

# Agenda Item 9



## Regulatory and Other Committee

### Open Report on behalf of Debbie Barnes, Executive Director of Children's Services

Report to:	<b>Schools Forum</b>
Date:	<b>04 October 2017</b>
Subject:	<b>School Carry Forwards 2016/17</b>

#### **Summary:**

The purpose of this report is to provide information regarding Lincolnshire's maintained schools' carry forwards at 31st March 2017.

#### **Recommendation(s):**

The Schools Forum is asked to note the content of the report.

#### **Background**

Maintained schools are permitted to carry forward underspends 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 2016/17**

The sum carried forward each year is largely a matter for individual school governing bodies. The overall level of school budget share carry forwards in maintained nursery, primary, secondary and special schools has fallen by £2.925m (-24.6%), from £11.880m in 2015/16 to £8.955m at the end of 2016/17 (please note that to ensure consistency, the 2015/16 comparator figures exclude the carry forwards of any schools that closed or converted to academy during the year).

- Nursery schools' carry forwards have fallen by £0.122m (-78.1%) to £0.034m.
- Primary schools' carry forwards have fallen by £2.710m (-23.4%) to £8.837m.
- Secondary schools' carry forwards have fallen by £0.549m (-148.1%) to -£0.178m.
- Special schools' carry forwards have increased by £0.455m (235.9%) to £0.262m.

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

On average:

- |                                      |                         |
|--------------------------------------|-------------------------|
| • Nursery schools carried forward:   | 1.68% (2015/16 7.04%).  |
| • Primary schools carried forward:   | 5.90% (2015/16 7.81%).  |
| • Secondary schools carried forward: | -0.97% (2015/16 1.81%). |
| • Special schools carried forward:   | 1.39% (2015/16 -0.21%). |

For all sectors, the average carry forward was 4.74% (2015/16 6.30%). 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. Schools that exceed the carry forward policy are requested to return a completed pro-forma which details how the additional sums will be spent.

### **School Deficits**

At the end of 2016/17 the number of schools with a budget share deficit was 49 (22.4%) representing an increase of 28 on the previous year. The number of schools with budget share overspends comprises:

- 2 (40.0%) nursery school (2015/16 – 1 school)
- 41 (20.4%) primary schools (2015/16 – 17 schools)
- 4 (80.0%) secondary schools (2015/16 – 0 schools)
- 2 (25.0%) special schools (2015/16 – 3 schools)

The LA implemented a new financial system on 1<sup>st</sup> April 2015 which has resulted in a second challenging year for schools with the coding of their payroll costs between grants and budget share. An exercise was completed to correct the payroll coding but a number of schools did not 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 – number of schools with an overall deficit is 25 (11%). This position is more comparable with school overspends recorded in 2015/16. The number of schools with net overspends comprises:

- 2 (40.0%) nursery school (2015/16 – 1 school)
- 19 (9.5%) primary schools (2015/16 – 6 schools)
- 3 (60.0%) secondary schools (2015/16 – 0 schools)
- 1 (12.5%) special schools (2015/16 – 3 schools)

The number of schools with net overspends has increased on previous years and the LA recognises that the Dedicated Schools Grant has been cash flat for a number of years which has contributed to the financial pressures that schools are facing. The LA however believes the overspends can also be attributed to a lack of regular budget monitoring, inaccurate forecasting and the incorrect setting of school expenditure budgets. The LA has recognised that overspends have increased and have plans in place to deliver extensive training for all maintained schools.

Through the Monitoring and Intervention Policy the LA is working with those schools that have a deficit to ensure that appropriate systems are in place to effectively manage budgets, and that the deficits will be recovered in a relatively short period of time. Schools with a significant overspend are invited to attend a meeting with LA Officers to discuss their financial position. The LA will undertake monitoring of those schools, which include reviewing forecasts and updated Medium Term Finance Plans. The LA's Schools Finance Team will also continue to remind schools of the importance of effective budget management and forecasting of all elements of school funding.

## **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 but the impact of the National Funding Formula should have a positive impact on schools budgets. 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 through the Monitoring and Intervention Policy. The Schools Finance Team are committed to delivering a comprehensive financial training programme for Bursars / Headteachers and Governors to strengthen the financial management skillset within schools. The Team will continue to provide advice and guidance to schools.

## **Consultation**

### **a) Have Risks and Impact Analysis been carried out??**

No

### **b) Risks and Impact Analysis**

N/A

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	List of school carry forwards at 31st March 2017.

## **Background Papers**

Document title	Where the document can be viewed
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None	
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