

Actual 2016-17 Year End School Balances

Schools Forum

Date: 4th July 2017

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

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 To advise Schools Forum members of the final position on 31st March 2016 school revenue balances compared with the estimated position as forecast by schools in December 2015.
- 1.3 Utilisation of the Dedicated Schools Grant ('DSG') has a direct link to one of the Council's four priorities – "Offer education opportunities that lead to the right skills and the right jobs in the right places".

2. Recommendations

The Committee is recommended to:

- 2.1 The Schools Forum is recommended to note that:
 - 2.1.1 26 of 39 (66.7%) of schools final year end reported balances were close to the estimates provided in December as measured by the thresholds agreed by Schools Forum. (Para. 3.3)
 - 2.1.2 9 of 39 (23%) of schools were reasonably accurate in forecasting their year end balances. (Para. 3.4)
 - 2.1.3 Only 4 of 39 (10.3%) schools have reported significant variances between their final and December estimates of their projected year end balances – commentaries on these schools are provided. (Para. 3.5)
 - 2.1.4 Final school balances (adjusted to exclude in-year Academy conversions) are forecast to be £4.6m which is 32% higher, than the December estimates of £3.54million. (Para. 3.6)
 - 2.1.5 One maintained school and the Special Resource Provision ('SRP') unit at one maintained school opened the year with a deficit, two maintained schools and one SRP unit were in deficit at 31st March 2017. The two maintained schools will be submitting balanced approved budgets for 2017/18. (Para. 3.7)

Further information on the subject of this report can be obtained from Anne Mackay, Finance Manager - Education, 01793 465742, amackay@swindon.gov.uk

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2.1.6 The LA will present further information on the planned use of school balances to the October 2017 Schools Forum. (Para. 3.8)

3. Detail

3.1 The background to the LA's Control of Balances Scheme can be found at Appendix A.

3.2 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 2016 and estimates have now been compared with final figures arising from the school close down process in April 2017. The local 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 March 2017 actuals and December 2016 forecasts the results are as follows:

Table 1 – Monitoring the accuracy of School financial forecasting			
Sector	Outturn compared to December Estimate	LA Assessment / Action	No.
Small / Medium Primary i.e. ISB up to £1.200m	Within £25k	• School highly commended	12
	Within £50k	• OK – reasonable accuracy	2
	Above £50k	• Review required understanding reasons – commentary provided to Schools Forum. • Supportive intervention by Finance/Audit team to help improve forecasting process. Potential Claw back after 2nd breach - where overall balances exceed 8% of annual funding	2
Large Primary i.e. ISB above £1.201m	Within £40k	• School highly commended	9
	Within £80k	• OK – reasonable accuracy	5
	Above £80k	• Review required understanding reasons – commentary provided to Schools Forum. • Supportive intervention by Finance/Audit team to help improve forecasting process. Potential Claw back after 2nd breach - where overall balances exceed 5% of annual funding	2
Secondary	Within £50k	• School highly commended	1
	Within £100k	• OK reasonable accuracy	0
	Above £100k	• Review required understanding reasons – commentary provided to Schools Forum. • Supportive intervention by Finance/Audit team to help improve forecasting process. Potential Claw back after 2nd breach - where overall balances exceed 2% of annual funding	0

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Special and Alternative Provision	Within £40k	• School highly commended	4
	Within £80k	• OK reasonable accuracy	2
	Above £80k	<ul style="list-style-type: none"> • Review required understanding reasons – commentary provided to Schools Forum. • Supportive intervention by Finance/Audit team to help improve forecasting process Potential Claw back after 2nd breach - where overall balances exceed 5% of annual funding	0

- 3.3 The above table demonstrates that (26 of 39 or 67%) of Swindon maintained schools final 31st March 2017 positions were close to the estimates provided in December as measured by the thresholds agreed by Schools Forum. This is higher than the equivalent position reported to Schools Forum in July 2016 when 55% of schools were highly commended following closure of the 2015-16 accounts. The average variance for Green rated small primary schools is £7,170 and £7,139 for large primary schools. For special schools the average variance was £21,777.

Members of the Schools Forum are now asked to:

- **Note that 26 of 39 (66.7%) of schools final year end reported balances were close to the estimates provided in December as measured by the thresholds agreed by Schools Forum**

- 3.4 9 of 39 (23%) of schools were reasonably accurate in forecasting their year end balances. The average variance for Amber rated small primary schools is £32,326 and £45,019 for Large Primaries.

Members of the Schools Forum are now asked to:

- **Note that 9 of 39 (23%) of schools were reasonably accurate in forecasting their year end balances**

- 3.5 Only 4 of 39 (10.3%) schools have reported significant variances between their final and December estimates of their projected year end balances, commentaries on these schools are provided at Paragraph 3.13. The average variance for Red rated small primary schools is £64,054 and £127,855 for large primaries.

Members of the Schools Forum are now asked to:

- **Note that 4 of 39 (10.3%) schools have reported significant variances between their final and December estimates of their projected year end balances**

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- 3.6 Final school balances (adjusted to exclude in-year Academy conversions) are forecast to be £4.6m which is 32% higher, than the December estimates of £3.54million. (These totals exclude the school where conversion to academy status occurred during the current financial year).

Members of the Schools Forum are now asked to:

- **Note that Final school balances (adjusted to exclude in-year Academy conversions) are forecast to be £4.6m which is 32% higher, than the December estimates of £3.54million**

- 3.7 Whilst one maintained school and the SRP unit at one maintained school opened the year with a deficit, two maintained schools and one SRP unit were in deficit at 31st March 2017. The two maintained schools will be submitting balanced approved budgets for 2017/18.

Members of the Schools Forum are now asked to:

- **One maintained school and the SRP unit at one maintained school opened the year with a deficit, two maintained schools and one SRP unit were in deficit at 31st March 2017. The two maintained schools will be submitting balanced approved budgets for 2017/18.**

- 3.8 The LA will present further information on the planned use of school balances to the October 2017 Schools Forum. This information will be based on the summer balances returns submitted within the budget workbooks.

Members of the Schools Forum are now asked to:

- **The LA will present further information on the planned use of school balances to the October 2017 Schools Forum**

- 3.9 When 2016-17 local formula funding allocations were issued to schools last February the LA also provided estimates of other funding that schools would receive (Nursery funding, SENRAP top ups, Set up Costs, Trigger Funding, Pupil Premium) and this information, should have enabled schools to become more accurate in projecting their year-end positions from the start of the year. The LA acknowledges that there continues to be less certainty on funding levels for

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specialist settings but occupancy projections should be reasonable by the end of December

- 3.10 Over recent weeks the LA has contacted the four schools whose estimates proved inaccurate and is encouraged that, as in previous years, where closing balances were higher than anticipated, this mostly relates to staff restructuring and delays in premises improvement schemes which resulted in payments falling after, rather than before, the year end.
- 3.11 A summary showing the position across all schools is attached at Appendix B. The level of each schools opening balances as at 1st April 2016 and the forecast balances as at June 2016 are also shown.
- 3.12 Forum Members are asked to note that whilst one maintained school and the SRP unit at one maintained school opened the year with a deficit, two maintained school and one SRP unit were in deficit at 31st March 2017. The two maintained schools will be submitting balanced approved budgets for 2017/18.

Narrative Explanations

- 3.13 The four schools with a "Red" forecasting rating and significant variances between the revenue balances forecast in December 2016 and their actual year end balances as at 31st March 2017 were contacted and asked to provide Schools Forum with a narrative explanation, the explanations provided by the schools are below. The schools contacted are in Table 2 below.

<u>Table 2 Schools with significant variances in their forecast balances</u>			
School	Forecast Dec 16	Actual Mar 17	Variance
Grange Infant	£115,608	£184,559	£68,951
Red Oaks Primary	£33,014	£180,110	£147,096
Robert le Kyng Primary	£123,149	£231,763	£108,614
Westrop Primary	£20,215	£79,373	£59,158

3.13.1 Grange Infants - Actual balance was £184k (£69k above forecast)

There was a delay in the school's planned projects following a restructure of the school's admin function that took place during the period between the December forecast and actual outturn in April. The restructure has now concluded and new personnel are in place. Project work is now in progress or planned to be carried out shortly utilising the funds that were

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allocated. The school also continues to make general savings in other budgetary areas.

3.13.2 Red Oaks Primary - Actual balance was £180k (£147k above forecast)

Red Oaks overall budget, is split into four budgets within the school to enable accurate accounting. The school have completed a significant amount of work in year to ensure the proportioning across the budgets is accurate, hence the variance between the June and December forecast balances. Work has also taken place to minimise spending where possible and review all recruitment as staff left during the financial year. The measures taken have led to a greater than forecast actual balance at the end of the financial year.

3.13.3 Robert le Kyng Primary - Actual balance was £232k (£109k above forecast) (SRP Actual deficit £57k (£35.5k above forecast))

There was a delay in replacing the School Business Manager and the school was without this post for two months. This led to a delay in completing several large projects and only essential day to day expenditure being processed. This also led to vacancy savings and the School Fund has also been moved into the main school budget, leading to an increase in balances.

The school has continued to push through efficiencies in the SRP budget. Following year end it was discovered that some staff contracts were miscoded to the main school during 2016/17 instead of the SRP leading to a decrease in the expected deficit of the SRP, this has been rectified in 2017/18. The SRP deficit balance also decreased through staff savings through natural wastage as two STAs left and other staff have reduced their hours. The school has reviewed the SRP support and has appointed entry level TAs as STAs leave, this is one of the school's long term strategies to reduce the staff costs in the SRP. Including the additional £40k of funding, the draft SRP budget currently shows a deficit balance of £64k in 2017/18. The mainstream budget has to be at least £64k in surplus to enable the school to continue to pay salaries and for cash flow.

3.13.4 Westrop Primary - Actual balance was £79k (£59k above forecast)

The school received additional Pupil Premium funding and High Needs Top Up funding for a number of pupils was agreed after the forecast was submitted in December.

- 3.14 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 as summarised at Appendix A.

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- 3.15 Devolved Formula Capital (DFC) balances held by all maintained schools can be accumulated by schools for up to 3 years to support capital expenditure on defined areas such as premises improvements or ICT hardware, although the levels of DFC were substantially cut as part of the public sector austerity programme in 2010. The level of DFC held doesn't form part of the LAs financial health assessment of schools but the LA would expect these balances to be held for specific purposes and not to be excessive.

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

6. Consultees

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

7. Background Papers

- 7.1 Appendix A – Background to the LA's Control of Balances Scheme
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8. Appendices

- 8.1 Appendix B - Actual opening and closing 2016-17 school revenue balances compared to December 2016 forecasts