



REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	9 October 2013
SUBJECT:	Maintained School Carry Forwards (2012/13)
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

SUMMARY

The purpose of this report is to provide information regarding Lincolnshire maintained schools' carry forwards at 31 March 2013. The underspendings carried forward by maintained schools have risen significantly in the past year and the likely reasons for that are explained within the report.

DISCUSSION

Introduction

Maintained 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 2012/13

The overall level of school carry forwards in maintained nursery, primary, secondary and special schools has risen by £5.318m (37.1%), from £14.342m in 2011/12 to £19.660m at the end of 2012/13 (please note that to ensure consistency, the 2011/12 comparator figures exclude the carry forwards of schools that closed during 2012/13 and those that have subsequently become academies).

- Nursery schools' carry forwards have reduced by £0.172 (-31.6%) to £0.372m.
- Primary schools' carry forwards have risen by £2.816m (23.5%) to £14.797m.
- Secondary schools' carry forwards have risen by £2.366m to £1.922m.
- Special schools' carry forwards have risen by £0.308m (13.6%) to £2.569m.

The sum carried forward each year is largely a matter for individual school governing bodies. However, there are likely to have been a number of factors that have influenced the increase in the overall level of underspendings in recent years. These include:

- Schools have been taking a prudent approach to budgeting in light of the recent, difficult economic climate.
- Although the government's four year Comprehensive Spending Review (CSR) allowed for growth in school funding for the £2.5bn pupil premium, no provision was made for pay awards or inflation on non-pay budgets.
- Since 2011/12, the government allocations for Devolved Formula Capital have fallen substantially and this funding has and continues to be used by many schools to finance essential capital items (e.g. information technology equipment).
- The Government's school funding reforms for 2013/14 created added uncertainty and a cautious approach has been adopted by many schools in response. Under current arrangements, nursery and special school budgets are highly susceptible to fluctuations in pupil numbers throughout the year, and this makes their financial planning considerably more difficult than for primary and secondary schools whose budgets are relatively certain from the beginning of the financial year.
- Further changes to the funding formula are proposed for 2014/15 and many schools are aware of this.
- The funding arrangements for sixth forms have changed recently and some secondary schools are suffering a significant reduction in funding.
- Although the current government is planning to protect school funding after the current CSR period ends, the potential change in government and the economic pressures faced by the country may lead schools to act more cautiously, even though the minimum funding guarantee (MFG) looks likely to continue.
- The MFG has been set at minus 1.5% per pupil in the recent years, and so all schools are nevertheless aware that they could lose some funding.
- The numbers on roll are falling in the secondary sector and are not due to pick up for several years.
- Some schools are continuing to build reserves to contribute towards major capital developments.

These and other issues have combined to create uncertainty in schools. They are unlikely to change in the foreseeable future and the prospect is that school governing bodies will decide to continue to retain a healthy level of reserves over the next few years.

Carry Forwards as a % of Budget Share

On average:

- Nursery schools carried forward: 14.94% (2011/12 24.54%).
- Primary schools carried forward: 9.11% (2011/12 8.22%).
- Secondary schools carried forward: 4.80% (2011/12 2.18%).

- Special schools carried forward: 8.57% (2011/12 8.32%).

The LA's carry forward policy

The LA's school carry forward policy was introduced on the 1st April 2004. It allows maintained nursery, primary and special schools to carry forward for any purpose, up to 8% of their budget share, or £30k (whichever is greater). Maintained secondary schools can carry forward 5% of their budget share. The policy states that 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.

It is clear from this report that some schools have exceeded their carry forward limit. The LA asked schools to confirm their compliance with the policy and demonstrate how they planned to use their excess balances. The LA has assessed the responses to ensure compliance. The schools' plans will be monitored over the next year. The LA will continue to keep the school carry forward policy under review.

School Deficits

The total number of schools in deficit at the end of 2012/13 has decreased by 15, from 19 to 4. The number of schools with overspends comprises:

- 1 (0.4%) primary school (2011/12 – 12 schools)
- 2 (18%) secondary schools (2011/12 – 7 schools)
- 1 (5%) special school (2011/12 – 0 schools)

It is notable that:

- The total value of deficits at the end of 2012/13 has decreased by £1.185m to £0.181m.
- The deficits in each sector at 31 March 2013 were:
 - primary sector: £0.011m.
 - secondary sector: £0.120m.
 - special sector: £0.051m.
- Apart from 2009/10, the number of schools with deficits has fallen every year since a peak of 65 at 31 March 2003 (as stated above, there were 4 schools with deficits at 31 March 2013). Although the conversion of many secondary schools to academies in the last two years will have assisted with that improvement, this is a notable achievement over a long period of time.

Benchmarking

Benchmarking reports have historically shown Lincolnshire's school reserve levels, and the numbers of schools with overspends, to be broadly in line with East Midland and national averages. The LA will consider bringing a report on that to the Schools Forum once the DfE makes available the national data.

The LA's perspective

As a point of principle, the LA believes that schools should spend their annual budgets on the pupils that are in the school in that year. However, it is important that schools 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. There has been a significant degree of change in local and national funding arrangements and that may continue. This has created uncertainty and schools have responded by increasing their levels of reserves. The LA expects school governing bodies and leadership teams to act prudently and achieve and maintain strong financial management standards. However, it does not expect them to carry forward an excessive level of reserves. The Finance team will therefore continue to monitor the financial position of

all maintained schools and, where necessary, information will be shared through the Schools Causing Concern mechanism.

Advice and guidance

The Finance team will continue to provide advice and guidance to maintained schools. It will continue to monitor their financial position and meet 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.

RECOMMENDATIONS

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

APPENDICES (If applicable) - these are listed below and attached at the back of the report.
--

APPENDIX 1	List of maintained school carry forwards at 31 st March 2013.
------------	--

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	ACCESS- IBILITY
None			