EXPLANATORY MEMORANDUM TO

THE CONSISTENT FINANCIAL REPORTING (ENGLAND) (AMENDMENT) REGULATIONS 2008

2008 No. 46

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

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

2.1 The Consistent Financial Reporting Regulations 2003 require governing bodies of maintained schools to prepare financial statements by a particular date. These statements are in a prescribed format consisting of approved headings in respect of which amounts of expenditure are inserted. Local authorities are then required to send the completed statements to the Secretary of State by a particular date.

2.2 After consulting with Local Authorities and schools in June 2007, it was decided that it would be useful and informative to include schools' opening balances within the financial statement in order to improve monitoring. We therefore propose to include 3 amendments to the Consistent Financial Reporting (England) Regulations 2003, to apply from 1st April 2008. The amendments make a distinction between two opening revenue balances (pupil and community focused) and one opening capital balance as below:

OB01 (Opening pupil focused revenue balance)
OB02 (Opening community focused revenue balance)
OB03 (Opening capital balance)

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

None

4. Legislative Background

The Regulations are made under section 44 of the Education Act 2002.

5. Territorial Extent and Application

This instrument applies to all of 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 Consistent Financial Reporting Regulations 2003 impose an obligation upon all maintained schools to complete a statement comprising details of their income and expenditure. This ensures a common consistent framework, which enables schools to benchmark against other similar schools.

7.2 There is concern that schools' revenue balances continue to grow and stood at £1.7 billion in March 2007, more than £100 million increase on the previous year. The Department wishes to monitor more accurately what happens over the next 3 years and if there is not a substantial reduction in total balances, the government will consider further legislative action to claw back excessive surplus balances with effect from 2011-12.

7.3 In June 2006 the Department consulted on proposals to include schools' opening balances in the financial statement prepared by schools. Responses to the consultation generally supported the proposals, so the Department is now amending the Consistent Financial Reporting Regulations 2003 to insert additional approved headings for the 2007-08 data collection.

8. Impact

8.1 An Impact Assessment has not been prepared for this statutory instrument, as the policy has no impact on the private or third party sectors.

8.2 In relation to the public sector, the burden of the additional requirements in the regulations falls upon maintained schools, however since this consists simply of providing information relating to 3 new approved headings in a statement which they already submit annually to their local authority, the Department's assessment is that the impact on schools is negligible. Schools will already have available closing balances from previous years, and will have previously needed to make a distinction between pupil-focused and community-focused activities for accounting purposes. They will simply need to write these closing balance figures into the statement as opening balances for the subsequent financial year.

9. Contact

Kent Hadley at the Department for Children Schools and Families Tel: 0207 925 6561 or e-mail: kent.hadley@dcsf.gsi.gov.uk can answer any queries regarding the instrument.