

Schools Forum 8 June 2009

School Revenue Balances

1) Report Purpose

- a) To consider the level of revenue balances in Calderdale schools.

2) Background

- a) All schools hold revenue balances at the end of each year to allow for unforeseen events and emergencies, and in some cases to smooth out the effects of changes in school rolls, changes to staffing structures and one off expenditure.
- b) The Council holds balances of £6 million to cover the same events for all other Council expenditure. Schools are specifically excluded from the use of these balances and therefore need to maintain their own balances.
- c) The Audit Commission monitors the overall levels of school balances nationally and recommends schools maintain balances of no more than 5% of planned budget in secondary schools and 8% of planned budget in primary and all special schools.
- d) The level of school balances have been a concern nationally in recent years. In March 2007 the national level of balances was £1.62 billion (6.4% of planned budget). This increased to £1.86 billion by March 2008 (7.1% of planned budget). Such levels and increases make it difficult to make a case for more resources (in a priority service), and raises issues of equity where funding is not being spent on children passing through school in those years.
- e) All local authorities are required by the DCSF to have in place a means of dealing with excessive school balances. At Appendix 1 is an extract from Calderdale's Fair Funding Framework setting out the process for controlling balances in Calderdale.

3) Report Considerations

- a) In Calderdale the overall level of revenue balances has averaged £7.06 million in the last 5 years, representing 5.2% of planned budget. The trend in the first part of that 5 year period was downward. More recently balances have risen slightly. At March 2009 balances were £7.3 million, representing 5.6% of planned budget. This is lower than the national average (7.1%) and the Yorkshire and Humberside average (5.8%).

- b)** In more detail, the balances held at March 2009 in secondary schools were £2.2 million (3.32% of planned budget) and in primary schools were £4.8 million (8.05% of planned budget). Within these figures there are some schools with higher percentage levels and some schools with lower percentage levels.
- c)** Against these figures the Authority is in the process of collating how each school intends to use these balances over the next three year budget period (2009/10 to 2011/12). This information is being taken from individual school budget statements. A small number of statements are still outstanding and a full schedule will be brought to the meeting.
- d)** Calderdale's process for dealing with excessive school balances (at Appendix 1) has not been applied to date. That is also the case in a small number of other local authorities, but in the main many local authorities have some level of redistribution of balances over the stated thresholds.
- e)** In many cases schools will be able to substantiate the need for their individual balances. For instance setting aside monies to pay for future capital works, or to cover planned in year budget deficits. In other cases schools may have received funding late in the year, which only adds to their closing balances. Validating reasons and tracking their progress to ensure balances do reduce, is very labour intensive. For that reason, some local authorities simply make no allowance for such instances and redistribute balances based on actual confirmed year end figures.

4) Recommendations

- a)** Schools Forum receives a monitor each term of projected school balances.
- b)** Further communications take place with schools that have balances significantly higher than the thresholds (5% in secondary and 8% in primary and special schools).
- c)** Using the information from each monitor, Schools Forum takes a view as to how they want any balances, in excess of any thresholds, dealing with from April 2010.
- d)** On behalf of all schools, the Authority gives more information and context to other interested parties within the Council, including Members, on how schools use these balances and how Calderdale is working to maintain minimum levels of balances.

Extract from Calderdale's Fair Funding Framework (October 2006)

4.2 Reporting on and control of the use of surplus balances

Surplus budget share balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2007:

- a) the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be recurrent balance as defined in the Consistent Financial Reporting Framework;
- b) the Authority shall deduct from the calculated balance any amounts for which the school already has a prior-year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;
- c) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes as permitted by the Authority and which the Authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned;
- d) if the results of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

Fund deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

Calderdale MBC. Children and Young People's Services, Fair Funding Framework - October 2006.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.