



Havering
LONDON BOROUGH

Schools Funding Forum 22nd September 2022 ITEM 9

Subject Heading:

Schools' Business Rates 2022-23 and 2023-24

Report Author:

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Eligibility to vote:

All school and academy members

SUMMARY

This report provides details of changes made to the payment of business rates for state-funded schools.

RECOMMENDATIONS

That the Schools Funding Forum notes the changes to the arrangements for the payment of business rates.

REPORT DETAIL

Member of the Schools Funding Forum were notified at the meeting held in September 2021 that the DfE were centralising the payment of business rates for state-funded schools for the 2022-23 financial year onward. This would involve the ESFA paying Havering directly on behalf of schools and academies from April 2022.

In March 2022, local authorities were informed that the new system was not being introduced in all areas for 2022-23. In Havering, along with around half of LAs, payment of rates would continue as previously. The DfE intend to move schools

and academies in more LA areas over to the new system for 2023-24. They will be approaching LAs in the autumn term. They have not committed to moving them all.

For 2022-23, the LA had advised LA maintained schools not to budget for rates, and had reduced budget allocations accordingly, before notification from the DfE that the new procedures were not being introduced here. The LA took the decision that it would be simpler to reflect this by means of an accounting adjustment rather than reissuing budget statements to schools and requiring a revised budget back from schools.

Existing Arrangements

i. Local Authority maintained schools

Havering receives funding for schools' business rates within the DSG. The budgets sent to schools in February include an allocation for business rates. The Council's business rates team charge the total rates bill for all LA maintained schools to Learning and Achievement, usually in July. In September Education Finance pass on the cost to individual schools by means of direct debit. On the same day that the direct debit is made, schools receive a cash release for the business rates element of their budget allocation.

ii Academies

Academies receive a bill from the Council for their business rates. Academies then pay their business rates directly to the Council.

Individual academies submit claims to the EFSA to recoup the cost of their business rates via the NNDR portal. Once validated the EFSA reimburses academies the exact cost of business rates within two months of receiving the claim. The payment is funded outside of GAG payments.

The cost of academies' business rates is included within the DSG, in order to be allocated according to the LA's formula. The EFSA, however, recoups this sum from the LA.

It was felt that these arrangements are largely circular involving substantial bureaucracy.

New arrangements

The EFSA will essentially pay the Council directly on behalf of state-funded schools.

The proposed changes do **not** represent a change in funding levels, but instead represent a more streamlined system which restructures the payment process of existing funding. The funding available to cover the cost of local authority maintained schools' and academies' business rates will remain unchanged. This approach to top slicing dedicated schools grant (DSG) and general annual grant (GAG) funding to streamline cash management is already in place for other payments.

Billing authorities are expected to provide a single bulk upload of bill data every year to the EFSA. Schools and LAs will have access to the on-line business rates

portal so that they can see schools' rates bill amounts and when bills have been paid. Any penalties for late payment will be met by the EFSA.

The EFSA will cover the cost of historic adjustments that relate to bills paid prior to that date, for example where there is revaluation following new build on the school site. Where there are backdated adjustments downward, academies, or the LA in the case of community schools, would be responsible for reclaiming overpayment.

Where schools are in receipt of discretionary relief this will be applied prior to billing.