
Meeting: Schools Forum
Date: 15 June 2015
Subject: School Finance Update
Report of: Director of Children's Services
Summary: To update the Schools Forum on the 2014/15 Schools out-turn position and 2015/16 Risk Register.

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 2014 (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 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 May 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 2014/15

10. There were 88 Maintained Schools in Central Bedfordshire as at 31 March 2015 with a delegated budget of £80.321M. Maintained Schools balances as at 31 March 2015 are as follows (Appendix A):-

Sector	Revenue £		Capital £	
	2013/14	2014/15	2013/14	2014/15
Nursery (4)	476,553	455,105	45,386	49,371
Lower (72)	6,722,940	6,941,494	789,782	1,066,721
Middle (8)	1,429,467	1,071,465	71,726	145,160
Upper (2)	719,524	335,384	47,483	45,765
Special (2)	1,723,724	2,008,186	12,708	47,406
Total (88)	11,072,208	10,811,634	967,085	1,354,423

11. Schools 2014/15 CFR returns distinguish Revenue balances between committed (£916k), uncommitted (£9.602M) and community focused (£293k) 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 2015/16

12. Following the year end returns and confirmation of the 2014/15 balances held by schools, 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 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 2014/15 one secondary school submitted an incomplete SFVS return. This was due to issues within the school's senior management team.
14. Three lower schools closed 2014/15 with unlicensed deficits in uncommitted revenue balances.
15. The RAG exercise that took place in May 2015 places 31 of our 88 maintained schools into a category as shown in the table below:

Sector	No Category	Red	Amber	Green
Nursery (4)	2	0	0	2
Lower (72)	49	2	3	18
Middle (8)	4	1	2	1
Upper (2)	0	1	0	1
Special (2)	2	0	0	0
Total (88)	57	4	5	22

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

16. There are 2 Middle and one Upper school currently causing financial concern. The middle schools are currently subject to a statutory notice for closure due to reducing pupil numbers and financial viability. The upper school is currently unable to set a balance budget within the prescribed three year period.
17. One Upper School has been issued a 'Notice of Concern' under Section 2.15 of Central Bedfordshire's Scheme for Financing Schools in 2014/15.
18. A letter will be sent to all schools informing them of their RAG category following the School Forum update.
19. The LA is in the process of reviewing the Scheme for Financing Schools. The LA will consult with all maintained schools on any proposed changes during June and July 2015. All proposals to revise the Scheme must be approved by the Schools Forum, though the LA may apply to the Secretary of State for approval in the event of the forum rejecting the proposals. A paper will be presented to the next Schools Forum meeting to agree the proposed changes. This will follow with an update to the Financial Regulations for Schools and Bank Account Scheme.

Appendix A – School 2014/15 Revenue and Capital Balances