
Meeting: Central Bedfordshire Schools Forum
Date: 8 March 2010
Subject: School Finances
Report of: Deputy Chief Executive and Director of Children, Families and Learning
Summary: To update the Schools Forum on the concerns of School Finances.

Contact Officer: Dawn Hill, Borough Hall, Bedford
Public/Exempt: Public
Wards Affected: All
Function of: Council

RECOMMENDATIONS:

- 1. To discuss and comment on the concerns and way forward.**

Background

1. There are 139 School in Central Bedfordshire, including the Academy. The total allocation of the Dedicated Schools Grant (DSG) for Central Bedfordshire for 2009/10 is £143.8m, of which £127.8m is delegated to schools (excluding the academy).
2. The financial controls within which delegation works are set out in Central Bedfordshire Council's Financial Regulations for Schools in accordance with Section 48 of the School Standards and Framework Act (1998) and approved by the Secretary of State.
3. The LA may suspend a school's right to a delegated budget if the provisions of the Scheme have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.
4. In April 2006 the DCSF consulted on a number of revisions to the Secretary of State's guidance on local authority schemes for financing schools. In the light of this consultation and as provided for by section 48 of the Schools Standards and Framework Act 1998 the Secretary of State made a **directed revision to local authority schemes**, allowing local authorities to issue a notice to schools whose financial systems, processes and management are of concern. This came into effect on 1 January 2007.

5. Central Bedfordshire's Scheme for Financing Schools includes this revision and provides for the issuing of a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Corporate Resources and Director of Children Families and Learning, *'the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school'*.

Update and Concerns

6. There are regular monthly meetings for Schools Causing Concern, chaired by the Head of School Improvement, Justine Abbott. School Finance attends these meetings.
7. Schools are placed into categories of concern and given a RAG (Red, Amber, and Green) rating. Justine has ensured that this process of categorising schools includes information/intelligence from various departments; HR (redundancies, capabilities, sickness, etc), School Behaviour, SEN and Finance. A similar process of rating schools is also performed by School Finance.
8. There appears to be an increasing number of schools that are not placing adequate importance on their responsibility in the stewardship of public money and the achieving of value for money. These concerns are exacerbated by the risk that Central Bedfordshire's level of DSG may reduce from April 2011.

The concerns can be placed broadly under four headings;

- Licensed Deficits
- General lack of compliance with Scheme for Financing Schools and Finance Regulations
- Procurement
- Capital

9. Licensed Deficits

- 9.1 There are currently twenty two approved Licensed Deficits Schools with a value of £805,000. Two of these schools are seeking revisions to the recovery arrangements. There are a further eleven to be agreed for the financial year 2009/10. The estimated value of deficit schools for 2009/10 is £1.5m. The Scheme for Financing Schools states that no more than one third of the collective balances held by the LA will be used to back these arrangements. The collective Revenue balances for Central Bedfordshire Schools for 2008/2009 was £8.2m. (Capital 4.9m of which Devolved Formula Capital 4m).
- 9.2 The LA may extend deficit arrangements to Fully Funded Schools but the arrangement is in the form of a loan for which interest is chargeable.
- 9.3 Licensed Deficit school are not permitted to contribute to Capital expenditure from revenue budgets.

- 9.4 **Risk** – Central Bedfordshire’s level of DSG may reduce from April 2011 and may result in an increased number of schools in deficit position. A number of schools may be considered unviable.

10. Compliance

- 10.1. The Scheme for Financing Schools, Financial Regulations and Fully Funded Bank account schemes clearly document the requirements of the school, along with a detailed timetable for submission of Financial Monitoring Returns.
- 10.2. The timeliness and accuracy of returns is not of at an acceptable level for a percentage of schools.
- 10.3. Some Fully Funded schools are not providing timely detailed cash flow statements.
- 10.4. The guidance on the use of delegated budgets to support extended school activities is not being followed.
- 10.5. Schools are not always contacting the LA with regards to building works.
- 10.6. **Risk** – Lateness and accuracy of returns reduces the schools ability to accurately forecast the schools out turn position, resulting in late applications for Licensed Deficits and plans not recovering within two years. Fully Funded schools placing the school bank account into overdraft and/or inability to pay salaries due to lack of cash balances. Extended services may place a financial constraint on the schools ability to deliver education. The rectifying of defective works commissioned by the school to be charged to the school or may result in the closure due to health and safety.

11. Procurement

- 11.1. Schools are required to abide by Central Bedfordshire Council’s Financial Regulations for Schools and Standing Orders in purchasing, tendering and contracting matters.
- 11.2. A number of schools are not following the purchasing procedures and in particular have entered into five year arrangements with leasing/finance organisations as a means to refresh all ICT equipment and to receive cash back.
- 11.3. Finance leases are not permitted.
- 11.4. **Risk** – Best Value not being achieved for the school. The income relating to the cash back arrangement is not forthcoming placing the school in deficit. School equipment may be removed due to confusion of ownership if the lease company was to be placed into liquidation. Finance lease will be required to be converted into operational leases resulting in a cost to the school.

12. Capital

- 12.1. Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises in accordance with the Councils accounting procedures. However, they are not permitted to contribute if this results in a revenue deficit or existing Devolved Formula Capital balances are held by the school for the current or previous financial years.
- 12.2. In addition, a number of schools are inaccurately charging revenue expenditure to capital expenditure.
- 12.3. **Risk** – More schools facing budget difficulties reduces their ability to contribute to capital schemes along with the DCSF indicating that the settlement for 2011/12 may see the Devolved Formula Capital grant reduced by 50%. School incorrectly charging revenue expenditure may result in a year end adjustment placing the school revenue balance in deficit.

Consultation with Internal Audit

13. Internal Audit are currently producing a revised strategy for the audit of schools in Central Bedfordshire from 2010/11. Preliminary meetings have been held with the School Finance Manager and the Head of School Improvement. The risks identified in this paper will be considered when formulating the strategy, alongside other factors such as Health and Safety, Insurance, and the respective roles and responsibilities of schools and the LA.

Appendices:

None