



## SIR FRANK MARKHAM COMMUNITY SCHOOL CLOSURE

### Distribution

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# EXECUTIVE SUMMARY

## 1 INTRODUCTION

### 1.1 Background

Sir Frank Markham Community School (SFM) opened in 1979 and has approximately 1220 pupils on roll. The school served a wide area to the south of the city centre. In July 2009 SFM closed, in September 2009 a new Academy will open in a new building on the same site. Staff and pupils will mostly transfer to the new Academy and the SFM buildings will be used for different purposes, however, one building will be demolished.

### 1.2 Objectives and Scope

The scope of the audit was to gain an overview of the closure process through discussion with officers: to obtain assurance that the close down is progressing satisfactorily; that all issues arising are being addressed appropriately in a timely manner and that lessons learned from this experience are used to benefit Milton Keynes Council (MKC) to improve processes.

The objectives of the audit were to ensure that:

a)	there is compliance with relevant legislation. <b>(Law)</b>	<b>1</b>
b)	there is compliance with relevant policies. <b>(Policy)</b>	<b>1</b>
c)	all the money has been properly accounted and assets are controlled. <b>(Finance and Assets)</b>	<b>1</b>
d)	risks are properly identified and managed. <b>(Risk)</b>	<b>1</b>
e)	the purpose of the service is met and value for money is delivered. <b>(Improvement)</b>	<b>1</b>

Key: 1 = Poor, 3 = Good

## 2 AUDIT OPINION

**Weak** - Inadequately controlled with major areas of weakness and risk of loss, fraud, impropriety or damage to reputation.

### 3 CONCLUSIONS

- 3.1 This report relates to the closure process only and does not refer to the project to build and open the new Academy. The report is not intended to be critical of individuals; some of the officers involved have done everything in their power to ensure the closure was planned and managed properly, but there has been a lack of support from other parties. The report is intended to initiate the formulation of robust procedures, to improve the systems and controls for any future closures, mergers and transfers.
- 3.2 MKC is currently experiencing Government intervention in the Children's and Young People's Services (CYPS). There have been successive changes of senior and middle managers, with no identified project manager for the closure, resulting in a lack of continuity and co-ordination of the closure process.
- 3.3 In hindsight the closure process for SFM was not given sufficient consideration and attention at an early stage, this resulted in a number of risks emerging that required urgent attention and unforeseen expenditure.
- 3.4 Issues that need to be resolved are now being logged, but the manager who is co-ordinating the identification of these issues and ensuring they are addressed, the Assistant Director, Planning Commissioning and Performance, will leave MKC in mid-August. His replacement will not start until September. The Assistant Director Universal Services CYPS will also leave MKC at the end of July and will not be replaced until September 2009. This is the most crucial time for the closure of SFM and no-one has been identified to manage the process while the manager's posts are vacant.
- 3.5 MKC has not been pro-active in attempting to mitigate the final budget deficit of SFM, for example, raising income through sales of surplus assets and control over final year expenditure. There is a lack of transparency around the decision to pass assets to the Academy, Department for Children, Schools and Families' (DCSF) guidance versus the legal situation was not clarified and agreements were not documented.
- 3.6 However, the project to close SFM and open a new Academy is forecast to be successful overall and as it is the first of its kind for MKC it should be viewed as an achievement.

**4 WAY FORWARD**

- 4.1 All recommendations are in the [Management Action Plan \(Page 5\)](#). Good controls are shown in section 5, overleaf.
- 4.2 An individual should be identified to take ownership of the project during the interim period (while the Assistant Directors are absent) to ensure that issues, risks and problems continue to be identified, logged and addressed appropriately in a timely manner.
- 4.3 The experiences from this school closure should be reviewed and consolidated into an advice and guidance document to ensure the process is improved and any future closures, mergers and transfers can be better managed.
- 4.4 The MK Approach should be adopted for all future school closures, mergers and transfers. A Project Board should be set up at the earliest stages when the potential for change is considered and a Project Manager should be identified as soon as there is a decision to make changes.

## FINDINGS SUMMARY

### 5 POSITIVE FINDINGS

The SFM Bursar and MKC School's Finance Service have been working closely together to identify and resolve finance issues and to ensure the accounts are finalised in a timely manner.

There has been a series of meetings between MKC, the Academy and the Unions to discuss TUPE arrangements. The Academy has "Admitted Body" status and will take responsibility for Local Government and Teachers' pensions.

Despite a lack of authority and resources the Capital Development Manager was tasked with managing the distribution of assets and close-down of the site. She identified a number of issues and potential problems during the final year and strove throughout, by reporting and by her own actions, to ensure they were addressed appropriately.

## MANAGEMENT ACTION PLAN

The recommendations are categorised on the following basis:

- Essential** - Implementation is required with immediate effect to address a weakness that fundamentally undermines the control/objective of that system.
- Important** - Implementation is required within a short period of time to address weaknesses that seriously undermine the control/objective of that system.
- Standard** - Management need to take recommended action within a reasonable period to address weaknesses that may undermine controls/objectives.

### SIR FRANK MARKHAM COMMUNITY SCHOOL CLOSURE

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
1	<p><b>Law, Finance and Risk</b></p> <p>The closure has not yet been completed and a number of issues are currently unresolved.</p> <p>A meeting between MKC departments was held on 16/07/09. A number of issues were discussed and ways to resolve the problems were considered.</p> <p>An issues list was to be drawn up and circulated to departments to add issues, comments and updates of progress to resolve the issues.</p>	<p>Financial losses.</p> <p>Reputational losses.</p> <p>Personal safety of individuals on site.</p>	<p><b>Essential</b></p> <p>Ensure that the SFM issues list is circulated to all relevant departments and that their responses are received and added to the central list.</p> <p>Ensure all issues are appropriately addressed in a timely manner.</p> <p>See appendix 1.</p>	Agreed	Assistant Director Universal Services CYPS 30 September 2009
2	<p><b>Risk</b></p> <p>The managers with responsibility for the closure will both leave MKC in July and August; the new employees will not start until September.</p> <p>No-one has been identified to manage the process while the manager's posts are vacant.</p>	<p>Financial losses.</p> <p>Reputational losses.</p>	<p><b>Essential</b></p> <p>Identify someone to manage the closure and ensure all the issues are identified, logged and addressed.</p> <p>This person should also ensure that the recommendations in the "improvements" section of this report management action plan are implemented.</p>	Agreed	Assistant Director Universal Services CYPS 31 July 2009

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
3	<p><b>Law, Policy, Finance and Assets</b></p> <p>The sixth form building, previously shared with Milton Keynes College, is to be passed to the college, except for one room to be used for community purposes, but there is no documented agreement.</p> <p>There has not yet been a decision about the future use of the Cottesloe Centre.</p> <p>Lease and rental agreement between MKC and the new Academy has yet to be formalised.</p>	<p>Financial losses.</p> <p>Reputational losses.</p>	<p><b>Essential</b></p> <p>Future use of land and buildings that are not part of the Academy to be determined and appropriate action to be taken in a timely manner, i.e. contracts/agreements to be documented and signed.</p> <p>Notify the MKC Revenues Manager that the new buildings and changed land boundaries should be re-valued for non-domestic rates purposes and ensure rates charged to MKC are revised appropriately.</p>	<p>Agreed</p> <p>The rating split has already been actioned.</p>	<p>Assistant Director Universal Services CYPS working with the Valuer to the Council</p> <p>30 September 2009</p>

### IMPROVEMENTS FOR FUTURE POTENTIAL SCHOOL CLOSURES MERGERS AND TRANSFERS

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
4	<p><b>Law</b></p> <p>Milton Keynes Council (MKC) has not clarified DCSF requirements of MKC regarding liaison with, and provision to the new Academy during the planning and hand-over stages.</p> <p>It has not been possible to obtain an initial overall documented agreement about close down of the existing school, transfer of staff, pupils and assets and future arrangements between MKC, the Department for Children, Schools and Families (DCSF) and the Academy owners.</p> <p>TUPE arrangements, asset transfers and other agreements have been negotiated piecemeal. MKC has been disadvantaged by a lack of knowledge and experience, in particular a lack of records of early negotiations and agreements by officers who have since left MKC.</p>	<p>Financial losses.</p> <p>Possible penalties if legal requirements are not met or if there are breaches of contracts.</p>	<p><b>Essential</b></p> <p>DCSF requirements should be clarified and recorded at an early stage of the project, i.e. as part of the negotiations before an agreement is reached to proceed with opening an Academy.</p> <p>Agreements should be formally documented and retained in a safe place; copies should be working documents readily available for regular reference.</p> <p>A Project Manager should be identified at an early stage. The Project Manager should co-ordinate all aspects of the closure and hold regular meetings to ensure adequate communication between MKC departments.</p>	<p>Agreed</p>	<p>Assistant Director Universal Services CYPS</p> <p>For all future school closures mergers and transfers.</p>

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
5	<p><b>Policy</b></p> <p>There is no Project Board to manage closure of the current SFM school.</p> <p>There has been a lack of communication and co-ordination between MKC departments.</p> <p>Lack of planning and co-ordination has resulted in late identification of issues that have then been difficult or impossible to address.</p>	<p>Financial losses.</p> <p>Reputational losses.</p>	<p><b>Essential</b></p> <p>A robust process should be used to manage future closures, mergers and transfers, i.e. the “MK Approach” for project management.</p> <p>Set up Project Board, specifically for the closure, at early date to make decisions and initiate actions relating to closure.</p> <p>Identify resources (finance and people) to implement closure activities, for example redundancy and procedures, TUPE arrangements, asset management.</p>	<p>Agreed</p>	<p>Assistant Director Universal Services CYPS</p> <p>For all future school closures mergers and transfers.</p>
6	<p><b>Finance</b></p> <p>The revenue budget has continued to be devolved to SFM up to the date of closure.</p> <p>Devolved capital has been provided to the school during its final academic and financial years, as directed by DCSF.</p> <p>There have been significant efforts to recover the SFM deficit revenue budget, but SFM proposed to transfer some revenue budget to capital budget to make capital purchases, while the revenue budget was in a deficit position.</p> <p>Although the deficit has reduced it will not be completely eliminated and further school closure one-off costs will be included in the final accounts.</p>	<p>Financial losses.</p>	<p><b>Essential</b></p> <p>The MKC School Forum should discuss retaining the school budget, i.e. not delegating the revenue and capital budget for the final year(s).</p> <p>DCSF requirements should be clarified and recorded at an early stage of the project.</p> <p>MKC Scheme for Financing Schools and Financial Procedures for Schools should be revised to prohibit transfers from revenue to capital when budgets are in a deficit position and when the transfer would create a deficit revenue balance.</p>	<p>Agreed</p>	<p>Assistant Director Universal Services CYPS</p> <p>For all future school closures mergers and transfers.</p> <p>Divisional Accountant - Schools &amp; Capital</p> <p>31 August 2009</p>



Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
8	<b>Risk</b> It has not been possible to identify an MKC risk register for the School closure. A summary of issues was documented on 06/04/09 but there is no evidence that it has been regularly updated, or that issues have been prioritised or addressed.	MKC is exposed to financial and reputational losses.	<b>Essential</b> A risk register should be fully documented as soon as consideration is given to school closure merger or transfer  The risk register should be regularly updated, risks should be scored, decisions and actions to manage the risks should be recorded.	Agreed.	Assistant Director Universal Services CYPS  For all future school closures mergers and transfers.
9	<b>Risk</b> MKC has no contingency plans for a delay in the Academy being able to open and commence educating pupils at the beginning of the autumn term 2009.	Pupils' education may suffer if the Academy does not fully open on time.	<b>Essential</b> Contingency/Business Continuity plans should be fully developed and regularly updated throughout the project.	Agreed.  However, there are generic processes to deal with failure for schools to open on time and after school holidays.	Assistant Director Universal Services CYPS  For all future school closures mergers and transfers.
10	<b>Improvement</b> There is no documented MKC guidance regarding school closures. MKC is a new and growing town and has little experience to date of the need to close schools.  There are some policies and procedures for activities that are part of closure, but they are disparate and were not accessed by officers working on the closure, e.g. MKC Financial Procedures for disposal of assets.	Breach of legislation. Financial losses. Reputational losses.	<b>Essential</b> Guidance, policy and procedures should be consolidated and documented to ensure there is management and monitoring of any future school closures mergers and transfers.	Agreed.	Assistant Director Universal Services CYPS  31 October 2009

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
11	<p><b>Improvement</b></p> <p>The focus of the overall project has been on the build and opening of the new Academy. In hindsight the closure process for SFM was not given sufficient consideration and attention at an early stage, this resulted in a number of issues arising that required urgent attention and unforeseen expenditure.</p>	<p>Unidentified risks. Financial losses.</p>	<p><b>Important</b></p> <p>Lessons learned workshop should be held.</p> <p>Consideration should be given to requesting input from those managers who have worked on the closure but since left MKC.</p>	<p>Agreed.</p>	<p>Assistant Director Universal Services CYPS 30 September 2009</p>
12	<p><b>Improvement</b></p> <p>Internal Audit has been consulted at a late stage of the closure process and identified a lack of communication between MKC departments resulting in a number of unresolved issues.</p> <p>MKC Financial Regulations have not been implemented, e.g. regarding disposal of assets.</p>	<p>Risks beyond the project, to the wider MKC may not be identified and managed appropriately.</p>	<p><b>Important</b></p> <p>As part of the MK Approach there should be early consultation with MKC Internal Audit.</p> <p>School closure audit programme to gain assurance that appropriate there are appropriate systems and controls over:</p> <ol style="list-style-type: none"> <li>1. Agreements for future use of land and buildings.</li> <li>2. Closure of accounts.</li> <li>3. Termination of leases and contracts.</li> <li>4. Final year purchases.</li> <li>5. Disposal of assets.</li> </ol>	<p>Agreed</p>	<p>Assistant Director Universal Services CYPS For all future school closures mergers and transfers.</p>

Ref	Findings	Risk/ Implication	Recommendation	Management Comments	Manager Responsible & Target Date
13	<p><b>Assets</b></p> <p>There was no asset register.</p> <p>Although the SFM school had assured MKC Internal Audit in September 2005 that the school maintained a register of assets on the computer system, and the school's own Financial Procedures dated January 2007 imply the equipment register is updated annually, the register was not available on request.</p> <p>In general schools only record items over £100 value and those of a desirable nature on their inventories.</p> <p>Attempts were made to document assets at the school, but a comprehensive list was not devised. At the close of business fixtures and fittings, furniture and other items that had previously been considered to be of no value were wanted by a number of MKC schools and other organisations.</p> <p>It has not been possible to verify that assets have all been accounted for.</p>	<p>Misappropriation.</p> <p>Loss of potential income.</p>	<p><b>Essential</b></p> <p>A comprehensive asset register should be drawn up at an early stage of negotiation of closure/merger/transfer. This should include fixtures and fittings, furniture and all items that would be of use to other MKC schools and services or other organisations and individuals.</p> <p>MKC should impose an embargo to ensure that purchases after the decision to close/merge/transfer are limited to items that are strictly necessary for continuity of provision of education up to the date of closure.</p> <p>Where assets are to be passed, at closure, to non-MKC organisations decisions should be made whether ownership of newly purchased items should be with MKC rather than with the school.</p> <p>All items purchased after the asset register has been documented should be added to the register immediately they are received by the school.</p> <p>There should be a reconciliation between the asset register and records of disposals.</p>	<p>Agreed.</p>	<p>Assistant Director Universal Services CYPS</p> <p>For all future school closures mergers and transfers.</p>

NB Any cost implications arising from implementation of the recommendations by HBS must be agreed in advance with the appropriate Client Officer and the Partnership Delivery Manager

## **APPENDIX 1 – ISSUES LOG AT 27 JULY 2009**

\*\* This text has been removed from the published report due to its confidential nature.