

**Dudley Metropolitan Borough Council**

**Schools Forum 12 December 2006**

**Report of the Director of Children's Services**

**Dudley Scheme for Financing Schools 2007**

**Purpose of Report**

1. To advise Schools Forum of the proposed amendments to the Scheme of Financing for Schools and the issue of the proposed scheme as a consultation document.

**Discussed at HTCF – BWG**

2. Yes.

**Actions for Schools Forum**

3. To note and comment on the consultation document, in due course, as required.

**Attachments to Report**

4. Proposed amendments to the Scheme of Financing for Schools; as shown in *italic font*.
5. DfES recommended changes to the Controls on Surplus Balances.

Karen Cocker

Children's Services Finance Manager

November 2006

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**Purpose of Report**

1. To advise Schools Forum of the proposed amendments to the Scheme of Financing for Schools and the issue of the proposed scheme as a consultation document.
2. All proposed amendments are shown in Appendix 1 in *italic font*.

**Background**

3. Under section 48 of the Schools Standards and Framework Act 1998 all local authorities are required to establish and maintain a scheme for financing schools setting out the relationship between the local authority and the schools it maintains.
4. The Schools Finance Regulations 2006, schedule 6, lists the issues that all schemes should address. The DfES provides guidance to local authorities on the more detailed content of their schemes. This guidance is revised from time to time to reflect changes and amendments to legislation and policy.
5. The latest revisions to the DfES guidance regarding each local authority's Scheme for Financing Schools include the following:
6. Financial Management Standard  
The scheme must include a provision that imposes a requirement on schools to demonstrate achievement of the Financial Management Standard.  
See paragraph 2.15 - extract in Appendix 1
7. Borrowing by Schools  
Regulation 1 of The School Finance (England) Regulations 2006 support new powers of Schools Forums in respect of prudential borrowing. It is important to note that any expenditure retained under paragraph 35 of schedule 2 must conform to the definition set out in regulation 1 and cannot be taken to refer to expenditure whose scope is wider than that set out in the definition.  
See paragraph 3.6 - extract in Appendix 1

8. Controls on surplus balances

The scheme must include a provision that allows an authority to place a control mechanism on surplus balances.

Dudley has taken the opportunity to enhance section 4.2.2 : Controls on surplus balances; extract in Appendix 1. Dudley's proposals are more detailed and explicit than the guidance issued by the DfES (Appendix 2). Their guidance recommends that the LA should only retain those balances that are unassigned and then, only those above 5% of the current year's budget share for secondary and 8% for primary and special schools. The Director of Children's Services is of the view that the DfES recommended guidance does not allow sufficient authority to control schools surplus balances in Dudley and therefore a local solution is proposed.

9. VAT

The guidance has been updated to current legislation.  
See paragraph 7.1 - extract in Appendix 1

10. 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 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.

See paragraph 11.14 - extract in Appendix 1

11. It is proposed that the amendments detailed in paragraphs 6 – 10 will be included in the revised Dudley Scheme of Financing for Schools; this will be issued as a consultation document shortly. There will be an opportunity for Budget Working Group to discuss the issues further at the meeting of the 10<sup>th</sup> January 2007. It is envisaged that the consultation period will close in mid January 2007. A final report will be issued to Schools Forum on 6 February 2007 for approval.

12. The Scheme has to be finally approved by the DfES once the consultation period has closed. The Council has already sought preliminary advice from the DfES in relation to the proposed amendment to the Control on Surplus Balances. The DfES has asked that we present their recommended guidance (Appendix 2) to Schools Forum, along with the local solution (paragraph 4.2.2 of Appendix 1), in order that Schools Forum can make an informed judgement. If Schools Forum approve the changes to the Scheme then the DfES will also approve.

## **Finance**

13. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2006. Schedule 6 lists the issues to be addressed with a local authority's Scheme of Financing for Schools.
14. From 1<sup>st</sup> April 2006, the Schools Budget is funded by a direct DfES grant: Dedicated School Grant (DSG).

## **Law**

15. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

## **Equality Impact**

16. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

## **Recommendation**

17. That Schools Forum note the issue of the revised Scheme of Financing for Schools in Dudley. Any responses and comments can be made through the formal consultation process outlined in the document. The consultation period closes in mid January 2007.



**John Freeman**

**Director of Children's Services**

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