

Monitoring of School Balances

Schools Forum

Date: 3rd October 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. 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.
- 1.2 To advise Schools Forum members of the planned use of 2016/17 surplus balances during 2017/18 and the use of 2017/18 surplus balances in 2018/19 and beyond.
- 1.3 To advise Schools Forum members of the estimated school revenue balances expected to be held on 31st March 2018 as forecast by schools in June 2017.
- 1.4 To advise Schools Forum members of the estimated school revenue balances expected to be held on 31st March 2019 and 31st March 2020 as forecast by schools in June 2017.
- 1.5 To advise Schools Forum members on the target balances to be held by schools on 31st March 2018, based on the per pupil values previously agreed by Schools Forum.
- 1.6 These proposals contribute towards delivering the Council Vision Priority "Offer education opportunities that lead to the right skills and right jobs in the right places."

2. Recommendations

- 2.1 The Schools Forum is recommended to:
 - Note the target balances to be held by schools based on the per pupil values previously agreed by Schools Forum compared to the actual uncommitted balances brought forward from 2016/17. (para.3.5 and **Appendix B**).
 - Note the schools' surplus balances brought forward at 1st April 2017 and the schools' committed use of these balances in 2017/18 (para 3.6 - 3.8, Table 1 and **Appendix C**).

Further information on the subject of this report can be obtained from Anne Mackay, 07795 256545, amackay@swindon.gov.uk.

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- Note that based on the balance returns received 25 schools brought forward 2016/17 uncommitted balances which exceed the target per pupil values agreed by the Forum and 21 schools plan to hold uncommitted balances on 31st March 2018 which exceed the target per pupil values previously agreed by Forum (para. 3.9).
- Note the analysis of schools' planned use of March 2017 surplus balances in 2017/18 (para 3.11 and Table 2).
- Note the indicative future balances to be held by schools at 31st March 2019 and 31st March 2020, taken from the three year budget plans submitted by schools in June 2017 (para 3.12 – 3.14 Table 3 and Appendix D).
- Note the number of schools forecasting number of schools forecasting low balances on 31st March 2018, 31st March 2019 and 31st March 2020 (para. 3.15 – 3.16 Table 4).
- 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 (para 3.17 – 3.20).
- Note the information on Robert Le Kyng Primary School's balance and Robert Le Kyng Primary SRP's balance (para. 3.21 – 3.24)

3. Background

- 3.1 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.
- 3.2 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' actual year end 2016/17 balances compared to the per pupil values agreed by the Forum. It also provides information on the schools' planned use of their balances.

Control of Balances Scheme

- 3.3 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

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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.

- 3.4 Further background information and the Control of Balances Scheme can be found at **Appendix A**.

Detail

Analysis of 2017/18 Estimated Year End Balances Returns

- 3.5 Target balances to be held by schools based on the per pupil values in 3.8 and October 16 census and commissioned place numbers 2017/18 can be found at **Appendix B**.
- 3.6 The LA is pleased to report that the balance returns continue to be included within the budget workbooks and therefore forms have been received from all maintained schools. A summary of the planned usage of surplus balances from 2016/17 and the projected year end position and planned usage of surplus balances for 2017/18 is provided in table 1 below:

Table 1 – Summary of balances and value of usage					
Total opening balances brought forward 1 st April 2017	Value committed for use in 2017/18	Sector	Total estimated 31 st March 2018 balances	Value committed for use in 2018/19	Value uncommitted school balances expected at 31 st March 2018
£3,447,950	£1,046,977	Primary	£2,506,267	£391,268	£2,114,999
£417,906	£78,500	Secondary	£431,286	£133,500	£238,055
£583,082	£200,000	Special	£591,954	£180,000	£411,954
£214,601	£0	PRU	£223,085	£0	£223,085
£4,663,539	£1,325,477	Totals	£3,752,591	£704,768	£3,047,823
100%	28.42%	%	100%	18.78%	81.22%

- 3.7 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' returns is attached at **Appendix C**. There is a strong indication that overall balances are expected to continue to significantly reduce over the next three years from the value carried forward at the end of 2016/17.
- 3.8 It is relevant to note that the school balances information refer only to maintained schools and exclude Academies.

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Members of the Schools Forum are now asked to:

- **Note the schools' surplus balances brought forward at 1st April 2017 and the schools' committed use of these balances in 2017/18**
- **Note the schools projected 31st March 2018 surplus balances and the schools' committed use of these balances in 2018/19**

3.9 Based on the balances returns received, 25 schools brought forward 2016/17 uncommitted balances which exceed the target per pupil values agreed by the Forum and 21 schools plan to hold uncommitted balances on 31st March 2018 which exceed the target per pupil values previously agreed by the Forum of:

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

Four schools and EOTAS provided a narrative explanation on their balances return regarding the exceptional circumstances for holding higher levels of uncommitted balances per pupil on 31st March 2018.

3.10 Other general observations from balance returns received are:

3.10.1 Seven primary schools anticipate carrying forward uncommitted balances of less than £20,000 by 31st March 2018 which, if realistic, would imply that the LA will need to work very closely with these schools to reduce their spending.

3.10.2 One special school anticipates carrying forward uncommitted balances of less than £40,000 by 31st March 2018. This school has been supported for over 2 years by the LA due to its previous deficit position, however, the school now expects to be in at least a balanced position by the end of the financial year.

3.10.3 One setting plans to use brought forward balances to support their three year plan during the review of Alternative Provision and relocation.

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Members of the Schools Forum are now asked to:

- Note that based on the balance returns received 25 schools brought forward 2016/17 uncommitted balances which exceed the target per pupil values agreed by the Forum and 21 schools plan to hold uncommitted balances on 31st March 2018 which exceed the target per pupil values
- Note the target balances to be held by schools based on the per pupil values previously agreed by Schools Forum compared to the actual uncommitted balances brought forward from 2016/17

3.11 Analysis of the schools' planned use of 2016/17 surplus balances during 2017/18 is shown in table 2 below:

Table 2 – Planned use of March 2017 surplus balances during 2017/18		
Reason	Number of incidences	Total planned expenditure
Specific Premises Improvement	14	£365,914
Provision for unplanned responsive premises maintenance works	3	£14,000
ICT Investment	9	£92,100
Workforce restructuring one off costs	2	£66,516
Commercial / Traded Activities	0	£0
Funds on behalf of other clusters	1	£25,000
Other specific projects	16	£340,176
Staff Absence Reserve	9	£193,208
Purchase orders for goods ordered but not received by year end	18	£208,741
Setting the new year budget	1	£19,822
Total	26 schools	£1,325,477

Members of the Schools Forum are now asked to:

- Note the analysis of schools' planned use of March 2017 surplus balances in 2017/18

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Indicative school revenue balances from three year budget plans

- 3.12 All maintained schools submitted budget workbooks showing their planned income and expenditure over the three financial years 2017/18, 2018/19 and 2019/20. A summary can be found at **Appendix D**.
- 3.13 Table 3 below shows the actual revenue balances brought forward from 2016/17 and the indicative revenue balances for 2017/18, 2018/19 and 2019/20 and the number of schools predicting a deficit balance in any of the financial years. The deficit calculation includes the balance of the school plus any SRP or commissioned service but excludes community funds held.
- 3.14 The table shows that the revenue balances held by schools are expected to fall significantly over the next three years when compared to the balances brought forward from 2016/17.

Table 3 – Indicative school revenue balances					
Sector	31/03/16 Actual	31/03/17 Actual	31/03/18 Indicative	31/03/19 Indicative	31/03/20 Indicative
Primary	£3,447,950	£2,506,267	£2,114,999	£2,160,709	£979,516
Secondary	£417,906	£431,286	£297,786	£316,607	£136,928
Special / PRU	£797,683	£815,039	£635,039	£682,093	£610,310
Total	£4,663,539	£3,752,591	£3,047,823	£3,159,409	£1,726,754
Change £		(910,947)	(£704,768)	£111,586	(£1,432,655)
Change %		(19.53%)	(18.78%)	3.66%	(45.35%)
<i>Schools predicting a deficit balance</i>	1	1	0	0	4

- 3.15 Table 4 below shows the number of schools forecasting excess uncommitted balances on 31st March 2018. It also shows the number of schools forecasting low balances on 31st March 2018, 31st March 2019 and 31st March 2020.

Table 4 - Forecast revenue balances 2017/18 to 2019/20						
Sector	Target per pupil values	Forecast excess uncommitted balances at 31st March 2018	Minimum balance expected to be held	Forecasting low/deficit balances at		
				31st March 2018	31st March 2019	31st March 2020
Primary	£120	19	£20,000	5	6	20
Secondary	£100	0	£60,000	0	0	1
Special / EOTAS	£800	2	£40,000	1	0	2
Total	-	21	-	6	6	23

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

- One school expects to carry forward a deficit at the end of financial year 2017/18, the deficit is related to the SRP unit. The school is being supported by the LA finance team.
- All submitted budget plans are balanced at the end of financial year 2017/18 and 2018/19, however four schools expect to have a deficit by the end of 2019/20. If the plans are realistic then the LA may need to work closely with the 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.
- The LA finance manager continues to support one special school and has started to visit one primary school and plans to continue to arrange visits during the autumn term.
- A large proportion of School's have submitted budget templates showing in year structural deficits that are unsustainable as they lead to low or very low balances at the end of 2019/20. An in year structural deficit is where in year expenditure (excluding committed expenditure funded by brought forward balances) exceeds in year income, the in year income does not include any balances brought forward.

Members of the Schools Forum are now asked to:

- **Note the indicative future balances to be held by schools at 31st March 2018, 31st March 2019 and 31st March 2020, taken from the three year budget plans submitted by schools in June 2017**
- **Note the number of schools forecasting number of schools forecasting low balances on 31st March 2018, 31st March 2019 and 31st March 2020**

School balances claw back mechanism

3.17 Given the uncertainty of medium term school funding and the need to implement substantial changes arising from the DfE school funding reform programme, 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

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excessive balances which would then be made available for distribution across other schools in the following years funding allocations.

- 3.18 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.
- 3.19 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.
- 3.20 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**

Robert Le Kyng Primary School and Specialist Resource Provision (SRP)

- 3.21 The actual 2016-17 year end school balances were presented to Schools Forum on 4th July 2017. Schools Forum members requested that further information on the financial balances at Robert Le Kyng Primary School and the primary SRP be presented.
- 3.22 The school had a vacant position for a School Business Manager (SBM) and this delay in recruiting led to a number of premises projects being carried forward until the summer holidays. The SBM is now in post and the school has completed most of the major projects over the summer break. One other

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project is partially completed but has been delayed due to issues out of the school's control but the school fully intends to have the project completed.

- 3.23 The school have been retaining relatively high balances in their mainstream school's three year plan as the SRP balances fall to a deficit of (£171,966) by 2019/20. The school were mindful to keep the school's bank balance in surplus over the three financial years and remained focused on the 2019/20 net position between the mainstream school and SRP, which is a surplus of £11,376. The school intend to recruit additional mainstream support and this will affect the year end balances of the mainstream school over the three financial years.
- 3.24 The Finance Manager – Education is now supporting Robert Le Kyng Primary School to resolve the budget issues of the school's Specialist Resource Provision (SRP). The Finance Manager – Education has visited the school and will work with the Head teacher and School Business Manager to establish where efficiencies can be made.

Members of the Schools Forum are now asked to:

- **Note the information on Robert Le Kyng Primary School's balance and Robert Le Kyng Primary SRP's balance**

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 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

- 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.

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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), Director of Law and Democratic Services (Monitoring Officer) and Board Director Commissioning (Director of Children Services) are consulted in respect of all reports.

7. Background Papers

- 7.1 None.

8. Appendices

- 8.1 Control of Balances Scheme – Appendix A
- 8.2 Target balances to be held by maintained schools and the PRU – Appendix B
- 8.3 Summary of School Balance Returns – Appendix C
- 8.4 Monitoring of School Balances – Appendix D