CITY OF YORK COUNCIL

Agenda Item

York Schools Forum **12 November 2026**

Report of the Head of Children & Education Finance

BANK ACCOUNTS FOR SCHOOLS (BAFS) SCHEME REVIEW - UPDATE

Purpose of Report

1 This report provides an update on the work being undertaken to review the Bank Accounts for Schools (BAFS) Scheme, as agreed by the forum at its meeting in May 2026.

Background

2 The BAFS Scheme provides the framework through which delegated budgets are transferred to maintained schools operating their own bank accounts. The current arrangements have been in place for several years, during which time the wider financial, banking and interest rate environments have changed significantly. It is therefore timely to review the scheme to ensure it remains fair, transparent and aligned with good financial management practice.

3 As part of the review finance colleagues from one secondary and one primary school have joined LA officers on a reference group to try and ensure that the operational impacts and views of schools are fully considered. We are grateful for their helpful contributions and comments and for giving up their time to assist.

Scope of the Review – And Current Position

4 The forum, agreed that the review would focus on the timing and methodology of cash transfers between the LA and schools via the monthly remit system. It was agreed that the review would examine:

- The schedule and frequency of regular planned cash transfers to schools.

  Completed – with a draft recommendation that schools' core funding allocations be moved to the earliest possible date each month improving school cash flow. Currently these allocations are transferred to school bank accounts on the 21st of each month

- When and how additional ad hoc cash advances to schools should be allowed.

  Completed – with a draft recommendation that the default position for all non-core school funding allocations is that they are transferred to schools as soon as possible after they become available or are received by the LA. Over the course of a year this is expected to improve cash flow for schools. However, this will require more careful cash flow monitoring by schools as some allocations that are currently spread over 12 monthly transfers will be transferred more irregularly. For example, most transfers are currently made during term time – a move to more timely transfers may result in an increase in transfers during school holiday periods.

- The basis on which interest is calculated, applied and charged on negative balances.

  Completed – with a draft recommendation that the automatic charging of interest on core funding allocations be removed. Interest will still be charged on negative balances as this was deemed to be a fair and reasonable approach - except for schools with an

LA approved deficit and agreed financial recovery plan, where only negative balances in excess of the approved deficit will incur a charge. The interest calculation will continue to be based on the Bank of England's Sterling Overnight Index Average (SONIA) rate, as this was deemed a reasonable independent interest rate that is competitive with bank loan interest rates.

- Whether the current arrangements appropriately reflect the cost of cashflow management to the authority and the financial autonomy of schools.

  Completed and reflected in the above draft recommendations

- Opportunities to simplify the scheme wording and improve clarity for all BAFS schools and LA officers.

  On-going – but not expected to significantly impact on cash flow or interest charges

Recommendations

5 Members of the forum are asked to note and comment on the progress described above and consider whether they believe a full consultation with all maintained schools is necessary, or they are content for a revised scheme to be produced around the draft recommendations from the review group highlighted above in paragraph 4.

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