



**Haringey** Council

**The Children and Young People's Service**

**Report to Haringey Schools Forum – Thursday 28<sup>th</sup> February 2013**

**Agenda Item  
8**

**Report Status**

For information/note   
For consultation & views   
For decision

**Report Title: The School and Early Years Finance Regulations 2012.**

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**Purpose:**

1. To inform members of the publication of the School and Early Years Finance Regulations 2012 and to highlight the main changes being introduced for the 2013-14 financial year.
2. To inform members of proposed changes to Haringey's Scheme for Financing Schools following consultation.

**Recommendations:** That members note the School and Early Years Finance Regulations 2012 and approve the changes to the Scheme set out in Section 5.

## **1. Background and Introduction.**

- 1.1. The School and Early Years Finance Regulations are made under the School Standards and Framework Act 1998. They:
  - Define the local authority education budgets (the non-schools education budget, the schools budget the central expenditure and the individual schools budget);
  - Set out how local authorities are to allocate funding from the Individual Schools Budget (ISB) to maintained schools and private, voluntary and independent providers of free early years provision (relevant early years providers) through a locally determined formula.
  - Require Local Authorities (LAs) to maintain a local Scheme for Financing Schools.
- 1.2. Associated with the Regulations are changes to the Conditions of Grant for the Dedicated Schools Grant (DSG).
- 1.3. The full Regulations can be found at:  
<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeregulations/a00218106/school-and-early-years-finance-regulations>  
and the main changes being introduced for 2013-14 are set out in the following sections.

## **2. DSG Conditions of Grant.**

- 2.1. From April 2013 academies will be funded using the Local Authority's (LAs) formula for the current financial year. There will be a single formula for both maintained schools and academies and the circumstances of local academies as well as maintained schools must be taken into account in setting the formula. Centrally retained funding must be used for the benefit of both maintained schools and academies except where the funding has been de-delegated by maintained schools.
- 2.2. The conditions of grant also require that arrangements to commission services for high needs pupils treat all providers on a fair and equivalent basis. This means, for example, that LAs cannot favour provision in maintained special schools over provision in special academies or in non-maintained special schools. However, a Minimum Funding Guarantee (MFG) will apply to placements in maintained or formerly maintained special schools for 2013-14 and placements in existence at 1 April 2013 will continue.

## **3. The School and Early Years Finance Regulations 2012.**

- 3.1. The 2012 regulations apply to the 2013-14 financial year and incorporate the significant changes being introduced from April 2013. The main changes to note are set out below.

### 3.2. Changes in Definitions.

- 3.2.1. The definition of contingencies, retained by de-delegation, will be limited to purposes for which it would be unreasonable to expect governing bodies to meet from their budget share. This includes financial difficulty, deficits arising from closing schools and costs associated with new, amalgamating or closing schools.
- 3.2.2. The definition of hospital education is limited to that provision, required by medical needs and usually on a temporary basis.
- 3.2.3. References to governing bodies will include the PSCs management committees.
- 3.3. The Regulations will provide for maintained primary and secondary forum members to approve the de-delegation of specific services for their phase of maintained schools. The items that can be de-delegated are set out in Part 5 of Schedule 2 to the Regulations.
- 3.4. The Regulations bring the date by which LAs must set their Schools Budgets from 31<sup>st</sup> March to 15<sup>th</sup> March. The date for budgets issued under the Early Years Single Funding Formula (EYSFF) remains the 31<sup>st</sup> March. Governing bodies and management committees of maintained schools and PSCs must be notified of their budget shares by 31<sup>st</sup> March.
- 3.5. The Schools Budget is being extended to include expenditure on further education for those aged under 19 with learning difficulties and those aged 19 to 25 with a learning difficulty assessment.

The Regulations require that the local forum's approval must be sought for central school and early years block items; Schedule 2 to the Regulations define and limit these items.

- 3.6. The Regulations enable LAs to seek the permission of the Secretary of State to approve other central schools budget expenditure or to authorise retention disallowed by the local forum or for variations to the regulations.
- 3.7. The amount and criteria for use of any contingency set aside to fund pupil growth and expanding schools must be agreed by the local forum. The forum must be consulted before any allocations can be made from the fund.
- 3.8. The Regulations extend the legal requirement to consult on changes to the local schools funding formula to all schools and on the EYSFF to all early years providers. Previously the only legal requirement was consultation with the local forum. Conversely, the Regulations remove the requirement to consult with all schools on changes to the local scheme for financing schools, from 1 January it will only be necessary to consult the local forum.

- 3.9. LAs will be required to identify the notional SEN budget within each mainstream school's budget share. This will normally be derived from allocations for eligibility for free school meals, from Income Deprivation Affecting Children Index (IDACI) allocations and from prior attainment allocations, although other factors are allowed. A school will in future be expected to fund the first £6,000 of the additional costs of a statement of special educational needs from its budget share. The Regulations also set out how the mandatory deprivation factors in the schools and EYSFF may be calculated. It will not be necessary to have a deprivation factor for two year olds.
- 3.10. The Regulations set out the arrangements for the use of pupil numbers, including the ability to use a reception uplift.
- 3.11. The Regulations set out the requirement to fund special schools and units and the PSC for an agreed number of places at a rate of £10,000 in the first two settings and £8,000 in the latter. They also set out the difference in funding for sixth form special places between the 2012-13 and 2013-14 academic years.
- 3.12. The Regulations allow for the rules on place led funding in early years to be temporarily relaxed to allow for the building of capacity in providing for two year olds. The Regulations set out the factors that can be used in early years funding but also allow the use of factors from the schools funding formula.
- 3.13. The Regulations set out the factors that can be used in funding formulas, including a factor for sixth form pupils where they have previously been funded from the DSG, the requirement and methodology for the Minimum Funding Guarantee (MFG), including an MFG on the basic hourly rate for the EYSFF and the power to cap and scale back gainers under the new formula.
- 3.14. LAs will be able to issue a single budget share for federated schools but these must be the sum of the individual school budget shares.
- 3.15. The Regulations continue the requirement to adjust school budget shares for the movement of permanently excluded pupils. The movement of funds will be equivalent to those attributable to a registered pupil of the same age and personal circumstances as the excluded pupil as calculated using the new funding formula. The appropriate amount of any Pupil Premium will also transfer and an excluding school's budget must also be reduced by the amount of any financial adjustment order.
- 3.16. Any redetermination of budgets due to errors will take effect in the following funding period.
- 3.17. The Schedules to the Regulations set out in detail the elements and factors covered by the regulations. The Schedules are:

- Schedule 1. Sets out the education services found outside the Schools Budget. These are funded from core LA funds and not the DSG.
- Schedule 2 is formed of five parts; the four requiring local forum approval are set out in 3.3 and 3.6. The remaining part, number 4, details top-up provision for pupils and students with high needs; the Special Educational Needs (SEN) contingency to support schools in meeting the first £6,000 of the additional cost of a statement; centrally retained early years SEN funding; SEN support and integration services; additional support for alternative provision: SEN placement costs in PVI settings.
- Schedule 3 sets out the formula factors that can be used and have previously been reported to Forum.
- Schedule 4 sets out the MFG calculation.
- Schedule 5 sets out the items that must be included in a LAs Scheme for Financing Schools, see Section 4.

#### 4. Haringey Scheme for Financing Schools.

4.1. This was reported to Forum on 12<sup>th</sup> July 2012. The changes set out in 3.9 remove the need to consult with schools; however we have consulted with schools and received one response covering two schools. The main points raised by the response are summarised in the table together with our response. Minor points such as typing errors have been amended and are not included below.

Section	Comment	LA Response
General	There is an erratic overlap with schools finance regulations and this can cause difficulties and possible ambiguities.	The Scheme and its general contents are a statutory requirement. When making future changes we will look to reduce duplication as far as possible within the legal constraints.
2.2 Financial controls	There is no mention of the Schools Financial Value Standards (SFVS).	We propose the insertion of a new section (see below). This is a directed change from the Secretary of State.
2.2.7 Budget virements	The requirement to submit information on all virements has no value as a generality but may be useful in some circumstances proposal to submit 'may be required' for 'are required'.	Agreed.
2.3.3 Teachers pensions	Need to refer to recent pension regulations.	This section is about the requirement on governing bodies to provide the LA with the information necessary to discharge its duty to the

		Teachers Pension Agency. We expect the DfE to provide directed changes in relation to other pension requirements.
2.20.2 Seeking LA advice on capital schemes.	The figure at which schools should seek advice (£15,000) needs revising.	This is the minimum stipulated by the DfE, but we are allowed to specify some higher sum. We will review this figure for possible revision upwards in future amendments to the Scheme.
3.2.4 Payment of budget shares through cash-flow.	This is not specific about the payment of other grants and allocations.	There are now far fewer grant payments and those that remain may have specific requirements about the timing of payments to schools. Where that is not the case we would pay in monthly instalments.
3.6.1 Restrictions on bank accounts	What is the legal basis for this restriction given that the LAs approved contractor system does not apply to schools? What is the criteria for not approving banking organisations not on the list.	<p>A model Scheme for Financing Schools is issued by the DfE in the Schools and Early Years Finance Regulations under the School Standards and Framework Act 1998. The DfE requires a LA to have the following in its Scheme.</p> <p>3.5.1 Restrictions on accounts</p> <p>The scheme should specify which banks or building societies accounts may be held with for the purpose of receiving budget share payments. <u>The approved list should be consistent with the authority's Treasury Management policy.</u></p> <p>The list in the proposed Scheme are those approved in Haringey's Treasury Management policy.</p>
5.5 Income from the sale of assets.	The term non-delegated funds is ambiguous.	This section is taken directly from the DfE's model Scheme. In future revisions of the Scheme we will review

		this to see if we can provide greater clarity.
6.2 Circumstances in which charges can be made to a schools budget share.	The comment in one section that the charge to be the minimum needed to meet the cost of the authority's compliance with its statutory obligations should be generally applied.	This section complies with the DfE's model scheme.
9.1.2 PFI	Why does this section refer to PFI/PPP schemes – it also applies to schemes such as BSF arrangements? In practice costs were invoiced not top sliced so is this true.	This section complies with the DfE's model scheme, which does not mention BSF. In practice in Haringey this was invoiced rather than deducted but the effect was the same.
11.11.1	In requiring staff to be released to attend child protection meetings - there needs to be a reasonably in this sentence – schools cannot release staff at the drop of a hat.	It is hoped that those calling meetings would seek to be reasonable; however, given the seriousness of this issue the requirement to release staff should not be compromised.

<p>11.12 Fees to be Deducted from Teachers' Salaries and Remitted to the General Teaching Council for England</p>	<p>No longer exists.</p>	<p>Agreed, there has been a directed revision from the DfE that this requirement should be deleted from schemes. We will therefore remove this section.</p>
<p>11.13.2 Responsibility for Redundancy and Early Requirement Costs.</p>	<p>There are many occasions when schools may have staff surplus to requirements or wishes to dismiss staff for quality reasons without having an overall budget problem. Clearly the La does not want to have an open door to easy ways out for schools but this runs the risk of giving the LA an oppositional role to change for quality or good management. It should be rethought to give more flexibility and partnership between the authority and its schools.</p>	<p>This complies with the DfE's model scheme. Where a governing body is making decisions in pursuit of quality or good management and is not in a deficit situation it does not seem unreasonable that it takes account of the associated costs. The Scheme does not preclude charging these costs centrally but states that it will consult with the school in these circumstances.</p>
<p>11.15 Legal Costs</p>	<p>'School budgets will be charged with legal costs unless the governing body has acted on the advice of Haringey Council.' This is not what the law says - there needs to be an unreasonably in here somewhere - the LA does not have a monopoly on wisdom</p>	<p>The DfE's model scheme states that charges may be made to a '..school's budget share unless the governing body acts in accordance with the advice of the authority.' However in law there would be a presumption that an authority had acted reasonably and could be challenged if it had not.</p>

## 5. Proposed Amendments to the Draft Scheme.

- 5.1. Delete 11.2 Fees Deducted from Teachers Salaries and remitted to the GTC.



5.2. Insert the following directed revisions:

## **Section 2.**

### **Schools Financial Values Standard (SFVS)**

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.

In addition we wish to add the following directed revisions to the Scheme.

### **Efficiency and value for money**

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.

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

### **Fraud**

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.

## **Section 12**

### **Community Facilities.**

12.1.3 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.*

*(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.*