

## 2.14 Capital Spending from Budget Shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises<sup>1</sup> in accordance with the Councils accounting procedures. (The Central Bedfordshire Council's capital de-minimis is £2,000). However, schools are not permitted to use their budget shares to contribute to capital works.

- (a) if this results in a in-year deficit or overall accumulated revenue deficit or
- (b) if existing devolved formula capital balances are held by the school for the current or previous financial years.

The condition (a) above excludes contribution for repairs and maintenance described in Section 12 of the scheme where the LA has required schools to contribute for items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control.

The governing body must notify the LA in advance of any such expenditure in excess of £10,000.

If the expected capital expenditure from the budget share in any one year will exceed £10,000 the governing body must additionally take into account any advice from the authority's designated Director of Children's Services as to the merits of the proposed expenditure.

Where the premises are owned by the LA, or the school has voluntary controlled status, then the governing body shall seek the consent of the LA to the proposed works. However, consent for building work can only be withheld by the LA on Health and Safety grounds.

## 4.2 Controls on Surplus Balances

Surplus balances held by schools are permitted under this scheme and to subject to the following restrictions with immediate effect. ~~Central Bedfordshire does not operate a balance control mechanism. The LA will monitor schools that have build up significant uncommitted balances, and challenge schools seeking reasons for holding these balances.~~

- (1) For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- (2) the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance;
- (3) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned (earmarked) for specific

<sup>1</sup> This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the 1998 Act.

purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums. The Authority may not take into account any change in planned assignments which could be the sole reason for considering that a sum is not properly assigned.

(4) (calculation of claw-back amount - one of the options below)

Option 1

if the result of steps (1) – (3) is a sum greater than 5% of the current year's budget share for secondary schools, 8% for nursery, primary and special schools, or £25,000 (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

Option 2

if the result of steps (1) – (3) is a sum greater than 5% of the current year's budget share for secondary schools, 8% for nursery, primary and special schools, or £25,000 for schools more than 100 pupils and £35,000 for schools with less than 100 pupils (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess. (note: in 16/17 we have 22 lower schools with less than 100)

Option 3

if the result of steps (1) – (3) is a sum greater than 10% of the current year's individual school budget share for secondary and special schools and 15% for primary and nursery schools, then the authority shall deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

Where the total balance exceeds the threshold's set out in (4) above, Governing bodies are required to report to the LA on the use which the school intends to make of surplus balances – after taking account of any earmarked funds, as per the annual CFR return.

The following list of purposes and/or projects which may be permitted by the Authority for deduction from the schools surplus balances when calculating the claw-back amounts.

- Revenue contribution to a specific capital project which has been costed and planned for the use of devolved formula capital received or described in the LA capital programme, including ICT and equipment.
- Managing short-term implications of pupil numbers whilst class and/or staffing structures are revised.

- Managing long-term unexpected staff sickness.
- Monies held on behalf of another school that will be distributed or spent in the next financial year.

All such expenditure must be clearly costed and identified within the school's financial plan submitted to the Authority. The plan will be reviewed and agreed by a Sub Group of the Schools Forum, each year and monitored to ensure such surpluses are used appropriately for the benefit of the school. The Sub-Group of the Schools Forum will consider the explanations provided by schools and make recommendations to the Authority, it is the Authority that will ultimately determine whether deduction of 'excess balances' is to be made.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority for the following financial year. Any surplus balances removed from schools will be redistributed to all maintained schools (excluding academies) holding less than the permitted surplus percentages/amount in the following financial year.

The calculation of the excess balance will be notified by a letter in the format of Appendix (E), Schools will also be required to complete the Declaration of Earmarked Funds and Surplus Balances, which must be submitted to the LA and supported by relevant evidence.

Relevant evidence must support B02 Uncommitted Revenue Balances and be in written form and may comprise of:

Finance Governors Minutes

Three year plans

Projected Pupil Numbers

Correspondence with Contractors

Any other relevant information

## APPENDIX (E)

### The Head Teacher and Chair of Governors

Dear Colleague

#### 2016/2017 Confirmation of School Budget Surplus / Deficit Balances

I am writing to confirm your final position for \_\_\_\_\_, which should correspond to that previously reported to you in your Period 13 report and your Final CFR return.

Your school had a balance of £ \_\_\_\_\_ (including earmarked funds) as at 31st March 2017.

<u>Committed Revenue (B01)</u>	<u>-</u>	<u>Per your CFR Return</u>
<u>Uncommitted Revenue (B02)</u>		<u>Per your CFR Return</u>
<u>Devolved Formula Capital (B03)</u>	<u>-</u>	<u>Per your CFR Return</u>
<u>Other Capital (B05)</u>	<u>-</u>	<u>Per your CFR Return</u>
<u>Extended School Balance (B06)</u>	<u>-</u>	
<u>Total Reserves</u>	<u>£</u>	

These balances are subject to Section 4 The treatment of Surplus Balances in the Scheme for Financing Schools and are subject to claw-back of £ \_\_\_\_\_ calculated as per Section 4 of the Scheme.

<u>Uncommitted Revenue (B02)</u>	<u>£</u>
<u>5,8% and other thresholds allowed</u>	<u>£</u>
<u>Claw-back</u>	<u>£</u>

Where schools have a surplus balance that exceeds above thresholds prescribed in section 4 of the Scheme, the Governing Body are required to put in place a financial plan which gives explanations of holding these balances. Relevant evidence must support B02 Uncommitted Revenue Balances and be in written form and may comprise of:

Finance Governors Minutes  
Three year plans  
Projected Pupil Numbers  
Correspondence with Contractors  
Any other relevant information

The plan will be reviewed and agreed by a Sub Group of the Schools Forum. If the Sub Group of the Schools Forum is minded to believe that the school is not retaining the balance for appropriate reasons, then the excess amount of £....will be clawed back from school's budget share.

Yours sincerely,

## **4.9 Licensed Deficit**

### Add:

Where financial forecast of the future years are predicted to be in deficit, Schools are required to apply for a provisional licensed deficit. The request for a provisional licensed deficit must be supported by an explanation of the circumstances, which are forecast to cause the School's budget to go into deficit and a detailed recovery plan. The plan will include as a minimum:

- Forecast pupil numbers and other key drivers over the expected recovery period (maximum 3 financial years)
- Detailed information of staffing costs.
- Identification of risks which may impact on the likely recovery plan and an assessment of the likelihood that each risk will occur; the consequent impact on the recovery and what action will be taken to mitigate these effects.

## **6.2 Circumstances In Which Charges May Be Made**

### Add:

6.2.20 Recovery of monies from a school relating to provisional Growth Fund payments, where a school has failed to provide evidence of the actual costs incurred for expenditure that the school has claimed on the provisional Growth Fund payments. (i.e. evidence for allocations made based on estimated costs such as; Programme Management, Accommodation, Staffing, Recruitment, Marketing)