

Monitoring of School Balances 2017/18 Appendix A

Background information and the control of balances scheme detail

Background information

- 1.1. As part of the Local Authority's ('LA') control of balances scheme, 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 differences between the estimates provided in December and final year-end reported figures.
- 1.2. 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 surplus balances to utilise them effectively for the benefit of pupils already in school as is expected by the Department for Education ('DfE') and the Education, Skills and Funding Agency ('ESFA'). It is also very important for schools with relatively low balances to undertake accurate forecasting to avoid them encountering a deficit position.
- 1.3. 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.

The control of balances scheme

- 1.4. 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.
- 1.5. The balances control scheme is made up as follows.
 - 1.5.1. 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 information is usually reported to Schools Forum in March).
 - 1.5.2. After the year end when final school balances are quantified these values are compared to schools December estimates (Usually presented to Schools Forum in July). Explanation are sought from those schools whose estimates proved to be inaccurate as measured against the

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parameters agreed by the Forum which are proportionate to school budgets, as per the table below.

| Key | R = Red | A = Amber | G = Green |
|---|---------|-----------|-----------|
| SMP- Small / medium primary *ISB up to £1.2m | > £50k | < £50k | < £25k |
| LP - Large primary *ISB above £1.2m | > £80k | < £80k | < £40k |
| SEC - Secondary | > £100k | < £100k | < £50k |
| SPE - Special | > £80k | < £80k | < £40k |
| PRU – Pupil Referral Unit | > £80k | < £80k | < £40k |

*ISB Individual School Budget

1.5.3. When setting their budget each June schools are asked to provide a summary of how and when they are planning to utilise their brought forward balances via a balances return. 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. (This information will be reported to Schools Forum in October and is the subject of today's report).

1.5.4. 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 and/or are of concern to the schools improvement team.

1.5.5. Given the uncertainty of medium term school funding and the need to implement substantial changes arising from the DfE National Fair 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 excessive balances which would then be made available for distribution across other schools in the following years funding allocations.

1.5.6. The target per pupil values previously agreed by the Forum are:

- 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)

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1.6. The LA therefore retains the right to implement claw backs but only in circumstances where a school

1.6.1. Is consistently inaccurate (Red rated) in forecasting their year end balances for 2 consecutive years and does not provide adequate explanations

And

1.6.2. Holds relatively high balances .i.e. above 8%, 5% or 2% of ISB depending on the size of the school budget.

1.7. 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.

1.8. 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.