

**HERTFORDSHIRE SCHEME FOR FINANCING SCHOOLS 2016 PROPOSALS  
FOR CONSULTATION**

Report of the Director of Children's Services

Author: Cheryl Faint / Simon Newland

Tel:- 01438 844805

**1. Purpose**

- 1.1 To seek the views of members of the Forum on proposed changes to the Scheme for Financing schools from April 2016.
- 1.2 To seek the agreement of members of Schools Forum to take the proposals forward to consultation with schools.
- 1.3 To advise Schools Forum of changes to the scheme directed by the DfE.

**2. Background**

- 2.1 The Scheme for Financing Schools is the statutory document that governs the financial relationship between the Local Authority and the schools it maintains including ESCs. It does not apply to academies.
- 2.2 In accordance with regulations changes to the Scheme must be agreed by members of the Schools Forum representing maintained schools and ESCs following a consultation with schools.
- 2.3 The DfE may also issue directed changes to the Scheme which do not require approval. The DfE has issued 2 directed changes which are detailed in section 7 of this report.

**3. Proposed changes**

**3.1 Health and Safety**

The DfE produces guidance for the content of authorities' schemes for financing schools. This advice includes a recommendation for provision

requiring governing bodies, in expending the school's budget share, to have due regards to duties placed on the Local Authority in relation to health and safety and the authority's policy on health and safety matters in the management of the budget share. The current clause 11.5 states;

**"11.5 Health and Safety**

Governing bodies are required to have due regard to duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters in expending the school's budget share. (See Annex E - Health & Safety.)"

It is proposed to strengthen the current clause 11.5 to the following;

**11.5 Governing bodies are required to have due regard to duties placed on the local authority in relation to health and safety, and the Authority's policy on health and safety, and the Authority's policy on health and safety matters in the management of the budget share. Under the Education Act 2002, the Local Authority may issue directions to the governing body and Headteacher of a community, community special, voluntary controlled schools and nursery schools on health and safety matters; these directions are enforceable, so far as governing bodies are concerned , if not complied with.**

3.2 The purpose of this proposed change is to clarify Governing Body responsibilities in this area. In line with this Annex E will also be updated to reflect changes to references and documents.

3.3 The budget share of a school can be charged by the Authority without the consent of the governing body **only** in circumstances expressly permitted by the Scheme set out in paragraph 6.2. It should be noted that the Scheme for Financing Schools includes clause 6.2.4 which states that;

" Expenditure by the local Authority in carrying out health and safety work or capital expenditure for which the Authority is liable , where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work".

3.4 Forum is asked to agree that schools be consulted on the inclusion of the text in bold under 11.5 above. Schools will be asked if they agree and to advise of any issues they see arising.

#### **4. Schools Loan Scheme**

4.1 Hertfordshire County Council closed its schools loan scheme in April 2013. The loan scheme was not utilised at that time, particularly after schools saw a significant reduction in their Devolved Formula Capital (DFC) allocations which had an outcome of restricting the option of accessing additional funding from the loan scheme secured against future DFC funding. Changes to the banking contract for schools also removed the resource

from which these loans could be made ie the cumulative balances of schools held in HCC general accounts.

- 4.2 Due to the financial challenges that some schools are facing, it is important that the Authority can support cash flow issues for schools in deficit whilst at the same time seeking to protect the Schools Budget from risk of the cost of deficits arising from schools in deficit converting to academy.
- 4.3 The Authority therefore wishes to reinstate the loan scheme to formalise such support setting out clear agreements for repayment schedules. If it becomes clear that a school is to be closed or merged, the remaining balance of the loan would become payable immediately. Schools closing to become academy will have the loan transferred as part of their Commercial Transfer Agreement. The Assistant Director – Finance reserves the right to refuse an application.
- 4.4 It is therefore proposed to add the following section to the Scheme

#### **4.9 Loan Scheme**

- (a) The Authority operates a loan scheme for schools that may require a revenue loan during a period of financial difficulty.**

**The length of the loan should not normally exceed 3 years. There is no minimum period. Approval will be given by the Assistant Director, Finance, following a review of an application for financial support .**

- (b) Each decision to grant a revenue loan will be based on the circumstances of the individual case and the financial ability of the school to repay. A viable repayment plan must accompany the Loan request.**
- (c) Short term revenue loans ( cash flow advances) that are required to cover a temporary cash flow shortage may be advanced at short notice subject to a written/ email request from the Headteacher and Chair of governors. These loans will be recovered within 3 months of the advance. The Authority reserves the right to charge the School Budget Share if the school fails to comply with this requirement.**
- (d) The Assistant Director - Finance reserves the right to refuse a loan for any reason.**
- (e) Interest on the outstanding balance of the loan will be charged at bank base rate plus ½%,. Interest must always be charged. A monthly maintenance fee will also be charged.**
- (g) In the event of closure or merger of a school (s), the loan becomes immediately repayable. In the event of the closure of a school as part of a transfer to academy status, the loan will be**

**repayable unless agreed to continue and transferred as part of the Commercial Transfer agreement.**

- 4.5 Forum is asked to agree that the text set out in bold in 4.5 above is included in the consultation with schools. Schools will be asked if they agree and for any comments they wish to make on issues arising.

**5. Banking arrangements**

- 5.1 It has been standard practice to identify, within the Scheme for Financing Schools, a list of approved banks and building societies which the Authority permits schools maintained by the Authority to use for banking public funds. These decisions take into account credit ratings of banks.

- 5.2 The consequence of the “banking crisis” has meant that it is difficult to provide a definitive list due to the volatility in the banking sector and credit ratings.

- 5.3 It is therefore proposed to replace the approved list with the following text:

**3.4.2 The majority of maintained schools use the County Council’s banking services which are currently provided under contract by Barclays Bank until 2017. For those schools wishing to use other banks , schools should use banks domiciled in the UK that have a credit rating issued by the credit rating agencies, Standard & Poor, Fitch and Moody’s, the credit rating must have a long term credit rating of BBB- or above .**

- 5.4 The above text is currently in line with the Authority’s treasury strategy and may be changed in accordance with that strategy. Where the strategy is changed either prior to the financial year or in year, a schools bulletin by the HCC treasury team to advise schools. Information will also be published on the Banking information on the Grid.
- 5.5 Forum is asked to agree that schools be consulted on issues they see arising from the above requirement.

**6. Directed Changes to the Scheme for 2015**

- 6.1 The DfE issued 2 directed changes in its publication “Schemes for Financing Schools- Statutory Guidance for local authorities” issued in August 2015. These are set out in the paragraphs below:

**6.2 Register of Business Interests**

The DfE has directed local authorities to include a provision which requires the Governing Body of each school to have a register which lists for each member of the governing body and the head teacher;

Any business interests they or any member of their immediate family may have:

\*Details of any educational establishments that they govern;

\*Any relationships between school staff and member of the Governing Body;

And to keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by Governors, staff and parents, and the authority and to publish the register, for example in a publicly accessible website.

- 6.3 The current published scheme contains a large element of this but not the references underlined. Forum is asked to note that the underlined text above will be added to the current scheme.

#### 6.4 Borrowing

Maintained schools are not permitted to borrow .The DfE has directed that the Scheme for financing schools must clarify that borrowing includes the use of finance leases and is not allowable with exception of certain schemes approved by the Secretary of State. Currently only Salix loans have such approval.

This reference will be highlighted to schools as part of this consultation and will be changed with immediate effect in the current Scheme.

### 7. **Timetable and next steps**

It is proposed to consult with schools on changes to the Scheme over the second half of the autumn term. The consultation will be signposted to Governing Bodies. The outcomes of the consultation will be brought back to Forum at its January meeting to include a copy of the 2016 proposed document.

It is intended that other amendments may be made to the document for the sake of clarity or minor updates eg changes of title.

### 8. **Matter for decision**

Voting Members of Forum representing schools and ESCs maintained by Hertfordshire are asked to approve the texts in bold included in paragraphs 3.1 (**11.5** Health and Safety), 4.5 (**4.9** Loan Scheme) and 5.3 (**3.4.2**, Banking Arrangements).

Schools will be asked if they agree and to comment on matters they see as arising. The directed changes will be highlighted to schools as part of this process.