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**Meeting:** Schools Forum  
**Date:** 7 March 2011  
**Subject:** Revision to the Scheme for Financing Schools  
**Report of:** Deputy Chief Executive and Director of Children's Services  
**Summary:** To update and make recommendations following the recent consultation on proposed revisions to the Scheme for Financing Schools following revised DfE guidance.

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Contact Officer: Dawn Hill, Technology House, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency  
(if appropriate)

#### **RECOMMENDATIONS:**

- 1. That schools must be allowed to opt out of LA arranged contracts.**
- 2. That all references to FMSiS be removed from the Scheme.**
- 3. That the introduction of procurement cards be postponed and a report on their introduction be brought back to a future meeting of the Schools Forum.**
- 4. That there is no balance control mechanism on schools balances from 2011/12 onwards**
- 5. That the maximum length over which schools may repay a deficit should not exceed three years.**
- 6. To adopt the Department for Education's default position for payment of redundancies and early retirements costs.**
- 7. To note the Scheme has been amended numerically to align with the Department for Education's statutory guidance for LA's.**

#### **Background**

1. The Scheme for Financing Schools sets out the financial relationship between the authority and the maintained schools which it funds. It is based on the legislative provisions in Section 45-53 of the Schools Standards and Framework Act 1998 and the Schools Finance Regulations 2008. It is a requirement to consult with Headteachers & Governors of all maintained schools before proposals to revisions to the Scheme are submitted to the Schools Forum for approval.

2. The DfE published in December 2010 revised guidance on local authority Scheme for Financing Schools. In accordance with the requirement to consult with all Headteachers and Governors of all maintained schools before proposals to revisions are submitted to the Schools Forum for approval, a letter was sent to schools advising them of the proposed revisions.

The main changes included:

- Schools must be allowed to opt out of LA Contracts
- Removal of FMSiS
- Encouragement of use of Procurement cards
- No longer requirement clawback mechanism and LAs should consider relaxing existing mechanism
- Maximum length of deficit 3 years
- Inclusion of guidance relating to how costs of redundancies and early retirements should be funded

The latter item refers to the 2002 Education Act that the cost of redundancies should normally fall to the LA while the cost of premature retirement should normally fall to the school's delegated budget. There can be locally determined exceptions with the School Forum agreement.

The proposed Scheme with tracked changes was made available on the schools website.

3. A consultation took place from 10<sup>th</sup> January to 4<sup>th</sup> February regarding the proposed changes, with a letter being sent to all schools on 10<sup>th</sup> January 2011 and also posted on the Schools website informing them of the proposed change. Responses to the consultation were requested by the 4<sup>th</sup> February. A copy of the letter is attached at Appendix A.

## Update

4. There were eight responses received from 136 Central Bedfordshire schools, A summary of the comments received are shown below:-

- *Schools must be allowed to opt out of LA Contracts*

One school felt it was vital that they are able to obtain best value on all contracts and this could require opting out of LA contracts. However the school felt that the LA should provide guidance on opting out as schools have to be careful that the alternatives offer the same or better than the authority.

- *Removal Of FMSiS*

Schools requested guidelines on what the alternative will be.

- *Procurement Cards*

Schools requested further information but showed their support for the introduction of procurement cards. They felt that ordering on line can achieve value for money. However some Schools felt they needed to know how this would operate before they could comment further.

One School contacted the bank and requested information and application forms in anticipation of the Schools Forum support on this change to the Scheme in order to have it in place as soon as possible.

- *No longer requirement clawback mechanism and LAs should consider relaxing existing mechanism*

Two responses were received regarding the clawback mechanism, schools questioned whether this would mean no 5/8% limits on schools balances or whether there would be a central mechanism by the DfE.

- *Maximum length of Deficits 3 years*

One school felt it could not support this change without the following additional wording being added 'unless circumstances necessitate a longer period'.

## **Recommendations**

5. Schools must be allowed to opt out of LA arranged contracts. The government believes that schools are best placed to make their own purchasing decisions and should not be constrained in their ability to do so. It should be noted that entering into contracts, in most cases is done so on behalf of the authority as maintainer of the school and owner of the funds in the budget share.
6. That all references to FMSiS be removed from the Scheme.
7. That the introduction of procurement cards be postponed until all the potential risks have been identified and evaluated with Internal Audit A report then be brought back to a future meeting of the Schools Forum.
8. That there is no balance control mechanism on schools balances from 2011/12 onwards.
9. That the Scheme be amended to reflect the guidance of the Department for Education's which states that the maximum length over which schools may repay a deficit should not exceed three years.
10. To adopt the Department for Education's default position with regards to how costs of redundancies and early retirements be funded which states that:-

Premature retirement costs must be charged to the schools delegated budget, while redundancy costs must be charged to the LA's budget.

However, redundancy costs will be delegated to a schools budget if:-

- A school acts outside the authorities policy
- The LA believes the redundancy is not necessary
- The redundancy has arisen due to a deficit within the schools control
- The school has excess surplus balance and no agreed plan to use these
- A school has refused to engage with the LA's redeployment policy.

Costs of new early retirements or redundancies may be charged to the central part of the Schools Budget if the LA can demonstrate that the “revenue savings achieved by any termination of employment are equal to or greater than the costs incurred” e.g. School reorganisation involving the closure of a number of schools.

Costs for staff employed under the community facilities power must be met by the governing body, and not from the delegated budget.

That each case will be considered on its own merits in line with Central Bedfordshire’s Protocols

11. The opportunity has been taken to align Central Bedfordshire Council’s Scheme to the DfE published template Scheme for Financing Schools.

The main changes are:

- The Scheme will be published on a website accessible to the general public.
- Removal of the requirement for schools to submit a statement of best Value with their budget plan.
- Updating the definition of eligible expenditure for the “purposes of the school” to include pupils at other maintained schools and community facilities.
- Deletion of paragraph on school meals as its not relevant for a financial scheme.
- Amendment on the section on community facilities to reflect the change in the law enabling schools to spend their delegated budget for this purpose.
- Realign numbering and title of paragraphs.

## **Appendices:**

Appendix A – Consultation letter sent to all schools in January 2011.

**The Headteacher and Chair of Governors of all  
Central Bedfordshire, Nursery, Lower, Middle,  
Upper and Special Schools**

Your ref:

Our ref:

Date:

25<sup>th</sup> January 2010

**Dear Headteacher and Chair of Governors**

**Central Bedfordshire Council's Scheme for Financing Schools**

The Secretary of State for Education in December 2010 issued revised guidance for Local Authorities on their Schemes for Financing Schools, these revisions mean that Central Bedfordshire is now proposing the following changes to their scheme for April 2011:-

1. Section 1.3, Publication of the Scheme : that the scheme and any amendments to it, must be published on a website accessible to the general public. The date on which any amendments take effect must also be published. Therefore no further copies of the scheme will be sent to every Headteacher and governing body.
2. Section 1.4 Revisions of the Scheme : Any revisions to the scheme will only have to be approved by the Schools Forum after consultation with schools rather than the Secretary of State.
3. Section 2.13 Best Value and Appendix C Best Value Statement : Schools are no longer required to submit a 'best value' statement with their budget plan on 31<sup>st</sup> May, and therefore Appendix C is removed.
4. Section 2.21 Application of Contracts to Schools : The removal of the exceptions to requirements that schools must be allowed to opt out of LA contracts.
5. Clarification and updating the definition of eligible expenditure for the "purposes of the school" to include pupils at other maintained schools and community facilities.
6. Removal of the section relating to FMSiS.
7. Encouragement of the use of procurement cards
8. Removal of the requirement for LA's to have a balance control mechanism
9. Amendment to balances of closing schools to reflect the provisions of the Academies Act 2010.
10. Removal of the reference to SSG in relation to licensed deficits.
11. Removal of references to ex GM schools
12. Enabling LA's to charge schools whose withdrawal from a cluster arrangement into which they entered voluntarily results in additional costs to the other schools in the cluster or to the LA.
13. Inclusion of the Environment Agency in the list of regulatory bodies, to reflect their role in the Carbon Reduction Commitment scheme.
14. Deletion of the paragraph 15.7 on school meals.
15. Inclusion of guidance in new Annex relating to how costs of redundancies and early retirements should be funded.

16. Removal of Appendix F, the Schedule of works deemed capital which are LA responsibility.
17. Amendment of section 14, on community facilities to reflect the change in the law enabling schools to spend their delegated budget for this purpose.

If you have any comments regarding these proposed changes, I would be grateful if you could email these to me by 18<sup>th</sup> February in order for your responses to be collated and presented to the next Schools Forum Meeting on 7<sup>th</sup> March 2010. Further details on the scheme changes can be found on the DfE website at:-

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeregulations/a0070286/local-authority-schemes-for-financing-schools>

Yours sincerely

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