

Projected 2014/15 Year End School Balances

Schools Forum

Date: 17th March 2015

Author:	Finance Manager – Education
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 The Schools Forum is asked to note the indicative position regarding the level of projected 31st March 2015 School revenue balances compared to the levels assumed when 2014/15 school budgets were set in June 2014.
- 1.3 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. Schools are measured on how effective they are and this report provides a summary of movements between the estimates provided when 2014/15 school budgets were initially set in June and more recent forecasts received from schools in December.

Recommendations

- 1.4 The Schools Forum is recommended to note that:
 - The majority 29 of 42 (69%) of Swindon maintained schools current estimates of their year end balances are close to the estimates provided when budgets were set as measured by the thresholds agreed by Schools Forum and are commended
 - Only 3 of 42 (7%) schools have reported significant variances between their current and initial estimates of their projected year end balances and the narrative explanations for the variances provided to Schools Forum.
 - Latest Estimated school balances (adjusted to exclude in-year Academy conversions) are forecast to be £3.40m, which is 12% higher than initial estimates of £3.08m. Two maintained schools were anticipating being in deficit at 31st March 2015, though one has now confirmed they expect to be in surplus at 31st March 2015.
 - The LA will present further information on school balances at the July 2015 Schools Forum showing how each school's estimate compared to their final year end positions.

Further information on the subject of this report can be obtained from Anne Mackay, Finance Manager Education, 01793 465742, amackay@swindon.gov.uk.

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- Projected year end balances have also been collected from mainstream schools with a Special Resource Provision (SRP) and from schools providing a commissioned service, Children Centre or community facilities. The rating for the maintained school includes the total variances in the projected balances for the additional facilities as the thresholds agreed by Schools Forum did not include the separation of these facilities.

2. Background

- 2.1 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 excess 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.
- 2.2 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 is the subject of today's report).
 - After the year end when final school balances are quantified these values are compared to schools December estimates (this is reported to Schools Forum each July)/ Explanations are 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 in June schools are asked to provide a summary of how and when they are planning to utilise their brought forward balances. 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.
 - 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.
- 2.3 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.

- 2.4 The LA therefore retains the right to implement claw backs but only in circumstances where a school
- Is consistently inaccurate in forecasting their year end balances for 2 consecutive years
 - and
 - Holds relatively high balances .i.e. above 8%, 5% or 2% of ISB depending on the size of the school budget.
- 2.5 In July the LA will report actual year end balances compared to forecasts and will identify any schools which are at risk of having their balances being clawed back. These schools will be given an opportunity to defend their positions prior to any claw backs being implemented. 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 re-distributed to other schools where they could be spent on current pupils.

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 2014 and estimates have now been compared to initial projections arising from the school budget setting exercise in June. The 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 June and December forecasts the results for the 2014/15 financial year would be as follows;

Table 1 – Monitoring the accuracy of School financial forecasting			
Sector	Provisional Outturn compared to July Estimate	LA Action	No. as at March 2015
Small / Medium	Within £25k	• School highly commended	15
	Within £50k	• OK	5

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Primary i.e. ISB up to £1.200m	Above £50k	<ul style="list-style-type: none"> To understand reasons a commentary has been 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 	1
Large Primary i.e. ISB above £1.201m	Within £40k	• School highly commended	9
	Within £80k	• OK	4
	Above £80k	<ul style="list-style-type: none"> To understand reasons a commentary has been 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
Secondary	Within £50k	• School highly commended	1
	Within £100k	• OK	0
	Above £100k	<ul style="list-style-type: none"> Review required understanding reasons & commentary to be 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	• School highly commended	4
	Within £80k	• OK	1
	Above £80k	<ul style="list-style-type: none"> Review required understanding reasons & commentary to be 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

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- 3.2 The above table demonstrates that the majority (29 of 42 or 69%) of Swindon maintained schools appear to have been effective in forecasting their final 31st March 2015 positions when setting their budgets in June. The 69% of schools identified as “highly commended” shows an improvement when compared to the monitoring completed in July 2014 when 51% were in this category which is encouraging.
- 3.3 When 2014/15 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, should have enabled schools to become more accurate in projecting their year end positions from the start of the year.
- 3.4 A summary showing the position across all schools is attached at Annex A. The level of each schools opening balances as at 1st April 2014 are also shown to enable trends to be identified. Forum Members are asked to note that two maintained schools were anticipating being in deficit at 31st March 2015 and one of these is now expecting to end the year with a surplus balance. The latest year end estimates of £3.7m are £0.364m (12%) higher than initial estimates when school budgets were set in June. These totals exclude one school where conversion to academy status occurred during the current financial year. This summary also excludes Devolved Formula Capital (DFC) balances which can be accumulated by schools up to 3 years.
- 3.5 It is important to acknowledge that forecasting is only one indication of how well schools are managing their balances and further information will be provided throughout the year to the Schools Forum as summarised at paragraph 2.2 above.

4. Narrative explanations from schools

- 4.1 The three schools with a “Red” forecasting rating and significant variances and between the revenue balances forecast in June 2014 and December 2014 were contacted and asked to provide Schools Forum with an explanation, the schools contacted are in Table 2 below:

Table 2 Schools with significant variances in their forecast balances			
School	Forecast June 14	Forecast Dec 14	Variance
Grange Junior	£33,044	£112,569	£79,525
Red Oaks Primary (school only)	£10,905	(£41,812)	(£52,717)
Red Oaks incl. SRP	£22,353	(£42,221)	(£64,575)
St Luke's School	£6,388	(£77,839)	(£84,227)

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- **Grange Junior School - forecast balance £0.080m higher in December**– The school have put the kitchen refurbishment project, new kitchen roof and outside area on hold until the summer of 2015.
- **Red Oak Primary School – forecast balance £0.053m (£0.065m including SRP funding) lower in December** – The December return showed that the school were anticipating ending the year with a deficit balance but when contacted in February by the Finance Manager – Education the school confirmed that it is no longer anticipating a year end deficit balance. The deficit balance forecast was due to a prudent funding forecast as £0.040m of claims were outstanding from a provider that had withdrawn funding, this issue is now resolved and the funding is now expected in full but High Needs Top ups for Special Resource Provision pupils moved to mainstream will not be received. Maternity insurance did not cover the full cost of six maternity leave and cover but the school's budget provision is full on costs for all staff so the school is currently underspent on staffing.
- **St Luke's School – forecast balance £0.084m lower in December** – A small surplus was predicted in June but the school are now predicting a deficit balance of £0.078m. The school have explained that the High Needs Top ups received decreased significantly by £0.040m compared to the original budget. Additional supply teachers were required due to the majority of Senior Leadership team needing absence from school for various reasons and length of time. The school has a large amount of damage and high repairs costs and not all parents pay for the costs invoiced. Continuing Professional Development (CPD) training was required following advice with one series of CPD cost almost £0.010m.

The school are being supported by the Local Authority and have regular meetings with the Education finance team who are supporting the school as it works towards a balanced budget position.

5. Alternative Options

- 5.1 There are no alternative options presented in this report.

6. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 6.1 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

- 6.2 There are no legal or human rights implications arising from this report.
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All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 6.3 This report does not make any recommendations that affect these areas.

Links to One Swindon, Strategic Objectives, Plans and Policies

- 6.4 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

- 6.5 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.

7. Consultees

- 7.1 The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

8. Background Papers

- 8.1 Annex A - Projected School Balances 2014/15 compared to June 2014 forecasts