

Schools Forum

7 July 2015

Scheme for Financing Schools - DfE proposed directed revisions

1. Purpose of report

- 1.1 To inform Forum members of the directed revisions to the Scheme for Financing Schools proposed by the DfE.

2. Recommendations

- 2.1 To note the proposed revisions and the requirements they place on governors and schools.

2. Background

- 2.1 Local authorities are required to publish Schemes for financing schools, setting out the financial relationship between them and the schools they maintain.
- 2.2 The Scheme puts in place requirements relating to financial management and associated issues which are binding on both the authority and on schools.
- 2.3 The scheme applies to all community, nursery, special, voluntary, foundation (including trust) and foundation special schools and pupil referral units maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. The scheme does not apply to Academies.

3. Proposal

- 3.1 The DfE are considering two directed revisions to the scheme for financing schools and have sought the views of local authorities.
- 3.2 The first relates to the business interests of governors of maintained schools. The DfE feel there should be greater visibility around the individuals involved in maintained school governance.
- 3.3 Their proposal is to introduce a directed revision to the Scheme for Financing Schools which strengthens the requirement for maintained schools to maintain a register of interests, and introduces a requirement to publish it.
- 3.4 The rationale for the change being that Governors hold an important public office and it is important that they are known to their school and wider communities. The Governors' Handbook currently recommends that governing bodies publish the names of their governors, their category and terms of office, and any committees they sit on and the DfE are planning to formalise this good practice through an amendment to the statutory guidance on the Constitution Regulations.

- 3.5 Under the Local Authority's Scheme for Financing Schools, governing bodies should already be maintaining a register of interests. For academies, the latest edition of the Academies Financial Handbook requires them to publish the register. In the interests of transparency the DfE feel that the requirement should also apply to maintained schools.
- 3.6 In terms of scope, the DfE propose that the register should set out the relevant business interests of governors and details of any other educational establishments that they govern. The register should also set out any relationships between school staff and members of the governing body such as spouses or relatives. The DfE have indicated that guidance will be provided.
- 3.7 The proposed new text for section 2.9 of the model Scheme is given below, with changes highlighted, if not already in place:

“2.9 Register of business interests.

The scheme **must** contain a provision which requires the governing body of each maintained school to have a register which lists for each member of the governing body and the head teacher:

- Any business interests that they or any member of their immediate family have;
- **Details of any other educational establishments that they govern;**
- **Any relationships between school staff and members of the governing body;**
- To keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the authority, **and to publish the register, for example on a publicly accessible website.**

The authority may issue more detailed guidance on the maintenance of such a register.”

- 3.8 The second revision being considered is a directed revision to clarify borrowing powers for schools and to align DfE advice to maintained schools with that already available to academies. The DfE are proposing the following amendment to section 3.6 of the Scheme, which would then read as follows:

“3.6 Borrowing by schools

The scheme should contain a provision reminding schools that governing bodies may borrow money (**which includes the use of finance leases**) only with the written permission of the Secretary of State. **The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in**

order to meet broader policy objectives. The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

The Scheme may explicitly bar schools from using credit **cards and overdrafts**, which are regarded as borrowing. However, they should encourage the use of procurement cards by schools, as these cards can be a useful means of facilitating electronic purchase.

The restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the authority when repaying loans.”

- 3.9 The decision on the revisions is expected in autumn term at which point the Walsall Scheme for Financing Schools will be amended where necessary.

4. Financial implications/Value for Money

- 4.1 There are no direct financial implications associated with scheme revisions.

5. Legal Implications

- 5.1 Should the proposed revisions be agreed by the DfE an updated document regarding the Scheme for Financing Schools in Walsall will be published to incorporate these changes and will be shared with schools.

6. School Improvement

- 6.1 No issues directly arising from this report.

7. Members eligible to vote

- 7.1 This item provides an update on the financial position and no vote is required.

