

**TO: SCHOOLS FORUM**  
**DATE: 15 MARCH 2012**

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**THE SCHEME FOR FINANCING SCHOOLS –  
DFE CONSULTATION ON MANDATORY CHANGES  
Director of Children Young People & learning**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to update members of the Schools Forum to a Department for Education (DfE) consultation on mandatory changes proposed for local authority Schemes for Financing Schools.

**2 RECOMMENDATIONS**

- 2.1 **The proposed directed revisions to the Scheme for Financing Schools, as set out in Annex A, are NOTED;**
- 2.2 **That the Forum considers what response, if any, it wishes to make to the consultation.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 **To update the Schools Forum on likely changes required by the DfE to the Scheme for Financing Schools, and to give the opportunity to comment on them.**

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Not applicable.

**5 SUPPORTING INFORMATION**

Background

- 5.1 Each Local Authority (LA) is required to publish a Scheme for Financing Schools (the "Scheme"). This sets out the financial relationship between the LA and the maintained schools which it funds, so does not apply to academy schools. It is a legally binding document on both the LA and schools relating to financial management and associated issues.
- 5.2 Local Schools Forums have the statutory power to agree Scheme content, where there is discretion, and the latest revision to the Bf Scheme was approved at the last meeting of the Forum, and became effective from 1 March 2012.

DfE role in development of Schemes

- 5.3 The DfE issues statutory guidance that needs to be taken into account in developing Schemes. This sets the minimum subjects to be covered, and in certain instances, can prescribe text that must be included.
- 5.4 To reflect current policy, the DfE has issued a short consultation on changes it is proposing must be made to all Schemes. These directed revisions are compulsory, and are expected to become effect from 1 April 2012. The areas included on the consultation are:
- 1 Removing the requirement on schools to submit a best value statement. (This has already been removed from the BF Scheme).
  - 2 Removing the requirement on schools to meet the Financial Management Standard in Schools (FMSiS). (This has already been removed from the BF Scheme).
  - 3 Removing requirements to make payments to the General Teaching Council as this body is to be abolished at 1 April 2012.
  - 4 Adding a duty on heads and governors to secure better value for money. This replaces item 1 above.
  - 5 Adding an annual duty on governors to demonstrate compliance with the Schools Financial Value Standard. This replaces item 2 above.
  - 6 Adding a duty on schools to have proper controls to protect against fraud and the improper use of public funds.
  - 7 Amending current provisions to allow where the governing body is satisfied that it will not significantly impact with the performance of any duties imposed on them by Education Acts, staff employed under community facilities powers, can now be funded from the delegated school budget.

The consultation is set out in full at Annex A, with a 19 March deadline for responses.

- 5.5 The Council is content with these proposed directed revisions and will not, therefore, be making a response.

Action for the Schools Forum

- 5.6 The Forum needs to consider what response, if any, it wishes to make to the DfE consultation.

**6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

Borough Solicitor

- 6.1 To be advised.

Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that no significant financial implications arise from this report.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

6.4 None identified.

**7 CONSULTATION**

Principal Groups Consulted

7.1 Not applicable.

Method of Consultation

7.2 Not applicable.

Consultation Responses

7.3 Not applicable.

Background Papers

DfE Consultation Document

Contact for further information

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**DfE Consultation on directed revisions to Schemes for Financing Schools**

**DIRECTED SCHEME REVISIONS**

Under the Education Act 2012, the Secretary of State has the power to issue directed revisions to local authority schemes for financing schools. This means that authorities must incorporate within, or remove from, their schemes the specified wording, and no other process is needed in order to make the changes.

The power of directed revision will be used sparingly, to remove outdated provisions and to insert new provisions that are required for the implementation of policy.

The first set of proposed directed revisions relate to announcements Ministers have already made or to other provisions in the Education Act. There will, therefore, be just a short consultation on the proposals, which also include revisions to the statutory scheme guidance. The consultation runs until **19 March**. Any comments should be sent to Keith Howkins ([keith.howkins@education.gsi.gov.uk](mailto:keith.howkins@education.gsi.gov.uk)).

## Local Authority Schemes: Directed Revisions 2012

The following sets out the directed revisions the Secretary of State is making to local authority schemes.

- Text in normal font denotes the actual directed revision local authorities are required to place in, or remove from, their schemes;
- Text in italics denotes accompanying guidance.

These revisions will take effect on 1<sup>st</sup> April 2012.

### **Removal of requirements from the Scheme**

#### **Best Value**

Local authorities must remove any requirement in their schemes for schools to submit a statement of Best Value with their budget plan.

*The government believes that it is important for schools to achieve value for money, but this can be demonstrated in other ways than a written statement.*

*The Department removed this requirement from its guidance on local authority schemes to take effect from 1 April 2011.*

#### **Financial Management Standard in Schools (FMSiS)**

Local authorities must remove from their schemes requirements relating to the Financial Management Standard in Schools (FMSiS).

*A directed revision to schemes requiring schools to meet FMSiS was introduced in 2007. The Department has introduced the Schools Financial Value Standard (SFVS) as a much simpler replacement for all maintained schools. Information on the new SFVS was published in July 2011.*

#### **6.3 – General Teaching Council**

Local authorities must remove from their schemes requirements relating to payments of General Teaching Council (GTC) fees.

*The GTC was abolished by the Education Act 2011 with effect from 1<sup>st</sup> April 2012.*

### **Requirements for inclusion in the Scheme**

#### **2.4 Efficiency and value for money (replaces current Best Value section)**

*The scheme must include the following provision, which imposes a requirement on schools to achieve efficiencies and value for money, to optimise their resources and invest in teaching and learning; taking into account purchasing, tendering and contracting requirements.*

*It is for heads and governors to determine at school level how to secure better value for money.*

*The text for this provision is set out below.*

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements.

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It is for heads and governors to determine at school level how to secure better value for money.

*There are significant variations in efficiency between similar schools, and so it's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.*

### **New 2.16 - Schools Financial Value Standard (SFVS)**

*The scheme must include the following provision, which makes it mandatory for all local authority maintained schools to complete the SFVS assessment form on an annual basis and submit a signed copy to their Authority. SFVS will also apply to all local authority maintained nursery schools and Pupil Referral Units that have a delegated budget.*

*The text for this provision is set out below.*

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner.

Maintained schools that did not achieve the Financial Management Standard in Schools (FMSiS) must submit the form to the local authority before 31 March 2012, and annually thereafter.

All other maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

### **New 2.17 - Fraud**

*The scheme must include the following provision, which requires schools to have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.*

*The text for this provision is set out below.*

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

### **Amended statutory guidance**

**Amend final section of Annex B from:**

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For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, but not from the delegated budget. Section 37 states:

*(7)Where a local education authority incur costs—*

*(a)in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*

*(b)in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,*

*they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

*(8)Any amount payable by virtue of subsection (7) by the governing body of a maintained school to the local education authority shall not be met by the governing body out of the school's budget share for any financial year.*

*(9)Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.*

(We will review this provision in the context of the forthcoming changes which will allow other community facilities costs to be charged to delegated budgets from 1 April 2011, but this remains the legal position for the time being).

**to:**

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

*(7)Where a local education authority incur costs—*

*(a)in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*

*(b)in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,*

*they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

*(7A)Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection (7B) is met.*

*(7B)The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.*

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*(9) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.*