

Schools: Finance

Mr. Kidney: To ask the Secretary of State for Children, Schools and Families

(1) whether he has plans to control the overall levels of school balances; [256359]

(2) what recent assessment he has made of the effectiveness of local education authorities in preventing the accumulation of excessive school balances; [256360]

(3) what recent assessment he has made of the level of school balances. [256361]

Sarah McCarthy-Fry: We will shortly be publishing final data on school balances for 2007-08, but provisional data available through local authorities' published section 52 returns suggests that the total level of school balances at year end 2007-08 is £1.9 billion.

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We have not conducted a formal assessment of the progress that local authorities have made with their schools to reduce excess surplus balances. However, my officials have been working with local authorities to gather information about when they have been successful in retrieving surplus balances from schools; or when the authority has encountered considerable opposition from the schools and the public which has resulted in the local authority withdrawing their proposals to claw back balances.

We continue to monitor school balances. When the three year funding settlement was announced in November 2007, local authorities were informed that we expected to see them work with their schools to reduce the total amount of surplus, uncommitted balances held by schools. If we do not see a sizeable reduction of the total balances by the end of 2010-11, then we will seek other

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measures to reduce this total. We will conduct a wide consultation on a detailed proposition before the measure is implemented.

We have made it very clear that it unacceptable for schools to amass high levels of surplus, uncommitted balances and that their priority is to spend their funding to support the pupils of today.

MINISTERIAL STATEMENT FEBRUARY 24 2009 JIM KNIGHT MP

CHILDREN, SCHOOLS AND FAMILIES

School Revenue Balances 2007-08

The Minister for Schools and Learners (Jim Knight): The Department for Children, Schools and Families has today published information on the end of financial year revenue balances of all local authority maintained nursery, primary, secondary and special schools for 2007-08.

This information is presented alongside information on schools' revenue balances for the financial years 1999-2000 to 2006-07 published on 1 April 2008. The information is taken from local authorities' published section 52 outturn statements for the years in question but presents this in summary form. Copies of the information have been placed in the Libraries and will be accessible from the Department for Children, Schools and Families website, at:

<http://www.dcsf.gov.uk/localauthorities/section52/subpage.cfm?action=section52.default.default&ID=58>

Surplus balances totalled £2 billion and deficits £120 million at the end of 2007-08, giving net total revenue balances of £1.9 billion. This represents an increase of £248.6 million or 14.9 per cent. compared to the position at the end of 2006-07. At school level, 91.7 per cent. of schools held a surplus balance, with 38.3 per cent. holding an excessive balance, defined in guidance from my Department as over 8 per cent. of budget for primary and special schools and over 5 per cent. of budget for secondary schools. Excessive surpluses totalled £591.9 million.

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The Government believe that the national total of revenue balances and in particular the level of surplus held by some individual schools is too high. While it is clearly sound financial management for schools to retain a small surplus from year to year, we expect revenue funding to be used for the salaries of staff at the school and on learning resources to support the education of pupils in school now, working towards raising attainment and narrowing the gaps in attainment between disadvantaged children and the rest. We would not normally expect schools to need to use it for capital improvement projects, given that separate capital funding is available. Where a school is in deficit, it must agree a recovery plan with the local authority to eliminate the deficit, normally over three years.

As I made clear in my previous statements to the House on 30 October 2007, *Official Report*, column 29WS, and 1 April 2008, *Official Report*, column 36WS, about school finances, we expect schools and local authorities to work to reduce the level of balances by the end of 2010-11 and to make full use of their power to claw back excess, uncommitted surpluses and redistribute the proceeds back to local schools in consultation with schools forums. If we do not see a substantial reduction of total revenue balances and the excessive balances held by individual schools, the Government will consult on further action from 2011-12 to bring the total down.

In the meantime the Department continues to work with its partners to prepare further advice for local authorities on effective claw back of balances, including examples of good practice.

25.02.09
DNK/MKH