

Report to the Schools Forum 6 June 2024

Amendment to the scheme for financing schools.

1 Background

- 1.1 We are required to inform the Schools Forum of any changes to the Scheme for Financing Schools ('the Scheme'). The Scheme describes the financial relationship between the local authority and maintained schools. It does not apply to academies.

2 Change to Leasing rules

- 2.1 From 1 April 2024, International Financial Reporting Standard (IFRS) 16 took effect. It removes the distinction between operating and finance leases at maintained schools for accounting purposes. For maintained schools this had the effect of classifying all leases as a form of borrowing – and any borrowing by maintained schools requires Secretary of State approval.
- 2.2. In certain areas (for example photocopiers) leasing is common in schools. Therefore, in order to avoid each lease having to be individually approved, the secretary of state has provided blanket consent to the most common leasing activities. These are described in the DfE's "IFRS16 Maintained Schools Finance Lease Class Consent 2024" included as an appendix to this paper.
- 2.3 Section 3.8 of the Scheme has therefore been amended and now reads as follows:

3.8 Borrowing by schools

- 3.8.1 *Governing bodies may borrow money only with the written permission of the Secretary of State¹. Schools may use credit cards but no cost of borrowing may be charged to the school budget, with balances fully cleared on a monthly basis. Schools are encouraged to use procurement cards as these can be a useful means of facilitating electronic purchases.*
- 3.8.2 *The introduction of IFRS 16 for local authorities from 1st April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2022, all leases will be classes as borrowing and will require the Secretary of State for Education's consent.*
- 3.8.3 *The secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS 16 Maintained Schools Finance Lease Class Consent 2024. Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives. Schools can therefore use any scheme that the Secretary of State has said is available to schools without specific approval.*

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