

9. Consultation Response to Key Changes in Scheme for Financing Local Authority Maintained Schools

1. Introduction

- 1.1. Issue 10 of statutory guidance from the Department for Education (DfE) for local authorities on schemes for financing schools was published on 5 February 2019. It relates to Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act.
- 1.2. Local Authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. This guidance lists the provisions which a local authority's scheme must, should or may include. Schemes need not follow the format used in the published guidance.
- 1.3. In making any changes to their schemes, Local Authorities must consult all maintained schools in their area and receive the approval of the members of their Schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the Schools Forum.
- 1.4. In line with the above, this report follows on from report 7a presented to the Schools Forum in July 2019. That report outlined changes the LA wished to make to the Scheme of Finance, and announced a consultation with schools which ended 30th September.

2. Directed Revisions

- 2.1. As also detailed in the report 7a presented to the Schools forum in July, a list of the revision made by the Local Authority has been presented below.

Efficiency and value for money (Section 2.9)

- 2.2. 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 the purchasing, tendering and contracting requirements.
- 2.3. 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.
- 2.4. 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 is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

Schools financial value standard (SFVS) (Section 2.23)

- 2.5. All local authority maintained schools, including nursery schools and pupil referral units (PRUs), that have a delegated budget) must demonstrate compliance with the SFVS and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form.
- 2.6. 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. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

Fraud (Section 2.24)

- 2.7. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
- 2.8. 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 those controls. This information must also be included in the induction for new school staff and governors.
- 2.9. Following consultation, the Secretary of State directs that from 19 August 2015 the text below shall be incorporated into the schemes of all local authorities in England

Register of business interests (Section 2.14)

- 2.10. The scheme must contain a provision which requires the governing body of each maintained school to have a register which lists for each member of the governing body and the head teacher:
 - any business interests that they or any member of their immediate family have
 - details of any other educational establishments that they govern; and
 - any relationships between school staff and members of the governing body
- 2.11. And to keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the authority, and to publish the register, for example on a publicly accessible website.

Borrowing by Schools (Section 3.7)

- 2.12. The scheme should contain a provision reminding schools that governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances.
- 2.13. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.
- 2.14. Following consultation, the Secretary of State directs that from 22 March 2018 the text below shall be incorporated into the schemes of all local authorities in England.

Loan schemes (Section 4.10)

- 2.15. Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.
- 2.16. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.
- 2.17. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy school.

3. Key changes from Issue 9 (published March 2018) of this guidance:

- 3.1. Section 1.1: removed advice that each school must receive a copy of each year's budget and outturn statements so far as they relate to that school or central expenditure.
- 3.2. Paragraph 1.1.13: removed advice that an authority must publish a statement showing outturn expenditure "at both central level and for each school, and balances held in respect of each school".
- 3.3. Paragraph 1.5.3: added "It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction".
- 3.4. Paragraph 2.4.2: added "The scheme should encourage schools to register anything that is portable and attractive, such as a camera".
- 3.5. Section 2.9: changed title from "Efficiency and Value for Money" to "School Resource Management".

- 3.6. Paragraph 2.9.1: changed wording, including a change from “achieve efficiencies” to “effective management of resources”.
- 3.7. Section 2.15: removed “A scheme may invite schools to nominate suppliers for inclusion on lists of approved suppliers. The intention is to ensure that schools do not have to be subjected to unreasonable requirements as to authority counter-signature or use of an approved list, but also ensures that they should obtain at least three tenders or quotations for orders above a certain threshold”.
- 3.8. Section 2.15: removed “Authorities may issue lists of approved suppliers; but schools must not be compelled either directly or indirectly to use them. Authorities may wish to point out the advantages of using lists of approved suppliers, eg assurance on health and safety issues”
- 3.9. Paragraph 2.15.4: added “Schools may seek advice on a range of compliant deals via Buying for schools”.
- 3.10. Paragraph 2.19.5: removed generic references to legislation “School Premises Regulations and DfE Construction Standards, and health and safety legislation”, added references to specific legislation
- 3.11. Paragraph 2.23.3: removed advice that all local authorities with a delegated budget must submit the schools financial value standard form before 31 March 2013 and annually thereafter; replaced with advice that the form should be submitted before the end of the financial year.
- 3.12. Paragraph 3.7.4: added “Schemes may also wish to permit the use of credit or charge cards. However, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis. The LA may charge Schools using credit or charge, an administration fee”.
- 3.13. Paragraph 5.2.3: added “However, where land is held by a charitable trust, it will be for the school’s trustees to determine the use of any income generated by the land”.
- 3.14. Paragraph 6.3.2: changed “Other expenditure incurred to secure resignations where the school had not followed authority advice” to “Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex D)”
- 3.15. Paragraph 8.1.2: changed to explain the scheme should contain a provision barring the authority from discriminating in its provision of services on the basis of categories of schools, except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.
- 3.16. Paragraph 8.2.1: clarification provided on provisions to limit the term of agreement with a school to buy services or facilities from the authority.

- 3.17. Paragraph 8.4.1: revised quoted legislation and updated expectation of monthly not annual returns.
- 3.18. Paragraph 10.1: added “The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier”.
- 3.19. Section 13.2.1: updated to reflect changes to the Children and Families Act 2014; a school is no longer required to consult before establishing community facilities, and there is no longer a need for a school to be mindful of a local authority’s advice, under section 27 of the Education Act 2002.
- 3.20. Paragraph 13.8.2: changed “Criminal Records Bureau” to “Disclosure Barring service”

4. Other Key changes:

- 4.1. Section 3.1: Frequency of instalments as detailed under 3.1.2. Transitional arrangements for 2019/20.
- 4.2. Section 3.2: Proportion of budget share payable at each instalment, where payroll is carried out by the LA (3.2.1 and 3.2.2)
- 4.3. Section 4.9: Clarification on Licensed Deficit arrangements, including cash advances where schools are experiencing cash flow difficulties (4.9.2); evidence of proper planning (4.9.9)
- 4.4. Section 6.3: Charges to budget shares, to include ‘remedial work in building work’(6.3.5)
- 4.5. Section 12.1: Delegation of funding to clarify the priority of DFC (12.1.3) in financing capital expenditure at Schools. Further exemplifications of repairs and maintenance and capital expenditure at Annex B.
- 4.6. Section 12.2: Definition of Capital, LA to issue guidance on capitalisation (12.2.2)
- 4.7. Section 12.3: School responsibilities for Repairs and Maintenance (12.3.1 and 12.3.2) where schools do not meet their duties.
- 4.8. Annex D: DfE Guidance on Responsibility for Redundancy/Early Retirement Costs

5. Consultation Responses

- 5.1. The consultation was published via the School Circular newsletter on 4th September 2019. A reminder regarding the consultation was sent to Heads by email on September 26th. Unfortunately, the LA received no responses to the consultation. We believe this highlights a training need for Heads, Governors and School Business Managers regarding the Scheme for Financing Schools and the important role it has in outlining the relationship between the schools and the Local Authority. The LA will run training sessions upon launch of the new Scheme in November/December.

iv) Recommendation - The Local Authority recommends that the changes are accepted and the Scheme is updated to reflect this. The new Scheme for Financing Schools will supersede the previous version (published March 2018) and will be circulated to all maintained schools upon agreement by Schools Forum.