

## REGULATORY AND OTHER COMMITTEE REPORT

<b>NAME OF COMMITTEE:</b>	Schools Forum
<b>DATE OF MEETING:</b>	5 October 2016
<b>SUBJECT:</b>	School Carry Forwards (2015/16)
<b>REPORT BY:</b>	Mark Popplewell (Head of Finance, Children's Services)
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<b>IS THE REPORT CONFIDENTIAL?</b>	No

### SUMMARY

The purpose of this report is to provide information regarding Lincolnshire maintained schools' carry forwards at 31<sup>st</sup> March 2016.

### 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 2015/16**

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 £0.227m (1.9%), from £12.146m in 2014/15 to £12.373m at the end of 2015/16 (please note that to ensure consistency, the 2014/15 comparator figures exclude the carry forwards of any schools that closed or converted to academy during the year).

- Nursery schools' carry forwards have increased by £0.014m (10.1%) to £0.156m.

- Primary schools' carry forwards have increased by £1.512m (14.6%) to £11.891m.
- Secondary schools' carry forwards have fallen by £0.322m (49.0%) to £0.370m.
- Special schools' carry forwards have fallen by £1.012m (-104.6%).to -£0.044m.

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

On average:

- Nursery schools carried forward: 7.04% (2014/15 6.55%).
- Primary schools carried forward: 7.81% (2014/15 7.07%).
- Secondary schools carried forward: 1.81% (2014/15 2.87%).
- Special schools carried forward: -0.21% (2014/15 4.90%).

For all sectors, the average carry forward was 6.30% (2014/15 6.19%). 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 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.

### **School Deficits**

At the end of 2015/16 the number of schools with a budget share deficit was 21 (9.2%) representing an increase of 16 on the previous year. The number of schools with budget share overspends comprises:

- 1 (20%) nursery school (2014/15 – 1 school)
- 17 (8.2%) primary schools (2014/15 – 4 schools)
- 0 (0%) secondary schools (2014/15 – 0 schools)
- 3 (30%) special schools (2014/15 – 0 schools)

The LA implemented a new financial system on 1<sup>st</sup> April 2015 which has resulted in a challenging year for schools with the coding of their income and expenditure between grants and budget share. To ensure the coding was correct the process of agreeing school carry forward balances was undertaken with schools to identify expenditure to be coded to grants. A number of schools were unable to complete this exercise, therefore to have a more accurate financial position of schools finances it is sensible to consider the schools financial position net of budget share and grants. This position is more comparable with school overspends recorded in 2014/15. The number of schools with net overspends comprises:

- 1 (20%) nursery school (2014/15 – 1 school)
- 6 (2.6%) primary schools (2014/15 – 4 schools)
- 0 (0%) secondary schools (2014/15 – 0 schools)
- 3 (30%) special schools (2014/15 – 1 school)

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.

### **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 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.

<b>RECOMMENDATIONS</b>
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The Schools Forum is asked to note the content of the report.

<b>APPENDICES (If applicable) - these are listed below and attached at the back of the report.</b>
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APPENDIX 1	List of school carry forwards at 31 <sup>st</sup> March 2016.
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<b>BACKGROUND PAPERS</b>
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The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
None			

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