

School Carry Forwards as at 31 March 2012

1. Purpose of the Report

To consider the Schools Carry Forwards position

2. Recommendation

- i) The Forum note the school surplus and deficit budgets.**
- ii) The Forum agree to consider whether any school should be capped at the July meeting**

3. Schools Carry Forwards.

- 3.1 Appendix A contains a list of school carry forwards at the end of the 2011/12 financial year (31 March 2012). The total year end school balances were £13.4m. The balance at the end of the previous year stood at £8.7m (31 March 2011). This continues the trend from last year when the carry forward balance in schools increased after a period of reducing levels. This is probably not surprising, 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. However it does mean that the funding is not being spent on the pupils it was provided for. The average percentage for Primary schools is 8% and 3% for Secondary Schools.
- 3.2 As members are aware it was agreed that 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. In order to ensure this and to avoid the process of challenge and clawback going beyond the summer term, we have a pre-authorisation process, whereby schools wishing to retain balances above the threshold have to apply before the end of the financial year to do so.
- 3.2 29 schools applied to exceed the capping limit before the end of the year. These were initially considered by the Head of School Improvement and the Group Finance Manager.
- 3.3 From the applications there are a number of schools who are part of federations. The size of their carry forward has been compounded as extra funding has been given to those schools in order to support the initial costs of forming the federation. The funding covers more than one financial year. It is proposed that in these cases the Head of School improvement will discuss with the Headteachers and Governing

Bodies the size of these balances and ensure that the funding is appropriately spent on the pupils in school

- 3.4 The rest of school were considered and a summary of the circumstances are presented in the appendix. These were eventually agreed in the light of the current financial circumstances, although some schools were asked for further details to clarify their plans.
- 3.5 There are 9 schools who exceeded the capping limit but did not apply to have their excess carry forward, some of these schools are holding funds on behalf of other schools as part of collaborative arrangements. The schools have been asked to explain the balance and the outcome will be reported to the July Forum meeting.

4. Deficit Budgets

- 4.1 As members will be aware, there were some quite significant deficits that have emerged over the last two years. However there are now only four schools who are in deficit, Crossways, Trinity, St Joseph's and Pendragon. The first three schools have deficit recovery plans in place, although Trinity are revising their recovery plan as the current deficit worsened during the 2011/12 financial year.
- 4.2 The three year budget plans for 2012/13 are not due back to the Local Authority until the end of May. Currently we are not expecting many schools having deficit positions that cannot be managed by schools in-year. Although we are holding discussions with one secondary school.

6 Conclusion

- 6.1 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. Further details need to be provided by the schools that have not applied to exceed the cap. These details will be brought to the next Forum meeting to consider whether any school should be capped and if so how any capped funding should be applied.

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