

Actual 2013/14 Year End School Balances

Schools Forum

Date: 8th July 2014

Author:	Finance Manager – Education & Innovation
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

- 1.1 The 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.
- 1.2 To advise Schools Forum members of the final position on 31st March 2014 school revenue balances compared with the estimated position as forecast by schools in December 2013.

Recommendations

- 1.3 The Schools Forum is recommended to note that:
 - Just over half, 22 of 43 (51%) of schools final year end reported balances were close to the estimates provided in December as measured by the thresholds agreed by Schools Forum.
 - 11 of 43 (26%) of schools were reasonably accurate in forecasting their year end balances
 - Only 10 of 43 (23%) schools have reported significant variances between their final and December estimates of their projected year end balances – commentaries on these schools are provided.
 - Final school balances (adjusted to exclude in-year Academy conversions) are forecast to be £5.5m which is 42% higher, than the December estimates of £3.9million.
 - Whilst 4 schools started the year in minor deficit positions no maintained schools were in deficit at the 31st March 2014.
 - The LA will present further information on the planned use of school balances to the October 2014 Schools Forum.

2. Background

- 2.1 As part of the LAs 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

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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.

- 2.2 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 DfE. It is also very important for schools with relatively low balances to undertake accurate forecasting to avoid them encountering a deficit position.
- 2.3 The balances control scheme is made up as follows;
- 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 reported to Schools Forum in March).
 - After the year end when final school balances are quantified these values are compared to schools December estimates (this is the subject of today's report). Following suggestions at last July's Forum explanations have been sought from those schools whose estimates proved to be inaccurate as measured against the parameters agreed by the Forum which are proportionate to school budgets.
 - After setting their new year 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 survey. 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).
 - 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.
- 2.4 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 excessive
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balances which would then be made available for distribution across other schools in the following years funding allocations.

- 2.5 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.
- 2.6 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. Only two schools have been inaccurate over each of the last two years and will be visited by the LA finance team to discuss their forecasting procedures before the next Schools Forum meeting. 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.
- 2.7 Letters reminding schools of the requirements of the scheme will be issued with the balances survey in July and responses will be reviewed during the summer period and reported to the October 2014 Schools Forum meeting.

3. Detail

- 3.1 The initial part of the balances control scheme measures the effectiveness of schools in forecasting their year end balances. This exercise was completed by all maintained schools in December 2013 and estimates have now been compared with final figures arising from the school close down process in April 2014. The local scheme has a range of actions for the LA to follow depending upon the significance of the variance between final and forecast balances. Based on the difference between March 2014 actuals and December 2013 forecasts the results are as follows;

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Table 1 – Monitoring the accuracy of School financial forecasting			
Sector	Outturn compared to December Estimate	LA Assessment / Action	No.
Small / Medium Primary i.e. ISB up to £1.200m	Within £25k	<ul style="list-style-type: none"> School highly commended 	12
	Within £50k	<ul style="list-style-type: none"> OK – reasonable accuracy 	6
	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. Potential Claw back after 2nd breach - where overall balances exceed 8% of annual funding	4
Large Primary i.e. ISB above £1.201m	Within £40k	<ul style="list-style-type: none"> School highly commended 	8
	Within £80k	<ul style="list-style-type: none"> OK – reasonable accuracy 	3
	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. Potential Claw back after 2nd breach - where overall balances exceed 5% of annual funding	3
Secondary	Within £50k	<ul style="list-style-type: none"> School highly commended 	1
	Within £100k	<ul style="list-style-type: none"> OK reasonable accuracy 	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. Potential Claw back after 2nd breach - where overall balances exceed 2% of annual funding	0
Special	Within £40k	<ul style="list-style-type: none"> School highly commended 	1
	Within £80k	<ul style="list-style-type: none"> OK reasonable accuracy 	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 Potential Claw back after 2nd breach - where overall balances exceed 5% of annual funding	3

- 3.2 The above table demonstrates that just over half (22 of 43 or 51%) of Swindon maintained schools were effective and are highly commended by the LA in forecasting their final 31st March 2014 positions when providing their projections in December. This is however lower than the equivalent position reported to Schools Forum in July 2013 when 61% of schools were highly commended following closure of the 2012/13 accounts.

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- 3.3 When 2013/14 local formula funding allocations were issued to schools last February the LA also provided estimates of other funding that schools would receive (Nursery funding, SENRAP top ups, Set up Costs, Trigger Funding, Pupil Premium) and this information, together with the cessation of the academic year based standards fund grants, should have enabled schools to become more accurate in projecting their year-end positions from the start of the year. The LA acknowledges that there is now less certainty on funding levels for specialist settings but occupancy projections should be reasonable by the end of December.
- 3.4 Over recent weeks the LA has contacted the 10 schools whose estimates proved inaccurate and is encouraged that, where closing balances were higher than anticipated, this mostly relates to delays in premises improvement schemes which resulted in payments falling after, rather than before, the year end.
- 3.5 A summary showing the position across all schools is attached at Annex A. The level of each schools opening balances as at 1st April 2013 are also shown. Forum Members are asked to note that whilst 4 schools opened the year with relatively minor deficits no maintained schools were in deficit at 31st March 2014. Overall year end balances of £5.5m are £1.6m (42%) higher than school forecasts provided in December. (These totals exclude 7 schools where conversion to academy status occurred during the current financial year).
- 3.6 The ten schools with a “Red” forecasting rating have been reviewed/contacted and indicative explanations are as follows:
- **Abbey Meads - Actual balance was £129k (£91k above forecast)** – Following an LA enquiry the school resubmitted its final accounts submission to correct the inclusion of £30k sunshine club income which should have been included in their Community Facility balance. £25K planned spend on an iPad project was delayed and purchases took place in the current financial year. In addition unplanned income of £23k was received from Greenmeadow arising from the transfer of children’s centre staff to Abbeymeads which could not have been predicted in December. This school also carried forward a community facilities surplus of £150k and LA officers have agreed to visit the school later this year to ensure all balances are reported and managed in accordance with DfE regulations. Following the £30k correction, school balances were £61k above forecast and the LA has revised its forecasting assessment to Amber.
 - **Beechcroft Infants Actual balance was £120k (£63k above forecast)** – Delay in £26k costs relating to storage facilities, £5k for decoration, £6k for electrical conversion to 3 Phase and £35k provision for potential costs relating to UIFSM;

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- **Colebrook Juniors Actual balance was £156k (£56k above forecast)** – Flat roof repair costs of £20k due to outstanding survey, planned decoration and ICT orders (£8k and £13k respectively) were delayed and unplanned savings of £19k were achieved through innovative recruitment. As this is the second consecutive R rating for this school LA finance officers will visit the school to discuss their forecasting procedures;
- **East Wichel Primary Actual balance was £92k (£61k above forecast)** – The school made a very cautious Trigger funding projection which was much lower than the LA estimate of £106k provided at the start of the year. The actual payment following October PLASC was £94k. The school assumed much lower funding would be received following experiences in 2012/13 and as a consequence had an extra £38k in their year-end balance. The LA provides trigger funding estimates for all expanding schools at the start of each year as part of the pupil growth budget setting exercise. The LA can only base this on assumed pupil numbers from the following October but schools should be able to quantify with certainty the actual value of their trigger funding immediately after the October PLASC. Firm figures should therefore be reflected in December estimates and there would appear to be a misunderstanding at this school over the operation of trigger funding and the LA will take steps to alleviate this uncertainty
- **Even Swindon Actual balance was £418k (£142k above forecast)** – The advance of £93k set up costs was agreed by the January Schools Forum and could not therefore have been projected by the school. After excluding this factor Even Swindon's forecasting was therefore reasonable and has been revised to an Amber rating.
- **Orchid Vale Primary Actual balance was £191k (£151k above forecast)** – The advance of £81k set up costs was agreed by the January Schools Forum and could not therefore have been projected by the school. Even allowing for this the school still had a £70k variance and is therefore still assessed as a red rating. The School advised that a delay in a £5k furniture order occurred, £11k of Pupil Premium funding was reserved to provide teaching provision in the new financial year and other specific funding of £7k was agreed to be carried forward;
- **Ruskin Junior Actual balance was £231k (£101k above forecast)** – Final school balances included income of £99k generated via charges to schools for the centrally commissioned Outreach Centre operation at Highworth which became operational in January 2013. This surplus was not omitted from the schools December estimate and the policy of charging schools and generating surpluses for a centrally commissioned high need service is to be reviewed by the High needs task group during 2014 as reported elsewhere on today's agenda;

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- **Crowdys Hill Actual balance was £263k (£81k above forecast)** – Additional pupil places generated additional income of £30k, and the school holds a reserve balance for premises (£50k), staff absence (£15k) and IT (£15k).
 - **EOTAS Actual balance was £220k (£174k above forecast)** – The new science classroom costing £98k expected to be completed by the end of March was delayed until the new financial year. Premises repair costs were much lower than the £25k that was budgeted for and occupancy remained high throughout the year which sustained top up income. 2013/14 was the first year of operating a delegated budget for EOTAS and a Resources Sub Committee has been established to embed improved financial management procedures which should improve in year forecasting;
 - **St Lukes Actual balance was £168k (£112k above forecast)** - £100k earmarked for a Multi User Games Area did not go ahead due to the change over from the existing Head Teacher to a new interim Head Teacher. It was assumed that balances would reduce as a result of planned changes in personnel, however, appointments were curtailed when it became clear that St Luke's would be detrimentally affected by reduced BESD top up funding values from 2014/15 estimated at £120k per year. A new permanent Head Teacher and Bursar have recently been appointed and as this is the second consecutive Red rating for this school, LA finance officers will visit the school to discuss forecasting procedures and provide any support required to improve financial management.
- 3.7 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 as summarised at paragraph 2.3 above.
- 3.8 An additional schedule (Annex B) showing the opening and closing Devolved Formula Capital (DFC) balances held by all maintained schools is presented for the first time to give a full picture of year- end school balances. DFC year end balances totalled £0.8m and can be accumulated by schools for up to 3 years to support capital expenditure on defined areas such as premises improvements or ICT hardware, although the levels of DFC were substantially cut as part of the public sector austerity programme in 2010.
- 3.9 The level of DFC held doesn't form part of the LAs financial health assessment of schools but the LA would expect these balances to be held for specific purposes and not to be excessive. .
- 4. Alternative Options**
- 4.1 There are no alternative options presented in this report.
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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.

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Utilisation of the DSG has a direct link to two of the Council's five priorities – "Right skills, right jobs in the right place" and "Make the best use of Swindon's resources inside and outside the Council".

Diversity Impact Assessment

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

Risk Management

- 5.6 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 Board Director Resources (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 Annex A – Actual opening and closing 2013/14 school revenue balances compared to December 2013 forecasts
- 7.2 Annex B – Actual opening and closing 2013/14 Devolved Formula Capital balances