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**Meeting:** Schools Forum  
**Date:** 15 September 2014  
**Subject:** School Finance Update  
**Report of:** Deputy Chief Executive and Director of Children's Services  
**Summary:** To update the Schools Forum on the 2013/14 Schools out-turn position and 2014/15 Risk Register.

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Contact Officer: Dawn Hill, Priory House, Shefford

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency  
(if appropriate)

**RECOMMENDATIONS:**

**To note the Finance update for Schools**

**Background**

1. Central Bedfordshire Council's (the LA) Scheme for Financing Schools is based on the legislative provisions in sections 45 – 53 of the School Standards and Framework Act 1998 (the Act) and the School and Early Years Finance (England) Regulations 2012 (the regulations). Under this legislation, the Department for Education (DfE) will determine on an annual basis, the minimum size of the Schools Budget, through the Dedicated Schools Grant (DSG). The Local Authority (LA) will determine the actual level of the Schools Budget and their non –schools education Budget.
2. The LA may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under Section 45A of the Act. The amounts to be retained centrally are decided upon annually by the LA, subject to any limits or conditions prescribed by the Secretary of State and any amounts that have to be agreed by the Schools Forum. The balance of the Schools Budget remaining after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).
3. The LA will not retain any unallocated reserve within the ISB but must distribute the ISB amongst all maintained schools, using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act.

4. 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.
5. The LA may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.
6. Schools must satisfy the minimum requirements with regard to financial controls, procedures and systems in operation so far as necessary for the discharge of the LA's Assistant Director Finance, S. 151 Officer responsibilities under Section 151 of the Local Government Act 1972. As this involves all financial records being maintained in school, these documents become the prime record and, therefore, are subject to a more rigorous LA and external audit.
7. To assist the Section 151 Officer in exercising his duties under the Act, Schools are categorised into Red, Amber, and Green (RAG) ratings of risk. This process takes place twice a year in July 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.
8. The Scheme (Section 4.9) permits schools to plan for a deficit budget with the maximum length of time over which schools may recover being three years. Schools' requests for licensed deficits must be supported by a detailed recovery plan. Licensed Deficits shall not normally exceed 10% of a school's budget share. No more than one third of the collective balances held by the LA will be used to back these arrangements.
9. Unlicensed deficits are reported to the Department for Education as part of the School's Consistent Financial Reporting (CFR) return.

#### **Schools out-turn 2013/14**

10. There were 89 Maintained Schools in Central Bedfordshire as at 31st March 2014 with a delegated budget of £84.018M. Maintained Schools balances as at 31<sup>st</sup> March 2014 were as follows (Appendix A):-

<b>Sector</b>	<b>Revenue £</b>		<b>Capital £</b>	
	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>
Nursery (4)	527,608	476,553	57,996	45,386
Lower (73)	6,791,504	6,766,255	773,268	804,064
Middle (8)	1,714,500	1,429,467	132,209	71,726
Upper (2)	1,136,366	719,524	43,427	47,483
Special (2)	1,230,276	1,723,724	1,923	12,708
<b>Total (89)</b>	<b>11,400,254</b>	<b>11,115,523</b>	<b>1,008,823</b>	<b>981,367</b>

11. Schools 2013/14 CFR returns distinguish Revenue balances between committed (£370k) and uncommitted (£10.745M) reserves. Those schools holding excess uncommitted balances have been sent a letter requesting details of how the excess balance will be spent. Excess balances are deemed as 5% (Middle and Upper) or 8% (Nursery, Lower, and Special) of the School's initial ISB.

### Schools risk register 2014/15

12. Following confirmation of the 2013/14 balances held by schools and receipt of the 2014/15 budget plan, schools have been assessed against the following criteria:

Criteria	Red	Amber	Green
Notice of Concern issued	X		
'No Assurance' audit statement	X		
Application for Licensed Deficit late in financial year (December)	X	X	
Unlicensed Deficit >5k or 2.5% of ISB	X		
Unlicensed Deficit < 5k or 2.5% of ISB		X	
Licensed Deficit for one year > 10% of ISB		X	
Licensed Deficit for one year < 10% of ISB			X
Licensed Deficit for two years > 10% of ISB	X		
Licensed Deficit for two years < 10% of ISB		X	
Budget monitoring concerns	X	X	
No submission of Schools Financial Value Standard	X		
Provisional Licensed Deficit for future year			X
Timeliness and/or accuracy of returns			X
Change of Head teacher and/or Bursar/Finance Officer			X

13. All maintained schools with a delegated budget must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. The LA's Assistant Director Finance, S. 151 Officer is required to certify to the DfE how many schools have completed the SFVS form and give the reasons for those that didn't complete. For 2013/14 one secondary school did not submit the return. This was due to issues within the school's senior management team.
14. No School has been issued a 'Notice of Concerns' under Section 2.15 of Central Bedfordshire's Scheme for Financing Schools during 2013/14.
15. There is currently one lower school with an agreed license deficit, with a total value of £54k. One middle school closed 2013/14 with an unlicensed deficit with a value of £49k. A letter has been send to the school outlining the LA's concerns regarding school's financial management.

16. The RAG exercise that took place in July 2014 places 27 of our 88 maintained schools into a category as shown in the table below:

<b>Sector</b>	<b>No Category</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>
Nursery (4)	2	0	1	1
Lower (72)	51	0	5	16
Middle (8)	5	3	0	0
Upper (2)	1	1	0	0
Special (2)	2	0	0	0
<b>Total</b>	<b>61</b>	<b>4</b>	<b>6</b>	<b>17</b>

All red and amber schools will receive a visit from their School Financial Adviser during the autumn term. Those schools coloured green will be closely monitored and if necessary will also receive a school visit.

17. There are 3 Middle and one Upper school currently causing financial concern. The middle schools are currently subject to a statutory notice for closure due to reducing numbers and financial viability. The upper school is currently unable to set a balance budget within the prescribed three year period.
18. A School has been issued a 'Notice of Concern' under Section 2.15 of Central Bedfordshire's Scheme for Financing Schools in 2014/15.
19. A letter will be sent to all schools informing them of their RAG category and the use of criteria following the School Forum update.

#### Appendix A – School 2013/14 Revenue and Capital Balances