

**Directorate of Children's Services**

**Extract of the**

# **Scheme for Financing Schools**

**'Putting Learning First for Dudley'**

***November 2006***

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#### **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 **November 2006**:

***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 31<sup>st</sup> 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.***

***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.***

***At the end of each financial year the governing body of each maintained school will be required to make a detailed return to the local authority by the early May stating how it wishes to assign its budget share surplus balances and over what period it plans to spend them. These plans will be described as 'Provisional Plans'.***

***Schools may wish to 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.***

***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.***

***If during the course of the next financial year a school wishes to reassign its Approved Plan and/or wishes to re profile the timescale by which it intends to spend the balances, it must obtain the approval of the Director of Children's Services. To action this, schools must complete the pro forma at Annex G and return it to Children's Services Accountancy who will submit the proposals to the Director of Children's Services for consideration. A response will be given to schools within 14 days of receipt.***

***If at the end of the following year a school has not spent its surplus balances in line with its Approved Plans 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 2006 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.***

***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.***

***Schools Forum may invite Head Teachers to discuss their school's plans in detail during the course of its normal business, if required.***

***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 31<sup>st</sup> March;***
- ***Unspent balances at the end of the financial year confirmed early May;***
- ***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;***
- ***Children's Services Accountancy consider how actual spend for the previous financial year match approved plans for that year;***
- ***Director of Children's Services notifies schools of his intention to claw back balances from previously Approved Plans;***
- ***Provisional Plans for the new financial year which include any claw back are presented to Schools Forum at the Summer Term meeting;***
- ***Each school's budget share balances are either confirmed as Approved Plans (Accountancy notify school) or not approved (further discussions etc);***
- ***Reassignment of plan or timescale requests, received***

*mid year, to Director of Children's Services and schools notified accordingly;*

➤ *Process recommences.*

### **4.3 Interest on surplus balances**

Where savings are made against a budget in one financial year and rolled forward into the next financial year, interest will be payable to the school on the sum rolled forward.

Interest will be paid for a fixed period, normally six months, at a rate to be determined annually, based on the market rates current at that time.

Interest will not be paid on the proportion of the rollover balance residing in an independent bank account.

Balances will be categorised as follows:

- General Contingency (code **VA19**) – any unallocated contingency. If this category of balance is more than 5% of a secondary school's budget share or 8% of a primary, nursery or special school's budget share, the excess above the 5% or 8% respectively may be deducted from the school's budget share.
- Renewals and Replacement Fund (code **VA29**) – balances set aside to meet planned equipment replacement costs, for example replacement PCs and other IT equipment, furniture, carpets, redecoration funds, books or sports equipment, and maintenance projects under £5000;
- Long-Term Deposit Account (code **VA39**) – balances set aside for capital-based projects costing more than £5000, where funds must be invested for a minimum 12 month period, for example new build, extensions, toilet and other refurbishments, major security projects, land purchase, roof replacement, room conversion, mobile classroom replacement, extend/resurface playground or car park, major window replacement, synthetic pitch replacement and any maintenance projects costing more than £5000;
- 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. This account will be cleared to zero once the school budget has been set for the following year;

At present, interest will continue to be paid on the aggregate balances held by a school; however, it is possible that differential interest rates will be introduced in future years.