Not-for-profit
Academy schools

PRECISE. PROVEN. PERFORMANCE.

Your Budget Forecast Return now covers the next three years

Now that you have completed the Budget Forecast Return Outturn (BFRO) 2018 which needed to be submitted by 21 May to the Education and Skills Funding Agency (ESFA), attention should have turned to the Budget Forecast Return (BFR) which needs to be submitted to the ESFA by Monday 30 July. We are letting you know some of the key things to be aware of including an additional requirement this year to forecast for the next three years to 2020/21.

Why three years?

The rationale behind the ESFA introducing this new three year requirement is to promote financial forecasting as good practice, encourage planning for the future to complement the ambitions of the trust and to ensure trusts are undertaking strategic budget planning. This is especially important in light of the current financial climate and the funding challenges that trusts are facing. They consider this so important that it's now a 'must' requirement in the latest Academies Financial Handbook 2018, which was published on 9 June. The ESFA will use the BFR data to provide a view of the financial health of trusts and assess trends across the sector, in order to understand the longer-term financial health of the sector.

For 2018/19, the forecast will be at the same level of detail as required for previous BFRs, so this should be familiar to you. For years two and three, i.e. 2019/20 and 2020/21, the forecast will be at a summary level only. There will be a separate section of the BFR to complete for the additional two years' summary information. Once again there is an Excel workbook to assist with the preparation of the BFR and we would recommend that trusts use this workbook. The 'help text' within this is useful to guide what should be included within each section and cell. The main issues that many trusts may face is how you should forecast for years two and three and what assumptions you should be using.

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Income projections

For income projections, consideration needs to be given to forecast pupil numbers. These are usually obtainable from the local authority, and compared in line with the National Funding Formula funding per pupil, details of which were published last Autumn. There should also be projections made with regards to pupil premium funding and special needs. Assumptions will need to be made for any commercial and investment income due. There is also an entry for any surpluses due on transfer of schools into a trust.

Cost projections

Similarly for cost projections, consideration needs to be given to staffing levels including turnover of staff, pay awards and staff grade ratios, as well as future pension contribution rates for both Teacher Pension (TP) and Local Government Pension (LGP) schemes. For non-staff costs, inflation could be applied at different flat rates depending on the specific costs.

Capital income should be based on anticipated grants due and any anticipated use of the general annual grant (GAG), or other non-capital grants for capital expenditure, as well any proceeds received on disposal of assets along with depreciation charges.

Deficits

If deficits are forecast then there is a requirement for a brief description of any mitigating actions that are being undertaken to address the deficits. If these actions have been approved, the forecast should reflect the impact of these plans. The ESFA do appreciate that forecasts will change over time, but expect the BFR to reflect the most accurate forecast available. The ESFA also appreciate that assumptions will be used in the preparation of forecasts though have stated that they won't give advice on how you manage the assumptions.

If you need any assistance with your BFR submission this year please contact one of our academy specialists or your usual Moore Stephens academy contact.

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