

MEETING:	SCHOOLS FORUM
DATE:	9 JULY 2010
TITLE OF REPORT:	PROPOSED PROCEDURE FOR APPROVING TRANSFER OF REVENUE BALANCES TO CAPITAL
OFFICER:	HEAD OF ACCESS & CAPITAL COMMISSIONING

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To seek endorsement of the proposed process for the transfer of schools' revenue budgets to capital.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT the Schools Forum:

- (a) **Endorse the proposed process, detailed in paragraph 11, to be applied for all categories of school seeking to transfer revenue funds to capital.**

Key Points Summary

- Currently, schools may transfer revenue funds to capital without restriction.
- The Schools Forum has expressed concern that this allows schools to avoid claw-back of revenue funds
- This paper provides a proposed process and criteria for ensuring that transfers from revenue to capital are only made in respect of specific and approved capital schemes.

Alternative Options

- 1 The recommendation proposes a number of criteria which must be met if the transfer of funds from revenue to capital is to be approved. The observations of Schools Forum on these criteria will be welcome together with any proposal to amend, delete or add to the criteria.

Further information on the subject of this report is available from
Rob Reid, Head of Access & Capital Commissioning on (01432) 260920

Reasons for Recommendations

- 2 The recommendation will ensure that revenue funds are only transferred to capital in order to fund specific capital schemes, approved by the Local Authority (and where relevant the appropriate diocese) as an essential means of delivering the specific capital scheme and within a reasonable time frame.

Introduction and Background

- 3 At its meeting on 23 February 2010 the Schools Forum accepted a recommendation from the Budget Working Party that revenue balances must only be transferred to capital where a capital plan has been approved by the local authority, or in the case of Voluntary Aided schools, the Locally Coordinated Voluntary Aided Programme Committee. The Forum requested a report to its July 2010 meeting to show how this will be implemented and monitored.

Key Considerations

- 4 The recommendation endorsed by the Schools Forum - that revenue balances must only be transferred to capital where a capital plan has been approved by the local authority, or in the case of Voluntary Aided schools, the Locally Coordinated Voluntary Aided Programme Committee – is a response to a concern that schools have been able to transfer revenue to capital in order to avoid claw-back of revenue funding.
- 5 The conditions which must apply to a request to transfer revenue funding to capital must be clear, objective and achievable.
- 6 The Local Authority is the strategic commissioner of school places and through its suitability, sufficiency and condition assessments it seeks to ensure that capital investment priorities in these areas are addressed in partnership with schools through the use of schools' devolved formula capital, Local Authority held capital funds and external funding sources where available.
- 7 Since all school building schemes will have an impact on the suitability assessment for a school and possibly the sufficiency and condition assessment, all schools are required to inform the Children & Young People's Directorate Capital Commissioning and Planning Team of capital building schemes which they are planning.
- 8 The Capital Commissioning & Planning Team therefore has an overview of all capital schemes which are planned in schools. Depending on the status of the school, the school may also be required to inform the trustees of the school building, for example, the relevant diocese in the case of Voluntary Aided Schools.
- 9 The Capital Commissioning Team is in a unique position in terms of being aware of proposed school building schemes and of being involved as those schemes progress to ensure that, in particular, suitability assessments are updated. This applies to all categories of schools. The team is also becoming increasingly involved in advising and supporting schools on delivering capital schemes.
- 10 It is proposed that the Local Authority use this unique position of the Capital Commissioning and Planning Team to provide the following information upon which to determine whether a school's revenue funds may be transferred to capital.
- 11 Proposed process for a school to apply to transfer revenue funds to capital:

- a. A request to transfer funds from revenue to capital must be accompanied with specific details of the capital scheme which the funding will be spent on.
- b. The transfer will only be effected upon confirmation by the Capital Commissioning and Planning Team that:
 - i. The capital scheme(s) identified is/are supported by the Local Authority and, in the case of Voluntary Aided schools, the appropriate diocese.
 - ii. The capital scheme(s) is/are identified as priority(ies) work, to be undertaken within 3 years, in the school's development plan, or the school's asset management plan where one exists.
 - iii. The capital scheme(s) identified fall into one or more of the following categories:
 1. To address a suitability assessment category A (cannot deliver curriculum) or B (adverse impact on delivery of the curriculum) issue.
 2. To address a safeguarding issue.
 3. To address a condition survey Priority 1 item (urgent work that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of occupants and/or remedy a serious breach of legislation) or a Priority 2 item (essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of occupants and/or remedy a less serious breach of legislation).
 - iv. The funds are essential in order to finance all or part of the identified capital scheme(s). That is, the capital scheme(s) cannot be delivered without the use of the revenue funding
 - v. With the exception of capital schemes which address issues identified in (iii) above, the revenue contribution to any individual capital scheme shall not exceed 50% of the cost of the scheme.
 - vi. The Capital Commissioning and Planning Team will monitor the use of the transferred revenue funding and the timescale in which it is used.
 - vii. If required, the Capital Commissioning & Planning Team will provide an annual report to Schools Forum on the requests that have met the criteria and been approved and on the subsequent use of those funds in delivering the approved capital schemes.

Community Impact

- 12 Capital investment in schools has wide ranging community impacts, benefiting children and young people and their families across Herefordshire. The transfer of revenue funding to capital as an essential means of financing a capital scheme will help to realise such benefits.

Financial Implications

- 13 The use of revenue funding to support capital schemes that are supported by the Local Authority or Locally Coordinated Voluntary Aided Programme Committee will increase the number of capital schemes that can be afforded and achieved.
- 14 Revenue balances will not be transferred to capital unless there is a scheme which is supported by the Local Authority or Locally Coordinated Voluntary Aided Programme Committee.

Legal Implications

- 15 None identified

Risk Management

- 16 No risks identified

Consultees

- 18 None

Appendices

- 19 None

Background Papers

Report of Budget Working Party, 22 January 2010, as considered at Schools Forum on 23 February 2010.