

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	13 October 2010
SUBJECT:	School Carry Forwards (2009/10) and National benchmarking (1999/00 – 2008/09)
REPORT BY:	Tony Warnock (Head of Finance – Children's Services)
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IS THE REPORT EXEMPT?	No
IS THE REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to provide information regarding:

- Lincolnshire school carry forwards at 31 March 2010.
- Benchmarking data on the Local Authority's (LA) school balances, comparing those to East Midlands and England statistics for all educational sectors over the period 1999/00 to 2008/09.

DISCUSSION

Introduction

Schools are permitted to carry forward underspendings from one year to the next, subject to the provisions of Lincolnshire's school carry forward policy, which forms part of Lincolnshire's Scheme for Financing Schools.

School carry forwards 2009/10

The overall level of school carry forwards in nursery, primary, secondary and special schools has fallen by £0.873m (9.3%), from £12.177m in 2008/09 to £11.304m at the end of 2009/10.

- Nursery schools' carry forwards have fallen by £0.005m (4.2%) to £0.115m.
- Primary schools' carry forwards have risen by £0.598m (7.5%) to £8.528m.
- Secondary schools' carry forwards have fallen by £1.140m (42.7%) to £1.527m.
- Special schools' carry forwards have fallen by £0.327m (22.4%) to £1.132m.

Please note: to ensure consistency, the 2008/09 comparator figures exclude the carry forwards of schools that closed during 2009/10 and those that have subsequently become academies.

The only sector to have increased its carry forward in each of the last two years is the primary sector. Approximately £1.1m was added over the two year period and that coincides with the period in which the majority of the available 'headroom' from the Dedicated Schools Grant was added to the primary sector's budget.

Carry Forwards as a % of Budget Share

On average:

- Nursery schools carried forward: 6.51% (2008/09 6.34%).
- Primary schools carried forward: 4.94% (2008/09 4.78%).
- Secondary schools carried forward: 0.82% (2008/09 1.76%).
- Special schools carried forward: 4.26% (2008/09 5.72%).

School Deficits

Of significant concern is the fact that the total number of schools in deficit has increased by 10, from 36 to 46 at the end of 2009/10. The number of schools with overspends comprises:

- 23 (8%) primary schools (2008/09 – 21 schools)
- 21 (38%) secondary schools (2008/09 – 15 schools)
- 2 (10%) special schools (2008/09 – 0 schools)

It is notable that:

- 12 of the 23 primary schools have deficits <£0.010m.
- 12 of the 21 secondary schools have deficits <£0.100m.
- The total value of deficits at the end of 2009/10 has increased by £0.687m to £3.294m (26.3%), with:
 - a £0.145m (34.6%) decrease in the primary sector to £0.274m.
 - a £0.765m (34.9%) increase in the secondary sector to £2.953m.
 - a £0.065m increase in the special sector to £0.065m.
- One primary school had a very significant overspending, i.e. greater than £50,000. CfBT and the Mouchel Schools Finance Team are working closely with that school.
- Of greatest concern is the increase in the number of secondary schools with significant overspends, and the size of the increase in some of them. Officers continue to work with those schools, with a view to helping them to remove their deficits in the short to medium term.

- 4 primary schools and 2 secondary schools could have removed their deficits, had they vired Standards Funds at year end to finance expenditure charged to budget share. This would have reduced the numbers with overspends to 19 primary and 19 secondary schools.
- The number of schools with deficits has risen for the first time in seven years, having fallen in successive years from a peak of 65 at 31 March 2003, to 36 at 31 March 2009.

LA Schools Carry Forward Policy

On 1 April 2004, the LA introduced its school carry forward policy. Nursery, primary and special schools can carry forward for any purpose, up to 8% or £30k (whichever is greater) of their budget share. Secondary schools can carry forward 5% of their budget share.

Additional sums can only be carried forward if they are for specific, costed, time limited, capital projects that are consistent with the priorities set out in the school's Asset Management Plan. The LA has again received letters from schools asking to carry forward 'excess' sums at 31/3/10. Brief details are set out in Appendix 1 (further details on individual school's requests for excess carry forward can be obtained from officers). The Finance Team is continuing to monitor schools' planned use of the additional sums earmarked for capital projects and that includes asking schools to confirm a year later that the resources have been used for the agreed purpose.

National guidance

Due to the Treasury's concerns over the level of school balances held nationally, last year the DfE consulted all LA's on their carry forward policies. The DfE published information on 7 January 2010 and the key points to note are:

- The LA's policy appears to be tightly defined (the DfE was not advocating a softening of such an approach).
- 'It is part of sensible financial planning to hold a small surplus, but schools should be spending their money on children in schools now, and local authorities should take strong action where schools have excessive surpluses except where they are very clearly and accurately justified.'
- 'Local authorities should continue to monitor balances and use their powers to claw back excessive uncommitted surplus balances.'
- 'It is important that the 5% and 8% thresholds are not seen as targets, and that schools with balances over the threshold are challenged on their whole balance. It is not the case that schools should only justify surpluses over the thresholds. Local authorities have the power to amend their thresholds in agreement with their Schools Forum.'
- 'It is important that schools understand that the 8% and 5% thresholds are not targets and should not be seen as acceptable or allowable levels, but the maximum percentage which might be retained to deal with exceptional circumstances, whether predicted or unforeseen. In practice, most primary schools should be able to manage with balances of, say, 4-5% and secondary schools with 2-3%.'
- 'Schools with an excess surplus balance must be able to justify their plans for their whole balance, not just the amount they are over the threshold, or they should be subject to clawback. Local authorities which have a longer list of allowable commitments should have stricter rules on uncommitted balances.'
- 'It is important that local authorities rigorously monitor whether the school has subsequently implemented the agreed plans, and are prepared to claw back funds if there are not good reasons for these failing to progress.'
- 'We do not expect schools to use their revenue balances for capital projects, but they are able to do so.'
- 'Surplus balances should not be used to defer difficult decisions, though it could be legitimate for them to cushion a temporary dip in pupil numbers or to fund the part-year costs of not implementing staffing reductions until the autumn term.'

It is not clear whether the new Government will have a different view to that expressed above. However, senior officers have considered the LA's carry forward policy in recent weeks and plan no changes to it for the foreseeable future.

LA's perspective

Children's Services Directorate Management Team and Lead Executive member have considered a report on schools 2009/10 carry forwards. They remain committed to robust implementation of the LA's Schools carry forward policy.

Lincolnshire County Council faces some very significant financial challenges over the next four years and it is important that as part of the response to that, Governing Bodies and Leadership Teams within schools achieve and maintain the Financial Management Standard, demonstrate rigorous budgetary management and have medium term finance plans in place to help avoid or remove deficits.

The Finance team will continue to monitor the financial position of all schools and information will be shared through the Schools Causing Concern mechanism.

Advice and guidance

The Finance Team continues to provide advice and guidance to schools. It continues to monitor the financial position of all schools and meets on a regular basis with representatives from those schools that have significant overspendings. The Team's principal aim is to help improve financial management in schools and reduce the number of schools with overspends.

National benchmarking: School balances 1999/00 – 2008/09

The DfE has published school balances for the period 1999/00 to 2008/09. This benchmarking data allows Local Authorities to compare school balances against their neighbours. It should be noted that the latest benchmarking data available is in respect of the financial year ending 2008/09.

The DfE benchmarking data includes Standard Funds grants, which may cover more than one financial year; hence these grants may overstate the number and value of schools with excess surpluses, or understate the number and value of schools in deficit. It may also create discrepancies from the School Carry Forwards 2008/09 information presented to Schools Forum last year.

Within this analysis, Lincolnshire school balances are compared against the East Midlands and England statistics for all educational sectors.

All Schools

- In Lincolnshire, the average revenue balance per school remained largely unchanged in 2008/09, but the figure is still considerably below that of the National and East Midlands figures.
- Over the period 1999/00 to 2008/9, the percentage of schools in deficit has been fairly consistent across the National, East Midlands and Lincolnshire averages. In 2008/09, the National and East Midlands percentages increased, but Lincolnshire's fell from 8.0% in 2007/08 to 7.4% in 2008/09.
- The average deficit per school has more than doubled over the nine year period. There have been fluctuations over that time and the figures for England, the East Midlands and Lincolnshire have always been fairly similar. In 2008/09, the England, East Midlands and Lincolnshire's average deficits increased. Lincolnshire's has increased more sharply however, from an average deficit of £58,659 in 2007/08, to £85,133 in 2008/09.
- Lincolnshire's percentage of schools in surplus increased in 2008/09 from 92.0% to 92.6%. This figure is broadly in line with the England and East Midlands percentages. The percentage of schools with excess surpluses has increased slightly, from 32.8% to 35.4% in 2008/09.

Nursery Schools

- The average carry forward per school has decreased nationally, in the East Midlands and Lincolnshire schools. The average carry forward for Lincolnshire schools is considerably below that of the East Midlands and National averages.
- The National percentage of schools in deficit remained largely unchanged in 2008/09, whereas the East Midlands average increased sharply. Lincolnshire had no schools in deficit.
- The percentage of schools with excess surpluses has decreased in 2008/09 for the National, East Midlands and Lincolnshire figures. In 2007/08, Lincolnshire had 100% of its nursery schools carrying an excess surplus but in 2008/09, this figure has dropped to 60%.

Special Schools

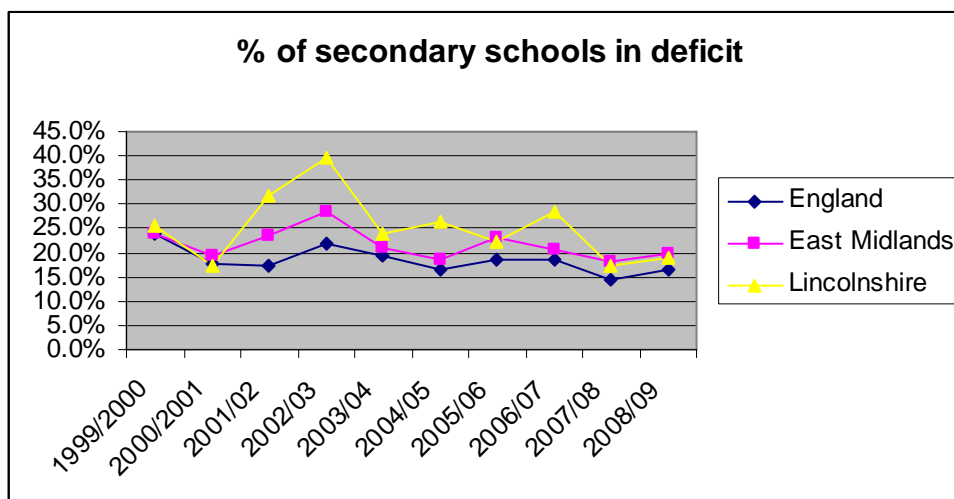
- The average carry forward per school has fallen in 2008/09 and remains significantly below the National and the East Midlands figures.
- In 2008/09, as with previous years, Lincolnshire had no special schools in deficit. This compares with the National and the East Midlands figures of 7.8% and 7.4% respectively.
- The percentage of special schools with excess surpluses has decreased slightly in Lincolnshire to 28.6%, which is below the National (33.6%) and the East Midlands averages (38.3%).

Primary Schools

- The average carry forward per school in Lincolnshire has risen slightly since 2007/08, but the average remains considerably below that of the National and East Midlands figures.
- In 2008/09, the percentage of Lincolnshire primary schools in deficit (5.7%) was at its lowest since 2001/02. This figure is lower than the National figure (6.9%), and the East Midlands figure (7.5%). By contrast, in 2007/08, Lincolnshire's percentage was higher than the National and East Midlands figures.
- The number of primary schools in surplus in Lincolnshire was at its highest since 2001/02, at 94.3%. The National and East Midlands averages decreased from the previous year.
- In Lincolnshire, 35.7% of schools had excess surpluses, which represents an increase from 2007/08. In comparison, the East Midlands figure was 41.2% and the National figure was 32.1%. Both of those decreased in that year.

Secondary Schools

- In Lincolnshire, the average carry forward per school increased in 2008/09, whereas the National and East Midlands figures fell. However, Lincolnshire's average carry forward remains considerably below that of the other two groups.
- The percentage of Lincolnshire schools in deficit increased marginally in 2008/09 (to 19.0%), as it did in the other two groups. Lincolnshire's percentage figure is comparable to the East Midlands average, at 20.0%, but higher than the England average of 16.6%. The following graph shows the position over recent years.



- The average deficit increased sharply in 2008/09, but is very similar to that of the other two groups.
- Lincolnshire has a lower percentage of schools with excess balances than the East Midlands, but it is higher than the England average.

Summary

- In Lincolnshire, the average carry forward per school in all sectors is significantly below that of East Midlands and National averages.
- In Lincolnshire, the percentage of schools in deficit is lower than East Midlands and National averages in total and across all sectors, except secondaries, where Lincolnshire's figure is 2.4% above the National average, but 1% below the East Midlands average.
- In Lincolnshire, the average deficit per school is a little above the National and East Midlands average, broadly comparable in the primary and secondary sectors, but lower in the nursery and special schools sectors. There was, however, a sharp increase in the average deficit for secondary schools in Lincolnshire last year.

RECOMMENDATIONS

The Schools Forum is asked to note the report.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.	
APPENDIX 1	List of school carry forwards at 31 st March 2010.
APPENDIX 2	School balances analysis for All Schools for the period 1999/00 to 2008/09.
APPENDIX 3	School balances analysis for Nursery Schools for the period 1999/00 to 2008/09.
APPENDIX 4	School balances analysis for Primary Schools for the period 1999/00 to 2008/09.
APPENDIX 5	School balances analysis for Secondary Schools for the period 1999/00 to 2008/09.
APPENDIX 6	School balances analysis for Special Schools for the period 1999/00 to 2008/09.

BACKGROUND PAPERS

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	School Carry Forwards (2008/09) and National benchmarking (1999/00 – 2007/08)	7 October 2009	County Offices, Newland, Lincoln