

Meeting: Schools Forum
Date: 20 June 2011
Subject: School Finance Update
Report of: Deputy Chief Executive and Director of Children's Services
Summary: To update the Schools Forum on the Schools out-turn position for 2010/11 and approach to Surplus Balances.

Contact Officer: Dawn Hill, Technology House, Bedford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

To note the update on the School's out-turn position for 2010/11 and approach to Surplus Balances.

Background

1. There are 137 Schools in Central Bedfordshire (excluding Academies) in 2010/11 with a delegated budget of £132.3M.
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 Schools Standards and Framework Act (1998) and approved by the Secretary of State. The Scheme has been updated for the financial year 2011/12
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. The Scheme (Section 4.9) permits schools to plan for a deficit budget with the normal maximum length of time over which schools may recover being three years.
5. Unlicensed deficits are reported to the Department for Education as part of the School's Consistent Financial Reporting (CFR) return. An unlicensed deficit will have a direct bearing on the schools ratings with OFSTED.

6. The Scheme for Financing Schools November 2010 to March 2011 Section 4 details the treatment of surplus balances arising in relation to budget shares. Where schools have a surplus balance that exceeds the prescribed thresholds (5% Upper/Middle and 8% Nursery/Lower and Special), the Governing Body are required to put in place a financial plan to reduce the surplus to below the threshold. The plan is reviewed and agreed by the Sub Group of the Schools Forum each year and monitored to ensure such surpluses are used appropriately for the benefit of the school. However, if the Sub Group is minded to believe that a school is not retaining the balance for appropriate reasons, then a process will be started to recycle the funds in excess of the threshold.
7. The Schools Forum at its meeting on 7th March 2011 resolved that there be no balance control mechanism for balances arising from 2011/12 onwards.
8. Section 151 of the Local Government Act 1972 states that every local authority make arrangements for the proper administration of their financial affairs, including the supervision of all systems and records used for accounting purposes relating to the finances of Central Bedfordshire Council. Schools are required to operate accounting systems in support of proper budget monitoring and control arrangements.
9. To assist the Section 151 Officer in exercising his duties under the Act, Schools are categorised into Red, Amber, Green (RAG) ratings of risk. This process takes place twice a year in June following the financial year end and receipt of the current budget plan, and January, following the Schools completion of the year end forecasts outturn. A regular update is held as schools circumstances change.

Update

10. Schools balances as at 31st March 2011 are as follows:-

Sector	Revenue £	Capital £	Total £
Nursery	518,464	101,718	620,182
Lower	3,846,384	2,878,667	6,725,051
Middle	1,682,918	1,099,789	2,782,707
Upper	3,652,205	144,265	3,796,470
Special	852,395	198,843	1,051,238
Total	10,552,366	4,423,282	14,975,648

11. Before the declaration of committed balances (Earmarked Funds), 81 schools would be subject to the Surplus Balance Sub Group for having balances above the defined thresholds.
12. At the 2010/11 financial year end, 17 schools held an agreed licensed deficit with a value of £635,751. One additional school applied the 1% deficit budget tolerance allowance. Subject to the receipt of the School's Consistent Financial Reporting (CFR) return, one school will exceed their agreed licensed deficit by £90,339, implications of which are under review. Two of the licensed deficit agreements continue into the 2011/12 financial year.

13. The categorising of schools into a risk register will take place during June and brought back to the next meeting of the School Forum.
14. Due to the removal of the balance control mechanism for 2011/12 onwards, surplus balances arising from 2010/11 will be dealt with by form of a single letter ensuring a response is received.