

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Lincolnshire Schools Forum
DATE OF MEETING:	8 October 2014
SUBJECT:	School Carry Forwards (2013/14)
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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 2014. The underspends carried forward by schools have fallen significantly in the past year, as explained within the report.

DISCUSSION

Introduction

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 2013/14

The sum carried forward each year is largely a matter for individual school governing bodies. The overall level of school carry forwards in nursery, primary, secondary and special maintained schools has fallen by £5.348m (28.1%), from £19.012m in 2012/13 to £13.664m at the end of 2013/14 (please note that to ensure consistency, the 2012/13 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 £0.194 (52.1%) to £0.178m.
- Primary schools' carry forwards have fallen by £4.281m (29.9%) to £10.050m.
- Secondary schools' carry forwards have fallen by £0.167m (9.4%) to £1.611m.
- Special schools' carry forwards have fallen by £0.707m (27.9%) to £1.825m.

The fall in the overall level of underspends is in stark contrast to the previous three years when underspends rose sharply, i.e. 2010/11 (37%); 2011/12 (75%), and; 2012/13 (37%). Those increases were probably explained by schools adopting a more prudent approach in light of the tighter financial climate¹. However, the scale of reduction in the level of the underspend last year may be a little misleading. That is because under new DfE rules, the Local Authority (LA) was unable to allocate to schools the £4m Dedicated Schools Grant (DSG) underspend from 2012/13 until 1 April 2014. By contrast, the maintained school's share of the £7m underspend from 2011/12 was issued during 2012/13 and so some of that appeared in school underspends at 31 March 2013. Had the DfE rules not changed, the fall in the level of underspend last year would have been lower than the £5.348m figure reported above. Nevertheless, the reduction marks an end to the growth in recent years.

Carry Forwards as a % of Budget Share

On average:

- | | |
|--------------------------------------|-------------------------|
| • Nursery schools carried forward: | 7.70% (2012/13 14.94%). |
| • Primary schools carried forward: | 6.61% (2012/13 9.11%). |
| • Secondary schools carried forward: | 4.43% (2012/13 4.8%). |
| • Special schools carried forward: | 6.26% (2012/13 8.57%). |

Clearly, the average percentage carry forward for each sector is now below the limits set out in the LA's school carry forward policy. The policy was introduced on 1 April 2004 and 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

¹ The government's four year Comprehensive Spending Review was 'cash flat' and made no provision for inflation or pay awards; there was a sharp reduction from 2011/12 in the government Devolved Formula Capital allocations; a new simplified school funding formula was introduced in 2013/14; the government has reduced sixth form funding, and; the minimum funding guarantee was set on annual basis, and at a negative rate of 1.5%. These issues created risk and uncertainty.

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 that some schools have exceeded their carry forward limit. However, 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. That exercise has been repeated this year. Schools have again been asked to complete a proforma detailing their plans for use of their 'excess' balances, and these have been checked to ensure that they comply with the policy. Checks have also been made to ensure that for the previous financial year, schools have used their excess funds in the way that they said they would. This check helps preserve the integrity of the policy.

School Deficits

Disappointingly, the total number of schools in deficit at the end of 2013/14 was 9, representing an increase of 5 on the previous year. The number of schools with overspends comprises:

- 9 (4%) primary schools (2012/13 – 1 school)
- 0 (0%) secondary schools (2012/13 – 2 schools)
- 0 (0%) special schools (2012/13 – 1 school)

Most of the overspends in primary schools at 31st March 2014 were modest: 4 were less than £5,000 and 3 others were less than £10,000. 1 school had a deficit of £0.012m, but that was after seeking the LA's prior permission to overspend. The largest overspend was £0.053m. This was unexpected and the LA is continuing to work with the school to ensure that not only are appropriate systems in place, but that the deficit will be recovered in a relatively short period of time.

Last year represents the first year since 2009/10 that the number of schools with deficits has increased. The numbers have fallen in every other year since 31 March 2003 when the number was at a peak of 65.² Despite this, it is notable that the total value of deficits at the end of 2013/14 has reduced by £0.087m to £0.094m.

The increase in the number of schools with overspends last year is particularly disappointing given the extra efforts that the Schools Finance Team has made to improve its monitoring of school finances. The reports used regularly by the Team highlight the latest movements in carry forwards and pupil numbers and that, together with high level outturn projections, helps the Team to identify those schools that may be a cause for concern. Colleagues then work with those schools on their year-end and / or medium term financial positions. In 2013/14, finance colleagues worked with 130 schools in this way, albeit to varying degrees. As reported to the Schools Forum earlier this year, the LA recently altered the Scheme for Financing Schools and is now receiving and reviewing all maintained schools' medium term finance plans. It is expected that this additional activity will further strengthen schools' financial management in the years ahead. So too should the introduction of a new finance system (Agresso) which schools will be able to access from 1 April 2015 should they choose to buy back the LA's finance service. Taken together, it is hoped that all of this work will help reduce the number of schools with overspends in future years.

² The reduction in the number of schools with overspends since 2009/10 is partly due to the number of academy conversions since then.

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.

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 st March 2014.
------------	---

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			