

**Meeting date:** 7 October 2020  
**Report to:** Solihull School Forum



**Subject/report title:** Update to the Solihull scheme for the financing of schools  
**Report from:** Steve Fenton  
**Report author/lead contact officer:** Steve Fenton

---

**Schools affected:**

|  All Primary and Secondary Maintained Schools Only  PRUs

**Type of Report** For Forum to decide  
**Forum Voting** Maintained primary and/or secondary schools and PRUs only  
**Public/private report:** Public

---

**1. Purpose of Report**

1.1 To inform Forum of mandatory changes to the scheme for the financing of Solihull maintained schools

**2. Decision(s) recommended**

- 2.1 Forum notes the mandatory changes (“directed revisions”);  
2.2 Approves local limits for deficit budget recovery plan as being deficit of £5,000 or greater.

**3. What is the issue?**

- 3.1 At your meeting on 10 December 2019, Forum considered a number of DfE and local drafting changes to the scheme. These related to 5 February 2019 DfE issued number 10 of statutory guidance for local authorities on schemes for financing schools.  
3.2 On 1 April (Number 11 Scheme) and 5 August (Number 12 Scheme) the DfE set out further mandatory changes.  
3.3 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. The guidance lists the provisions which a local authority’s scheme must, should or may include.

Schemes need not follow the format used in the guidance, but Solihull chooses to largely do so. .

- 3.4 In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum.
- 3.5 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. Directed revisions do not require School Forum approval. Mandatory changes are effective from the day they are announced.
- 3.6 As the Scheme received a major “tidy up” last year there is no intention to amend the scheme other than for the mandatory changes.

## **4. Changes**

### **4.1 Directed changes – RPA and deficit budgets**

- 4.1.1 The Directed changes are shown in Appendix 1. Note that the referencing is to the DfE statutory guidance document, not to the Solihull scheme.
- 4.1.2 1<sup>st</sup> April direction is to permit a maintained school to join the Secretary of State’s Risk Protection Arrangement (RPA) for risks that are covered by the RPA. The scheme must contain a provision which allows schools to join the RPA after 1st April 2020.
- 4.1.3 5<sup>th</sup> August direction is to effect that 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. This is the standard practice within Solihull already, and has been for many years, with the process of 3/5 year forecasting values by schools. .
- 4.1.4 The 5 August direction also refers to deficit budgets: 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.
- 4.1.5 For Solihull, the definition of a deficit requiring an action plan has been set at £5,000 deficit for many years – not so small that a small year-end issue requires a formal process, but enough that a deficit does require attention by governors and the LA. In practice, the “depth” of the recovery plan is proportionate to the actual/forecast level of deficit. In practical terms, despite have highly constrained levels of funding, budget deficit problems have never been an issue in Solihull.

## **5. Reasons for recommending preferred option**

- 5.1 All proposed changes are directed by the government, with the local limit for recovery plan referenced to existing practice.

## **6. Implications and Considerations**

### **6.1 Consultation and Scrutiny:**

6.1.1 As the changes are directed, there is no need to consult with schools or seek approval of School Forum.

6.1.2 School Forum are asked to approve the local level of recovery plan requirement at £5,000. As this has been accepted practice for so long, I do not propose to consult with all maintained schools on this.

### **6.2 Financial implications:**

6.2.1 There are no direct financial implications to maintained school budgets. School Forum will receive a further report on the RPA scheme for maintained schools in due course.

6.2.2 School balances of maintained schools are reported to Finance Group annually.

### **6.3 Legal implications:**

6.3.1 The proposed scheme changes will meet the requirements of the directed changes and changes to the statutory guidance.

### **6.4 Risk implications:**

6.4.1 There has been no formal risk assessment – the changes are technical.

### **6.5 Statutory Equality Duty:**

6.5.1 No formal assessment has been undertaken.

## **7. List of appendices referred to**

7.1 Appendix 1 – Directed revisions 2020-21

## Schemes for the financing of schools 2020-21 – Directed Revisions 2020-21

<https://www.gov.uk/government/publications/schemes-for-financing-schools/schemes-for-financing-local-authority-maintained-schools>

### 1. 1 April 2020

Updated the schemes for financing schools guidance for the 2020 to 2021 financial year.

### 2. 5 August 2020

Updated the guidance to include changes following the publication of the 'Financial transparency of LA maintained schools and academy trusts' consultation response. The scheme now includes the provision for schools to submit a 3-year budget forecast each year, and a recovery plan if their deficit rises above 5%.

## 1 April 2020 – specific changes

- Paragraph 1.1: Statutory guidance changed - changed to “This is issue 11 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of Schedule 14 to the School Standards and Framework Act 1998.”
- Paragraph 1.1: Minor change - added “except for the text of directed revisions.”
- Paragraph 1.1: Minor change - added “other than directed revisions”
- Paragraph 1.2: Minor change - added “Currently there are no new directed revisions.”
- Paragraph 1.2: Presentational change - moved “Details of earlier directed revisions” have been moved to Annex D, Section 20.
- Paragraph 1.3: Changes made to the guidance - added “Other important changes to the guidance.” Following consultation that closed on 19 November 2019, the Secretary of State has decided that from 1 April 2020 Local Authority Maintained Schools (LAMS) will be able to join the risk protection arrangement (RPA). We are changing the guidance as below: we have not had time to conduct a consultation on a directed revision but we may do that later.

Section 12: Insurance Instead of taking out insurance, a school may join the Secretary of State’s Risk Protection Arrangement (RPA) for risks that are covered by the RPA. The scheme should contain a provision which allows schools to join the RPA after 1st 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.”

- Paragraph 2: Regulation change - changed to ““the regulations” are the School and Early Years Finance (England) Regulations 2020
- Paragraph 3.1: Minor change - changed to “current funding framework”.
- Paragraph 4.4: Minor change - removed “Taking into account the purchasing, tendering and contracting requirements.”

- Paragraph 4.10: Minor change - changed to “contracting authorities”
- Paragraph 12.1: Changes made to the guidance - added “Instead of taking out insurance, a school may join the Secretary of State’s Risk Protection Arrangement (RPA) for risks that are covered by the RPA. The scheme should contain a provision which allows schools to join the RPA after 1st 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.”
- Paragraph 13.3: Minor change - changed “Governors’ Allowances”
- Paragraph 13.3: Presentational change - added “Schools without delegated budgets”
- Paragraph 13.3: Presentational change - added “Schools with delegated budgets”
- Paragraph 15.8: Changes made to the guidance - added “Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA.”
- Paragraph 15.10: Changes to the guidance - deleted “The scheme should contain a provision reminding schools that they must not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining authority.”
- Paragraph 16: Minor change - changed to “References below are to the section number in Issue 10 (February 2019) of this guidance“
- Annex D: added “Earlier directed revisions”

## **Changes 5 August 2020:**

### **16 Changes from Issue 11 of this guidance**

References below are to the section number in Issue 11 (April 2020) of this guidance.

We have made the following updates to reflect current policy positions and changes in legislation:

- Paragraph 1.1: Issue of the Statutory guidance changed – “issue 11” to “issue 12”
- Paragraph 1.2: Minor change – removed “Currently there are no new directed revisions”
- Paragraph 1.2: Changes made to the guidance – added “The most recent directed revisions are detailed below”

Following consultation that closed on 30 September 2019, the Secretary of State directs that from 1 April 2020 the text below shall be incorporated into the schemes of all local authorities in England.

### **Section 4.3: Submission of financial forecasts**

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.

Local authorities should consider the extent to which such forecasts may be used for more than just confirming schools are undertaking effective financial planning or not. For instance, they could be used as evidence to support the local authority's assessment of schools financial value standards or used in support of the authority's balance control mechanism.

Local authorities must inform schools of the purposes for which they intend to use these 3-year budget forecasts: such a forecast may be used in conjunction with an authority's balance control mechanism.

- Paragraph 1.2: Changes made to the guidance – added “Following consultation that closed on 30 September 2019, the Secretary of State directs that the text below shall be incorporated into the schemes of all local authorities in England, however due to coronavirus (COVID-19) the directed revision to follow will only be expected to be enforced from the 2021 to 2022 funding year.”

### **Section 6.5: Planning for deficit budgets**

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.

- Paragraph 1.2: Changes made to the guidance “Details of earlier directed revisions are at Annex D, Section 20” is to now read “For details of earlier directed revisions please see Annex D, section 20.”
- Paragraph 4.3: Changes made to the guidance - deleted “The local authority may require schools to submit a financial forecast covering each year of a multi-year period.”
- Paragraph 4.3: Changes made to the guidance - added “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.”
- Paragraph 4.3: Changes made to the guidance - deleted “However, the requirement to submit a financial forecast should not place undue burdens on schools and should be proportionate to need.”
- Paragraph 4.3: Changes made to the guidance - deleted “In requesting such forecasts local authorities should state the purposes for which they intend to use this forecast: such a forecast may be used in conjunction with a local authority's balance control mechanism.”
- Paragraph 6.5: Changes to the guidance - added “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.”
- Paragraph 6.5: Changes to the guidance – deleted “The scheme may preclude any planning for deficits, or it may allow schools to plan for deficits only in certain approved circumstances.”