

## REPORT OF THE CHIEF EXECUTIVE OF EDUCATION LEEDS

**EXECUTIVE BOARD: 14 March 2007**

**SUBJECT: Changes to the Leeds Scheme for Financing Schools**

### EXECUTIVE SUMMARY

<b>1</b>	<b>Purpose of the Report</b>
<b>1.1</b>	This report is to inform Members of the statutory amendments to the scheme for financing schools required by the Secretary of State, and to request support for a local scheme amendment to protect the financial interest of the City Council
<b>2.</b>	<b>Background</b>
<b>2.1</b>	The Scheme for Financing Schools lays out the basic requirements which schools and the local authority must follow in the exercise of local financial management. The scheme must follow a statutory framework provided by the Secretary of State.
<b>2.2</b>	Whilst certain wording and arrangements within the scheme are statutory, many provisions are for local determination. However, all amendments to the scheme currently require approval by the Secretary of State.
<b>2.3</b>	The Secretary of State has published a number of statutory amendments that must be incorporated into the Leeds Scheme for 2007/08.
<b>2.4</b>	In addition, the DfES has confirmed that Local Authorities may introduce provision within the scheme in order to protect the financial interest of the Authority where a Governing Body accumulates losses on Community facilities.
<b>3.</b>	<b>Recommendations</b>
<b>3.1</b>	Executive is asked to: <ul style="list-style-type: none"> <li>1. Note the changes required by the Secretary of State and a proposed local amendment to determine the action that a governing body must take where it accumulates losses on Community facilities</li> </ul>



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**Electoral wards Affected:**

**ALL**

**Specific Implications For:**

Equality & Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call-in

Not Eligible for Call-in  
(Details contained in the Report)

**1.0 PURPOSE OF THE REPORT**

1.1 To inform members of the Executive Board of the statutory amendments to the scheme for financing schools required by the Secretary of State, and to request support for a local scheme amendment to protect the financial interest of the City Council.

**2.0 BACKGROUND INFORMATION**

2.1 The Leeds Scheme for Financing Schools is a statutory document made by Leeds City Council in accordance with Section 48 of the Schools Standards and Framework Act 1998. The scheme sets out the financial framework within which schools operate local management, and must follow statutory guidance as issued by the Secretary of State for Education. Any changes to the scheme not required through statutory guidance must be approved by the Secretary of State following consultation with schools.

**3.0 MAIN ISSUES**

3.1 **Changes required through Statutory Guidance**  
New statutory guidance has been produced by the DfES. The Secretary of State

requires that Schemes are amended to include sections concerning the following issues:

Control of Surplus Balances  
Multi- Year Budget Forecasts  
Financial management Standard in Schools  
Notice of Concern

The Leeds Scheme already includes provision that covers the control of school balances. Draft Scheme amendments following the statutory guidance issued are shown at Appendix A

### 3.2 **Proposed locally determined change**

#### **Funding of Deficits on Community Facilities**

Section 27 of the Education Act 2002 gave governing bodies of schools the power to provide any facilities or services whose provision furthers any charitable purpose for the benefit of-

- (a) pupils at the school or their families, or
- (b) people who live or work in the locality in which the school is situated.

When exercising this power governing bodies must maintain separate financial accounts.

Where a governing body runs a Community Facility any debt becomes a debt of the governing body. If the debt is not paid off by the governing body it would ultimately become the responsibility of the City Council.

Up until April 2006 schools were not allowed to support the running of any activities provided under these powers from delegated funding. As from April 2006 the DfES has removed this restriction, and governing bodies can support the provision of Community Facilities using the School Standards Grant.

In order to ensure that any operating deficits are covered it is proposed to include the following requirement in the Scheme for Financing Schools.

#### 3.2.1 **14.8 Treatment of deficits**

Where a deficit cannot be charged against any accumulated surplus the City Council has the right to require a school to make a charge against its School Standards Grant, or other funding that may be applied to support Community Facilities, to meet the accumulated deficit. This right will not be applied automatically where an activity shows an accumulated deficit but would be applied following consideration of individual circumstances.

This right will not be exercised where the school can provide a working business plan showing that the deficit will be cleared within a two year period

### 3.3

A document was issued to Schools in January consulting on the proposed amendment following support from the Leeds Schools Forum. From the consultation with schools 23 responses were received to this particular proposal, with 20 (87%) supporting the proposal, 2 (7%) disagreeing with the proposal and 1 (4%) uncertain.

#### **4.0 IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE**

There are no implications for Council Policy and Governance. The Leeds Scheme for Financing Schools is the statutory document governing the framework within which schools can exercise local management in Leeds, and is the means by which the financial interest of the City Council is protected.

#### **5.0 LEGAL AND RESOURCE IMPLICATIONS**

There are no Legal and Resource implications expected.

#### **6.0 CONCLUSIONS**

The proposed local change to the scheme has support from a significant majority of the schools that responded to consultation, and will protect the central resources of the City Council.

#### **7.0 RECOMMENDATIONS**

7.1 The Executive Board is asked to:

1. note the Statutory Scheme Changes required by the Secretary of State.
- 2 support the proposed local scheme change under 3.2.1 above
- 3 note that the Secretary of State is requested to approve the revised Leeds Scheme for Financing Schools incorporating the amendments.

## Directed Scheme Amendments

### 2.3.1 Submission of Financial Forecasts

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

Such a forecast may be used as evidence to support the LA's responsibility for declaring schools' adherence to the Financial Management Standard in Schools and/or used in support of the LA's balance control mechanism.

### 2.15 Financial Management Standard

All maintained schools must demonstrate compliance with the DfES' Financial Management Standard in Schools in line with the timetable determined by the authority, and at any time thereafter.

The authority may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment. External assessment must be carried out by the authority or by a third party that has been approved to carry out such assessment by either the DfES or the local authority.

The costs of such external assessment must be met from school budget shares. The Financial Management Standard & Toolkit (FMS&T) was developed and released to schools as a self-management package in June 2004. The standard and toolkit is available at:

[http://www.ipfbenchmarking.net/consultancy\\_dfes\\_update/](http://www.ipfbenchmarking.net/consultancy_dfes_update/)

It is for the local authority to decide how compliance is delivered. The evidence to support the declaration is a matter for the CFO's judgement - it need not rely on formal FMSiS assessment of every individual school.

This provision is designed to assist local authorities in getting compliance with FMSiS, by allowing them to impose a requirement on schools to demonstrate achievement of and maintain the FMSiS, and to declare external assessment of the standard compulsory for their schools.

### 2.16 Notice of concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Chief Education Officer/Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;
- insisting on regular financial monitoring meetings at the school attended by local authority officers;
- requiring a governing body to buy into a local authority's financial management systems; and
- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.