

AGENDA MANAGEMENT SHEET

Name of Committee

The Cabinet

Date of Committee

8 September 2005

Report Title

School Funding Consultation – An update

Summary

The report summarises action taken since the last report to Cabinet on 26th May 2005 on school funding and also highlights some new issues arising from the DfES's second consultation document on School Funding Arrangements from 2006/07. The report also outlines a suggested framework for a response to the second consultation.

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Would the recommended decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]

No

Background papers

- Consultation on New School Funding Arrangements from 2006/07 (*DfES, 2005*)
- New School Funding Arrangements from April 2006 – Explanatory Note for Local Authorities (*DfES, 26.07.05*)
- Consultation on a Modified Method of Distributing the Dedicated Schools Grant in 2006/07 and 2007/08 (*letter from Stephen Crown, DfES, 05.08.05*)
- Cabinet report 26.05.05 "School Funding Consultation"
- School Funding Consultation file

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees

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The Cabinet – 8 September 2005

School Funding Consultation – An update

Joint Report of the County Education Officer and County Treasurer

Recommendations:

That Cabinet:

- note the success of the lobbying campaign on the Dedicated Schools Grant
- approve a framework for responding to the DfES second consultation on the School Funding Arrangements (as outlined in section 7 of the Joint Report).

1. Background

- 1.1 The Department for Education and Skills (DfES) produced a consultation document on future school funding arrangements in February 2005. Cabinet approved a response to the consultation in May. Following this the Authority lobbied Government on behalf of its schools and education services, including a number of local and national press briefings, correspondence with Members of Parliament, discussions with Civil Servants and a petition delivered to the Education Minister.
- 1.2 In late July the DfES issued a second consultation document on school funding. This included a proposal to modify the distribution of Dedicated Schools Grant in order to address issues raised by Warwickshire and other authorities. This second consultation also raises a series of new issues. The purpose of this report is to:
 - Outline the success of the lobbying so far
 - Analyse the impact of the DfES's new proposals
 - Suggest a framework for responding to the DfES.
- 1.3 This second DfES consultation covers the following areas and this report is organised along the same areas:
 - The Dedicated Schools Grant – Modified methodology
 - The Dedicated Schools Grant – Other aspects

- New controls over the Individual Schools Budget and Local Schools Formula
- Functions of the Schools Forum
- New Arrangements for Financial Management.

1.4 The consultation document covers a wide variety of issues. These are explored in more detail in **Appendix A**.

2. Dedicated Schools Grant – Modified methodology

2.1 In the original consultation Ministers were minded to converge authorities' actual spending on schools with the Schools Formula Spending Share (FSS). This would have resulted in schools in Warwickshire getting below average increases in government grant funding. The DfES did not produce any figures showing the shift in resources between authorities, but it was independently estimated that this would cost Warwickshire schools at least £4.7 million. This represented the difference between the DfES assessment of the need to spend on schools and the County's actual topping-up of funding for schools from local taxation.

2.2 Ministers are now consulting on a modified method for distributing the Dedicated Schools Grant (DSG). All authorities would receive the same minimum increase per pupil and any remaining national funding would then be distributed according to other formula based criteria, to be determined by the Minister. This would ensure that the current differential between actual local spend and the DfES assessment would remain, maintaining the £4.7 million differential.

2.3 It is clearly better for Warwickshire schools to receive at least the same *average* increase per pupil, rather than the *minimum* increase, as was previously proposed. The extensive lobbying has clearly had an impact on DfES thinking. The Authority should support this new proposal from the DfES. However, at best this only preserves the status quo. For Warwickshire schools to gain in real terms they need to gain a share of any remaining funding. The criteria and methodology for this distribution are not yet known. The DfES are asking for comments on this proposal.

2.4 The proposed redistribution of DSG is clearly good news for Warwickshire schools. However, there is a wider issue about the distributional impact of the DSG on the general grant to authorities that supports all other services. The precise mechanism to be adopted by the Office of the Deputy Prime Minister (ODPM) and DfES to withdraw the funding for the DSG from the overall local government finance system remains uncertain, but could have a considerable impact on other services and tax levels. The ODPM have recently published a consultation paper on Local Government Finance Formula Grant Distribution. This will be the subject of a report to the next Cabinet.

3. Dedicated Schools Grant – Other aspects

- 3.1 The DfES intend to continue with the restrictions on central education spending. This states that central spending cannot rise at a rate higher than school budgets increase. There are good reasons why central spending may rise at a different rate (for example, as a result of increased demand and costs of pupils with special needs). Therefore, it is disappointing that this control remains. The Authority can seek exemption from it from the Schools Forum. There is a further complication that the central budget needs to be set over two years. This will create a challenge for special needs and early years services, which are essentially demand-led. Again any deviation from this needs to be approved by the Schools Forum. There is a real danger here that excessive bureaucracy is being layered on top of the existing county budget setting process.
- 3.2 The DfES state “the extent to which local authorities add resources and the purpose to which they are put (retained or delegated) is clearly a matter for local authorities”. However, they also state “where any addition to the Schools Budget for either year is planned and notified prior to the start of 2006/07, local authorities should not remove or reduce such resources during the two year period”. It appears that the DfES also now wish to set local tax levels. The decision to add to the Dedicated Schools Budget remains entirely at the discretion of the local authority and there may be perfectly legitimate reasons for subsequently changing medium-term plans to fund schools in excess of DSG.
- 3.3 It remains the Government’s aim to move school budgets on to an academic year basis. However, this will not occur for 2006/07 or 2007/08. Ministers have decided that there would be no requirement to undertake dual accounting if academic year budgets were to be introduced. This is a welcome decision, as it would have generated an expensive additional piece of work for the authority and schools with no additional funding and without any useful outcome.
- 3.4 The DfES propose to maintain its current methodology for measuring sparsity and deprivation data in calculating the DSG. This should only have a minimal impact on the DSG total. The DfES also propose projecting pupil numbers and using these for indicative allocations. Final allocations will not be confirmed until after authorities have set local school budgets. This creates a potential temporary funding issue for the authority that should be raised with DfES.
- 3.5 The DfES accept that earlier proposals inhibited arrangements in support of the Children’s Services agenda. There is a welcome flexibility proposed that will allow local authorities to combine some of their retained Schools Budget with budgets of other local authority services and other agencies where there are clear proportional benefits for schools and pupils.

4. New controls over the Local Schools Formula

- 4.1 A number of changes are being proposed to the regulations governing local authority formulae. These include the use of a single pupil count for each financial year. Warwickshire currently uses actual pupil numbers from April to August and schools' own pupil forecasts from September to March. Changes between forecasts and actual pupil numbers are then corrected in the following year. The DfES imposed single January count will penalise schools with expanding pupil numbers.
- 4.2 A number of local authorities (including Warwickshire) criticised the Minimum Funding Guarantee (MFG) for slowing down local formula change providing anomalous protection to some schools' budget shares. The DfES have considered this but think that the MFG provides the most effective way to ensure stability within school budgets from one year to the next.
- 4.3 The DfES also insist that any changes planned for the local schools formula to occur in 2007/08 must be agreed and set out before 2006/07 begins. Ministers' presumption is that any deviation from this should only occur under wholly exceptional circumstances and where failure to make a change would seriously disadvantage a school or group of schools. This makes it very difficult to introduce any effective change into the local schools formula. The Authority had begun to work with the Schools Forum in reviewing the local schools formula with a view to implementing changes in 2007/08, but this no longer appears viable.

5. Schools Forum

- 5.1 Greater powers are proposed for Schools Forums. In particular, they will agree contingencies, changes to the minimum funding guarantee and any contribution towards combined children's services budgets. In exceptional circumstances they may also agree a breach of the central expenditure limit and changes to the local formula prior to the start of a multi-year period, a responsibility which previously fell to the Secretary of State.
- 5.2 However, this is the continuation of a worrying trend in the transfer of powers away from democratically elected members. It is a concern shared by members of Warwickshire's own School Forum.

6. Financial Management

The DfES will introduce new grant conditions to the DSG. They are not known but will add further bureaucracy. The DfES Financial Management Standard will become compulsory for secondary schools by the end of 2006/07, and the DfES will consult partners on when it should become compulsory for primary and special schools. The DfES expect Chief Financial Officers to state that all secondary schools are meeting the Standard. This is a cause for concern. The Financial Management Standard is an excellent, comprehensive toolkit for

schools to review their own financial procedures and competencies. However, it cannot be a substitute for the Authority's own financial standing orders and there is insufficient capacity currently within the Authority to provide a review service to "kite mark" all secondary schools on an annual basis. The DfES have not made any funding available for this.

7. A framework for a response

7.1 The DfES are asking for responses to their proposal for a modified method of distributing the DSG by 30th September. Their consultation paper asks narrowly defined questions about:

- Implementing the modified method of distribution
- Principles for deciding on distribution criteria (such as transparency, robust data; use of formulaic allocation etc.)
- Identification of any other criteria.

7.2 It is suggested that the Authority strongly supports the modified method of distribution and agrees with the general principles for deciding on distribution criteria. In addition, it is suggested that the Authority sends an accompanying letter that highlights the following issues not covered by the consultation paper questionnaire:

- Given that the DfES will not finalise DSG allocations until after the Authority has had to send final budget share allocations to schools, there should be a guarantee and flexibility within the overall DSG grant that the Authority should not be financially penalised if the final DSG is less than that reasonably anticipated by the Authority.
- The DfES have no right to expect authorities to stick with additional allocations in excess of DSG. Whilst authorities need to forecast all future liabilities as accurately as possible, the DfES should not impose restrictions on local decisions funded by local taxes.
- The Authority expresses disappointment at the continuation of the Central Expenditure Limit, because central education spend can legitimately rise at a rate greater than school average cost pressures (due, for example, to number and type of special need pupils). The situation is made worse by breaking the link between legal accountability (the Authority is responsible for ensuring appropriate education for special needs pupils) and financial accountability (the Schools Forum approves or turns down the special needs budget).
- The Authority expresses concern at its reduced powers to set a local school formula that meets local schools' needs (for example, by the imposition of a single pupil count, the continuation of the minimum funding guarantee and the restrictions on introducing improvements to the existing formula).

- The Authority also expresses concern at the apparent imposition of a policing role over standards of financial management in schools set by the DfES without due consultation over local standards or the resourcing necessary to check in detail the financial processes of every school every year.

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24th August 2005

BRIEFING NOTE – DfES School Funding Consultation (July2005)

The purpose of this briefing note is to outline the implications resulting from the Department for Education and Skills (DfES) latest consultation on school funding arrangements. This was published in late July. This briefing is intended for local councillors, schools and governors and Education Department staff.

The DfES originally produced a consultation document in February 2005. Cabinet retrospectively approved a response to the consultation in May. The Schools Forum separately also responded to the consultation.

Following the original consultation the Authority lobbied on behalf of its schools and education services, including a number of local and national press briefings, meetings with Members of Parliament, discussions with Civil Servants and a petition delivered to the Education Minister.

The latest consultation from the DfES begins to address a number of issues raised by Warwickshire's lobbying. However, it also raises a series of new issues. This briefing is split between the following areas:

- The Dedicated Schools Grant
- New controls over the Individual Schools Budget and Local Schools Formula
- Treatment of Grants
- Functions of the Schools Forum
- New Arrangements for Financial Management.

Dedicated Schools Grant

Proposed Changes to Calculating the DSG

In the original consultation Ministers were minded to converge authorities' actual spending on schools with the Schools Formula Spending Share (FSS). This would have resulted in schools in Warwickshire getting below average increases in government grant funding.

Ministers are now consulting on a modified method of distribution of the Dedicated Schools Grant (DSG) in part as a response to the issue of authorities that currently spend significantly in excess of the Schools FSS. All authorities would receive the same minimum increase per pupil and any remaining national funding would then be distributed according to other formula based criteria, to be determined by the Minister.

It is clearly better for Warwickshire schools to receive at least the same *average* increase per pupil, rather than the *minimum* increase, as was previously proposed. However, at best this would only preserve the status quo. For Warwickshire schools to gain in real terms they would also need to get a share of any remaining funding. The criteria and methodology for this is not yet known. The DfES are asking for comments on this proposal.

The Existing Formula

The proposed modified distribution method may continue to make some use of the existing national formula. The DfES have undertaken some work on the national formula.

The DfES have examined the use of *sparsity* to reflect that rural areas have a larger proportion of small primary schools, which are more expensive per pupil to run. They have concluded that there has been little change in the overall pattern of sparsity from 1991 and they propose using the existing approach. This should have a minimal impact on Warwickshire's FSS.

Up-to-date national data is currently unavailable on the number of children in families in receipt of Income Support or Working Families' Tax Credit (as a proxy for deprivation). Therefore, the DfES will continue to use historical data for these measures for 2006/07 and 2007/08 allocations. Again, this should have a minimal impact on Warwickshire's DSG.

The Office of the Deputy Prime Minister (ODPM) is currently consulting on changes to the method for calculating Area Costs. The DfES will take a decision on whether to change the current method of calculation of the Area Cost Adjustment, used in Schools FSS, in the light of responses to that consultation. This suggests a possible difference of view between Government departments, but the tension between the DfES and ODPM is nothing new.

Calculating DSG on a multi-year basis

The DfES will use projected pupil numbers produced by them to set the indicative allocations for each local authority. They will make these projections and the methodology available in the autumn. These will then be converted into a DSG unit cost for each authority that will be guaranteed. A full explanation of how the pupil numbers will be counted will be made available along with the projection methodology in the autumn.

They propose using pupil numbers from the January immediately before the financial year begins to finalise the allocation for that financial year. This means January 2006 data will be used for the 2006/07 financial year. This does mean that allocations of DSG will not be finalised until after the financial year has begun. This creates a potential problem for the Authority. We will be forced into guaranteeing school budgets and distributing them prior to finalising the grant we will receive for this. It will also make it difficult for the Education Finance section to create indicative budgets for schools prior to January and will minimise the time available to work with schools in finalising their budgets.

The DfES are examining whether data collected through the Early Years Census can sensibly be fitted into this tight timetable. This could have implications for the funding of early years, but we will have to wait for further detail.

The definitions of the pupils to be included in the count will remain very similar to the current counts used for the Schools FSS formula, with the exception that we will be using January data for pupils aged 11 and over rather than September data.

Regulations on Central Spending

The DfES state “the extent to which local authorities add resources and the purpose to which they are put (retained or delegated) is clearly a matter for local authorities”. However, they also state “where any addition to the Schools Budget for either year is planned and notified prior to the start of 2006/07, local authorities should not remove or reduce such resources during the two year period”. It appears that the DfES also now wish to set local tax levels! The decision to add to the Dedicated Schools Budget remains entirely at the discretion of the local authority and there may be perfectly legitimate reasons for subsequently changing medium-term plans to fund schools in excess of DSG.

Having set the size of the Schools Budget for each year, local authorities will then need to decide on the amount of funding they plan to retain from each year’s budget to hold as the centrally retained Schools Budget.

Any additional resources a local authority adds to its Schools Budget will be excluded from the calculation of the “Central Expenditure Limit”. The amount a local authority can retain centrally from their Schools Budget is limited by the *Central Expenditure Limit* (CEL). In exceptional circumstances local authorities have been granted an increase in their CEL where they have needed to retain more funding centrally than allowed for under the regulations. Authorities require the approval of the Schools Forum for this.

The other condition that will be placed on the centrally retained budget relates to the extent to which a local authority can vary its size in 2007/08 once it has been announced before the start of 2006/07. Where this is the case, and the revised amount is more than was originally planned, a local authority will have to seek approval from its Schools Forum to do this, even if such an increase does not breach the CEL for 2007/08.

This places an undue bureaucracy on the budget setting process. Some aspects of the centrally retained budgets are inherently difficult to manage and forecast, relative to school budgets. For example, a single special needs pupil moving into the county and requiring specialist provision can cost in excess of £100,000.

Academic/Financial Year Budgets

It remains the government's aim in due course to move school budgets on to an academic year basis. However, this will not occur for 2006/07 or 2007/08. Ministers have decided that there would be no requirement to undertake dual accounting if academic year budgets were to be introduced. This is a welcome decision, as it would have generated an expensive additional piece of work for the Authority with no additional funding and without any useful outcome.

Children's Services

The DfES accept that earlier proposals inhibited appropriate flexible arrangements in support of the Children's agenda, outlined in *Every Child Matters*. Provision is being made, therefore, that will allow local authorities to combine some of their retained Schools Budget with budgets of other local authority services and other agencies where in doing so there are clear proportional benefits for schools and pupils. This is a welcome flexibility. However, it still falls within the Central Expenditure Limit, so there will be additional bureaucratic processes to go through to approve this sort of budget. It is also unclear how "proportionate" is to be defined.

The Individual Schools Budget (ISB) and the Local Formula

The Individual Schools Budget constitutes the funding that is delegated to schools in the form of individual schools' budget shares.

A number of changes are being proposed to the regulations governing local authority formulae. These include the use of a single pupil count for each financial year. Ministers are minded to require all local authorities to use the PLASC count taken in the January preceding the start of each financial year as the only pupil count used for the purposes of allocating schools' budget shares for that financial year.

Warwickshire currently uses a different pupil basis within its formula, incorporating actual pupil numbers from April to August and schools' own pupil forecasts from September to March. Changes between forecasts and actual pupil numbers are then corrected in the following year. A change to the DfES imposed count would penalise schools with expanding pupil numbers, as they effectively do not receive 7/12 of a year funding for new pupils. It would also make the production of indicative budgets for schools difficult (as we would be using a single dataset of pupils that will not be counted until January).

A number of local authorities (including Warwickshire) criticised the Minimum Funding Guarantee for slowing down local formula change providing anomalous protection to some school's budget share. The DfES have considered this but think that the MFG provides the most effective way to ensure stability within school budgets from one year to the next. This is a disappointing conclusion that further reduces local discretion.

Ministers have concluded that pupil data must be updated annually in the local formula, but has allowed local authorities discretion over the extent to which non-AWPU data should be updated. This flexibility is welcomed and the Authority will be consulting the Schools Forum on this issue. As well as setting and updating AWPU and non-AWPU data, local authorities will also be required to set unit costs for each formula factor for the two-year period.

Any changes that are planned for the local schools formula to occur in the second year (i.e. 2007/08) must be agreed and set out before the period begins. A local authority can change the operation of its factors in the second year of the period so long as it has agreed the basis of this change before the period began and schools had been notified of their planned budgets for the second year of the period on the basis of these new factors. Ministers take the view that it is necessary for formula changes to be restricted in this way in order to provide as much predictability as possible in the budget information notified to schools. They recognise that there may be some instances in which an unplanned formula change will be necessary. Ministers' presumption is that this kind of formula change should only occur under wholly exceptional circumstances and where failure to make a change would seriously disadvantage a school or group of schools.

This appears particularly perverse. If a change to the local schools formula was known and agreed it would already have been implemented. The Authority has begun some preliminary research into the existing formula (including the funding of social

deprivation), with a view to consulting in 2006. However, it is unclear now whether this could be implemented for 2007/08. This could be especially important in the light of research undertaken by the DfES into deprivation funding (see below).

Unallocated Individual Schools Budget (ISB) and Contingency Funding

At present local authorities are able to retain some unallocated funding in the Individual Schools Budget (ISB) at the start of a year. Under new arrangements the DfES plan to remove the ability of local authorities to hold an unallocated ISB allocation. In parallel to this change, from 2006/07, the level of the school specific contingency will need to be agreed by an authority's Schools Forum but will remain part of the Central Expenditure Limit.

It is good practice and good risk management to hold contingencies. Therefore, this move by the DfES creates an undue risk for the authority (from, for example, an error in the formula) and schools will not be able to receive additional resources in the light of any identified errors, due to the lack of a contingency.

Mainstreaming of Teachers' Pay Grant

Ministers have concluded that decisions on the most appropriate way of dealing with these grants should be taken at local authority level. However, the process should be a specific time limited one. The local authority will discuss this with the Schools Forum.

Projecting Pupil Numbers

A key task for local authorities under the new system will be to project pupil numbers at school level in future years in order to provide schools with as meaningful future year budget allocations as possible. The DfES will issue guidance but not prescribe to local authorities the manner in which they make projections. They also expect local authorities to pass on to their schools planning information, including the likely error margins in projections used, and how to model a variety of scenarios for themselves.

Deprivation Review

The Department and HM Treasury have been conducting a review of the way in which local authorities fund their schools for the extra costs caused by social deprivation. The report of the review will be published in the autumn. It is very disappointing that the publication date for this report has been put back again, as it could provide some good research background for the Authority's own review of its local school formula.

Extended Schools

Schools have been notified that from April 2006 they will be able to use their School Standards Grant on a wider range of extended schools' activities than is currently the case. The DfES will be publishing guidance in the autumn on how such expenditure should be managed and accounted for.

Forecasting Cost Pressures

Teachers' pay is currently subject to a multi-year award for the first time, an approach that has been welcomed for the stability it has introduced. The government has recently submitted evidence to the School Teachers Review Body (STRB) that argues for a further two-year award from September 2006 to August 2008 so that schools can have confidence about teachers' pay costs throughout the period of the first DSG allocations. This will be helpful in assisting the County provide accurate financial forecasting information to its schools.

Small Schools, Nursery Schools and Special Schools

Specific arrangements exist for small schools, nursery schools and special schools in some areas of the regulations – for instance place-led funding, protection factors and the operation of the MFG. These will not change under the new arrangements. Local authorities will be required to provide these groups of schools with a two-year budget settlement for 2006/07 and 2007/08 in line with all other schools. The DfES expect local authorities to consult their Schools Forum on the precise arrangements for the provision of multi-year budgets to them.

Grants

Ministers have decided to proceed with earlier proposals, as follows:

- a. bring together most Standards Fund grants for schools into a single grant
- b. maintain some separate targeted grants, including Ethnic Minority Achievement Grant
- c. end matched funding for school grants
- d. School Standards Grant (SSG) to remain as a separate grant until at least 2008
- e. move School Standards Grant on to a fairer formula from 2006/07.

Each school will be guaranteed, each year, a per pupil increase on the total amount they received from the predecessor grants in 2005/06, at the level of the minimum funding guarantee.

The Leadership Incentive Grant (LIG) will end, as planned, in March 2006. Schools with the highest levels of relative deprivation and/or lowest attainment will continue to receive additional support. This additional support will be added to schools' allocations for the School Development Grant. The DfES will announce details of the basis for the additional support in the autumn alongside other grant allocations.

Grants supporting central coordination of the Primary and Secondary National Strategies, and Playing for Success, will continue to require matched funding.

The DfES grant element of Grant 31a (Infrastructure and Hands on Support) will be included in Devolved Formula Capital (DFC) allocations from 2006/07. The matched funded element of this grant will be added to the School Development Grant. Funding for other areas of ICT will continue in 2006/07 and 2007/08 and an announcement will follow in the autumn. This will include further details relating to all the ICT in Schools Grants including Broadband Connectivity, which will continue as a matched funded LEA grant, and e-Learning Credits.

The School Standards Grant (SSG) will move to a formula from 2006/07, based on a flat rate per school plus a per pupil amount. The aim is to end the cliff edges that result from the current banding system, and to create a fairer distribution of SSG. From 2006/07, schools will receive an SSG allocation that is the larger of the new formula or a per pupil increase at the level of the minimum funding guarantee.

Grants spent at Local Authority Level

LEAs will be allowed to hold back the same cash amount from School Development Grant in 2006/07 and 2007/08 as they did in 2005/06. This has already been cash frozen for a number of years and reflects a real terms reduction. The DfES are taking forward plans to "rationalise" (that is, reduce) grants spent at local authority level. This includes plans to merge two Standards Fund grants, the Vulnerable Children Grant and Education Health Partnerships, with grants supporting the development of adoption support services and fostering services to form a single Children's Services grant from 2006/07. The Standards Fund grant for LEA Support for Workforce Remodelling will not continue beyond 2005/06. The grants for Investigation and Referral Support Coordinators and Schools Travel Advisers are currently being evaluated, and decisions about their future will be announced in the autumn.

School Forums

In summary, the powers of Schools Forums under the new regulations will be:

- a. to agree minor changes to the operation of the minimum funding guarantee
- b. to agree to the level of school specific contingency at the beginning of each year
- c. to agree arrangements for combining elements of the centrally retained Schools Budget with elements of other local authority and other agencies' budgets to create a combined children's services budget
- d. in exceptional circumstances only:
 - (i) to agree an increase in the amount of expenditure a local authority can retain from its Schools Budget above that allowed for in the regulations
 - (ii) to agree an increase in centrally retained expenditure within the Schools Budget once a multi-year funding period has begun
 - (iii) to agree changes to an authority's funding formula has been announced prior to the start of a multi-year funding period.

In addition to these new powers and to their existing consultative role, local authorities will be required to consult their Schools Forums over arrangements for:

- e. the mainstreaming of teachers' pay grants into the local authority's school funding formula
- f. updating non-AWPU data within the multi-year budget cycle.

Where local consensus cannot be reached between a local authority and its Schools Forum, regulations will still enable the local authority to come to the Secretary of State to determine the decision. Schools Forums will not have any powers under the regulations to initiate proposals.

The DfES will offer a range of support to Schools Forums and local authorities in the implementation of the new arrangements, including a series of regional conferences and a good practice guide. Further details of this support will be provided early in the autumn term.

Ministers intend to make some amendments to the regulations that currently govern the composition, procedures and functions of Schools Forums. The changes that will be introduced as a result of the amended regulations are as follows:

Schools Forum membership: the draft regulations remove the right of elected members and officers of a local authority acting in its capacity as a local education authority to be members of the Schools Forum. Currently in Warwickshire elected members are invited to attend and speak at the Schools Forum, but are not able to vote.

Voting procedures: the draft regulations require Schools Forums to determine their own voting procedure within their constitution. The DfES do not propose to

be prescriptive about the form of voting procedure which Forums should use, but will distribute a good practice guide that will include a model procedure which can be used if appropriate.

Election of Chair: the draft regulations provide that each Schools Forum must elect one of its members to be its Chair. *Note:* this will mean that elected members and officers of the Authority will not in future be able to chair the Schools Forum since they will no longer be full members of the Forum. Currently the Chair of Warwickshire's School Forum is an officer of the Authority, but an election is due at the next meeting of the Forum in September.

Election of members: at present, the Authority determines the method by which the school members on a Schools Forum are elected. Under the draft regulations, each representative group will be responsible for the method by which they nominate their representatives.

Financial Management Arrangements

As a ring-fenced grant the DSG will be subject to formal grant conditions. Guidance is being prepared by the DfES in consultation with the Audit Commission and the National Audit Office on purposes of the grant, VFM considerations, grant payment arrangements, and accounting and reporting requirements. The DfES expect authorities' Chief Financial Officers to sign off the Schools Budget part of the form.

The DfES Financial Management Standard will become compulsory for secondary schools by the end of 2006/07, and the DfES will consult partners on when it should become compulsory for primary and special schools. They expect the assurance given by Chief Financial Officers on the section 52 outturn form for 2006/07 to include assurance that all their secondary schools are meeting the Standard.

This is a cause for concern. The Financial Management Standard is an excellent, comprehensive toolkit for schools to use to review their own financial procedures and competencies. However, it cannot be a substitute for the Authority's own financial standing orders and there is insufficient capacity currently within the Authority to provide a review service to "kite mark" all secondary schools on an annual basis.

Ministers have decided that they will expect all secondary schools to have met the Schools Financial Management Standard by March 2007, and the DfES will consult on the date by which they expect primary and special schools also to have met the standard.

The DfES state that "the oversight of schools' financial standards is a routine part of local authorities' management and audit activity. Local authorities will need to focus on overall financial health as well as internal controls, making better use of the information available to them". However, this does not sit well with increased autonomy for schools and there are no funds within the Schools Block to finance any of this.

The DfES intend to "embed good practice in local authorities' normal processes for supporting school improvement" via a training programme, entitled Supporting Schools' Financial Management. This will concentrate mainly on increasing capacity and initiative within local authorities to ensure the financial health of the schools that they maintain. Officers from the Authority attended a training session run last year by the DfES on financial management in schools. It was very basic and did not cover financial support already provided by the Authority to its schools. It was evaluated as poor by attendees.