



Children Services
Sanford House
Swindon, SN1 1QH
Tel: 01793 445500
Fax: 01793 488597

Annex A

To;
Headteachers, Chairs of Governors and
Chairs of Finance at all Swindon Schools

Please ask for: Steve Haley

Direct Dial No: 01793 465794

Email: Shaley@swindon.gov.uk

Our Ref: Balances December 2011

Date: 6th December 2011

Dear Headteacher / Chair of Governors / Chair of Finance

Notification of Estimated Revenue Balances at the end of 2011/2012

As you will be aware, the LA has a statutory requirement to monitor the level of school balances held and to periodically report the position to the Schools Forum and the Council's Cabinet. The DfE has expressed concern over recent years at the high level of balances held across the country and expect that the revenue funding allocated to schools each year is used to support the education and wellbeing of pupils in school at that time. Schools are not expected to accumulate funds which could/should have been used to raise standards further. Conversely the LA needs to ensure all schools remain sustainable and needs to work with individual schools where balances are low. The LA also has a responsibility to ensure the local fair funding formula is as equitable as possible and, although there are many reasons why some schools are able to accumulate relatively high balances, this could be partially due to the local formula being overly generous in some areas. A regular review of year end balances is therefore required prior to annual formula funding allocations.

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 schools should be challenged and held accountable for the level of balances they hold and it is important for the LA and the Schools Forum to gain an understanding of the financial position of each school where balances appear to be excessive or too low. Over the last few weeks the LA has been working with members of the Schools Forum Sub Group and Internal Audit to devise a scheme which achieves this via the completion of two balances surveys. The accurate completion of these surveys (during December and May/June) represent an opportunity for all schools to demonstrate sound financial management and effective stewardship of public funds by transparently reporting why funds are being held and how and when they are to be reinvested for the benefit of their pupils.

The first stage in this year's review of balances requires schools to complete the attached "notification of estimated revenue balances form" covering the 31st March 2012 year end. This should be completed, confirmed by your Chair of Governors and returned electronically

Children and young people deserve the best start in life

John Gilbert
Group Director, Children

by 31st December to provide the LA with the best estimate of the value of revenue balances schools expect to hold at the end of this financial year.

In January I will be formally recommending a new scheme to the Schools Forum for the monitoring and management of school balances which will be based on principles which have been developed with the Schools Forum Sub Group. Key aspects of this scheme are;

- The focus is to increase transparency and accountability and to improve the forecasting of balances
- Schools will be allowed to set aside unlimited funds for specific committed purposes and will be expected to maintain levels of uncommitted balances in accordance with target values per pupil.
- The LA does not wish to claw back any balances but advocates that the possibility of doing so should be retained where specific schools continually retain high balances and do not deliver on their own spending plans
- Schools will be asked to estimate their year-end positions during the Autumn term and will be measured against these estimates after the actual year end position is determined – the attached form will be used as part of this process and is similar to the one issued last year but has been developed following discussions with the Schools Forum Sub Group.

As I have mentioned repeatedly at the Schools Forum the majority of Swindon Schools already manage their balances very effectively and any school that has clear plans on how and when their surplus balances are to be spent, and delivers on these plans, should have no concerns at all over the new scheme. The new procedures should in fact improve transparency by enabling the LA to build up a full picture of each school's balances which can then be reported to the Schools Forum.

There are four parts to the form and at this time only the "Estimates Dec 2011" column should be completed. Guidance on completion is as follows;

Part A – Estimated (Final) Year End Position

This part of the form starts with the input of the schools opening revenue balance from 2010/11 and, after you have added estimated 2011/12 income and deducted the latest estimate of 2011/12 spending, this will automatically calculate your projected year-end balance. Your estimated expenditure figure should include any items that are being funded from balances which have been brought forward from last year

After the year end (during May/June) we will be asking schools to complete the "Final April 2012" column and to provide a commentary on any significant differences between their estimated and final outturn positions. Attached at Annex A to this letter is a table showing how the LA proposes to monitor the effectiveness of schools forecasting. The LA's Finance and Audit teams will support any school which experiences difficulties in this exercise although, based on last year, the vast majority of Swindon schools proved commendably accurate in undertaking this.

Part B – Planned Use of Surplus Balances during 2012/13

This part of the form asks you to identify any specific expenditure which you are planning to incur next year which is to be funded from carried forward balances. This includes the ten areas which the Sub Group feel are appropriate based on information provided by

Annex A

schools in last year's surveys. Where funding is being carried forward to support spending beyond the next financial year, this should be included in Part C of the form.

Draft guidance on the areas of permitted expenditure to commit school balances against is attached at Annex B which includes the evidence and controls that the LA would expect to be available in order for plans to be audited.

Part C – Planned Use of Surplus Balances beyond 2012/13

It may be that schools have specific long term plans for the use of 31st March 2012 balances which go beyond 2012/13 and the Sub Group have identified four areas where this would be appropriate which are shown on the form and in Annex B.

Part D – Uncommitted / General Balances

After completing the above sections, automatic calculations will show the value of your uncommitted balances and, after you have input your estimated April 2012 pupil numbers, this will be expressed as a value per pupil. For planning purposes the following targets are suggested

<u>Sector</u>	<u>Target Maximums</u>	<u>Target Minimums</u>
Primary over 167 pupils	£120 per pupil	minimum balance of £20,000
Secondary	£100 per pupil	minimum balance of £60,000
Special over 50 pupils	£800 per pupil	minimum balance of £40,000

The above targets are suggested as being appropriate maximum and minimum balances that the majority of schools should plan to hold for general uncommitted purposes. (For smaller schools the LA acknowledges that lower figures which are proportionate to individual schools will be required). Where any schools feel they have exceptional circumstances which justify them having to hold higher (or being able to hold lower) levels of uncommitted balances per pupil, a commentary must be provided to enable the LA/Forum to review/check this.

Where schools' forecasts identify that they are likely to be holding relatively high uncommitted balances at the year-end they may wish to consider initiating early investment in areas identified in school improvement plans although I must emphasise that there is no need for any unnecessary spending to take place or for commitment values and timescales to be overstated. Regardless of how the 31st March 2012 survey forms are completed or how high year end balances are, **no funds will be clawed back** and schools are asked to be as open as possible on the extent to which funds are truly being held for specific purposes. Although the Schools Forum has agreed in principle that the new scheme should retain a facility whereby excessive balances can be clawed back (for redistribution across

Children and young people deserve the best start in life

John Gilbert
Group Director, Children

Swindon schools) the LA sincerely hopes that this proves to be unnecessary. The following table illustrates how the proposed claw back scheme would operate;

<u>Year End</u>	<u>Scope for claw back</u>
31 st March 2011	<ul style="list-style-type: none"> • Schools Forum reviewed the level of individual school balances held at its 12th July 2011 meeting and the analysis of each schools committed and uncommitted balances held at its 11th October 2011 meeting • No claw backs are to be made
31 st March 2012	<ul style="list-style-type: none"> • Schools Forum will review the 2011/12 year end position in July 2012 and those schools whose actual year end balances are significantly higher or lower than their estimated balances (from the attached surveys) will be supported by the LA's Finance and Internal Audit teams to improve forecasting • Regardless of the above no claw-backs will be made
31 st March 2013	<ul style="list-style-type: none"> • Schools Forum will review the 2012/13 year end position in July 2013 and those schools whose actual year end balances are significantly higher or lower than their estimated balances will be reviewed • Those Schools who were accurate in the previous year will be supported by the LA's Finance and Internal Audit teams to improve forecasting • Those Schools who have been inaccurate for two consecutive years and are holding high balances will be subject to claw back of their excess balances as calculated by the LA

If your calculations show that your school is projecting a deficit, and you have not done so already, please contact my Deputy, Sarah Higgins so that the financial position can be reviewed and an action plan developed to bring the school back into surplus as soon as possible. I hope you find the attached form straightforward to complete and that it helps to give you an early indication of the levels of balances that should be available to support future years spending. If you need guidance or assistance on this please contact Sarah (465752), Anne Mackay (465752) or Maria Sutton (465738) in my School's finance team. If you have any general queries regarding the monitoring of school balances please contact me directly.

Please ensure that the form is returned by 31st December 2011 at the latest to schoolfinanceteam@swindon.gov.uk so that I can be in a position to advise the Schools Forum of the likely year end position early in 2012.

Yours sincerely

Stene Haley

Group Finance Manager - Children Services
 Telephone - 01793 46 5794
 Smartphone - 07740 038013

Children Services
Sanford House
Swindon, SN1 1QH
Tel: 01793 445500
Fax: 01793 488597

Annex A

Attachments

- Proforma balances survey
- Annex A – Scheme for monitoring the effectiveness of schools financial forecasting
- Annex B - Permitted areas against which balances can be committed against

Children and young people deserve the best start in life

John Gilbert
Group Director, Children