**School Forum**

**7**

**8th July 2014**

**Maintained Schools excessive revenue balances as at 31.3.14**

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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** |
| **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 by Bath & North East Somerset Council in 2004/2005 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 and Special Schools – 5% or £50,000, whichever is the greater, of the revenue LA & High Needs funding available.

In 2010/2011 there were 5 schools with an average excess of £11,195

In 2011/2012 there were 19 schools with an average excess of £45,204 (includes TSF)

In 2012/2013 there were 16 schools with an average excess of £17,572

In 2013/2014 there are 20 schools with an average excess of £27,473

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 has also been added in respect of the Primary PE Grant.

**Report**

At the end of the financial year 2013/2014, the LA and High Needs revenue balances for maintained schools has increased by £265,417 in comparison to the financial year 2012/2013. This figure **excludes the schools that** **converted to Academy status during the financial year 2013/2014**. This increase can be partly attributed to the delegation of centrally held funds that cannot be de-delegated in the schools formula and schools retaining revenue balances to support a potential shortfall in the schools funding as part of the introduction the new school funding reform.

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 2014. This list excludes the schools that converted to Academy status during the financial year 2013/2014.

In 2012/2013, sixteen schools had balances that were deemed to be excessive totalling £281,157, however one of these schools was a Special School who have now converted to an academy during 2013/2014 and are excluded from the comparison at Appendix A.

In 2013/2014, **twenty** schools have balances that are deemed to be excessive totalling £549,459. The excesses range from £1,807 to £91,860, the larger of which is a Secondary School. Primary Schools represent 68.25% of the excessive balances. The Special School with an excessive balance converted to an academy on 1st April 2014 and any balance will transfer to the academy once this has been determined and notified to the DFE.

Nineteen of the twenty schools with excessive balances as at 31st March 2014 have therefore each been asked to identify 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.

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

**Recommendation**

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.**