

**Meeting:** Schools Forum

**Date:** 18 September 2017

**Subject:** School Finance Update

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

**Summary:** To update the Schools Forum on the 2016/17 Schools out-turn position, surplus balances and RAG rating.

Contact Officer: Dawn Hill, Priory House, Shefford

Public/Exempt: Public

Wards Affected: All

Function of: Council

#### **RECOMMENDATIONS:**

- 1. To note School's outturn position for the financial year 2016/17.**
- 2. Comment on Schools holding excess surplus balances and agree next steps.**
- 3. To note the Finance RAG rating 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 2017 (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 2016/17

10. There were 82 Maintained Schools in Central Bedfordshire as at 31 March 2017 with a delegated budget of £84M. Maintained Schools balances as at 31 March 2017 are as follows (Appendix A):-

Sector	Revenue £		Capital £	
	2015/16	2016/17	2015/16	2016/17
Nursery (2)	254,059	267,706	24,360	16,956
Lower (71)	8,175,895	6,370,824	841,511	732,970
Middle (5)	1,026,448	889,040	552,359	194,670
Upper (2)	692,569	804,952	24,752	15,960
Special (2)	1,648,995	1,708,022	34	34
<b>Total (82)</b>	<b>11,797,966</b>	<b>10,040,544</b>	<b>1,443,016</b>	<b>960,590</b>

11. The Schools balances above have now been confirmed following the completion of the Consistent Financial Returns (CFR). Two schools had an unlicensed deficit at year end (£39k in total).

### Schools excess balances

12. CFR distinguishes Revenue balances between committed (B01), uncommitted (B02) and community focused reserves (B06). The balance control mechanism was re-introduced into the Scheme for Financing Schools for 2016/17, section 4.2 defines excess uncommitted balances as: 10% (Secondary and Special) or 15% (Nursery and Primary) of the current years' individual school budget share.

13. The Schools finance team have reviewed schools returns and examined funds declared as committed (B01) against agreed criteria and challenged as appropriate. There are 20 schools holding excess uncommitted balances (B02), (after the exclusion of one lower school whose excess balance was less than £1k); One Nursery, 16 Lower, one Middle and two Special Schools (Appendix B). These Schools will be contacted individually requesting details of how the excess balance will be spent.
14. School Forum members are requested to support officers in reviewing these returns and make recommendations with regards clawback of funds. The scheme for financing schools states that any surplus balances removed from schools will be redistributed to all maintained schools (excluding academies) holding less than the permitted surplus percentages/amount in the following financial year.

### Schools risk register 2017/18

15. Following the year end returns and confirmation of the 2016/17 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
Schools Causing Concerns		X	
Age Range Changes		X	

16. The table below compares the number of schools in each assigned category for 2015/2016 against 2016/2017 outturn and 2017/18 Budget setting process.

Sector	Red		Amber		Green	
	15/16	August 17	15/16	August 17	15/16	August 17
Nursery	0	0	1	0	1	1
Lower	5	8	11	22	12	12
Middle	0	0	1	1	3	0
Upper	2	1	0	0	0	0
Special	0	0	1	0	0	2
<b>Total</b>	<b>7</b>	<b>9</b>	<b>14</b>	<b>23</b>	<b>16</b>	<b>15</b>

17. The increase in red and amber schools are mainly as a result of age range change schools (inherent lag in the funding system) and budget monitoring concerns.
18. The schools portal will be updated for schools to view their finance rating. Red and amber schools will receive regular monitoring visits from a member of the Schools Finance team. Those schools coloured green will be closely monitored and if necessary will also receive a school visit.
19. There are currently no schools with a 'notice of concern'
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 2016/17 all schools have submitted the SFVS although some schools did not meet the required date of submission of 31 March 2017.

Appendix A – School 2016/17 Revenue and Capital Balances

Appendix B – Schools Excess Surplus Balances

Appendix C – School RAG Rating