

EXPLANATORY MEMORANDUM TO
THE CONSISTENT FINANCIAL REPORTING (ENGLAND) REGULATIONS 2012

2012 No. 674

1. This explanatory memorandum has been prepared by the Department for Education and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1. The Consistent Financial Reporting (England) Regulations 2012 require governing bodies of schools maintained by local authorities to prepare financial statements annually. These statements are in a prescribed format of approved headings in respect of which amounts of income and expenditure are inserted. This ensures a common, consistent framework which enables schools to benchmark against similar schools when they use the Schools Financial Benchmarking website (www.education.gov.uk/sfb).

2.2. Schools are required to send their local authority a completed financial statement by a date determined by the authority and authorities are then required to send the completed statements to the Secretary of State.

2.3. The 2012 Regulations revoke the Consistent Financial Reporting (England) Regulations 2003 and several sets of amending Regulations. The 2012 Regulations contain several new ‘approved headings’ to reflect the mainstreaming of grants, policy changes by the Coalition Government and the introduction of the pupil premium and the additional grant for schools.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1. New regulations need to be made so that the approved headings that schools are required to report against in their financial statements reflect current Government grants and policy.

4.2. The Regulations are made under section 44 of the Education Act 2002 and will come into force on 31 March 2012.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1. The Coalition Government has made several changes to policies and to the grants that schools receive which require changes to be made to the approved headings which schools must report against in their annual financial statements (“Consistent Financial Reporting (CFR) statements”).

7.2. The main changes compared to the previous regulations are set out below.

7.3. For the financial year 2011-12 and onwards, I05 is renamed as the “Pupil Premium” to reflect the introduction of the Pupil Premium. The previous title of Standards Fund is removed as the Standards Fund programme has ended. To reflect policy changes, the titles for codes I16, I17, E31, E32 and B06 are amended. Codes I14 (School Standards Grant – Pupil focused) and B04 (Other Standards Fund Capital Balances) are also removed because the programmes have ended.

7.4. For the financial year 2012-13 and onwards, a new code I18 will be introduced to reflect the “Additional grant for schools”.

Code	Title	2011-12	2012-13	New Title
I05	Standards Fund	Change	Change	Pupil premium
I14	School Standards Grant – Pupil focused	Delete	Delete	Deleted
I16	Community focused extended school funding and/or grants	Change	Change	Community focused school funding and/or grants
I17	Community focused extended school facilities income	Change	Change	Community focused school facilities income
I18	Additional grant for schools	n/a	New Code	
E31	Community focused extended school staff	Change	Change	Community focused school staff
E32	Community focused extended school costs	Change	Change	Community focused school costs
B04	Other standards fund capital balances	Delete	Delete	Deleted
B06	Community focused extended school revenue balances	Change	Change	Community focused school revenue balances

7.5. These Regulations revoke and replace the Consistent Financial Reporting (England) Regulations 2003 and several sets of amending Regulations.

8. Consultation outcome

8.1. Between 20 December 2011 and 27 January 2012, the Department consulted on the 2012 Regulations. There were 29 responses to the consultation. 21 of them were from local authorities, 7 from schools and 1 from a teacher association. The length of the consultation period and the low response rate reflect the small number of changes being proposed.

8.2. Responses to the proposed changes were generally supportive. However, a few respondents suggested that, instead of creating a new code for the Additional Grant for Schools, either the payments could be shown in I06 or I14 could be renamed and used for this grant. We considered these suggestions but decided to create a new code because the School Standards Grant – Pupil focused (previously I14) has now ended and grants shown in I06 should be from other government departments. Of those who responded about this issue, most agreed with the introduction of a new code. We wanted a new code because this will enable schools to record the Additional Grant for Schools separately and takes into account comments that introducing a new code is less confusing for users.

8.3. Concerns were raised that the increase in the number of Academies will reduce the number of schools that will be required to submit CFR data. For 2010/11, the Department plans to publish Academies' income and expenditure data using the information they provide to the YPLA in the new Abbreviated Accounts Return. We are considering how this data can be published in a way that supports Academies benchmarking.

8.4. Many of the other comments related to the online guide which explains what should be recorded under each code rather than the proposed changes to the codes themselves. These comments will be taken into account in our annual updating of the online guide.

8.5. Most of the changes take effect for the financial year 2011-12. The 2012 Regulations are being brought into force at this time to ensure that schools report against the revised approved headings when they prepare their financial statements for the year 2011-2012.

9. Guidance

9.1. A guidance note will be sent to all local authorities drawing their attention to the changes to the approved headings for the year 2011-2012 and to the additional change for the year 2012-2013, together with the Regulations. We will ask local authorities to bring these changes to the attention of their maintained schools. The Regulations and updated guidance will be published on the Department for Education's website – www.education.gov.uk

10. Impact

10.1. No impact upon the private or voluntary sector is foreseen.

10.2. The impact on the public sector is that school governing bodies must comply with these Regulations when submitting their CFR data.

10.3. An impact assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The changes will be monitored through the usual contact which the Funding Policy and Efficiency Team within the Department for Education has with schools and local authorities. Queries will be logged and dealt with via the dedicated CFR mailbox (CFR.Benchmarking@education.gsi.gov.uk). More broadly, the Department keeps its financial data requirements from schools and local authorities under review.

13. Contact

Mrs Fola Agwu at the Department for Education Tel: 0207 340 8094/020 7340 8453 or email: Fola.Agwu@education.gsi.gov.uk / CFR.Benchmarking@education.gsi.gov.uk can answer any queries regarding the instrument.