

Directorate of Children's Services

Consultation on Scheme for Financing Schools – Proposed Revision

'Putting children and young people first for Dudley'

22 January 2008

**John Freeman
Director of Children's Services**

Dudley Metropolitan Borough Council
Directorate of Children's Services
Westox House
1 Trinity Road
Dudley
West Midlands DY1 1JQ

Consultation Document

Consultation on: *Change in Dudley's Scheme for Financing Schools*

Summary: *This consultation sets out proposed changes to the Scheme for Financing Schools, which sets out the framework under which schools must administer their financial affairs. This consultation is required by regulations made under the education legislation relating to the operation of school budgets by local education authorities.*

Deadline: *All responses must be received **by 29 February 2008***

Consultees: Black Country Chamber of Commerce
Black Country Connexions
Chairs of Governing Bodies
Children's Centres
Children's Trust Executive Board
Community Forums / Groups
Councillors
Directorate Staff
DOSTI
Dudley Association of Governing Bodies
Dudley Borough Churches Forum
Dudley Community Partnership
Dudley Council Directorates – Corporate Board
Dudley Council for Voluntary Services
Dudley Group of Hospitals
Dudley Muslim Association
Dudley Parent Partnership
Dudley Primary Care Trust
Dudley Safeguarding Children's Board
Early Years Development and Childcare Partnership
Education Business Partnership
Further Education Colleges
Headteachers
Members of Local Admissions Forum
Members of Parliament
Neighbouring Directors of Children's Services
Roman Catholic Diocesan Schools Commission
Select Committee for Children's Services
Standing Advisory Council on Religious Education

The Black Country Learning and Skills Council
The Kashmiri Pakistani Professionals Forum
Unions and Professional Associations
West Midlands Police
WMCESTC
Worcester Diocesan Education Committee

Public Access Consultations Plans and Policies will be published as follows:

Public Libraries
Dudley MBC Website www.dudley.gov.uk
InsideDudley
Westox House

Responses to: Laura Ferrington – Executive Support Team Manager
Executive Support Team
Directorate of Children’s Services
Westox House
Trinity Road
Dudley DY1 1JQ
laura.ferrington@dudley.gov.uk

*Your responses will be co-ordinated by the above person.
Any responses will be provided by the appropriate responsible officer for this consultation.*

All responses may be published. A **large print version**, and translation in to other languages is available on request to the above address.



John Freeman
Director of Children’s Services

Scheme for Financing Schools – Proposed Revisions

Purpose of Proposed Revisions

1. To consult on proposed changes to Dudley's Scheme for Financing Schools in respect of Section 4: The Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares and in particular paragraphs 4.2.2 and 4.3.

Background to the Scheme of Financing

2. Under section 48 of the Schools Standards and Framework Act 1998 all local authorities are required to establish and maintain a scheme for financing school's setting out the relationship between the local authority and the schools it maintains.
3. The Schools Finance (England) Regulations 2008, schedule 5, lists the issues that all schemes should address. The Department for Children, Schools and Families (DCSF) provides guidance to local authorities on the more detailed content of their schemes. This guidance is revised from time to time to reflect changes and amendments to legislation and policy directed through the School Finance Regulations.
4. Where the DCSF issue revised Schools Finance Regulations, then Dudley's Scheme of Financing is automatically updated, there is no requirement for consultation on these occasions as the amendments are formal directions.

Approval Process

5. Schools Forum has the power to approve amendments to the Scheme of Financing without the need for consultation. Full details can be found in the School Finance (England) Regulations 2008:
6. Approval by the schools forum or the Secretary of State of proposals to revise schemes
 - 6.1. Where a local education authority submit proposals for any revisions to their scheme to their schools forum for approval pursuant to paragraph 2A of Schedule 14 to the 1998 Act, the schools forum may—
 - 6.1.1. approve any such proposals,
 - 6.1.2. approve any such proposals subject to modifications, or
 - 6.1.3. refuse to approve any such proposals.
 - 6.2. Where the schools forum approves any revisions to the scheme, they may specify the date upon which any revised scheme is to come into force.
 - 6.3. Where—
 - 6.3.1. the schools forum refuse to approve proposals submitted under paragraph 2A of Schedule 14 to the 1998 Act, or approve any such proposals subject to modifications which are not acceptable to the local education authority, or

- 6.3.2. the local education authority are not required to establish a schools forum for their area, the authority may apply to the Secretary of State for approval of such proposals.
- 6.4. The Secretary of State may—
 - 6.4.1. approve any such proposals,
 - 6.4.2. approve any such proposals subject to modifications, or
 - 6.4.3. refuse to approve any such proposals.
- 6.5. Where the Secretary of State approves any revisions to the scheme, he may specify the date upon which any revised scheme is to come into force.
- 6.6. No revised scheme is to come into force unless approved by the schools forum or the Secretary of State in accordance with this regulation.

Proposals

7. In November 2006 Dudley's scheme for financing schools was amended in line with guidance received by the DCSF. In particular section 4.2.2: Control on surplus balances was amended to address the issue of the increasing level of school reserves.
8. By rigorously applying the criteria in Section 4.2.2, of the £9.4m school reserves held by Dudley schools at 31 March 2007 only £200k was proposed for claw back.
9. Building on the experience from 2006/07 and the national coverage of rising school balances from the DCSF, it is proposed that Dudley' local scheme for controlling surplus balances is tightened further for a phased implementation, effective from the 2007/08 financial year.
10. The text of the main proposed amendments to the Scheme is attached at Appendix 1 to this consultation document.

Outcomes of the Consultation

11. The outcomes of the consultation on Dudley's Scheme for Financing will be reported to Schools Forum on 18 March 2008 for final approval. After this date the revisions will be immediately effective.

Section 4: The Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares

4.2.2. Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1st April 2008 (financial year 2008/09). The changes to interest on surpluses balances (4.3) will be effective from March 2008:

- (i) The Authority shall calculate by 31 May each year the surplus balances, if any, held by each school as at the preceding 31 March. This will include all school balances at 31st March, as required by Consistent Financial Reporting and reported in the Section 52 outturn statement. For Dudley Schools this will include:
 - School budget share arising from the delegated budget;
 - Extended school activities;
 - Community facilities;
 - Standards Fund;
 - Private funds.

- (ii) The balances covered by the CFR framework intend to give an overall picture of the resources available to the school from one year to the next. These balances relate to both revenue and capital.

This section of the scheme shall only apply to those surplus balances arising from the school budget share maintained within the delegated budget. The definition of a school's budget share surplus balance will include those balances accumulated in previous years and held in the reserve categories detailed in section 4.3 of the Scheme of Financing for Schools at the end of the financial year.

It should be noted that funds derived from sources other than the Authority e.g. Schools Standards Grant or lettings etc, will be taken into account in the calculation of surplus balances if paid into the budget share account of the school, whether under provisions in this scheme or otherwise and for those funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) and any other activity accounted for outside of the school budget share will not be taken into account unless added to the budget share surplus by the school as permitted by the

Authority.

- (iii) The value each school can hold in reserves will be subject to a maximum limit. Secondary schools will be able to hold 5% of their delegated budget for that financial year. For nursery, primary and special schools the limit will be 8%.

The normal year end accounting rules apply in that schools should highlight to the Authority where there is a prior year commitment to pay for goods or services from the surplus balances identified at the year-end. A prior year commitment will include work or goods for which a purchase order has been raised, work or goods for which a contract has been entered into, or a scheme which is included on the LA's approved capital programme. Prior year commitments will not count towards the limit imposed on the reserve.

- (iv) For reserves within the cash limits the governing body of each maintained school will be required to make a detailed return to the local authority by early May stating how it wishes to assign its budget share surplus balances which it will need to spend in the next financial year. These plans will be described as 'Provisional Plans'.

Schools Forum will be required to consider these Provisional Plans at its Summer Term meeting following the closure of the financial year. Where Schools Forum approves the provisional plans, as recommended by the Director of Children's Services, then these will be confirmed as 'Approved Plans'. Where Schools Forum does not approve the plans, schools will be notified of the reason why and the next course of action. Either way, schools will be notified of Schools Forum's response to the plans within 14 days of the meeting.

- (v) For those schools who set aside reserves to balance the following year's budget, but subsequently don't require some or all of the amount set aside, the excess amount may be clawed back by the Director as permitted by the Schools Finance Regulations 2008.
- (vi) If at the end of the following year a school has not spent its surplus balances in line with its Approved Plan and is unable to justify this action to the satisfaction of the Director of Children's Services, then the Director may claw back school budget share reserves, as permitted by the Schools Finance Regulations 2008 and retain some or all of any unspent balances at the financial year end.

Schools will be notified of the Director of Children's Services decision to claw back any balances by Children's Services Accountancy.

- (vii) The total of any amounts deducted from schools' budget share reserves by the Authority under this provision is to be applied to the Schools Budget of the Authority and allocated in accordance with Schools Forum approval.
- (viii) Schools Forum may invite Head Teachers to discuss their school's plans in detail during the course of its normal business, if required.
- (ix) Schools Forum will be notified on an annual basis of the total surplus balance held by schools for all activities including; full service extended schools, community activities, Standards Fund, private and other funds.

Process & Timetable

- Financial Year end 31st March;
- Unspent balances at the end of the financial year confirmed early May;
- Children's Services Accountancy will review:
 - reserves over the cash limit
 - any excess reserves set aside to balance the previous year's budget
 - whether the previous year's reserves have all been spent and whether they have been spent in accordance with the approved plans
- Schools provide Provisional Plans for the next financial year for unspent balances held in the reserve categories listed in section 4.3. These will be sent to Children's Services Accountancy by early May;
- Provisional plans to be discussed with Building and Estates – where capital works planned;
 - Director of Children's Services notifies schools of his intention to claw back balances;
- Provisional Plans for the new financial year which include any claw back are presented to Schools Forum at the Summer Term meeting;
- The plans for each school's reserves are either confirmed as Approved Plans (Accountancy notify school) or not approved (further discussions etc);
- Reassignment of plan requests, received mid year, to Director of Children's Services and schools notified accordingly;
- Process recommences.

4.3 Interest on surplus balances

From the 31.3.2008 for (financial year 2007/08) no interest will be paid to schools for school reserves invested internally with the LA.

Balances will be categorised as follows:

- Specific Contingency (code VA49) - this may include balances set aside for staff stabilisation, for example to deal with changes in pupil numbers, SEN issues or to achieve sustainability where specific grant funding comes to an end. A clear reason should be specified for holding this contingency;
- Approved DMBC Capital Schemes (code VA59) – approvals made by The Cabinet which relate to Revenue Contributions to Capital Outlay (RCCO) for schools incurring capital expenditure;
- Approved Loans (code VA69) – loans approved to schools under the asset purchase or licensed deficit schemes (see paragraphs 4.9.1 and 4.9.2 for details of the schemes);
- Reserves to Balance Following Year's Delegated Budget (code VA79) – balances brought forward to meet a projected deficit budget in the following financial year.