

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	SCHOOLS FORUM 12 February 2014	Agenda Item	8
Report Title	Exit Strategy for Capital Expenditure from Revenue Account (CERA) in 2014/15 –Pooled Funding		
Decision/ Discussion/ Information	For Discussion and Decision		
Report Author/ Contact details	Raina Turner – Head of Finance Judith Kirk – Assistant Director, School Effectiveness Marina Dimopoulou – Assistant Director, Asset Management and Delivery		
Appendices	Appendix A: Exit Strategy for CER- Pooled Funding		

1. SUMMARY

- 1.1 The purpose of this report is to consider exit strategies following the delegation to schools of the Capital Expenditure from Revenue Account (CERA) budgets as part of the new school funding reforms for 2013-14. The budget for 2013-14 is £810,000 and is used to support all schools including Academies.
- 1.2 There is currently no alternative revenue budget available to replace CERA from April 2014.

2. RECOMMENDATIONS

- 2.1 Schools Forum is recommended to note that schools and academies will be asked to pool back CERA funding delegated in 2014-15.

3. BACKGROUND

- 3.1 In previous years the CERA budget has been used by the Local Authority to reimburse schools for revenue expenditure arising from major capital projects.
- 3.2 Examples of these types of expenditures include but are not limited to: decant costs, caretaker overtime, transport costs for pupils, deep cleans after works, residential trips, meal transportation costs, temporary mobile classrooms and associated costs and relocations, porters, temporary leased accommodation, feasibility studies etc.
- 3.3 The Primary Expansion Programme which is designed to create the additional school places has also needed a revenue budget to address

costs associated with the capital works that cannot be capitalised. CERA has been used for this purpose.

- 3.4 In this way the CERA budget has been used to support the Council in fulfilling its statutory responsibility to ensure that there are sufficient pupil places within the Borough.
- 3.5 The DfE has determined that future CERA allocations should be directly delegated to schools. The CERA budget for 2013-14 could only be used for commitments agreed in 2012-13.
- 3.6 The delegation of CERA has been brought to the attention of Schools Forum in the report "Consultation on Centrally Retained Funding", 17 October 2012, which stated: "In the case of Termination of Employment Costs and Capital Expenditure funded from Revenue, expenditure is limited to commitments agreed by 31 March 2013. From 2014-15, expenditure under these headings will no longer be allowable as central expenditure items against the DSG."
- 3.7 Table A in the report "Schools Block Funding for 2014-15 including funding set aside for Growth Fund", 15 January 2014 shows that CERA is not included in the 2014-15 centrally retained funding.
- 3.8 This means that there is no existing revenue funding available to the Council to help support schools undergoing capital works. As a result there will be an impact on the revenue budgets of schools under-going capital works as all revenue costs will need to be met from the delegated budgets of those schools. The consequence of this may impact on the Council's ability to fulfil its statutory duty to ensure sufficient school places are available as schools undergoing works will have no additional revenue funding to mitigate the impact of capital projects.
- 3.9 As a result there is a need to identify and agree an alternative revenue budget that can be used in the absence of CERA.
- 3.10 The schools capital programme is substantial therefore it is anticipated that similar levels of revenue expenditure will be required for at least the next three years. Predicting spend for 2014-15 at this stage of the programme is challenging however it is estimated that a similar budget will be required next year.
- 3.11 Discussions with Headteachers will need to take place during this academic year to consider the way forward in future years once a resolution to 2013 -2014 is established.

4. PROPOSALS

- 4.1 **Option 1** - Schools and Academies will be asked to pool back up to £810,000 which the Council will use to support costs relating to the capital programme.

- 4.1.1 The Council will establish a set of protocols with schools and agree a set sum of monies to help schools meet costs incidental to the capital build.
 - 4.1.2 The funding required would be reviewed on an annual basis and any underspend would be returned to the schools budget.
 - 4.1.3 The benefits to this are that those schools under-going significant capital works will receive similar levels of support as those which have undergone similar works in the past and will be supported in helping to ensure that disruption to teaching and learning is minimised.
- 4.2 **Option 2** - Following actual delegation to schools of CERA budget, schools will be required to meet all revenue costs associated with the capital project.
- 4.2.1 This approach would impact significantly on schools under-going works and in particular on smaller schools.
- 4.3 **Option 3** - Schools are asked to pool back between £300,000 to £600,000 and the Council will support all costs relating to capital programme from within the budget envelope.
- 4.3.1 The Council will establish a set of protocols with schools and agree a set sum of monies to help schools meet cost incidental to the capital build. It must be noted that given such a reduction this will mean that criteria for CERA will be more stringent than in the past.
 - 4.3.2 The funding required would be reviewed on an annual basis and any underspend would be returned to the schools budget.
 - 4.3.3 The benefits to this are that those schools under-going significant capital works will receive similar levels of support as those which have undergone similar works in the past and will be supported in helping to ensure that disruption to teaching and learning is minimised, albeit at a reduced level.

5.0 GOING FORWARD

- 5.1 The Council and schools need to establish a new methodology with the 2014-15 revenue commitments to support the Schools Capital programme. The Pooled Funding arrangement allows time for more detailed discussions to be held on how best to approach the Schools Capital Programme and funding implications. As part of the School Budget Setting process work will begin in the summer on the 2015-16 budgets, including reviewing the DFE proposals for a National Funding Formula.