

Forecasting of School Balances 2012-13

Schools Forum

5 March 2013

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Parish / Wards Affected: All

Purpose

- To advise Schools Forum members of the outcome of the latest monitoring exercise to measure the effectiveness of school financial planning and forecasting for school revenue balances.

Recommendations

- 1) The Schools Forum is requested to note the indicative position regarding projected 31st March 2013 School Balances and that they are £1.7m higher in total than was assumed when school budgets were set in June 2012.

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 3 July 2012 Schools Forum meeting which provided the first monitoring position based on the revised scheme for monitoring school balances. Following consultation with the Schools Forum Sub-Group in November 2011 the new scheme was formally adopted by Schools Forum in March 2012 for implementation on a trial basis from April 2012. Given the uncertainty over school funding arising from the DfE school funding reform programme the LA does not intend exercising any clawbacks of 2012/13 school balances.
- 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 existing benefit as much as possible from the limited funds available. 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.

Further information on the subject of this report can be obtained from Sarah McCombe on 01793 465752 or Email smccombe@swindon.gov.uk.

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2. Detail

Forecasting of 31st March 2012 Balances

- 2.1 The report presented to the July 2012 Schools Forum measured how effective schools had been in estimating their year-end positions. This was done by comparing the December estimates provided by schools with their final outturn positions. The majority of schools (67%) were within the 'highly commended' category with only 6 schools having large variances. The LA contacted these schools to discuss the reasons for their variances with a view to improving future projections. .
- 2.2 Regrettably, workload pressures arising from the DfE school funding reform programme (which had a range of challenging deadlines) prevented the LA from reporting details of the planned usage of balances to the October 2012 Schools Forum. This would have provided an analysis of how much each school was committing from their carried forward balances to be spent during 2012/13 against the range of permitted areas agreed by the Forum. In addition the LA would then be able to measure the level of uncommitted balances against the 'sector target limits per pupil' which were also agreed by the schools Forum.
- 2.3 The LA has been unable to fully analyse the information returned by schools relating for their planned use of balances during 2012/13 and as the financial year end is approaching this work will not be undertaken until next year.

Forecasting of 31st March 2013 Balances

- 2.4 At this point in the year the LA can provide comparisons between the closing balances each school expected to have at the end of 2012/13 when their budget was set in June 2012 and their latest projections as reported in their December 2012 balances surveys. This is attached at Annex A and summarised in the table below. Further comparisons between these estimates and each school's final position will be reported to the July 2013 Schools Forum.
- 2.5 The Schools Forum agreed a range of actions depending on how accurate schools are in estimating their balances. The table below provides an indication of the 2012/13 position.

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Table 1 – Monitoring the Accuracy of School Forecasting 2012-13			
Sector	Projected Outturn compared to Budget	LA Action	No as at Dec 2012
Small / Medium Primary i.e. ISB up to £1.200m	Within £25k	• School highly commended	18
	Within £50k	• OK	8
	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. 	3
Large Primary i.e. ISB above £1.201m	Within £40k	• School highly commended	10
	Within £80k	• OK	1
	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. 	3
Secondary	Within £50k	• School highly commended	0
	Within £100k	• OK	0
	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. 	2
Special	Within £40k	• School highly commended	1
	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 	2

2.6 The final column in the table indicates that 40 Swindon schools have been effective in their financial planning, assuming that their final balances are in line with December estimates. Only 10 schools would need to explain why their forecast balances are significantly different to their budget estimates. At this stage information is provided for information only and schools will not be asked to explain any differences.

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- 2.7 The LA would wish to emphasise that the above limits are aimed at measuring the effectiveness of schools which are in a surplus position and higher standards of forecasting are expected for any school which is in or close to a deficit position. The LA is concerned that one school has moved from a surplus to forecast deficit position without requesting this to be licensed by the Director of Children Services.
- 2.8 Forum Members are asked to note that forecast 31st March 2013 balances are expected to be £1.7m higher in total than the planned position reported in June 2012 when school budgets were set.
- 2.9 It is important to acknowledge that forecasting is only one indication of how well schools are managing their balances. Schools have recently been issued their 2013-14 funding allocations and a revised budget template that should help them identify their planned income and expenditure for 2013-14. Schools will also be asked to complete the final balances survey after the year end (April/ May 2013), which will require a breakdown of how balances expect to be used in 2013-14.
- 2.10 The LA should by 30th June 2013 have received 2013/14 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 LA's initial focus will be to support those schools which require action to recover from or avoid deficits.

Alternative Options

There are no alternative options presented in this report.

Risk Management

Financial and Procurement Implications

- 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 / 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

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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 – Forecast School Balances 2012/ 2013

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