

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	12 October 2011
SUBJECT:	School Carry Forwards (2010/11) and National benchmarking (1999/00 – 2009/10)
REPORT BY:	Tony Warnock (Head of Finance – Children's and Specialist Services)
NAME OF CONTACT OFFICER:	Tony Warnock
CONTACT OFFICER TEL NO:	01522 553250
CONTACT OFFICER EMAIL ADDRESS:	tony.warnock@lincolnshire.gov.uk
IS THE REPORT CONFIDENTIAL?	No
IS THE REPORT EXEMPT?	No

SUMMARY

The purpose of this report is to provide information regarding Lincolnshire school carry forwards at 31 March 2011. High level benchmarking information is also provided for the Local Authority's (LA) school balances, comparing those to East Midlands and England statistics for the period 1999/00 to 2009/10.

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 20010/11

The overall level of school carry forwards in nursery, primary, secondary and special schools has risen by £3.508m (37.1%), from £9.460m in 2009/10 to £12.968m at the end of 2010/11.

- Nursery schools' carry forwards have risen by £0.009m (7.8%) to £0.124m.
- Primary schools' carry forwards have risen by £1.426m (17.0%) to £9.794m.
- Secondary schools' carry forwards have risen by £1.666m, from a deficit balance of £0.156m in 2009/10, to £1.510m.
- Special schools' carry forwards have risen by £0.408m (36.0%) to £1.540m.

Please note that to ensure consistency, the 2009/10 comparator figures exclude the carry forwards of schools that closed or became academies in 2010/11.

Carry Forwards as a % of Budget Share

On average:

- Nursery schools carried forward 6.87% (2009/10: 6.51%).
- Primary schools carried forward 5.60% (2009/10: 4.94%).
- Secondary schools carried forward 1.03% (2009/10: -0.11%).
- Special schools carried forward 5.59% (2009/10: 4.26%).

School Deficits

The total number of schools in deficit at the end of 2010/11 decreased by 17, from 42 to 25. The number of schools with overspends comprises:

- 12 primary schools (4%)
- 13 secondary schools (30%)

It is notable that:

- 6 of the 12 primary schools have deficits <£0.010m.
- 4 of the 13 secondary schools have deficits <£0.100m.
- The total value of deficits at the end of 2010/11 has decreased by £0.818m to £2.402m (25.4%). There has been:
 - a £0.113m (42.3%) decrease in the primary sector to £0.150m.
 - a £0.640m (22.1%) decrease in the secondary sector to £2.252m.
- Although the overall financial position of secondary schools has improved over the year, the size of some secondary schools' deficits remains a concern. Officers continue to work with those schools, with a view to helping them to remove their deficits in the short to medium term.
- 1 primary school could have removed its deficit had it vired Standards Funds at year end to finance expenditure charged to budget share. This would have reduced the number of primary schools with overspends to 11.
- Apart from 2009/10, the number of schools with deficits has fallen every year since a peak of 65 at 31 March 2003 (25 at 31 March 2011). This is a notable achievement given the very limited resource that the LA has available to monitor school finances compared to many other LAs.

LA Schools Carry Forward Policy

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

share. Secondary schools could carry forward 5% of their budget share. Additional sums could only be carried forward if they were for specific, costed, time limited, capital projects that were consistent with the priorities set out in the school's Asset Management Plan.

DfE' advice in the last year suggests that the Government no longer expects LAs to claw back 'excess' funds although interestingly, a recent survey of LAs across the Midlands suggests that many are retaining the claw back arrangement. Lincolnshire has advised schools that the LA's policy remains in force (i.e. that schools should not retain excess balances unless earmarked for specific capital projects), but has stated that claw back of excess balances is unlikely to be permissible. That, together with the gloomy economic outlook that prevailed throughout most of 2010/11, may account for the significant increase in the overall level of reserves held by schools last year.

As a result of this change in Government policy, the LA is no longer seeking explanations from schools as to how they intend to use 'excess' balances. High level monitoring of all schools' finances will continue however.

The LA's perspective

Children's Services Directorate Management Team and Lead Executive member have considered a report on schools' 2010/11 carry forwards.

In the next few years, there may be national and local changes to the way schools are funded. Although protection arrangements are likely to be in place to safeguard individual schools from significant losses in their per pupil funding, it remains important that Governing Bodies and Leadership Teams within schools achieve and maintain strong financial management standards.

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 aims are to help improve financial management in schools and reduce the number of schools with overspends.

National benchmarking: School balances 1999/00 – 2009/10

The DfE has published school balances for the period 1999/00 to 2009/10. This benchmarking data allows Local Authorities to compare their schools' balances against their neighbours. It should be noted that the latest benchmarking data available is in respect of the financial year ending 2009/10.

A more detailed report analysing the position by sector will be presented to the Schools Forum at a later date. However, the headline figures for Lincolnshire schools, when compared against the East Midlands and England statistics for all sectors, show:

- In Lincolnshire, the average revenue balance per school remained largely unchanged in 2009/10, but the figure of £0.055m is still significantly below National (£0.076m) and East Midlands (£0.064m) averages.
- In Lincolnshire, the percentage of schools in deficit rose significantly from 7% to 11% in 2009/10. This compares to the National position of 9% and the East Midlands position of 11%. However, as indicated above, the 2009/10 financial year represented a peak in Lincolnshire's figures. There is a downward trend and the number of schools with deficits fell sharply in 2010/11.
- In Lincolnshire, the average deficit per school fell from £0.085m to £0.066m and this figure is well below the National (£0.082m) and East Midland (£0.080m) averages.

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 2011.
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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 (2009/10) and National benchmarking (1999/00 – 2008/09)	13 October 2010	County Offices, Newland, Lincoln