**Schools Forum**

**10**

**18th September 2018**

**Maintained Schools excessive revenue balances as at 31.3.18**

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| **Lead Officer** | **Richard Morgan** |
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| **Forum asked to decide / steer / be informed** | **To inform the forum of the revenue balances held by maintained schools and ratify retention of excessive balances at 31st March 2018 and to consider this process for financial year 2018-19 onwards** |
| **Time Needed** |  **15 mins** |

**Introduction**

Local Authorities have been required to operate an effective balance mechanism to ensure that schools do not accrue excessive, uncommitted, surplus revenue balances.

The schools forum continues to use the methodology introduced in FY2004/05 by Bath & North East Somerset Council for the claw back of excessive school revenue balances.

The thresholds for excessive school revenue balances are set as follows:

* Primary Schools – 8% or £25,000, whichever is the greater, of the revenue LA & High Needs funding available.
* Secondary Schools – 5% or £50,000, whichever is the greater, of the revenue LA & High Needs funding available.

In 2015/2016 there were 10 schools with an average excess of £48,436

In 2016/2017 there were 10 schools with an average excess of £34,282

In 2017/2018 there are 7 schools with an average excess of £30,715

At the end of the financial year, schools are issued with an Excessive Balances Justification form requesting information about how the school propose to use their excessive revenue balance.

Historically the vast majority of schools have used their excessive balances as a contribution towards a capital project or to support a projected deficit budget.

For 2012/2013 an additional approved reason was added for the retention of an excessive revenue balance held in respect of the pupil premium grant for ever6 FSM and Service Children. For 2013/2014 a further approved reason was added in respect of the Primary PE Grant.

**Report**

At the end of the financial year 2017/2018, the LA and High Needs revenue balances for maintained schools has decreased by £257,823 in comparison to the financial year 2016/2017. This figure **excludes the schools that** **converted to Academy status during the financial year 2017/2018 and the 3 primaries that converted on 1.4.18**.

The table attached at **Appendix A** shows the movement in revenue balances for the last 3 years for maintained schools only, and the schools that are deemed to have an excessive balance as at 31st March 2018. This list excludes schools that converted to Academy status during the financial year 2017/2018.

In 2016/2017, 10 schools had balances that were deemed to be excessive totalling £342,820. However 2 of these schools have converted to an academy during 2017/2018 and are excluded from the comparison at Appendix A.

In 2017/2018, **7** schools have balances that are deemed to be excessive totalling £215,009. The excesses range from £168 to £96,608, the larger of which is a Primary School.

Primary Schools represent 100% of the excessive balances.

4 of these 7 maintained schools also had an excessive balance at the end of the financial year 2016/17 and they are shaded in the end column on Appendix A.

An analysis of the excessive balances show that overall there has been a decrease in the excess retained. Three schools have decreased their excess since the end of March 2017 and one school has increased its excessive balance as the school is due to close on 31st August 2018.

All 7 schools with an excessive revenue balance as at 31st March 2018 have each been asked to identify and confirm the intended use of the balance and the returns submitted have been verified against any registrations made with the Schools Capital Organisation Team.

A schedule at **Appendix B** has been compiled to inform the Schools Forum of the explanations given by each school as to how they justify the use of their excessive revenue balances. One school has not responded however this schools final budget submission for FY2018-19 onwards indicates the schools carry forward will be required to support a potential in year deficit budget for FY2019-20.

Please see the Officer Recommendation/Comment field on Appendix B.

**Recommendations**

1. The Forum is asked to note the excessive revenue balances held by schools and to ratify the recommendation shown on the schedule in **Appendix B.**
2. Discuss and decide if the methodology to calculate and record excessive school revenue balances should continue for the financial year 2018-19 onwards due to the reduction in the number of maintained schools as they convert to academy status.