

**DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES**

**School Finances**

**The Minister of State for Schools and Learners (Jim Knight): (30/10/07)**

1. I am announcing today our decisions following the consultation on schools' revenue balances which ended on October 26 2007.
2. All local authorities and schools have a responsibility to spend every penny of taxpayer's investment on children's learning. I want headteachers and governors to manage their schools' own finances, plan ahead with confidence and invest wisely. That is why we are funding them with the first ever three-year school funding settlement from 2008-11.
3. My department is absolutely right to take action when the net revenue surplus in school balances has more than doubled since 1999-00 to £1.7 billion on 31 March 2007, with some schools' surplus balances running into seven figures and still growing. This revenue funding should be spent on today's children. It is intended for teachers' pay and day to day running costs, not capital spending which is funded separately.
4. I have already given local authorities clear powers to redistribute excessive and uncommitted surplus revenue. Our guidance judges 'excessive' as a secondary school carrying over more than five per cent of its annual school income at the end of the financial year; and eight per cent of a primary or special school's income.
5. My department has been consulting on an additional proposal for local authorities to be required to redistribute five per cent of all surplus revenue balances held by schools in their area. It was never proposed that this money should come back to Whitehall or damage schools' financial independence. It would be recycled to local schools, for the benefit of local children and decided by local headteachers, through the local School Forums.
6. However, I recognise schools' concerns raised during the consultation. These included the retrospective use of end of year 2006-07 balances to redistribute a small proportion of those surpluses to other schools in 2008-09. I've listened carefully to that concern and I've ruled out any such retrospective proposal.
7. Schools were also concerned that the proposal would apply to all schools' revenue surplus balances and would not include a minimum level of surplus to be carried over from year to year; and could include the proceeds of schools' fundraising. These are all reasonable concerns that require further investigation.
8. I know that where schools retain a small surplus they are using sound financial management, such as putting money aside for extra staffing costs the following year or against unforeseen changes.
9. I have listened carefully, based on the responses from a range of stakeholders, and rather than proceed now we will continue to discuss these detailed concerns with schools and work with local authorities to lower excessive surplus revenue balances.

## **Appendix B**

10. My department will continue to monitor the overall level of surplus balances during the forthcoming spending review period. If the levels reported do not show a significant reduction we will come forward with further action, having resolved the technical issues, for implementation during the following spending review period.

11. This demonstrates our clear support for schools to invest wisely and use public money responsibly.