



Haringey Council

The Children and Young People's Service

Report to Haringey Schools Forum

**Agenda Item
12**

Report Status

For information/note
For consultation & views
For decision

Report Title: Proposed Changes to the Scheme for Financing Schools

Authors: Neville Murton

Telephone: 020 8489 3176

Email: neville.murton@haringey.gov.uk

Steve Worth

Telephone: 020 8489 3708

Email: stephen.worth@haringey.gov.uk

Purpose: To seek the Forum's agreement to consult with schools on a revised Scheme for Financing Schools.

Recommendations:

- 1. The Forum is asked to agree whether or not a 'Balance Clawback' mechanism should continue to be included in the Haringey Scheme for Financing Schools.**
- 2. The Forum is asked to agree that a consultation on a revised Scheme for Financing Schools be undertaken.**

1. Background and Introduction.

- 1.1. The financial relationship between the Local Authority and schools is governed substantially by the Scheme for Financing Schools.
- 1.2. The Department for Education publishes regulations and guidance covering the form and content of Schemes from time to time. Changes to Schemes for Financing schools must be subject to consultation with all schools and the subsequent approval of the School Forum.

- 1.3. The Haringey Scheme for Financing Schools has remained largely unchanged for a number of years although 'directed revisions' whereby the Secretary of State imposes conditions on Local Authorities Schemes have been reported to the Forum and advise to schools under separate cover (e.g. the cessation of FMSiS).
- 1.4. The Authority has reviewed the current guidance available from the DfE and produced an updated scheme taking into account the various statutory changes to the content of schemes and other changes to update or tidy the Haringey Scheme.

2. Balance Clawback

- 2.1. Within the Haringey Scheme at Paragraph 4.2 is a 'Control on Surplus Balance' provision - a balance clawback mechanism which was previously a **requirement** for all Schemes. Under the current regulations and guidance, inclusion of such a mechanism is now no longer mandatory but can still be included if the School Forum wishes; see Appendix A item (i).
- 2.2. Previously schools in Haringey have had resources removed under this provision and these, included the proposed usage, have been reported to the Forum. The mechanism does allow for committed sums to be retained where the intention to do so and to use in future for the benefit of pupils can be clearly demonstrated through governing body minutes.
- 2.3. The Forum is asked to consider whether or not it wishes to include a balance clawback mechanism in the Haringey Scheme.

3. Scheme Changes

- 3.1. Appendix A summarises the areas where significant changes to Schemes are necessary following the School Finance regulations 2011 and the subsequent guidance on Schemes for Financing Schools.
- 3.2. The opportunity has also been taken to amend minor issues within the Scheme to reflect the Haringey position e.g. the substitution of references to the Director of Resources with the Chief Financial Officer.
- 3.3. A proposed Scheme for consultation is attached to this report.

4. Recommendations

- 4.1. The Forum is asked to decide whether or not to include a balance control mechanism in the Haringey Scheme for Financing Schools.
- 4.2. The Forum are asked to agree to consult with all schools on a revised scheme based on the draft attached; updated as necessary to reflect the Forum's view on a balance clawback mechanism.

SUMMARY OF SCHEME CHANGES

This note outlines and explains the changes to the DfE guidance on local authority schemes for financing schools, effective from 1 April 2011.

The changes are set out below:

New - List of matters which must be contained within schemes, as set out in the draft School Finance Regulations 2011.

(a) Confirmation 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. Annex A is also amended.

(b) Approval of schemes – removal of reference to the Secretary of State and inclusion of schools forum role.

(c) Removal of the requirement 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 that this can be demonstrated in other ways than a written statement

(d) Removal of exceptions to requirement that schools must be allowed to opt out of LA 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.

(e) Clarification and updating definition of eligible expenditure for the “purposes of the school” to include pupils at other maintained schools and community facilities.

(f) Removal of the section relating to the Financial Management Standard in Schools (FMSiS).

(g) Removing the requirement for there to be at least ten banks on the approved list for school bank accounts and replacing this with a requirement to be consistent with the LA’s Treasury Management policy, given the turbulence in the banking system in the last couple of years.

(h) Encouragement of the use of procurement cards as these reduce transaction costs and can enable schools to benefit from significant discounts.

(i) It will no longer be a requirement for schemes to have a balance control mechanism. The revised paragraph reads:

“The scheme may contain a mechanism to clawback excess surplus balances. Any mechanism should have regard to the principle that schools

should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy. The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area.”

LAs should, therefore, consider removing or relaxing their existing mechanism.

(j) Amendment to balances of closing schools to reflect the provisions of the Academies Act 2010.

(k) Removal of reference to School Standards Grant in relation to licensed deficits

(l) Removal of references to ex GM schools.

(m) Enabling LAs 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; this is to remove disincentives to the employment of shared staff in clusters and partnerships. At present schools can agree to share the cost of a member of staff for, say, three years but one school can then withdraw without notice putting extra costs on the school actually employing the member of staff.

(n) Inclusion of the Environment Agency in the list of regulatory bodies, to reflect their role in the Carbon Reduction Commitment scheme. This would enable LAs to pass through to schools any costs arising from non-compliance with the scheme.

(o) Strengthened wording on Chief Finance Officer’s right to attend relevant governing body meetings – schemes “should” not “may” permit this right.

(p) Deletion of paragraph on school meals – not relevant to a financial scheme.

(q) Inclusion of guidance in new Annex relating to how costs of redundancies and early retirements should be funded; this information is frequently requested and will be increasingly relevant in a tighter financial settlement. The 2002 Education Act states that the cost of redundancies should normally fall to the local authority while the cost of premature retirements should normally fall to the school’s delegated budget. There can, however, be locally determined exceptions to these, and it is also the case that costs can be charged to the central part of the schools budget if there are resultant savings to the schools budget and the schools forum agree. It is important that any exceptions to the norm are clearly defined by LAs and discussed with schools forums.

(r) Removal of Annex B outlining the recommended respective responsibilities of schools and LAs in relation to maintenance, which was useful when these budgets were first delegated but is less relevant now.

(s) Amendment of the section on community facilities to reflect the change in the law enabling schools to spend their delegated budget for this purpose.