

**Meeting:** Schools Forum

**Date:** 13 June 2016

**Subject:** School Finance Update

**Report of:** Director of Children's Services

**Summary:** To update the Schools Forum on the 2015/16 Schools out-turn position and 2016/17 Risk Register. To note the revised risk criteria and to discuss the proposal to reinstate the balance control mechanism for schools holding excessive uncommitted balances

Contact Officer: Dawn Hill, Priory House, Shefford

Public/Exempt: Public

Wards Affected: All

Function of: Council

### **RECOMMENDATIONS:**

1. To note the Finance update for Schools.
2. To note the revised risk criteria.
3. To agree to consult with schools on an amendment to the Scheme for Financing Schools to reinstate the balance control mechanism

### **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 2015 (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 2015/16**

10. There were 87 Maintained Schools in Central Bedfordshire as at 31 March 2016 with a delegated budget of £82.287M. Maintained Schools balances as at 31 March 2016 are as follows (Appendix A):-

<b>Sector</b>	<b>Revenue</b>		<b>Capital</b>	
	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>
Nursery (4)	455,105	545,791	49,371	27,385
Lower (71)	6,826,650	8,175,895	1,053,842	841,511
Middle (8)	1,071,465	605,181	145,160	571,321
Upper (2)	335,384	692,569	45,765	24,752
Special (2)	2,008,186	1,648,995	47,406	34
<b>Total (87)</b>	<b>10,696,790</b>	<b>11,668,431</b>	<b>1,341,544</b>	<b>1,465,003</b>

11. Schools 2015/16 CFR returns distinguish Revenue balances between committed (£1.416M), uncommitted (£9.849M) and community focused (£403k) reserves. Those schools holding excess uncommitted balances will be contacted individually 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.

12. One nursery school, three lower schools and one middle school had approved licensed deficit for 2015/16. Only one lower school and one middle school closed 2015/16 with deficits on uncommitted revenue balances with a value of £53k, and £627k. Both schools had an agreed licensed deficit for 2015/16.
13. The Central Bedfordshire's Scheme for Financing Schools does not operate a balance control mechanism. However the DfE statutory guidance for local authorities permits LAs to have such mechanism to clawback excess uncommitted revenue balances. The LA is seeking Schools Forum views on the proposal to reinstate the clawback mechanism.

### **Schools risk register 2016/17**

14. Following the year end returns and confirmation of the 2015/16 balances held by schools, schools have been assessed against the following criteria:

<b>Criteria</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>
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
<b>Schools Causing Concerns</b>		X	
<b>Age Range Changes</b>		X	

15. The above criteria have been updated to take into account 'Schools Causing Concerns' and schools that are in the process of or considering 'Age Range' changes.
16. The exercise that took place places 37 of our 87 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 (71)	43	5	11	12
Middle (8)	4	0	1	3
Upper (2)	0	2	0	0
Special (2)	1	0	1	0
<b>Total (87)</b>	<b>50</b>	<b>7</b>	<b>14</b>	<b>16</b>

17. All red and amber schools will receive a visit from a member of the School Finance team. Those schools coloured green will be closely monitored and if necessary will also receive a school visit.
18. A letter will be sent to all schools informing them of their RAG category and the use of criteria they have been assessed against following the School Forum update.
19. There are two schools currently under a financial ‘Notice of Concern’ under Section 2.15 of Central Bedfordshire’s Scheme for Financing Schools.
20. 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 2015/16 all schools have submitted the SFVS although some schools did not meet the required date of submission of 31 March 2016.

#### Appendix A – School 2015/16 Revenue and Capital Balances