorities from 1st April 2024. The introduction of IFRS16 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.

The DfE has directed LAs that the scheme should contain a provision reminding schools that governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State.

The Secretary of State, however, agreed to providing blanket consent to certain categories of finance lease as set out in the document "The IFRS16 Maintained Schools Finance Lease Class Consent 2024". Leases not included in this Order will still require the written consent of the Secretary of State.

Following this updated guidance, Section 3.6.0 in the scheme will be amended to read:

3.6.0 Borrowing by Schools

- 3.6.1 Governing bodies may only borrow money including the use of finance leases, other than from the LA, with the written permission of the Secretary of State.
- 3.6.2 The introduction of ends the distinction between operating and finance leases at Maintained schools for accounting purposes. The Secretary of State has

provided blanket consent to a range of the most common leasing activities, as set out at Annex C. Leases not included in this Order will still require the written consent of the Secretary of State.

3.6.3 Circumstances in which schools may borrow from the LA are prescribed in section 4.10 of this scheme.

3.6.4 Credit Cards/Procurement Cards should be used in accordance with agreed procedures. Balances must be paid in full after each month/statement.

(This is unchanged as the current scheme paragraph 3.6.2.)

4.0 Consulted Change

4.1 Section 4.2.0 Restrictions on Surplus Balances

Following the November 23 Schools Forum decision to commence a clawback mechanism for Wirral maintained schools, the Section 4.2.0 in the scheme will be amended to read

4.2.0 Restrictions on Surplus Balances

4.2.1 Surplus balances held by schools, as permitted under this scheme, are subject to the following restrictions with effect from 1 April 2024:

- a. when schools close their accounts the LA shall calculate the surplus balance, if any, held by each school as at 31st March each year. For this purpose, the balance will be the total revenue balance as defined in the Consistent Financial Reporting Framework.
- b. the LA shall then calculate an average surplus balance over 3-year period
- c. if the result of steps a-b is a sum greater than 5% (secondary schools) or 8% (nursery, primary and special schools) of the budget share of the financial year that has closed, the LA will calculate balances above the threshold agreed by Schools Forum to identify clawback balances. The threshold is currently agreed as 50%.
- d. prior to automatic clawback of excess balances calculated as step c, Governing bodies are able to declare plans to commit their current excess balance for the specific purposes. Examples, not limited to, are as follows:
 - Planned capital works which are due to be started within no more than one year
 - Asset purchase, for example, library re-stocking, furniture and equipment, IT/computer equipment
 - Review of staffing structures as planning for volatility in pupil numbers, including short-term management of a future drop in pupil numbers

- e. A panel will review the plans submitted by schools. The panel would be a sub-group to Schools Forum and would be made up of three members of Schools Forum and would be supported by LA officers.
 - f. If the panel decides that schools are unable to demonstrate sufficient robust plans to commit their current excess balance, clawback will be applied.
- 4.2.2 Funds deriving from sources other than the LA will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.
- 4.2.3 Funds held in relation to a school's exercise of powers under S.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the LA.
- 4.2.4 The Schools Forum is to determine how the total of any amount deducted from schools balances to be utilised.

5. Updates

- 5.1 The list of Maintained schools in Annex A of the Scheme has been updated to remove schools who have converted to academy since the last Scheme update.

Conclusion

The updated Scheme for Financing Schools will be published shortly

RECOMMENDATIONS

1. **Forum notes the report**

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Director for Children, Families and Education