



Consultation

Organisation &  
Management  
Financial Management  
Planning

# Consultation on Proposed Changes to the Consistent Financial Reporting Framework

Launch Date 12<sup>th</sup> May 2003

Respond by 20<sup>th</sup> June 2003

Ref: DfES/0328/2003

The consultation will allow all interested parties the opportunity to comment on the proposed modifications for 2003/04 to regulations that were enacted as part of the Consistent Financial Reporting framework for 2002/03.

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# PROPOSED CHANGES TO CONSISTENT FINANCIAL REPORTING

## A CONSULTATION

**To** All LEAs, Sample of 500 schools, school and GB representatives.

**Issued** May 2003

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## 1. EXECUTIVE SUMMARY

- 1.1. The Department for Education and Skills, in conjunction with the Audit Commission and OFSTED, has developed a framework of Consistent Financial Reporting that will enable schools to benchmark their expenditure against that of comparable schools. This is designed to help schools in raising standards by employing resources in the best possible manner, and also to streamline administration and improve accountability within schools. Schools may additionally benefit by the simplification of the process for submitting accounting data to local education authorities.
- 1.2. From April 2002 schools should have adopted the consistent financial reporting framework that was published in October 2001.
- 1.3. CFR Regulations came into force in 1 April 2003 and provide the legal basis for the LEA to collect the data from schools and for the Secretary of State to collect the data from LEAs.
- 1.4. This consultation presents changes that have been proposed to the CFR framework for the financial year 2003-04 and seeks comments on these changes from education stakeholders.

## 2. BACKGROUND AND CONTEXT

- 2.1. The framework for Consistent Financial Reporting (CFR) was originally consulted on during March to July 2001. The results were published in October 2001 ([www.dfes.gov.uk/vfm](http://www.dfes.gov.uk/vfm)) and printed guidance distributed in December, so schools should already be familiar with the framework. User specifications for systems to produce and collect CFR returns, through both the DfES data collection website and schools' commercial software, were also published in 2001.
- 2.2. DfES has supported the introduction of Consistent Financial Reporting through a number of mediums:
  - publication of the School Finance Pack ([www.dfes.gov.uk/vfm/framework.shtml](http://www.dfes.gov.uk/vfm/framework.shtml)) which includes a detailed breakdown of CFR headings and details of each of the headings;
  - briefing sessions for LEAs at which they had the opportunity to ask questions and raise concerns about the framework and implementation of CFR;
  - launching CFR Direct (01325 392626), a telephone help-line open to schools and LEA officers for questions about CFR; and
  - hosting a Frequently Asked Questions website ([www.dfes.gov.uk/vfm/faq.shtml](http://www.dfes.gov.uk/vfm/faq.shtml)) for schools and an online forum for LEA officers to facilitate discussions amongst officers responsible for CFR.
  - We want to seek your views on proposed changes to the information collected about balances and private funds in CFR. By private funds this document means resources which are not held by the governing body of the school but are controlled by them and must be accounted for by them under CFR in accordance with the provisions of section 44(2) of the Education Act 2002 and regulation 2(2) of the CFR regulations.

### 3. THE PROPOSALS

We are proposing the following:

#### **3.1. Balances**

In the 2003 CFR Regulations (which apply for the financial year 2002-03) there are two categories of revenue balance. B01 is Standards Fund Balance and B02 is Other Revenue Balances.

For 2003-04 there are two new developments to take into account:

- (a) the Department has promised that there will no longer be a separate Standards Fund balance, so that schools are not under pressure to account in detail for how they spend Standards Fund money, and
- (b) LEAs who give their schools 3-year indicative budgets will be able to introduce new provisions to their schemes for financing schools, whereby unearmarked balances in excess of a limit laid down in the scheme may be recycled for the benefit of all schools.

We propose to change the revenue balance categories as follows to take account of these developments:

- B01 will become the aggregate of (i) the balance of funds on Standards Fund and other specific grants that are still within the spending period of the grant - eg Standards Fund now runs up to August rather than March (ii) any balances on private funds which fall within the scope of CFR (iii) earmarked revenue balances, in accordance with the terms of the authority's scheme;
- B02 will be other revenue balances, including any deriving from School Standards Grant.

#### **3.2. Private Funds**

A principal aim of CFR is to allow benchmarking of schools according to the totality of what they spend. This implies that spending financed by private funds ought to be included within the scope of CFR. On the other hand, CFR returns are intended to form the building blocks of section 52 outturn statements, which in turn build into local authorities' accounts; and such accounts would not include private funds.

For 2003-04 we want to extend and clarify the way private funds are treated. Our proposal is that:

- The definition of I13 (Donations and/or private funds) should be clarified to include all the income that is spent on items or services used directly for the purposes of the school;
- The relevant expenditure should be included in E01 to E30 where it appropriately falls;
- A new heading, E31, should be introduced to show private income expenditure, so enabling schools and LEAs to net off any expenditure sourced through a non-public source. This would be a negative amount to net off that spending which will not be included in the local education authority's accounts for section 52 outturn statements reconciliation - and the Education Act 2002 amends section 52 accordingly;

- To give full visibility to the expenditure being financed through private funds, a 3 way mapping process would be required.

Example: Spending £100 private funds on books  
Map I13 (Donations and/or private funds) £100  
Map E19 (Learning resources -not ICT equipment)) £100  
Map E31 (Private Expenditure) -£100

Any balance of income at the end of the year should be included in B01 (as in 2002-03, we are looking for a balance of income within the school's accounts, not the balance on the fund from which it derives).

## 4. HOW TO RESPOND

- 4.1. The consultation period ends on 20th June 2003. We welcome your comments on the issues raised in this consultation paper. Please complete this questionnaire and return to:

CONSULTATION UNIT  
Level 1B  
Castle View House  
Runcorn  
Cheshire WA7 3GJ

## 5. ADDITIONAL COPIES

- 5.1. A copy of this consultation is available from the DfES website ([www.dfes.gov.uk/consultation](http://www.dfes.gov.uk/consultation)) and also on the Value for Money Unit's website at ([www.dfes.gov.uk/vfm](http://www.dfes.gov.uk/vfm)).

## 6. PLANS FOR MAKING RESULTS PUBLIC

- 6.1. The results of the consultation will be published on the DfES Consultation website ([www.dfes.gov.uk/consultation](http://www.dfes.gov.uk/consultation)) and on the Value for Money Unit's website ([www.dfes.gov.uk/vfm](http://www.dfes.gov.uk/vfm)) by end of July 2003 . A hard copy of the results will be available upon request.

# Implementing Consistent Financial Reporting

## Consultation Response Form

The closing date for this consultation is 20/06/2003

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The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual consultation responses. This will extend to your comments unless you inform us that you wish them to remain confidential.

**Please tick if you want us to keep your response confidential**

Name \_\_\_\_\_

Organisation (if applicable) \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Return completed forms to:**

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Runcorn  
WA7 2GJ**

Telephone: **01928 794888**

Fax: **01928 794311**

email: **[cfr.consultation@dfes.gsi.gov.uk](mailto:cfr.consultation@dfes.gsi.gov.uk)**

Please tick below to tell us which organisation you represent:  
(tick one box only)

Local Education Authority teacher     School Finance Officer     Teacher/Head

Teachers Union\*     Educational Lobby\*     Other\*

\* Please use this space to provide a few sentences about your organisation and whom you represent

# Questions

Please complete the following questions indicating whether you agree or disagree with the statement. You do not need to answer every question if you do not feel you should. Space has been provided for you to comment only if you want to.

## Question 1

The proposed changes to Balances are acceptable

Agree       Not Sure       Disagree

**Comments:**

## Question 2

The proposed clarification and treatment of Private Funds in CFR are appropriate for benchmarking purposes.

Agree       Not Sure       Disagree

**Comments:**



**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have about CFR, or on the layout of this consultation itself.

**Comments:**

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you tick the box below.

**Please acknowledge this reply**

Here at the Department for Education and Skills we carry out research on many different topics and consultations. As your views are valuable to us, would it be all right if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No



Copies of this publication can be obtained from:

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