

Schools Forum

Title:	Changes to the Scheme for Financing Schools
Date:	25 th March 2019
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Local members affected:	Maintained School members only

1. Summary

This paper details changes to the Scheme for Financing Schools to bring it into line with the latest guidance from the Department for Education. The scheme sets out the financial relationship between the authority and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools.

2. Recommendation

At this stage, this paper is for information only. The new scheme and changes to the scheme, as summarised below, and are to be sent to all schools and all governors via Schools Bulletin for consultation in line with part 1.4 of the scheme. Once the consultation has taken place and comments have been received from schools and governors these will be summarised and submitted to the next Schools Forum meeting. Final changes to the document will be agreed, and the new document published on the Schools Web.

3. Background

The current "Scheme for Financing Schools and Defining Working Relationships between Governing Bodies, Headteachers and the Local Authority" is found on SchoolsWeb.

[Scheme for Financing Schools - Buckinghamshire County Council](#)

The scheme was last updated in October 2017 and there are some aspects of it that are now out of date. Therefore the proposed new scheme is based on the DfE Statutory guidance for having a Scheme for Financing Schools found at the following link.

[Schemes for financing local authority maintained schools - GOV.UK](#)

The proposed new scheme is attached. This paper aims to set out the main changes between the proposed new scheme and the current scheme.

4. Changes to the Scheme

In the main the proposed changes have very little impact on the operation of the scheme and are changes in terminology.

4.1 Directed Revisions

Some changes are directed by the Secretary of State and once announced automatically become part of our scheme without consultation of local maintained schools. These are listed below.

1.4 Revision of the scheme: 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”

4.10 Loan Schemes: added “Loans cannot be used as a means of funding a deficit that has arisen because a school’s recurrent costs exceed its current income.”

We are already operating on the basis of 4.10, and is purely for clarification.

4.2 Revisions for consultation

The following changes below are for local consultation.

4.2.1 The items below are either changes in terminology or/and are in line with current practices

1.1 The Funding Framework: 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”

1.1 The Funding Framework: 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

2.4 Efficiency and Value for Money: changed title from “Efficiency and Value for Money” to “School Resource Management”

2.4 Efficiency and Value for Money: changed wording, including a change from “achieve efficiencies” to “effective management of resources”

2.14 Capital spending from budget shares: removed generic references to legislation “School Premises Regulations and DfE Construction Standards, and health and safety legislation”, added references to specific legislation

4.8 Balances of closing and replacement schools: changed “When a school closes any balance (whether surplus or deficit) reverts to the authority, it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school.” to “Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of a closure of a school, the local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes”

6.2 Circumstances in which charges may be made - paragraph 6.2.15: changed “statement of SEN” has been replaced with “Education Health and Care Plan (EHCP)”

8.1 Provision of services from centrally retained budgets: 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

8.2 Provision of services bought back from the authority using delegated budgets: clarification provided on provisions to limit the term of agreement with a school to buy services or facilities from the authority

8.4 Teachers’ Pensions: revised quoted legislation and updated expectation of monthly not annual returns

10.1 Insurance cover: 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”

11.11 Redundancy / early retirement costs: clarification on how to fund early retirement and redundancy costs

Section 13: Community facilities + 13.2 Consultation with the authority – financial aspects: 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.

13.9 Health and safety matters: changed “Criminal Records Bureau” to “Disclosure Barring service”

Annex A: Updated maintained schools list

4.2.2 The items below are changes to the scheme but in the main have little impact.

2.1.4 Control of assets: added “The scheme should encourage schools to register anything that is portable and attractive, such as a camera”

2.10 Purchasing, tendering and contracting requirements: added “Schools may seek advice on a range of compliant deals via [Buying for schools](#)”

5.1 Income from lettings: 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”

6.2 Circumstances in which charges may be made - paragraph 6.2.2: 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 B)”

Section 13: Community facilities + 13.2 Consultation with the authority – financial aspects: 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.

5. Extracts from the draft scheme

Listed below are any sections of the scheme that have been changed including the original wording struck through. A full version is also included should you wish to see the full document.

1.1 The Funding Framework

The authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children’s services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the authority must publish a statement showing out-turn expenditure ~~at both central level and for each school, and the balances held in respect of each school.~~

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State ~~, but each school must receive a copy of each year's budget and out turn statements so far as they relate to that school or central expenditure.~~

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the schools forum for their approval.

All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

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 direction.

2.1.4 Control of assets

Each school is required to maintain an inventory of its moveable non-capital assets with a value in excess of £1,000. Guidance on the form of such inventories and the arrangements for disposing of assets is set out in the Local Management Handbook. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000 you should register any item that is portable and attractive (e.g. Camera, etc.). They should keep a register in some form.

2.4 ~~School Resource Management~~ Efficiency and Value for Money

Schools must seek to achieve efficiencies-effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements outlined in section 2.10.

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.

2.10 Purchasing, tendering and contracting requirements

All Schools covered by this scheme must abide by the authority's financial rules and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the authority's policies and procedures. Further details of the requirements can be found in the Finance Zone of the Schools WebLocal Management Handbook.

Schools may seek advice on a range of compliant deals via buying for schools (<https://www.gov.uk/guidance/buying-for-schools>)

2.14 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Act. If the expected capital expenditure from the budget share is greater than £20,000 the governing body must notify the authority; and that it must take into account any advice from the Director - Children's Social care and Learning as to the merits of the proposed expenditure. If the premises are owned by the authority, or the school has voluntary controlled status, then the governing body should seek the consent of the authority to the proposed works, but such consent can be withheld only on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order, 2005, the Equality Act 2010 and the Building Regulations 2010 ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation.

These provisions would not affect expenditure from any capital allocation made available by the authority outside the delegated budget share.

4.8 Balances of closing and replacement schools

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of a closure of a school, the local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes. When a school closes any balance (whether surplus or deficit) reverts to the authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus automatically transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

4.10 Loan schemes

The authority operates a loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. The parameters of the arrangement are available on Schoolsweb under Finance guidance and forms / Emergency cash advance.

Loans cannot be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

5.1 Income from lettings

Schools are allowed to retain income from lettings of the school premises which would otherwise accrue to the authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Schools are allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided 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. However, schools should be required to have regard to directions issued by the authority as to the use of school premises, as permitted under the Act for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school. 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.

6.2 Circumstances in which charges may be made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the authority to bear such costs the full amount will be charged. Where prior written agreement has been obtained the amount charged will be only the excess over any amount agreed by the authority;
- 6.2.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B)-school had not followed authority advice;
- 6.2.3 Awards by courts and industrial tribunals against the authority, or out of court settlements, arising from action or inaction by the governing body contrary to the authority's advice
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- 6.2.15 Costs incurred by the authority in securing provision specified in a Education, Health and Care Plan(EHCP)statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;

8.1 Provision of services from centrally retained budgets

It is for the authority to determine on what basis services from centrally retained funds will be provided to schools. This includes both traded services and non-traded support (e.g. Premature Retirement Compensation [PRC] and redundancy costs).

Services will be provided on an equal basis to all categories of schools, except where permitted under the Schools and Early Years Finance Regulations or the dedicated schools grant conditions of grant. ~~(a) funding has been delegated to some schools only, or (b) such discrimination is justified by differences in statutory duties.~~

8.2 Provision of services bought back from the authority using delegated budgets

The term of any arrangement with a school to buy services or facilities from the authority is limited to a maximum of three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement or extensions relating to the same services.

However, schemes for contracts for supply of catering services may be limited to a maximum of 5 years, with a maximum agreement of 7 years if the contract is extended.

There is no minimum period, although arrangements lasting less than two years may well be uneconomic.

8.4 Teachers' Pensions

In order to ensure that the performance of the duty on the authority to supply Teachers Pensions with information under the Teachers' Pensions Scheme Regulations 1997/2014, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its monthlyannual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any

10.1 Insurance cover

If a school proposes to arrange its own insurance under delegated funds, rather than purchasing the core insurance package offered by the authority, the governing body shall be responsible for securing that the headteacher (or another member of staff who has been nominated by the headteacher) demonstrates to the satisfaction of the authority that cover sufficient to protect the authority's financial interest will be provided under those proposed arrangements. The headteacher (or nominated member of staff) shall provide that information to the authority not less than six weeks before the date on which the insurance is due to commence, unless the authority has agreed a shorter period in a particular case. The information required to demonstrate parity of cover will be reasonable and will not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier. The Authority may, where a school proposes to make its own insurance arrangements, also stipulate minimum levels of cover.

11.11 Redundancy / early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. The Authority's policy on redundancy, premature retirement cost and severance payments in schools is attached as Further guidance is provided at -Annex B.

Section 13: Community facilities

13.1 Introduction

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. Firstly, regulations made under s.28 (2), if made, may specify activities which may not be undertaken at all under the main enabling power. ~~Secondly, the school is obliged to consult the authority and have regard to any advice from it.~~ Secondly ~~Thirdly~~, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that guidance.

13.2 Consultation with the authority – financial aspects

Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their authority.

However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make. Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the authority, and have regard to advice given to them by their authority. The procedure for such consultation is set out in the Local Management Handbook.

13.9 Health and safety matters

The general provisions of this scheme in respect of health and safety extend to the community facilities power.

The governing body is responsible for the costs of securing Disclosure and Barring Service ~~(was Criminal Records Bureau)~~ clearance for all adults involved in community activities taking place during the school day. A governing body is free to pass on such costs to a funding partner as part of an agreement with that partner.