

# Projected 2015/16 Year End School Balances

Schools Forum

Date: 15<sup>th</sup> March 2016

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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 The Local Authority (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.
- 1.2 The Schools Forum is asked to note the indicative position regarding the level of projected 31st March 2016 School revenue balances compared to the levels assumed when 2015/16 school budgets were set in June 2015.
- 1.3 As part of the LA's control of balances scheme, schools are encouraged to embed effective financial management procedures so that their forecasting of year end balances is accurate. Schools are measured on how effective they are and this report provides a summary of movements between the estimates provided when 2015/16 school budgets were initially set in June and more recent forecasts received from schools in December.

## 2. Recommendations

The Schools Forum is recommended to note that:

- 2.1 The majority 31 of 41 (76%) of Swindon maintained schools current estimates of their year end balances are close to the estimates provided when budgets were set as measured by the thresholds agreed by Schools Forum and are commended.
- 2.2 Only 3 of 41 (7%) schools have reported significant variances between their current and initial estimates of their projected year end balances and the narrative explanations for the variances provided to Schools Forum.
- 2.3 Latest Estimated school balances (adjusted to exclude in-year Academy conversions) are forecast to be £3.97m, which is 15% higher than initial estimates of £3.45m.
- 2.4 One maintained school and the Special Resource Provision (SRP) for one mainstream school began the year in a deficit position and both are anticipating being in deficit at 31st March 2015. The maintained school is being supported by the LA as it works to balance its budget over the current and next two years. SRP funding is part of an ongoing review by SRP providers, Schools Forum members and the LA.

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

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- 2.5 The LA will present further information on school balances at the July 2016 Schools Forum showing how each school's estimate compared to their final year end positions.
- 2.6 Projected year end balances have also been collected from mainstream schools with a Special Resource Provision (SRP) and from schools providing a commissioned service, Children Centre or community facilities. The rating for the maintained school includes the total variances in the projected balances for the additional facilities as the thresholds agreed by Schools Forum did not include the separation of these facilities.

## 3. Detail

### Background

- 3.1 The January 2012 Schools Forum agreed the criteria for a revised scheme to monitor and manage Swindon schools balances. The main focus of the revised scheme is to improve forecasting and encourage schools with excess balances to utilise them effectively for the benefit of pupils already in school as is expected by DfE. It is also very important for schools with relatively low balances to undertake accurate forecasting to avoid them encountering a deficit position.
- 3.2 The balances control scheme is made up as follows;
  - 3.2.1 Schools are asked to project their closing year end balance in December – these estimates are compared to the initial estimates submitted when annual budgets were set in June (this is the subject of today's report).
  - 3.2.2 After the year end when final school balances are quantified these values are compared to schools December estimates (this is reported to Schools Forum each July)/ Explanations are sought from those schools whose estimates proved to be inaccurate as measured against the parameters agreed by the Forum which are proportionate to school budgets.
  - 3.2.3 After setting their new year budget in June schools are asked to provide a summary of how and when they are planning to utilise their brought forward balances. The LA reviews these plans to ensure funds are being committed against the areas which were approved by the Schools Forum and whether resulting uncommitted balances are in line with agreed target levels per pupil.
  - 3.2.4 The LA finance and internal audit teams also assess whether committed balances are actually being spent in accordance with school plans on an on-going basis, targeting specific schools which are exhibiting signs of poor financial health and/or are being audited

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- 3.3 Given the uncertainty of medium term school funding the LA has not been overly concerned with the level of school balances over the last year. The focus of the LA balances control scheme is still essentially to encourage effective financial planning so that all schools have an accurate understanding of whatever levels of balances they hold. In line with DfE expectations the local scheme has scope for the LA to claw back excessive balances which would then be made available for distribution across other schools in the following years funding allocations.
- 3.4 In July the LA will report actual year end balances compared to forecasts. 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 re-distributed to other schools where they could be spent on current pupils.

## Detail

- 3.5 The initial part of the balances control scheme measures the effectiveness of schools in forecasting their year end balances. This exercise was completed by all maintained schools in December 2015 and estimates have now been compared to initial projections arising from the school budget setting exercise in June. The scheme has a range of actions for the LA to follow depending upon the significance of the variance between final and forecast balances. Based on the difference between June and December forecasts the results for the 2015/16 financial year would be as per Table 1 below;

<b>Table 1 – Monitoring the accuracy of School financial forecasting</b>			
Sector	<b>Provisional Outturn compared to July Estimate</b>	LA Action	No. as at March 2016
Small / Medium Primary i.e.	Within £25k	• School highly commended	14
	Within £50k	• OK	1

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ISB up to £1.200m	Above £50k	<ul style="list-style-type: none"> <li>To understand reasons a commentary has been provided to Schools Forum</li> <li>Supportive intervention by Finance/Audit team to help improve forecasting process.</li> <li>Claw back after 2<sup>nd</sup> breach - where overall balances held exceed 8% of annual funding</li> </ul>	2
Large Primary i.e. ISB above £1.201m	Within £40k	<ul style="list-style-type: none"> <li>School highly commended</li> </ul>	12
	Within £80k	<ul style="list-style-type: none"> <li>OK</li> </ul>	4
	Above £80k	<ul style="list-style-type: none"> <li>To understand reasons a commentary has been provided to Schools Forum</li> <li>Supportive intervention by Finance/Audit team to help improve forecasting process.</li> <li>Claw back after 2<sup>nd</sup> breach - where overall balances held exceed 5% of annual funding</li> </ul>	1
Secondary	Within £50k	<ul style="list-style-type: none"> <li>School highly commended</li> </ul>	1
	Within £100k	<ul style="list-style-type: none"> <li>OK</li> </ul>	0
	Above £100k	<ul style="list-style-type: none"> <li>Review required understanding reasons &amp; commentary to be provided to Schools Forum</li> <li>Supportive intervention by Finance/Audit team to help improve forecasting process.</li> <li>Claw back after 2<sup>nd</sup> breach - where overall balances held exceed 2% of annual funding</li> </ul>	0
Special	Within £40k	<ul style="list-style-type: none"> <li>School highly commended</li> </ul>	4
	Within £80k	<ul style="list-style-type: none"> <li>OK</li> </ul>	2
	Above £80k	<ul style="list-style-type: none"> <li>Review required understanding reasons &amp; commentary to be provided to Schools Forum</li> <li>Supportive intervention by Finance/Audit team to help improve forecasting process</li> </ul>	0

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		<ul style="list-style-type: none"> <li>Claw back after 2<sup>nd</sup> breach - where overall balances held exceed 5% of annual funding</li> </ul>	
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- 3.6 The above table demonstrates that the majority (31 of 41 or 76%) of Swindon maintained schools appear to have been effective in forecasting their final 31st March 2016 positions when setting their budgets in June. The 76% of schools identified as “highly commended” shows an improvement when compared to the monitoring completed in July 2015 when 55% were in this category which is encouraging.
- 3.7 A summary showing the position across all schools is attached at Appendix 1. The level of each schools opening balances as at 1st April 2015 are also shown to enable trends to be identified. Forum Members are asked to note one maintained school is anticipating being in deficit at 31st March 2016. The latest year end estimates of £3.97m are £0.514m (15%) higher than initial estimates when school budgets were set in June. These totals exclude one school where conversion to academy status occurred during the current financial year. This summary also excludes Devolved Formula Capital (DFC) balances which can be accumulated by schools up to 3 years.
- 3.8 It is important to acknowledge that forecasting is only one indication of how well schools are managing their balances and further information will be provided throughout the year to the Schools Forum as summarised at paragraph 2.2 above.

## Narrative explanations from schools

- 3.9 The three schools with a “Red” forecasting rating and significant variances and between the revenue balances forecast in June 2015 and December 2015 were contacted and asked to provide Schools Forum with an explanation, the schools contacted are in Table 2 below;

Table 2 Schools with significant variances in their forecast balances			
School	Forecast June 15	Forecast Dec 15	Variance
Even Swindon Primary	£64,174	£157,379	£93,205
Grange Infant	£69,988	£154,062	£84,074
Greenmeadow Primary	£66,178	£116,630	£50,452

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- 3.9.1 Even Swindon Primary School - forecast balance £0.093m higher in December– A key member of the school leadership team has been on long term absence leading to the delay in planned projects. Additional projected expenditure relating to the new build was cautiously estimated and the actual costs have been lower.
- 3.9.2 Grange Infant School – forecast balance £0.84m higher in December Vacancy savings from the delay in replacing the substantive Headteacher, this delay has led to delays in planned projects. The school has also made general savings in other budget areas.
- 3.9.3 Greenmeadow Primary School – forecast balance £0.051m higher in December – Savings made to contribute to continuance of governor-agreed projects in 2016-17

## 4. Alternative Options

- 4.1 There are no alternative options presented in this report

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

### Financial and Procurement Implications

- 5.1 LAs 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

- 5.2 There are no legal or human rights implications arising from this report.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

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

### Diversity Impact Assessment

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

### Risk Management

- 5.5 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

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## **6. Consultees**

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

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

Appendix 1 – 2016 Projected 2015 16 Year End School Balances.

Appendix 2 - Projected School Balances 2015/16 compared to June 2015 forecasts.