



Carry Forward Policy for Schools

The purpose of this policy is to provide a clear and consistent framework for the treatment of surplus and deficit balances at year-end.

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1 General

This policy outlines the Local Authority's (LA) approach to the treatment of surplus and deficit balances arising in relation to schools' budget shares, including the calculation of interest on balances. It sets out the rights and responsibilities of schools, the processes for deficit recovery, licensed deficits, and the treatment of balances when schools close or are replaced.

2 Right to Carry Forward Surplus Balances

Schools have the right to carry forward from one year to the next any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from the previous year, subject to the restrictions set out in section 3 of this policy.

3 Reporting and Limits on Surplus Balances

Schools are permitted to carry forward the below amounts:

- Primary and Special Schools: Up to 8% of budget share or £30,000 (whichever is greater)
- Nursery Schools: Up to 10% of budget share or £30,000 (whichever is greater) based on total childcare income received
- Secondary Schools: Up to 5% of budget share or £30,000 (whichever is greater)

The Local Authority will request the governing body of schools with carry forward surpluses in excess of their carry forward limit to complete a pro-forma setting out how the school intends to make use of the surplus balances.

Additional sums can only be retained for specific, time limited, costed, capital projects that are consistent with the priorities set out in the School's Asset Management Plan (although an exception applies to schools with boarding houses).

Schools are encouraged to build modest reserves where possible, to help deal with minor fluctuations in funding or expenditure in the years ahead.

4 Interest on Surplus Balances

The interest calculation on surplus balances is detailed in the Scheme for Financing Schools section 5.4.

5 Treatment of Deficit Balances

Schools with deficit balances will be required to carry them forward. The Local Authority will deduct deficits from the following year's budget share.

Schools are not permitted to overspend. Where this is unavoidable, schools must seek prior, written approval from the Local Authority. Schools that overspend will be required to submit a deficit recovery plan. Those schools are supported and monitored closely through the Monitoring and Intervention Policy.

In exceptional circumstances, the Local Authority may approve plans which allow a school to overspend. Such schools will be required to submit detailed, medium term financial plans for approval and, thereafter, detailed budget monitoring reports to demonstrate that the repayment plan is being adhered to. The maximum length allowed for repayment of the deficit should not exceed 5 years.

The Local Authority will operate a licenced deficit / cash position arrangement to enable Prime Account Schools to meet temporary budget pressures or to secure extra funds for school improvement, where the school is not overspent. The maximum period over which a school may repay a cash position arrangement for licenced deficit purposes will not exceed 5 years in respect of loans for revenue purposes. Licenced deficit / cash position arrangement applications must be approved by the Strategic Finance Lead – Children’s Services or the Strategic Finance Manager - Schools Finance Team.

6 Charging Interest on Deficits

The interest charge on deficit balances is detailed in the Scheme for Financing Schools section 5.7.

7. Writing Off Balances

The Local Authority cannot write off the deficit balance of any school.

8. Balances of Closing or Replacement Schools

When a school closes, and a new school does not form in its place any balance, whether surplus or deficit, will revert to the Local Authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school.

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the Local Authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes.