

Inclusion of the business plan in the report to Cabinet

It is unusual for a copy of any business plan to be included in the documentation provided to Cabinet to inform its decision making. Rather, reliance is placed on the information provided in the financial implications section of the report. The quantity of that information and the extent of the analysis will be determined by the complexity of the issue and the risks involved. It is the responsibility of the Chief Finance Officer to ensure that sufficient information is provided to enable Cabinet to make an informed decision. That is a professional judgement arrived at on a case by case basis.

In this particular instance, the business plan is the responsibility of the school and its governing body and has been subject to their careful review. There is a strong case that it is for the school themselves to decide whether and how it wishes to share that level of financial information publicly and it is not for the council to decide this on their behalf. However, on this occasion the school has given their permission for the business plan to be included in these papers in the interests of transparency.

The council has a legitimate role in ensuring that its own financial position is safeguarded. This will be achieved through the topslicing of the funding that the school receives in its formula budget share.

The financial position of the school

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| The 2011/12 school budget is made up of | |
| Formula Budget | £7,736,588 |
| Sixth Form Income | £1,031,357 |
| Carryforward from 10/11 | £ 331,385 |

The 2011/12 budget has a carryforward to 2012/13 of £124,673.

The school has never had to have a licensed deficit and there has never been any cause for the Chief Finance Officer to raise concerns about the financial management within the school over the last 10 years.

The review of the business plan

The business plan has been reviewed by the Council's Loans and Technical Manager. This officer has extensive experience in reviewing business plans on large and complex projects including the lease agreement in relation to the Community Stadium and the lease agreement in relation to the Local Delivery Vehicle (LDV) - Seaside Community Homes.

Although generally happy with the content of the business plan, various questions were asked of the school particularly around

- assumptions on demand and availability
- cost assumptions particularly in terms of impact on costs and demand

- whole life costings and the level of sinking fund.

The business plan provides for no profit sharing until such time as the value of the sinking fund is considered sufficient to replace pitches, etc. This is projected at year 10 under best estimate or year 13 under worst case.

With any project of this nature there is an element of risk particularly around usage but the School appears to have carried out extensive research in support of their assumptions. On the basis of the responses received from the School to our questions and the underlying research carried out by the school, officers agreed that the School could formally approach the Council for an advance – repayable over 15 years.

The per annum cost to the school of the capital repayment including interest is £33,000. This is modest amount in the context of the overall school's budget.

Regulations governing school finance

There is a wealth of rules and regulations governing finance for maintained schools.

The governors Guide to the Law is on the DfE website

<http://media.education.gov.uk/assets/files/doc/g/guide%20to%20the%20law%20for%20school%20governors.doc>

and chapter 8 of it relates to the Schools Budget.

The Council has its own regulations and this is contained in the Scheme for Financing Schools

<http://wave.brighton-hove.gov.uk/schools/Finance/Pages/SchemeforFinancingSchools.aspx>

We do not consider that the school has done anything which falls outside of these regulations.

This is not the first time the council has advanced funds to schools but it is the largest sum involved. Other projects funded through “unsupported borrowing” include:

- purchase of school transportation (e.g. minibuses) for various secondary schools including D Stringer, Patcham H and Longhill;
- upgrades of IT suites, the largest being Hove Park School, and
- gym and fitness equipment at Longhill.

Advances have ranged in size generally from £20k to £120k and in each case the capital spend has been added to the capital programme within an appendix to the Targeted Budget Management report and has not been the subject of a stand alone report to Cabinet. Repayment periods have varied depending upon the asset purchased but generally range between 3 & 7 years. We have agreed a 15-year period for Blatchington Mill due to the long-term nature of the assets and the size of the borrowing.