

Title of report: Local Management of Schools - Scheme amendment

Meeting: Herefordshire schools forum

Meeting date: Friday 13 January 2023

Report by: Strategic Finance Manager

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

The Department for Education has advised that the Consistent Financial Reporting guidance does not permit schools to transfer revenue to capital in advance of spend. In order to accommodate this advice the Local Management of Schools scheme requires amendment to introduce a new category for committed revenue balances and to exclude these balances from the 20% balance clawback scheme for the financial year 2022-23 and future financial years. Local authority maintained school members are asked to approve the changes to the LMS scheme.

Recommendation(s)

That: Local authority maintained school members approve the amendment to the Local Management of Scheme as follows;

- (i) **Delete old text as follows;**

“4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2015: “

(ii) Insert new text as follows;

“4.2 Controls on surplus balances

Surplus uncommitted balances (CFR reference B02) held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2022”

Alternative options

1. Schools Forum has the option of not approving the scheme amendment in which case the 20% balance clawback provision will apply to all revenue balances including committed and uncommitted.

Key considerations

2. The text below was included in the September 2022 Spotlight schools newsletter consulting on the proposed changes to the LMS scheme.
3. Changes to Herefordshire’s scheme of delegation to schools are necessary following recent advice from the DfE regarding Consistent Financial Reporting (CFR) that “revenue contributions to capital must be recorded in the year in which the expenditure takes place. Schools wanting to put money aside for future capital projects are not allowed to do a revenue to capital transfer before the work has been undertaken.”
4. It has been our longstanding practice that schools wishing to invest in capital improvements could transfer revenue funding to their capital account in order to save up for their new capital works. In future, following approval from School Forum, we will be using the CFR structure to separate school revenue balances into two categories as follows;
5. Committed Revenue Balances CFR B01 – will be used to record earmarked revenue funds that governors confirm are being held for future capital investments. Governing Bodies will be required to notify the LMS team of the future capital scheme and the amount to be held as a committed balance prior to year end.
6. Uncommitted Revenue Balances CFR B02 – all other revenue funding at year end will be will allocated to uncommitted revenue balances.
7. Operational practice will be that both committed and uncommitted balances will be brought back each year into the schools revenue cost code. However the balance clawback percentage will only apply to the Uncommitted Balances (BO2). This will ensure compliance with the new DfE CFR guidance. If you wish to take advantage of the new BO1 Committed balances code please ensure that a suitable governors minute is sent to LMS & Finance prior to the end of the financial year.
8. The 20% balance clawback scheme will only apply to schools uncommitted revenue balances i.e. CFR B02 and this will be made clear with the following proposed amendment to the LMS scheme;
 - (i) Delete old text as follows;

“4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2015: “

- (ii) Insert new text as follows;

“4.2 Controls on surplus balances

Surplus uncommitted balances (CFR reference B02) held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2022”

9. No Comments were received from the consultation item in the September 12th 2022 edition of the Spotlight schools newsletter.

Community impact

10. In accordance with our code of corporate governance, Herefordshire Council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. The council is committed to ensuring openness and transparency and the recommendations of this report demonstrate the reasons for a policy change being made.

Environmental Impact

11. There is no environmental impact arising from these statutory changes

Equality duty

12. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

13. As this is a statutory change required by DfE advice and guidance, we do not believe that it will have an impact on our equality duty.

Resource implications

14. There are no resource implications arising from the proposed change to the statutory LMS Scheme.

Legal implications

15. The recommended amendments to the Scheme are in accordance with updates to the Department for Education Guidance to reflect changes in the Schools and Early Years Finance (England) Regulations 2021. Department for Education Schemes for financing schools Statutory Guidance for local authorities March 2018 states that councils are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. In making any changes to their schemes, councils must consult all schools in their area and receive the approval of members of their schools forum representing maintained schools. Councils must take this guidance into account when revising their schemes, in consultation with the schools forum.

Risk management

16. The council will fully comply with the amendments to the scheme.

Consultees

17. All locally maintained schools have been consulted via the Spotlight newsletter during the autumn term 2022 and no comments received. A copy of the amended scheme will be distributed to all locally maintained schools after Schools Forum later in January 2023. The council's Chief Finance Officer has been consulted and is content with the proposed changes to the scheme of delegation to schools.

Appendices

None.

Background papers

Herefordshire Council's Scheme for financing maintained schools published November 2021

Report Reviewers Used for appraising this report:

| Please note this section must be completed before the report can be published | | |
|---|--|--|
| Governance | Sarah Buffrey, Democratic Services Officer | Date 20/12/2022 |
| Finance | Louise Devlin | Date 21/12/2022 |
| Legal | Francis Fernandes | Date by email 19/12/2022 |
| Communications | Click or tap here to enter text. | Date Click or tap to enter a date. |
| Equality Duty | Harriet Yellin | Date 20/12/2022 |

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|-------------|----------------------------------|------------------------------------|
| Procurement | Lee Robertson | Date 20/12/2022 |
| Risk | Click or tap here to enter text. | Date Click or tap to enter a date. |
| Approved by | Darryl Freeman | Date 03/01/2023 |

Please include a glossary of terms, abbreviations and acronyms used in this report.

- BWG Budget Working Group (of Schools Forum)
- CAMHS Children and Adolescent Mental Health Service
- CFR Consistent Financial Reporting (required by the DfE)
- DSG Dedicated Schools Grant
- DfE Department for Education
- EHCP Education Health Care Plan
- ESFA Education and Skills Funding Agency
- LMS Local Management of Schools
- MASH Multi Agency Safeguarding Hub
- MFG Minimum Funding Guarantee – a funding mechanism by DfE to provide a funding protection mechanism to smooth budget losses over a number of years
- PRU Pupil Referral Unit H3 Home and Hospital Teaching Team (Hub, Home, Hospital)
- SEN Special Education Needs
- SEND Special Education Needs and Disability