# School Credit Carryover Policy – FAQ

This frequently asked questions document aims to assist schools with questions they may have in relation to the [School Credit Carryover Policy](https://www2.education.vic.gov.au/pal/student-resource-package-srp-managing-budget/guidance/credit-carryover-policy).

### What will be changing and why?

The [School Credit Carryover Policy](https://www2.education.vic.gov.au/pal/student-resource-package-srp-managing-budget/guidance/credit-carryover-policy) will introduce limits on how much funding can be carried over to the following year, while supporting schools to spend their budget on current students.

We are putting in place sensible limits to ensure today’s school funding is spent to benefit today’s students.

The immediate aim of the policy is to support schools with the largest credit surpluses to reduce their surplus by investing in the current teaching and student cohort.

### When does the policy take effect?

The policy will take effect at the start of 2024 and will have a four-year transition period.

The transition period will finish at the end of the 2027 school year.

### How much credit surplus can I carry over into future years?

The amount of SRP credit carryover allowed will be capped based on a proportion of the total credit component of their SRP funding.

* In 2024, schools can carry over up to 7.5% of the total credit component of their SRP into 2025. Any amount of surplus above that threshold will be withheld by the department.
* In 2025, schools can carry over up to 5% of the total credit component of their SRP into 2026. Any amount of surplus above that threshold will be withheld by the department.
* In 2026, the threshold will remain at 5% of the total credit component into 2027, with the remaining balance to be withheld by the department.
* In 2027, the threshold will reduce to 3% of the total credit component of the SRP and remain at 3% ongoing.

The carryover threshold represents the maximum amount of funds a school can have carried over at any given time.

Specialist schools will be permitted to carry over up to 10% of the total credit component of their SRP into future years. The 10% threshold will not change and will remain ongoing.

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| **Credit surplus retention rate** | **Year One (2024)** | **Year Two (2025)** | **Year Three (2026)** | **Year Four (2027)** | **Ongoing** |
| All schools (except specialist schools) | 7.5% | 5% | 5% | 3% | 3% |
| Specialist schools | 10% | 10% | 10% | 10% | 10% |

### What happens to my accumulated surplus?

Any surplus that a school has accrued up until the end of 2023 (as at reconciliation) will be retained by the school as a carry forward credit surplus in their SRP and quarantined from the carryover policy requirements.

However, schools will be required to spend this accumulated surplus balance by the end of the transition period (end of 2027).

The accumulated balance and current year SRP position will be differentiated on budget management reports.

SRP funds allocated to schools in relation to 2024 and future years cannot be spent on capital investment, as this does not produce a benefit for current students.

However, in recognition that schools may have already committed accumulated balances for this purpose, schools will be able to spend their credit balances accumulated prior to the end of the 2023 school year for this purpose (subject to approval of a credit to cash transfer and compliance with department policies regarding capital works).

### What if my school has committed some of the accumulated surplus for capital works?

While SRP credit funding is for salaries, we recognise that schools may need time to adjust to the change. For this reason, surplus accumulated prior to the end of 2023 can be used for capital works (subject to compliance with department policies). There is no impact on planned projects funded from existing surplus.

### How do I know how much surplus will be withheld?

The carryover threshold allowed for each year will be a percentage of the total credit component of a school’s SRP funding.

This will be clearly displayed as a separate line in a school’s budget management report to support schools with expenditure planning.

### What will the department do with the money that is withheld?

The purpose of the policy is to support schools in spending today’s money on today’s students. The department will be supporting schools to ensure that as far as possible they can use their funding to best promote positive student outcomes.

Any unused credit funds that are not spent by schools will be reinvested into schools to benefit existing students.

### How will small schools be protected by the policy?

Any school that has a surplus balance that exceeds the threshold requirements will not have their surplus reduced to below $100,000, or $200,000 for specialist schools.

In other words, in year one of the policy:

***All schools:*** *Maximum SRP credit that can be retained = the greater of:*

*Total Annual SRP Credit x 7.5% OR $100,000*

***Specialist schools:*** *Maximum SRP credit that can be retained = the greater of:*

*Total Annual SRP Credit x 10% OR $200,000*

### How will specialist schools be impacted by the policy?

Specialist schools are included in the scope of the policy. They are granted a higher carryover threshold and also have a higher protection base for smaller schools. This is to recognise the more unpredictable nature of their expenditure.

### Deficit write-off incentive for small schools

To further protect small schools, and to recognise workforce challenges in small schools, there will be an opportunity to have small deficits written off by the department.

Small schools that, in the spirit of trying to spend their entire SRP credit allocation for the benefit of the existing students, exceed their full allocation resulting in a small deficit, will have an opportunity to have their deficits reduced by the department up to $50,000.

This incentive only applies to very small and small schools (in line with the Small Schools Base Funding which defines small schools as either primary schools with less than 80.1 students or secondary schools with less than 400 students).

For this incentive to apply, small schools must demonstrate that the deficit was caused by adding additional staff and the deficit is not offset by significant amounts of locally raised funds.

Additionally, schools that have submitted a credit-to-cash transfer in the calendar year will not be eligible for the incentive.

If a school that is eligible for the incentive operates a small deficit, but has an accumulated surplus balance, it is expected that the accumulated surplus would be used to offset the deficit in the first instance.

### Credit-to-cash transfers

The rules around Credit-to-cash transfer requests were recently strengthened, including changes on CCT requests for capital works. The changes apply from 1 January 2024 and more information is available at [**Student Resource Package – Managing the Budget Cash**](https://www2.education.vic.gov.au/pal/student-resource-package-srp-managing-budget/guidance/7-cash).

**What are expenditure options for schools with an SRP credit surplus?**

SRP credit is provided to schools for staffing and therefore schools should give priority to spending any surplus funds on staffing resources. These may include staff development, onboarding, retention and attraction and supporting access to Casual Relief Teachers.

Schools are also encouraged to consider spend on other staffing resources including additional staff to assist with recruitment, facilities management, operations managers and opportunities to promote talent across the wider school system.

Schools can also consider spend on other school led initiatives to support positive student learning and wellbeing outcomes.

Examples of potential areas of expenditure (subject to compliance with other department policies) include:

* Support to camps, sports and excursions.
* Educational materials (including textbooks), systems support, programs and development.
* Maintenance and grounds.

Schools may request a CCT for capital works compliant with VSBA guidance using their **accumulated balance only**.

### How will schools be supported to spend?

To support the effective delivery of the policy, a multipronged approach to support schools will accompany the Carryover Policy including:

* **Support material** – advice and best-practice examples on how to spend funding effectively.
* **Financial data tools** for departmental staff to identify schools requiring additional support.
* **One-on-one** support to schools with the largest credit surpluses (including guidance to schools with existing surplus balances), including strategies to effectively spend funding.

Support from dedicated Strategic Financial Management Advisors (SFMAs) who will work with schools on financial planning.