

Committee:	School Forum
Meeting Date:	13 th October 2014
Title:	Update on School Monitoring
Author:	Lea Minnican
Decision making / consultative / information:	Decision Making

What is the Forum being asked to decide?

1. The Forum is being asked to note the working of the Schools Accountancy Team and the direction of travel for the future.
2. Agree the data sheet showing schools revenue estimates and actuals should be sent to Chair of Governors to discuss at their finance committee meetings. A sample school is shown in Annex A.
3. Agree the Strategic Plan toolkit should be reviewed and amended to make it easier to follow.
4. Note we will be issuing NOFC to the six schools who haven't submitted a strategic plan – statutory requirement of the Scheme of Delegation.
5. Endorse the local Authorities plans to take action with schools that have excess reserve balances, taking into account the information in medium term plans and discussions at the value for money group.

Reason for recommendation

6. The Schools Accountancy Team (SAT) requested approval from forum to send letters at the last Schools Forum to all maintained schools with high reserve balances. Forum felt this was unnecessary and instead felt the strategic plans should be used to assess the reserves position before any further action was taken.
7. As a result SAT has reviewed all submitted strategic plans over the summer break. During this review it became apparent that strategic plans are not widely understood and often completed incorrectly.
8. Looking at the reserves stated on the submitted strategic plans it shows that although some Schools are planning to reduce their reserves the total reduction for Suffolk by 2016-17 (based on realistic plans) would be £4.1m which still leaves £22m sitting in school balances equating to about 9% of all maintained school budgets sitting in reserves.

Alternative options

9. We could continue with the current strategic plan toolkit and provide more training and guidance on common mistakes and errors.
10. We could invest more staff time in checking each plan as it arrives for the common errors and return those that do not meet initial checks. However this would divert time from other activities, such as intervention with schools in poor financial management.

Who will be affected by this decision?

11. All maintained Schools.

Main body of the Report

12. The SAT team is made up as follows:

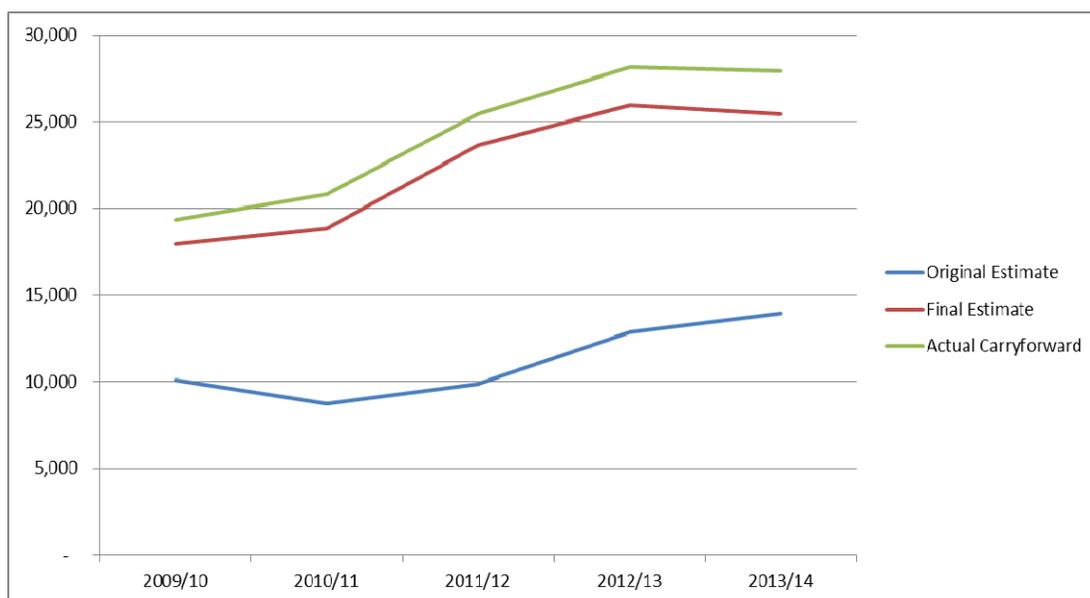
Business Partner	0.6FTE
Service Accountants	4.00 FTE (SOR &EY, High Needs, Funding, Monitoring)
Team Leader	1.00 FTE
Finance Officers	5.92 FTE (of which two FTE are currently vacancies, which we have held since February)
Total	11.52 FTE

Of the 11.52FTE to support all statutory activities within Schools 6.92 FTE is allocated to support monitoring (although we are currently 1 FTE down). This includes all academy conversions, all closing middle reconciliations, issue of NOFC, licence deficits applications, mailbox support, SVFS returns and year end activities. This equates to approx. 45 schools to monitor per FTE per year.

13. Following the introduction in 2010 by the DfE for schools to convert to academy status and reconciliations of middle schools closing as a result of Schools Organisational Review (SOR) from 2011-12 SAT had to review the way in which schools were monitored. As a result the team moved to a risk based assessment for monitoring schools.
14. Data submitted by schools in their 1 year budget plan is used to populate the risk assessment. This data is taken as correct and checks are not carried out by the team on the data submitted.
15. There are 12 risk factors for 2014-15, the maximum a school can score is 18 risk points (some factors have an either/or situation). All schools that score over three risk points are allocated a monitoring officer from within the team.
16. Currently there are 44 schools scoring 3 risk points or more with the highest scoring 9. All of these schools are assigned a dedicated monitoring officer who will work with the school. There are a further 32 schools assigned a monitoring officer which include those schools closing under SOR, Academies, those with a licence deficit and other schools of concern (these may have been highlighted by LIS or Audit).

17. Based on the discussions at the last forum the team decided over the summer to invest time in reviewing the Strategic plans submitted by schools. 287 plans have been reviewed; there are still six schools who have not submitted plans despite being chased on several occasions and receiving formal letters from the Assistant Director of Resource and Support. Of these, only 146 were received by the deadline (31ST May 2014) 141 had to be chased and in the majority of cases more than once resulting in several man hours calling the schools.
18. A decision needs to be made on what action will be taken for those schools who still haven't submitted a plan. The submission of a strategic plan is a statutory requirement of the LMS scheme of delegation. The schools in question could be issued with an NOFC until plans are received.
19. Of those plans received the following checks were carried out
- Checked that the estimated reserves position for 2014-15 from the budget plan have been transferred correctly onto the strategic plan.
 - Checked that the in-year position for 2014-15 has been transferred correctly onto the Strategic plan.
 - If the actual carryforward for 2013-14 was significantly different to that estimated on the 2014-15 budget plan that a virement has been submitted to correct the position.
20. All schools had carryforward differences. To account for this difference schools are required to submit a virement however, only 121 had submitted a virement before the end of the summer term. An FAQ will be sent out to remind schools that virements should be completed.
21. 5% of the Schools checked have significant errors which once corrected could affect their risk assessment score. SAT are in the process of contacting the schools to discuss the errors made and to request that the plans are amended and re-submitted once approved by governors.
22. At the last meeting forum asked us to compare the reserves to the strategic plans. Looking at this data it shows that although some Schools are planning on reducing their reserves the total reduction for Suffolk by 2016-17 (based on realistic plans) would be £4.1m which still leaves £22m sitting in school balances which equates to approx 9% of all maintained school budgets sitting in reserves.
23. However this is based on every schools forecast being correct. For 2013-14 the 1 year budget plan submitted by schools showed forecasted balances were expected to be £12.8m at the end of the year. The actual position was £26.2m over double the schools forecast.
24. This isn't unique to the forecast for 2013-14 but part of a year on year trend for schools to under estimate their year-end position, the table below shows that schools appear to be finding it more difficult to predict their reserves accurately.

	Original forecast reserves (summer term)	Estimate used for next budget plan	Actual Y/E position	Difference between original forecast & actual	Number of schools at close of year	Average per school (Actual)
	£ million	£ million	£ million	£ million		£0,000's
2009/10*	10,100	17,917	19,364	9,264	355	54,546
2010/11	8,734	18,840	20,836	12,102	333	62,571
2011/12	9,863	23,608	25,443	15,580	317	80,262
2012/13**	12,850	25,935	28,146	15,296	299	94,134
2013/14***	13,925	25,422	27,908	13,983	286	97,580



25. The new look strategic plans were introduced in 2011-12 as part of the solution to help improve forecasting. As we can see from the table it hasn't helped schools to forecast their closing position more accurately in fact it would appear that schools have found it more difficult.

26. Schools, especially small primary schools have fed back that they find the toolkit difficult to work with and hard to follow. Therefore we would like to change the toolkit to make it more user friendly. Schools have said they favour the medium term plans so we will look to base the new toolkit on this model with additional functionality to aid the forecast of future funding. Instead of two scenarios for each year we would be looking to schools to produce just the one realistic plan for each year.

27. We have listened to schools and plan to develop a new toolkit. This will be based on the 3 year medium plan with additional functionality to help schools forecast funding. We are hoping to have sample toolkits ready for the Admin

and Finance conferences in November so we can get bursars feedback on the toolkit before the final version is released in February with the budgets.

28. Having one realistic plan will make data analysis easier and should allow SAT more scope to provide some pro-active data sets to share with Governors. This will allow them to ask more questions and challenge the data from an informed position. Annex A shows a sample data set that we have produced for governors regarding reserves. We wouldn't be expecting Schools to formally do anything with this information or report on its use instead it would be a tool that governors could chose to use if they wish. We are currently in discussions with colleagues in the learning and improvement service and hope in the future to provide finance data for governors overlaid with the attainment data for the school.
29. Other feedback from schools is that after they submit their 1 year budget plan and their strategic plan there has been no feedback from SAT concerning their submissions. Taking this on board, we would also like to introduce for 2015-16 a set of three standard letters that would be issued before the start of the autumn term. The letters would be as follows:
 - The budgets have been received and based on the information provided you will not be subject to additional monitoring at this time.
 - The budget plans have been received and based on the information provided SAT has concerns about your future positions but you do not score sufficient risk points to be allocated a monitoring officer at this time, however, as a governing body you are advised to do some further work.
 - We have serious concerns about the financial position of the school based on our risk assessment and you have been assigned a monitoring officer.
30. The Schools Accountancy Team has focused its support on those schools that are already in financial difficulties. We will still need to work closely with these schools but want to re-focus the team to look more pro-actively at data we could provide to governors to allow them to constructively challenge financial information presented in schools.

Annex A

FINANCIAL PLANNING: SCHOOL REVENUE ESTIMATES AND ACTUALS 2010-2017

School's 2014-15 formula MFG%: **11.49%**

NOTE: School estimates display as zero where data is not available

2014-15 Suffolk CAP is set at 6.25% (capped gains)

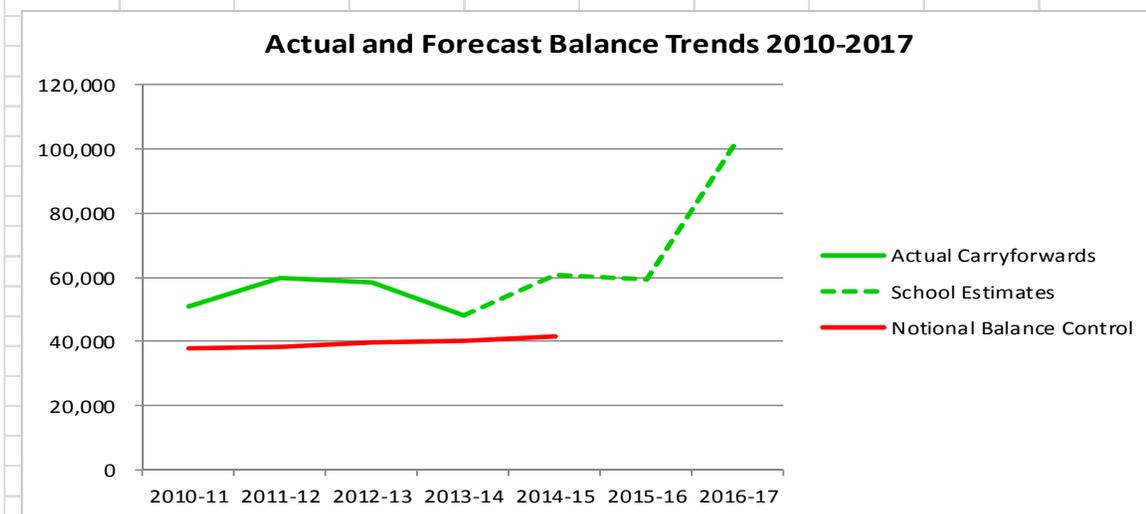
'Realistic' forecasts provided by School in Budget Plans and Strategic Plans:

	2012-13	2013-14	2014-15	2015-16	2016-17
School Estimates: from 2012-13 BP & 2013-15 SP	64,529	66,030	63,140		
School Estimates: from 2013-14 BP & 2014-16 SP		47,047	44,841	65,803	
School Estimates: from 2014-15 BP & 2015-17 SP			60,589	59,411	103,416

Trend in actual reserves and 'realistic' forecast estimates:

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Actual Carryforwards	51,131	60,042	58,481	48,058			
School Estimates					60,589	59,411	103,416
Notional Balance Control	38,098	38,408	39,655	40,148	41,740		

Graph to show the trend in actual reserves and 'realistic' forecast estimates:



Produced by the SAT Team: Summer 2014

*Includes High Needs Top-up income from the 13-14 & 14-15 budgets

KEY:

Budget Plan - Revenue Reserve estimate

Strategic Plan - 'Realistic' forecasts

Actual Cfwds

NOTES:

School estimates have been taken from:

- Budget Plans (BP) sent to the LA in the Spring term
- Strategic Plans (SP) sent to the LA in the Summer term

The Notional Balance Control is calculated as:

- 5% of the Delegated Budget* plus £20,000

This is equivalent to the historic Balance Control

Mechanism which was abolished by the Schools Forum in June 2011.

The DfE's SFVS Guidance Notes identifies the following good practice: *Most schools should be aiming for a small surplus at the end of the year. A small number may be aiming to arrive at a much larger surplus for a particular project: maintained schools should provide details of this to the local authority.*

Using the Graph:

The graph gives a visual picture of:

- actual balances from 2010 to this year
 - 'realistic' projected balances identified by the school in this year's Budget and Strategic Plans
 - Notional Balance Control limit
- The graph can be used to assess if:
- projections appear reasonable?
 - Budget/Strategic Plans need further work?
 - balances have been/will be high?

The first table of data provides historic forecasts that can be compared with actual outcomes for 12/13 & 13/14