DfE – Issued December 2010
Scheme for Financing Schools

SUMMARY OF SCHEME CHANGES 2011/12

This note outlines and explains the changes to the DfE guidance on local authority schemes for financing schools, effective from 1 April 2011. Updated detailed guidance is now available on the DfE website at:

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

Changes from the previous version, published in October 2006, are underlined within the detailed guidance. In making any changes to their schemes, local authorities must consult all schools in their area and receive the approval of their schools forum.

The changes are set out below. References are to the section number in the previous guidance.

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

1.3 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.

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

2.4 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

2.11 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.

2.13 Clarification and updating definition of eligible expenditure for the "purposes of the school" to include pupils at other maintained schools and community facilities.

2.15 Removal of the section relating to the Financial Management Standard in Schools (FMSiS). The Secretary of State announced on 15 November 2010 that the Financial Management Standard for Schools (FMSiS) would no longer be a requirement, and would be replaced by a new simpler standard during 2011. A directed revision to schemes requiring schools to meet FMSiS was introduced in 2007. Local authorities should no longer enforce this requirement. The Department will consult in the proposed replacement early in 2011.

3.5.1 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.

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

4.2 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 with effect from 1st April 2011.

4.8 Amendment to balances of closing schools to reflect the provisions of the Academies Act 2010.

4.9 Removal of reference to School Standards Grant in relation to licensed deficits

4.11/12 Removal of references to ex GM schools.

6.2 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.

6.2.8 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.

11.6 Strengthened wording on Chief Finance Officer's right to attend relevant governing body meetings – schemes "should" not "may" permit this right.

11.13 Deletion of paragraph on school meals – not relevant to a financial scheme.

11. 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.

13. 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.

14. Amendment of the section on community facilities to reflect the change in the law enabling schools to spend their delegated budget for this purpose. This takes effect from April 2011.