

## MUNICIPAL YEAR 2019/2020 REPORT NO.

### MEETING TITLE AND DATE:

Schools Forum – 15 January 2019

### REPORT OF:

Director of Education

Contact officer name and email: Sangeeta Brown

[Sangeeta.brown@enfield.gov.uk](mailto:Sangeeta.brown@enfield.gov.uk)

Item:

**Subject: Scheme for Financing  
Maintained Schools – 2020/21: Update**

## 1. EXECUTIVE SUMMARY

This report details the changes required to the local Scheme for Financing for maintained schools.

## 2. RECOMMENDATIONS

The maintained schools' members of the Forum are asked to note and approve the proposed changes to the Scheme for Financing.

## 3. INTRODUCTION

- 3.1 The Local Authority is required to agree and publish annually a Scheme for Financing for Maintained Schools. The Scheme aims to cover the financial relationship between maintained schools and the Local Authority.
- 3.2 Officers have reviewed the current Scheme and this report outlines the changes required to the Scheme to reflect local, national and statutory regulations.

## 4. PROPOSED AMENDMENTS AND UPDATES

### 4.1 Local

#### Threshold for Retaining Balances

As requested by the Schools Forum, the proposal brings the current threshold for retaining surplus balances of 8% for primary and special schools in line with the threshold applied to secondary schools of 5%. Maintained schools were consulted on the proposed change and the outcome from the consultation was presented and agreed with the maintained schools' members of the Forum at the last meeting. This report advises maintained schools Forum members of the actual Scheme changes. It is proposed that Section 4.2 of the current Scheme for 2020/21 is amended as follows:

*Governing bodies are required to report on the intended use of balances above the thresholds detailed in the table below of that financial year's budget share.*

Sector	2020/21		2021/22	
	Amount £	%	Amount £	%
Primary	£100k	6.5%	£100k	5%
Special	£100k	6.5%	£100k	5%
Secondary	5%		5%	

*Both the amount and the percentage will need to be met when calculating and identifying schools with balances above the threshold.*

The criteria for retaining balances above these limits is to:

- a. support prior year's financial commitments that have not been charged to the accounts by the preceding 31 March,
- b. fund specific purposes as assigned by the Governing Body and permitted by the Authority, as detailed below, 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.

*NB: This last provision is intended to ensure that schools can build up reserves towards particular projects but cannot defer implementation indefinitely.*

#### Balances Assigned for Specific Purposes

Schools may declare balances to be assigned for specific purposes only within the permitted categories given below. Such declarations must be recorded in minutes of the Governing Body meetings and information on such declarations given to the Authority in a format determined by the Authority. The Authority may take such steps as appropriate to determine that such declarations are properly assigned.

#### Permitted Categories for a maximum of three years\* a reserve to finance planned:

- Capital works for the purposes of the school, as set out in the school development plan.
- Replacement / refurbishment of equipment/purchase of new equipment, as set out in the school development plan.
- Building repairs and maintenance, as set out in the annual maintenance plan.
- Or maintain staffing levels in the short/medium term in the face of changing rolls, as set out in the school development plan.

\* within each permitted category, the commencement of the time period indicated will be deemed to be the date of the appropriate declaration in the minutes of the Governing Body.

- c. In calculating the surplus balances, the Authority will assess the amount and percentage of surplus balances held and if both thresholds are met as at 31 March for any school, then the school is required to seek the written permission of the Authority on the retention and use of the surplus balances against the criteria for retaining balances, as detailed above. The request must be submitted to the Authority in the first half of the Spring term preceding the end of the financial year.

*If written permission is not sought or is not within the required timescale, then any balances above the thresholds, as detailed above, will be considered for recycling.*

*Following a discussion with Education Resources Group, the Authority will confirm if the schools may retain any balances above the stated thresholds.*

#### Control of surplus balances

- (a) The Authority shall calculate each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be recurrent balance category as defined in the Consistent Financial Reporting Framework;
- (b) Then the prior year's commitments as reported by the school shall be deducted from the calculated surplus balance. This relates solely to financial commitments that the school has entered prior to the end of the financial year, e.g. placed an order, but the goods or services were not received by 31 March and no invoice has been paid, nor an accrual raised;
- (c) Then the amount assigned for specific purposes as reported by the school and permitted by the Authority (as detailed above) shall be deducted from the calculated surplus balances;

(d) If the result of steps (a) to (c) above is that the school has surplus balances of more than 5% of the current year's budget share, in the case of secondary schools, or £100k and 6.5% of the current year's budget share, in the case of primary and special schools, then the amount above these thresholds will be deducted from the current year's budget share.

*If the school does not send in their information on surplus balances as required under this Scheme and does not provide the LA with a reason for not providing the information then, in the case of a secondary school, any balance above 5% and, in the case of primary or special school, any balance above £100k and 6.5%, shall be deducted from the current year's budget share.*

*Funds deriving from sources other than the LA will be considered in this calculation if paid into the budget share of the school, whether under provisions of this Scheme or otherwise.*

*Funds held in relation to a school's powers under section 27 of the Education Act 2002 (community facilities) will not be considered, unless added to the budget share surplus by the school as permitted by the LA.*

*Individual schools will continue to have the right to appeal against any decision to recycle their balances. The Schools Forum will consider any appeals. Any balances that are recycled will be added to the Schools Budget in the following financial year.*

#### 4.2 **National**

Prior to the General Election, the DfE consulted on prescribed changes to local Schemes for Financing to bring requirements for maintained schools in line with those applied for academies. The changes included reporting requirements for either or both local authorities and maintained schools on:

- Non-compliance for meeting deadlines for financial returns;
- Number of fraud investigations, schools in deficit, and notices of financial concerns as part of the DSG annual assurance statement;
- Detailing Related Party Transaction as part of the Schools Financial Value Standard return
- Submitting a deficit recovery plan to the Authority when the revenue deficit rises above 5% and establishing a process for working with schools in deficits;
- Publish on the Web the number of staff individuals earning over £100K in £10K banding.

Information is still awaited as to whether the DfE will continue with these proposals. If these new requirements are implemented, then the Scheme will need to be amended accordingly and there will be no opportunity to consult or inform schools prior to the changes coming into effect.

#### 4.3 **Statutory**

Although the procurement thresholds detailed in the Scheme for Financing do not highlight the EU thresholds, schools are required to be aware of these thresholds and, where affected, ensure any procurement for goods and services is in line with the latest EU thresholds.

The EU thresholds for tendering have been revised to reflect the latest currency rates for the Pound against the Euro and the new thresholds are as follows:

Type of Spend	Amount
Goods & Services:	£189,330
Works	£4,733,252
Light Touch Regime for Services:	£663,540

Schools will be advised of revisions to the EU thresholds.