

# Agenda Item 8



## REGULATORY AND OTHER COMMITTEE REPORT

<b>NAME OF COMMITTEE:</b>	Schools Forum
<b>DATE OF MEETING:</b>	7 October 2015
<b>SUBJECT:</b>	School Carry Forwards (2014/15)
<b>REPORT BY:</b>	Tony Warnock (Operations and Financial Advice Manager)
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<b>IS THE REPORT CONFIDENTIAL?</b>	No

### SUMMARY

The purpose of this report is to provide information regarding Lincolnshire's maintained schools' carry forwards at 31<sup>st</sup> March 2015.

## **DISCUSSION**

### **Introduction**

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

### **School carry forwards 2014/15**

The sum carried forward each year is largely a matter for individual school governing bodies. The overall level of school carry forwards in maintained nursery, primary, secondary and special schools has increased by £0.251m (2.0%), from £12.599m in 2013/14 to £12.851m at the end of 2014/15 (please note that to ensure consistency, the 2013/14 comparator figures exclude the carry forwards of any schools that closed or converted to academies during the year).

- Nursery schools' carry forwards have fallen by £0.037m (21.6%) to £0.141m.
- Primary schools' carry forwards have increased by £0.766m (8.0%) to £10.393m.
- Secondary schools' carry forwards have fallen by £0.478m (37.9%) to £0.782m.
- Special schools' carry forwards have remained unchanged at £1.534m.

The overall level of carry forwards appears to have stabilised. There was a three year period when carry forwards rose sharply, i.e. 2010/11 (37%); 2011/12 (75%), and; 2012/13 (37%). However, in 2013/14, there was a steep decline when schools' reserves fell by £5.348m or 28.1%. Last year's increase of 2% appears to have arrested that decline.

These recent trends can probably be explained by schools adopting a more prudent approach in light of the financial crisis of 2008 and announcements by central government that from 2010/11 the Dedicated Schools Grant would be 'cash flat' for four years. Schools may have increased their reserves deliberately, to help deal with the tighter financial climate, and it is perhaps to be expected that reserves would start to be eroded by modest and unfunded pay rises, inflation and other cost pressures.

### **Carry Forwards as a % of Budget Share**

On average:

- Nursery schools carried forward: 6.55% (2013/14 7.70%).
- Primary schools carried forward: 7.07% (2013/14 6.61%).
- Secondary schools carried forward: 2.87% (2013/14 4.4%).
- Special schools carried forward: 4.90% (2013/14 6.26%).

For all sectors, the average carry forward was 6.19% (2013/14 6.21%). Clearly, the average percentage carry forward for each sector is below the limits set out in the LA's school carry forward policy. The policy was introduced on 1<sup>st</sup> April 2004 and allows primary and special schools to carry forward for any purpose, up to 8% of their budget share, or £30k (whichever is greater). Nursery schools and secondary schools can carry forward 10% and 5% of their budget shares respectively. The policy states that additional sums can only be carried forward if they are earmarked for specific, costed, time limited, capital projects that are consistent with the priorities set out in the school's Asset Management Plan.

It is clear that last year some schools exceeded their carry forward limits. In previous years, the LA has asked schools to confirm that their excess funds are being held for specific capital projects. This has helped ensure that schools are complying with the LA's policy. Operational matters allowing, that exercise will be repeated this year, to help preserve the integrity of the policy.

### **School Deficits**

Last year, there was a reduction in the number of schools in deficit. At the end of 2014/15 the number was 5 (2.1%) representing a reduction of 4 on the previous year. The number of schools with overspends comprises:

- 1 (20%) nursery school (2013/14 – 0 schools)
- 4 (1.9%) primary schools (2013/14 – 9 schools)
- 0 (0%) secondary schools (2013/14 – 0 schools)
- 0 (0%) special schools (2013/14 – 0 schools)

The LA is working with those schools to ensure that appropriate systems are in place and that the deficits will be recovered in a relatively short period of time.

Regrettably, the total value of all deficits at the end of 2013/14 has risen from £0.094m to £0.193m. However, apart from the financial years 2013/14 and 2009/10, the number of schools with deficits has fallen every year since 31<sup>st</sup> March 2003, and from the peak of 65 in that year. Some of this, but certainly not all, can be explained by the number of academy conversions. Improvements have also been driven through by increased and improved monitoring of maintained schools' finances by the Schools Finance Team and the fairly recent introduction of the formal requirement for all schools to complete and submit to the LA a copy of their medium term finance plan. The opportunity for schools to purchase additional financial support and advice from the LA from April 2015 is expected to help further strengthen the financial management in schools.

### **The LA's perspective**

The LA believes, as a point of principle, that the funding made available to schools each year should be spent on the pupils in school in that year. However, it is also important for schools to retain a reasonable level of reserves, to help smooth out modest fluctuations in income and expenditure from year to year, and thereby help ensure better use of resources by avoiding redundancies wherever possible. The financial climate has been difficult in recent times and is expected to remain difficult for the next few years. The LA expects school governing bodies and leadership teams to act prudently and achieve and maintain strong financial management standards. The LA does not expect schools to carry forward an excessive level of reserves. The Schools Finance Team will therefore continue to monitor the financial position of all maintained schools and relevant information will be shared through the Schools Causing Concern mechanism. The Team will continue to provide advice and guidance to schools and will monitor their financial position. Officers will continue to meet on a regular basis with representatives from those schools that have significant overspendings.

### **RECOMMENDATIONS**

The Schools Forum is asked to note the content of 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 <sup>st</sup> March 2015.
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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
None			