

Agenda Item: 11

Meeting: Schools Forum

Date: 28th June 2010

Subject: School License Deficits

Report of: Deputy Chief Executive and Director of Children Services

Summary: To update the Schools Forum on License Deficit Schools

Contact Officer: Dawn Hill, Borough Hall, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

1. To note the update on License Deficit Schools

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 Scheme permits schools to plan for a deficit budget, with the normal maximum length of time over which schools may recover will be three years. Due to the current financial climate and the Department of Children, Schools and Families (DCSF) review on the future distribution of School Funding, Central Bedfordshire does not license deficits beyond two years.
4. The Scheme also 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

5. The expected total Schools out-turn as at May 2010, is a £7.9m revenue balance, a use of revenue reserves of approximately £300k. Twenty seven schools held an approved Licensed Deficit (£1.2m), and three schools held unlicensed deficits (£217k), a total of £1.4m deficit balances. This may rise once Earmarked reserves have been declared. 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 License Deficit arrangements.
6. Unlicensed deficits are reported to the Department for Children Schools and Families (DCSF) as part of the School's Consistent Financial Reporting (CFR) return. An unlicensed deficit will also have a negative impact on the achievement of the Financial Management Standard (FMSiS), which in turn will have a direct bearing on school ratings with HMI.
7. The LA has issued two 'Notice of Concerns' under Section 2.3 of Central Bedfordshire's Scheme for Financing Schools. These schools have been set clear targets, which if not achieved within a defined time scale, the LA may suspend the school's right to a delegated budget.
8. Fifteen of the twenty seven school license deficits continue into the 2010-11 financial year. The LA are also aware of a further nine schools that will be applying for an approved deficit.
9. To assist schools in extenuating circumstances that are requiring a deficit beyond a two year period, the Director of Children Services and the Section 151 Officer, have agreed criteria to assess schools on a case by case basis.
 - Proven track record of good financial management i.e. no adverse audit report.
 - Plans to co-operate within two years with Trust, Federation or Partnerships.
 - The organisation of classes, including mixed age classes, considered or in place that have a one year impact.
 - Unforeseen reduced pupil numbers (supported by LA tables) or evidence of new circumstances in year.
 - School Improvement Partner consulted on staffing structure
 - Previous LD less than 5% of School Budget Share
 - New requested LD less than 5% of School Budget Share

The Scheme for Financing Schools states License Deficits shall not normally exceed 10% of School Budget Share

It is anticipated that the vast majority of schools will remain within the required two year recovery and the above criteria will only be applied in very exceptional circumstances.

Appendices:

None