

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Lincolnshire Schools Forum
DATE OF MEETING:	8 October 2014
SUBJECT:	Scheme for Financing Schools
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to seek approval from the maintained school representatives on the Schools Forum to make an amendment to the Scheme for Financing Schools, i.e. to increase the carry forward limit for nursery schools from 8% to 10% of budget share.

DISCUSSION

Background

Schemes for Financing Schools were first introduced under the Schools Standards and Framework Act 1998. The Local Authority (LA) is required to publish a scheme for financing schools. This sets out the financial relationship between the LA and the schools it maintains. Any amendments to schemes must be consulted on with all maintained schools and be approved by the Schools Forum. The Scheme is not relevant to academies. They have their own arrangements with the EFA.

Periodically, the DfE directs LAs to amend their Schemes. This last occurred on 26th March 2013 and a report on the directed amendments was presented to the Schools Forum on 9th October 2013. In addition to those changes, the LA proposed a further amendment, i.e. to require all maintained schools to submit a medium term finance plan to the LA by the 31st May each year. That amendment was approved and has subsequently been introduced.

Proposed change

The LA proposes a further change to the Scheme and that is to increase the carry forward limit for nursery schools from 8% to 10% of their budget share.

As explained in the 'School Carry Forwards (2013/14)' report to this meeting:

- 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.
- The carry forward policy was introduced on 1st April 2004. It allows nursery, primary and special schools to carry forward for any purpose, up to 8% of their budget share, or £30k (whichever is greater). 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.
- At 31st March 2014, nursery schools carried forward 7.70% of their budget share (2012/13 14.94%).
- 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 LA does not expect schools to carry forward an excessive level of reserves.

The LA believes there is now a strong case for increasing the carry forward limit for nursery schools from 8% to 10% of budget share. A report to Schools Forum in January 2011 explained how the Government required LAs to introduce a new early years single funding formula (EYSFF) from April 2011. The impact of that for nursery schools was considerable. Instead of operating with a known, fixed budget at the start of each financial year (based on a number of purchased places previously agreed with the LA), their funding switched to being calculated on the basis of pupil participation throughout the year. That change in funding continues to present a considerable challenge for the nursery schools, as there can be considerable uncertainty during the year over the number of sessions that will be attended. Unlike primary, secondary and special schools, projecting the number of children for the current year is far more difficult. It can be difficult to identify eligible children, especially as the nursery schools serve some of the most deprived areas in the county; there is significant competition from the private, voluntary and independent sectors; parents have flexibility over how many of their child's 15 hour per week free entitlement is taken up, and this can vary from parent to parent and from week to week, and; there is limited confidence that the numbers for one year will be sustained the next. Like other sectors, nursery schools spend a large proportion of their budgets on staffing and so it is simply not possible to flex significantly and at short notice, the costs of the school, to respond to unexpected changes in pupil numbers and therefore funding.

The obvious response from school management to this high level of uncertainty is to hold a greater level of reserves. This would help smooth out the much greater levels of fluctuation in income that nursery schools are exposed to. The LA therefore believes that there is a strong case for increasing the percentage carry forward limit for nursery schools as a result of the impact from the introduction of the EYSFF. The LA believes that an increase from 8% to 10% would be reasonable and would retain the core aims of the carry forward policy as cited above. The nursery schools' 2013/14 budgets ranged from £0.630m to £0.370m and so a 10% limit would allow the largest nursery school to carry forward c.£0.063m and the smallest c. £0.037m.

As part of this exercise, the LA has considered whether the carry forward limits for other sectors should be changed and has concluded that there are no compelling reasons to alter the limits for other sectors, which have been in place since 2004/05.

Next steps

Only maintained school representatives on the Schools Forum are required to approve Scheme changes. The LA is required to consult all maintained schools on planned changes to the Scheme. Therefore, subject to the views expressed by the Schools Forum, the LA plans to consult all maintained schools on the proposed change during the autumn term. Should the proposal be widely supported, the change would apply to nursery school carry forwards from 31st March 2015.

Should this proposal be agreed, the LA will publish a revised Scheme before April 2015 and will advise maintained schools accordingly.

RECOMMENDATIONS

The maintained school representatives of the Schools Forum are asked to:

- a. note the content of the report
- b. approve, in advance of a consultation with all maintained schools, the LA's proposal for the carry forward limit for nursery schools to be increased from 8% to 10% of budget share with effect from 31st March 2015.

BACKGROUND PAPERS

The following reports were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	Scheme for Financing Schools	9 th October 2013	County Offices, Newland, Lincoln.
DfE Scheme Guidance	Schemes for Financing Schools	26 th February 2014	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsreviewfunding/financeregulations/a0070286/local-authority-schemes-for-financing-schools
Report to Schools Forum	School Carry Forwards (2013/14)	8 th October 2014	County Offices, Newland, Lincoln.
Report to Schools Forum	Early Years funding arrangements from 2011/12	26 January 2011	County Offices, Newland, Lincoln.

APPENDICES

None