

Note to The Isambard Community School QIG 14th October 2014
From Steve Haley, SBC Head of Finance (Education and Innovation)
Subject School Governance and Financial Health Update

Background

On 22nd September a presentation was made by the LA Finance and Internal Audit teams to Isambard Governors and other members of the School Leadership Team. The purpose of this event was to adapt an existing finance training for governors training package to make this a bespoke event specific for Isambard which would link theory and practise regarding governance and financial management. This event was well attended and key messages were included in the following slides

A) Internal Audit Issues

Internal Audit Review

- On site at the end of June 2014
- Draft report issued in July
- Management responses to the recommendations are currently being collated by the Business Manager
- The overall audit opinion is that the School poses a significant risk to the Council

Risk Area Examined	Audit Conclusion re. mitigating controls
Financial Planning and Budgetary Control	Fundamental weaknesses identified
Budget Setting	Fundamental weaknesses identified
Budget Monitoring	Significant improvement required
Cash/ Segregation of Duties	Significant improvement required
Governance/ SFVS	Fundamental weaknesses identified

35

Specific Issues Identified

- The School's three-year financial plan was not supported by an up-to-date staffing review or School Development and IT Development Plans.
- The Plan showed a deficit of £757k in year 3 with no alternative forecast provided to Governors to allow them to discuss and agree action to address this.
- Governors undertook Budget Monitoring only three times during the last financial year. Surplus for 13/14 was building up with no explanation provided.

Meeting Date	Surplus Reported
October 2013	£281,000
February 2014	£600,000
Year End 2014	£667,000

36

Specific Issues Identified cont...

- School Development Plan was out of date
- IT Spending Plan 13-16 not linked to budget
- At meeting in Oct 13 – previous BM informed Governors that LA was aware of the level of funds held by the School and were happy for this to be held to minimize the need for redundancies
- No evidence of challenge by Governors of the information provided
- SFVS self assessment not conducted by Governors and responses do not agree to audit findings.

37

B) Financial Health Issues

Isambard's financial position

Trends in Isambard school balances:

Source	Financial year end	Value	Time frame
Final Accounts	31/03/2008	£342,000	Looking back
	31/03/2009	£436,000	
	31/03/2010	£156,000	
	31/03/2011	-£62,100	
	31/03/2012	-£61,000	
	31/03/2013	£313,000	
	31/03/2014	£667,000	
Latest 3 year plan	31/03/2015	£380,172	Looking ahead
	31/03/2016	£104,817	
	31/03/2017	-£295,406	

52

Isambard's financial position

To assess financial sustainability you need to consider a school's annual funding v annual spending and the key determinant is pupil numbers

	Opening Balances £m	Annual Funding Total £m	Annual Spending Total £m	Closing Balances £m	In year surplus £m	Funding per pupil £m	Spending per pupil £m
2012/13	-£0.061	£5.747	£5.373	£0.313	£0.374	£ 4,929	£ 4,608
2013/14	£0.313	£5.911	£5.557	£0.667	£0.354	£ 5,091	£ 4,786
2014/15	£0.667	£5.701	£5.988	£0.380	-£0.287	£ 5,001	£ 5,253
2015/16	£0.380	£5.653	£5.928	£0.105	-£0.275	£ 5,020	£ 5,265
2016/17	£0.105	£5.582	£5.981	-£0.294	-£0.399	£ 5,038	£ 5,398

53

Isambard's financial position

- The 2014/15 budget must be carefully monitored and controlled but the 3 year financial plan is the key financial document and staffing is the key cost item
- The leadership team must be aware of and challenge the assumptions underpinning figures in this plan
 - school improvement plans, curriculum changes, staffing structures, planned savings, pay awards, inflation, pension & NI changes, ICT strategies, workforce development strategies, asset management strategies plus potential risks such as falling pupil numbers (key risk)
 - Ensure all spending decisions are affordable long term
 - Tough decisions needed to reduce staff costs
- Fortuitously secondary BPPE rates are most likely to be increasing in 2015/16 but is this enough?

54

Governors and the Leadership team were left with the following suggested actions

- Work through the SFVS & Internal Audit issues to embed sound governance and financial management procedures
- Devise, monitor & deliver a deficit avoidance plan
- Update the 2014/17 financial plan to show positive balances throughout ensuring annual spend is within annual funding

Update

LA Officers visited Isambard on 6th October to discuss the presentation and subsequent action. Feedback was that the event had been extremely beneficial to the school.

LA officers advised that the DfE had confirmed that Swindon would be receiving a school block DSG increase from the start of 2015/16 which the Schools Forum had agreed would be passed on to mainstream schools as a 4.15% BPPE increase. This was better news than the 2.5% increase the LA had advised would be likely in July.

For Isambard the LA had provided an indicative estimate that based on 1,140 pupils as at October 2013 Isambard would receive approximately £178,605 additional funding, an overall 3.3% increase over the current year. This would therefore improve the school's overall finances although cost pressures arising from pay awards, staff increments, National Insurance and Pension changes needed to be provided for.

After receiving the schools 3 year financial plan at the end of June (which showed a substantial deficit position was projected) the LA had provided a draft template for the school to complete to support the financial plan. This would clarify the key planning assumptions on which figures throughout the 2014/2017 period had been based including;

- Expected pupil numbers plus actions to mitigate the threat of losing pupils to other schools
- Estimated staff costs i.e. assumed pay awards, incremental progression and statutory oncosts (NI and Pension contributions)
- The impact of savings arising from agreed restructurings or other savings
- The potential impact of savings that could be achieved arising from Leadership team options that had been identified so far
- The budgetary provisions made relating to school improvement actions

The LA had expected the school to have developed their initial financial plan to reflect the above items in order to have a firm idea of the level of outstanding savings that had yet to be identified as this would inform discussions about curriculum changes. It seems that the school has focussed on a detailed review of the current year position, which although important, is not as strategically important as quantifying the schools structural deficit in order to stabilise the medium term position.

Further guidance on this matter was provided to the School Business Manager and the LA would reiterate the need for the Leadership Team to revise their 3 year financial plan with a clear understanding of the key planning assumptions and risks underpinning this plan. ***This action should be undertaken as a matter of some urgency by the governing body with the resulting plan and supporting commentary submitted to the LA.***

Audit Committee

The LAs audit committee consists of elected members and meets regularly to review the work and findings arising from the SBC internal audit programme. At each meeting a specific audit is selected for detailed review and Isambard School has been selected for the 4th November Committee.

The Headteacher, Chair of Governors and School Business Manager will be asked to attend to answer questions on the findings and their management response. LA staff will also be invited to attend to provide information and answer any questions.

The role of the Audit Committee is to provide a key source of assurance about the organisations arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance. For Isambard the Committee will be looking for assurances that the Audit recommendations are sufficient and will be implemented.