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The Hertfordshire Scheme for Financing Schools

Report of the Director of Children's Services

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1. Purpose

To update the Hertfordshire Schools Forum on directed changes to the Scheme for Financing schools and its application to schools maintained by Hertfordshire County Council.

2. Summary

The DfE directed a change to local authority schemes for financing schools restricting the circumstance under which local authorities can transfer a loan to a school converting as a sponsored academy. The revision, applicable from April 2018, removes the ability of local authorities to convert deficit balances in sponsored academies to a loan and thereby transferring the liability to the academy. The Hertfordshire Scheme for Financing Schools has been updated to reflect this change.

3. Background

Local authorities are required to publish schemes for financing schools. The schemes set out the financial relationship between them and the schools they maintain. The DfE publishes statutory guidance on what must be contained in a scheme for financing schools and may make directed revisions, requiring local authorities to make changes.

Following a public consultation on the treatment of deficit balances when schools convert to academies, the DfE has made the following directed revision;

“Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that

such a loan does not transfer, either in full or part, to the new Academy school.”

In response to the directed revision, Hertfordshire County Council has removed the following text from its Scheme for Financing Schools;

“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”

The text had originally been added to the Hertfordshire Scheme following consultation with Hertfordshire schools and in agreement with Schools Forum.

The Authority will complete a review of its scheme and if necessary bring forward proposals for revisions to the scheme to Forum for consultation with schools in the autumn term.

4. Impact

The Authority has not used this clause to transfer a deficit to an academy on conversion. Where a sponsored academy has a deficit on conversion, this deficit can be charged to the de-delegated contingency budget. This budget may be overspent with the agreement of Schools Forum. Further information is available on the treatment of balances on conversion in the DfE publication “Treatment of Surplus and deficit balances when maintained schools become academies available [here](#)

5. Conclusion

Members of the Forum are asked to note the directed revision.