

Balance Control Mechanism - School Carry Forwards as at 31 March 2012

1. Purpose of the Report

To consider whether the Schools Forum wish to cap any schools carry forwards

2. Recommendation

- i) The Forum note the school surplus and deficit budgets.**
- ii) The Forum agree to all the applications from schools to carry forward their excess balance**

3. Schools Carry Forwards.

- 3.1 The total of school carry forwards at the end of the 2011/12 financial year (31 March 2012) came to £13.4m, the balance at the end of the previous year stood at £8.7m (31 March 2011). At the last meeting the Forum considered the individual school balances and noted that 29 schools had made an application to exceed the capping levels (8% for Primary and Special schools and 5% for secondary schools). There were 9 schools which had exceeded the capping level but had not made an application.
- 3.2 Officers were asked to contact the 9 schools who had not applied to exceed the cap and ask for the reasons for their excess balance. The Forum also asked for further details from all schools with excess balances on how they have planned to use the funds they have set aside.
- 3.3 These details are shown in the attached appendix, the excess balances over the 8% limit in Primary and 5% limit in Secondary schools is £3.7m. In some instances schools have explained the reason why they are holding their whole of their carry forward rather than just the excess balance. This is reflected in the table below which summarises the reasons but comes to a total higher than £3.7m.

Ref No.	Reason	£
1	Federation and partnership funding	1,062,483
2	Capital expenditure	1,316,321
3	Enhancements to new builds from BSF/PFI programmes	570,000
4	Cover temporary drops in pupil numbers	341,000
5	Single status.	177,000
6	Joint schools collaboration project	307,351
7	Accruals that should have taken place	271,525
8	Any administrative error in the accounts.	30,000
9	Other	333,244
		4,408,924

All the reasons numbered 1 to 8 are permissible purposes under our scheme of delegation for carrying forward funding in excess of the capping limits.

3.4 The dilemma in capping any schools remains that schools have been given significant warnings of the funding difficulties that lie ahead and it is probably only natural that schools will look at protecting themselves from this by increasing balances in the short term. In the paper on schools funding reforms, presented elsewhere on the agenda, the size of this challenge will be demonstrated. Further, the change anticipated in April 2015, with the introduction of a national funding formula is likely to result in even greater turbulence in the funding system and will add to the challenge faced by schools. It would, therefore, seem difficult to apply a cap when there is so much uncertainty. However the problem still remains that the funding is not being spent on the pupils it was provided for..

3.2 Surplus balances should not be seen as just a year-end issue. Instead, it should be integrated within the multi-year school budget planning and monitoring cycles. The most significant element of the excess balance relates to capital expenditure and while it may be natural for schools to delay this until the Easter or Summer breaks it is a question that needs to be raised as to whether this should with proper planning have been brought forward. Shortly schools will start to see some of the impact of the schools funding changes and may need a financial buffer if they are to plan for this sensibly..

4 Conclusion

4.1 Schools face challenging financial circumstances in the future. Funding growth has already slowed and changes to the schools funding system suggests schools, particularly in Lewisham, could face even tighter settlements. It would seem wise until the outcome of the consultation

on the national arrangements for schools funding formula is known to take a cautious approach on capping schools carry forwards. Having said that, it is important schools have strong financial management controls in place, if funding is not spent on the pupils in the schools it puts at risk their educational achievement

Dave Richards

Group Finance Manager – Children and Young People

Contact on 0208 3149 442 or by e-mail at Dave.Richards@Lewisham.gov.uk