

# Monitoring of School Balances

**Schools Forum**

**Date: 6th October 2015**

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Author:	Finance Manager – Education
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 To advise Schools Forum members of the planned use of 2014-15 surplus balances during 2015-16 and the use of 2015-16 surplus balances in 2016-17 and beyond.
- 1.2 To advise Schools Forum members of the estimated school revenue balances expected to be held on 31st March 2016 as forecast by schools in June 2015.
- 1.3 The LA is required to monitor the level of school balances held by schools to provide assurance to the LA's Chief Financial Officer, Director of Children Services and Cabinet Member for Children Services regarding the financial sustainability of individual schools. The LA must work with individual schools where balances are low or where there are strong indications that they will be low in the immediate future
- 1.4 The LA is also required to monitor the level of school balances held by schools as there is a national and local expectation that annual revenue funding allocated each year is used to support the education and well-being of pupils in the school at that time. Unless there are clear and valid reasons why it is appropriate to do so, schools should not accumulate funds which could/should have been used to raise standards further.
- 1.5 The LA fully supports the principle that schools should hold a reasonable level of balances, which may be built up over a number of years for strategic purposes as well as providing a degree of contingency funding for unexpected costs or funding reductions. At the same time the Forum has agreed that Schools should be challenged and held accountable for the level of balances they hold.
- 1.6 Schools are encouraged to embed effective financial management procedures so that their forecasting of year-end balances is accurate and they have a clear understanding of the resources available to them. Schools are measured on how effective they are and this report provides a summary of the schools' estimated 2015/16 year-end balances.
- 1.7 The main focus of the LA's control of balances scheme is to improve forecasting and encourage schools with surplus balances to utilise them effectively for the benefit of pupils already in school as is expected by Department for Education (DfE). It is also very important for schools with relatively low balances to undertake accurate forecasting to avoid them encountering a deficit position.

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Further information on the subject of this report can be obtained from Anne Mackay, 01793 465742, [amackay@swindon.gov.uk](mailto:amackay@swindon.gov.uk).

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## 2. Recommendations

2.1 The Schools Forum is recommended to:

- Note the planned use of schools' surplus balances brought forward at 1<sup>st</sup> April 2015 and the schools' committed use of these balances in 2015/16.
- Note the surplus balances estimated to be carried forward by schools at 31<sup>st</sup> March 2016 and the value to be committed for use in 2016/17.
- Note that based on the survey forms received twenty two schools plan to hold uncommitted balances on 31st March 2016 which exceed the target per pupil values agreed by the Schools Forum.
- Note the analysis of schools' planned use of March 2015 surplus balances in 2015/16.
- Note the indicative future balances to be held by schools at 31st March 2017 and 31st March 2018, taken from the three year budget plans submitted by schools in June 2015.
- Note the school balances claw back mechanism remains in place and the circumstances that need to apply for it to be implemented by the LA available.

## 3. Analysis of 2015/16 Estimated Year End Balances Surveys

3.1 The LA is pleased to report that survey forms have been received from all schools. A summary of the planned usage of surplus balances from 2014/15 and the projected year end position and planned usage of surplus balances for 2015/16 is provided in table 1 below

<b>Table 1 – Summary of balances and value of usage</b>					
Total opening balances brought forward 1 <sup>st</sup> April 2015	Value committed for use in 2015/16	Sector	Total estimated 31 <sup>st</sup> March 2016 balances	Value committed for use in 2016/17	Value uncommitted school balances expected at 31 <sup>st</sup> March
£3,521,928	£1,605,908	Primary	£2,633,885	£947,678	£1,681,284
£480,324	£122,191	Secondary	£387,701	£193,944	£193,757
£480,118	£172,233	Special	£421,942	£201,397	£220,545
£147,018	£40,000	EOTAS	£147,018	£40,000	£107,018
<b>£4,629,388</b>	<b>£1,940,332</b>	<b>Totals</b>	<b>£3,590,546</b>	<b>£1,383,019</b>	<b>£2,202,604</b>
100%	41.90%	%	100%	38.52%	61.34%

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- 3.2 The above table is based entirely on submissions from schools that have been reviewed by the LA as part of its statutory role. A summary of the schools' survey forms is attached at **Annex A**. There is a strong indication that overall balances are expected to fall from the value carried forward at the end of 2014/15.
- 3.3 It is relevant to note that the school balances information refer only to maintained schools and exclude Academies.
- 3.4 Based on the survey forms received 22 schools plan to hold uncommitted balances on 31<sup>st</sup> March 2016 which exceed the target per pupil values agreed by the Forum of:

- Primary settings            £120 per pupil            (minimum of £20,000)
- Secondary settings        £100 per pupil            (minimum of £60,000)
- Special settings            £800 per pupil            (minimum of £40,000)

The majority of these schools (15/22) provided a narrative explanation on their balances return regarding the exceptional circumstances for holding higher levels of uncommitted balances per pupil.

- 3.5 Other general observations from the survey forms received are:
- Six primary schools anticipate carrying forward uncommitted balances of less than £20,000 by year end which, if realistic, would imply that the LA will need to work very closely with these schools to reduce their spending.
  - Two schools plan to use brought forward balances to support their 2015/16 budget and the LA finance team will contact these schools during the autumn term.
  - The majority of schools sent in balance surveys showing the same income, expenditure and estimated balance to carry forward as shown on their three year plans but a number of schools needed to resubmit their balance returns as they did not align with their budget templates.
  - Fifteen schools provided a narrative to explain the variance between the school's estimated balance in December and the actual balance to carry forward in March.

Schools' planned use of surplus balances during 2015/16 is shown in the table 2 below:

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**Table 2 – Planned use of March 2015 surplus balances during 2015/16**

Reason	Number of incidences	Total planned expenditure
Specific Premises Improvement	21	£69,904
Provision for unplanned responsive premises maintenance works	12	£130,209
ICT Investment	15	£231,995
Workforce restructuring one off costs	4	£58,850
Commercial / Traded Activities	2	£21,156
Funds on behalf of other clusters	2	£34,068
Other specific projects	18	£396,725
Staff Absence Reserve	7	£115,646
Purchase orders for goods ordered but not received by year end	14	£207,446
Setting the new year budget	2	£94,233
<b>Total</b>	<b>38 schools</b>	<b>£1,940,332</b>

**Members of the Schools Forum are now asked to:**

- **Note the planned use of schools' surplus balances brought forward at 1st April 2015 and the schools' committed use of these balances in 2015/16**
- **Note the surplus balances estimated to be carried forward by schools at 31st March 2016 and the value to be committed for use in 2016/17.**
- **Note that based on the survey forms received twenty two schools plan to hold uncommitted balances on 31st March 2016 which exceed the target per pupil values agreed by the Schools Forum.**
- **Note the analysis of schools' planned use of March 2015 surplus balances in 2015/16.**

#### **4. Estimated school balances at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018**

- 4.1 Appendix A also shows the estimated balances to be held by schools at 31st March 2017 and 31st March 2018, taken from the three year budget plans submitted by schools in June 2015.

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4.2 General observations on the budget plans submitted by schools are:

- One school expects to carry forward a deficit at the end of financial year 2015/16 the school is being supported by the LA finance team.
- Two schools submitted plans showing a deficit balance at the end of financial year 2016/17 and six by the end of 2017/18. If the plans are realistic then the LA may need to work closely with a number of schools over the next two years to help them to reduce their expenditure. Where schools operate an SRP or run a commissioned service, the combined balance is taken into account in determining whether a deficit balance is predicted.
- A large proportion of School's have submitted budget templates showing in year structural deficits (in year expenditure is exceeding in year income, excluding brought forward balances) that are unsustainable as they lead to low or very low balances at the end of 2017/18.

## 5. Indicative future balances

5.1 The table below shows the actual revenue balances brought forward from 2014/15 and the indicative revenue balances for 2015/16, 2016/17 and 2017/18.

<b>Table 3 – Indicative school revenue balances</b>				
<b>Sector</b>	31/03/15 Actual	31/03/16 Indicative	31/03/17 Indicative	31/03/18 Indicative
<b>Primary</b>	£3,521,928	£2,633,885	£1,788,606	£694,310
<b>Secondary</b>	£480,324	£387,701	£193,758	£9,431
<b>Special</b>	£480,118	£421,942	£163,062	(£103,283)
<b>EOTAS</b>	£147,018	£147,018	£129,658	£36,183
<b>Total</b>	<b>£4,629,388</b>	<b>£3,590,546</b>	<b>£2,275,084</b>	<b>£636,641</b>
<b>Change £</b>	-	(£1,038,842)	(£1,315,462)	(£1,638,443)
<b>Change %</b>	-	(22.44%)	(36.64%)	(72.02%)
<b>Deficit balances</b>	-	<b>1</b>	<b>2</b>	<b>6</b>

5.2 The table shows that the revenue balances held by schools are expected to fall significantly over the next three years.

### Members of the Schools Forum are now asked to:

- **Note the indicative future balances to be held by schools at 31st March 2017 and 31st March 2018, taken from the three year budget plans submitted by schools in June 2015**

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## 6. School balances claw back mechanism

- 6.1 The LA therefore retains the right to implement claw backs but only in circumstances where a school
- Is consistently inaccurate (Red rated) in forecasting their year end balances for 2 consecutive years and does not provide adequate explanations and
  - Holds relatively high balances .i.e. above 8%, 5% or 2% of ISB depending on the size of the school budget.
- 6.2 Where the LA believes that clawbacks may be applicable schools will be given an opportunity to defend their positions prior to any claw backs being proposed to the Schools Forum. No school has been inaccurate over each of the last two years. Forum Members are advised that proposing claw backs is not the LAs preferred course of action but it would be inappropriate and unfair if any school had high balances which were not being adequately managed when funds could be used to raise standards in that school or re-distributed to other schools where they could be spent on current pupils.
- 6.3 It is important to acknowledge that forecasting is only one indication of how well schools are managing their balances and further information on school balances will be provided throughout the year to the Schools Forum.

### **Members of the Schools Forum are now asked to:**

- **Note the school balances claw back mechanism remains in place and the circumstances that need to apply for it to be implemented by the LA**

## 7. Alternative Options

- 7.1 There are no alternative options presented in this report.

## 8. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

- 8.1 LA's and their Schools Forums are required to monitor the level of balances held by schools and to ensure local arrangements are in place which ensure excessive balances are not held

### Legal and Human Rights Implications

- 8.2 There are no legal or human rights implications arising from this report.
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## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 8.3 This report does not make any recommendations that affect these areas.

## Links to One Swindon, Strategic Objectives, Plans and Policies

- 8.4 Utilisation of the DSG has a direct link to two of the Council's five priorities – "Right skills, right jobs in the right place" and "Make the best use of Swindon's resources inside and outside the Council".

## Diversity Impact Assessment

- 8.5 A Diversity Impact Assessment (DIA) has not been done as this report does not make any recommendations that affect services.

## Risk Management

- 8.6 The key risks arising from this report are that ineffective monitoring by schools could lead to them encountering financial difficulties. Conversely the LA would not wish to see any individual school accruing excessive surplus balances which could have been used to improve standards and attainment for pupils currently in school.

## **9. Consultees**

- 9.1 The Board Director Resources (Section 151 Officer), Director of Law and Democratic Services (Monitoring Officer) and Board Director Commissioning (Director of Children Services) are consulted in respect of all reports.

## **10. Background Papers**

- 10.1 Appendix A - Monitoring of School Balances.