

Forecasting of School Balances 2011-12

Schools Forum

03 July 2012

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Parish / Wards Affected: All

Purpose

- To advise Schools Forum members of the final position on school revenue balances compared to the estimated position as forecast by schools

Recommendations

The Schools Forum is requested to note that:

- The vast majority of Swindon Schools (67%) were commendably accurate in forecasting their year end balances
- Only 6 schools reported significant variances between their forecast and actual outturn positions and will be contacted by the LA (Local Authority) for explanations which may prompt support to be provided to improve forecasting procedures
- Actual school balances were £1.4m higher than was forecast in early January which equates to a 25% under estimate across all sectors - *excluding Academies*

1. Background

- 1.1 The LA is required to monitor the level of school balances held by schools to provide assurance to the LA's Board Director – Finance, Revenues, Benefits and Property regarding the financial sustainability of individual schools and to help ensure the local fair funding formula is as equitable as possible. The LA needs to monitor all schools balances and 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 The LA presented a report to the 17th January 2012 Schools Forum meeting which outlined the proposals of a revised scheme to monitor and manage school balances following consultation with the Schools Forum Sub Group in November 2011. The scheme was formally adopted by Schools Forum in March 2012 for implementation on a trial basis from April 2012.
- 1.3 The main focus of the revised scheme is to improve forecasting and encourage those schools which have excess balances to utilise them by for example investing in premises or curriculum enhancements at an earlier date so that their pupils benefit as much as possible from the limited funds available
- 1.4 There are 3 parts to the new scheme, the first of which, measuring the effectiveness of individual schools in their autumn forecasting of year end balances, is the subject of this report. The LA believes that the key to tackling excess balances (and to avoid dangerously low balances) is to improve financial planning and in year monitoring by schools. Parts 2 and

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3 of the new scheme, which require a review of committed and uncommitted balances, will be undertaken over the next few weeks.

2. Detail

2.1 The Schools Forum agreed that schools should initially be measured in terms of their effectiveness at forecasting the value of year end balances between their Autumn surveys (estimates completed in early January) and April surveys (final figures completed in May) and be asked to provide explanations to the LA and Schools Forum where differences are significant. The Schools Forum agreed a range of actions depending on how accurate schools were which are shown below together with the number of schools in each category.

Table 1 – Monitoring the Accuracy of School Forecasting 2011-12			
Sector	Outturn compared to Autumn Estimate	LA Action	No as at March 2012
Small / Medium Primary i.e. ISB up to £1.200m	Within £25k	• School highly commended	22
	Within £50k	• OK	9
	Above £50k	<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. • Claw back after 2nd breach - where overall balances held exceed 8% of annual funding 	3
Large Primary i.e. ISB above £1.201m	Within £40k	• School highly commended	11
	Within £80k	• OK	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. • Claw back after 2nd breach - where overall balances held exceed 5% of annual funding 	2
Secondary	Within £50k	• School highly commended	0
	Within £100k	• OK	2

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	Above £100k	<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. Claw back after 2nd breach - where overall balances held exceed 2% of annual funding 	0
Special	Within £40k	<ul style="list-style-type: none"> School highly commended 	5
	Within £80k	<ul style="list-style-type: none"> OK 	0
	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 Claw back after 2nd breach - where overall balances held exceed 5% of annual funding 	1

- 2.2 The final column in the above table, as anticipated, demonstrates that the vast majority (67%) of Swindon schools were effective in forecasting their 31st March 2012 balances and are commended for this. In line with the scheme only 6 schools (from across all sectors) will be contacted by the LA to discuss why their final balances are significantly different to their own estimates. Depending on explanations provided the LA may visit relevant school staff with a view to supporting the implementation of improvements to their forecasting methods.
- 2.3 A summary showing the position across all schools is attached at **Annex A** and Forum Members are asked to note that actual balances were £1.4m higher in total than the forecast position.
- 2.4 It is important to acknowledge that forecasting is only one indication of how well schools are managing their balances and by 30th June the LA should have received 2012/13 budgets and breakdowns of how each school is intending to use their balances. This information will enable the LA to review plans and assess the value of funding held for committed and uncommitted purposes against the model scheme. The LAs initial focus will be to support those schools which require action to recover from or avoid deficits.

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<u>Table 2 – Schedule of Schools Forum Reporting on School Balances</u>	
<u>Forum Meeting</u>	<u>LA Reporting</u>
October 2012	<ul style="list-style-type: none">• Feedback from those schools identified as having a high variance between estimated and actual 31 March 2012 balances• Summary of planned usage of all 31st March 2012 balances against permitted areas based on the information provided by schools in their May/June survey proformas including the value of uncommitted funding held in total and per pupil as at 31st March 2012• LA will report any proposed changes to the trial scheme prior to the issue of Autumn 2012 surveys
January 2013	<ul style="list-style-type: none">• LA will report overall balances for the previous financial/academic year across all settings – subject to the voluntary provision of information by Academies following their 31st August 2012 year end.

Alternative Options

There are no alternative options presented in this report.

Risk Management

Financial and Procurement Implications

- 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 / Human Rights Implications

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

Links to Corporate Plans and Policies

- Scheme for Financing Swindon Schools

Diversity Impact Assessment

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

Consultees

The Board Director – Finance, Benefits, Revenues and Property (Section 151 Officer)
Director of Law and Democratic Services (Monitoring Officer).

Background Papers and Appendices

Annex A - Final School Balances 2011/12 compared to January Forecasts

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