



SCHOOLS FORUM

Leicestershire Scheme for Financing Schools

13 June 2023

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies		Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority	X	Post 16	
		High Needs	

Purpose of Report

Content Requires;		By;	
Noting		Maintained Primary School Members	X
Decision	X	Maintained Secondary School Members	
		Maintained Special School Members	X
		Academy Members	
		All Schools Forum	

1. This report presents a revised Scheme for Financing Schools for approval by maintained school members of Schools Forum. A revision to the Scheme is required to support the changes in school payroll arrangements.

Recommendations

2. That maintained school members of the Schools Forum approve the proposed Scheme for Financing Schools.

Background

3. The Scheme for Financing Schools (Scheme) sets out the financial relationship between a local authority and the schools it maintains and is a statutory document.

4. The content of the Scheme is set out by the Department for Education (DfE) which can then be tailored to meet the specific operating requirements for individual local authorities. The Scheme can be amended in one of two ways:
- A Secretary of State directed revision which local authorities are required to follow, or
 - A local revision to reflect changes in local requirements following consultation with maintained schools

This revision is a local change and necessary as a result of the decision taken by East Midlands Shared Services (EMSS) to cease payroll services for schools. Whilst this decision relates to all school payroll services the provisions within the Scheme apply to maintained schools only.

The Proposed Scheme

5. The proposed Scheme is shown at Appendix 1, revisions are shown as tracked changes within the document for clarity. The changes are technical in nature to support the delivery of externalised payroll for schools, however where any inconsistencies in terminology have been identified these have also been corrected.

6. The changes reflect:

Banking Arrangements – currently maintained school payroll costs are met from the County Council's bank account with cash transfers made to school bank accounts for non-payroll expenditure. From cessation of EMSS payroll services cash advances to schools will increase as schools will meet costs from their own bank account and will increase to be 95% of the budget approved by Governors. The only non-cash transactions for schools will be the purchase of services from the local authority e.g. LEAMIS, Legal, School Food etc. the cost of which will be met from the local authority retained 5% as the cost of County Council services are charged directly to schools by a direct charge through an internal transaction. Future consideration will be given to maintained schools becoming 100% cash holding which would require the Council raising invoices to schools with a subsequent increase in the number of transactions for both schools and the authority and the payment of grants and other income such as high needs funding in cash.

Payroll Governance – schools will need to ensure that appropriate governance in place to ensure financial resilience in payroll processes such as pre salary payment checks and authorisations. This will need to cover not just salary payments to staff but the also the payment of payroll deductions such as income tax and NI to be paid to HMRC and pension payments to TPS and LGPS.

7. Consultation has been undertaken with maintained schools on the changes. Only one query was received during the consultation period which related to Section 3 of the Scheme and relates to schools operating under the current system where payroll costs are met by the local authority bank account and schools with external payroll providers. This is deemed necessary as there will be a period after approval of the Scheme before new payroll providers are in place. Additionally, it is possible that a

phased transfer to a new payroll provider may happen if a number of schools enter into contract with the same provider. Amendments were made as a result of this query.

8. Additional guidance is being prepared for schools to support the changes in processes that will arise as a result of the use of Third Party payroll providers, this will cover transaction authorisations, ensuring the appropriate staff in place to manage payroll deadlines and payments as well as managing cash flow.
9. The local authority is liaising with the bank used by maintained schools to ensure that the necessary bank account approvals are in place such as transaction authorisations and the ability for a Third Party to process payments on the schools behalf
10. A multi-disciplinary team at the local authority are in place to ensure the full implications of the changes are understood and addressed such as transfer of data to new payroll providers, ensuring data is able to be appropriately transferred from schools to the local authority, ensuring that statutory reporting requirements can be fulfilled ensuring schools are fully aware of their new roles and responsibilities and developments to the multi-year budget planning tool are undertaken.

Resource Implications

11. Whilst there are no direct financial implications arising from the payroll changes, there are opportunity costs in respect of the staff needed in both the local authority and schools, to ensure the change is effectively implemented and embedded.

Equal Opportunity Issues

12. None arising directly from this report

Background Papers

13. None directly relating to this topic

Officers to Contact

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