

Controls on Surplus Balances Scheme

Purpose of the paper

1. To seek a decision on whether the Controls on Surplus Balances Scheme should continue in 2011-12.

Background

2. With effect from April 2011 the DfE have removed the requirement for Local Authorities to have a Controls on Surplus Balances Scheme in place. However, Regulations will allow a Local Authority to have a Controls on Surplus Balances Scheme if it wishes.
3. The proposed revised wording in the Regulations is as follows: "Local Authority Funding Schemes may contain a mechanism to claw back excess surplus balances. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy. The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area."
4. As this change is effective from April 2011, the Local Authority's current Controls on Surplus Balances Scheme will apply to excess balances carried forward at the end of 2010-11.
5. At its meeting in January, Schools Forum deferred a decision on whether to continue with the Scheme, pending identification of the national picture.
6. With the relaxation of the Regulations in this respect and the revised wording in paragraph three above, it could be interpreted that the Government would not seek to apply a national "top-slice" to school revenue balances, as was suggested by the previous administration.
7. The revised wording in paragraph three above indicates that, where a Scheme is in place, it should only focus on those schools that have built up significant excessive uncommitted balances. It should be noted that this is the focus of Wiltshire's current Scheme. Only those schools that have balances that exceed the permitted thresholds of 5% or 8% in secondary and primary / special schools respectively are required to justify their excessive balances.

Main Considerations

8. A decision on whether to continue with the current Scheme is required before 1 April 2011 as it will enable schools to be informed before they

finalise their budgets for 2011-12 onwards and also for any associated LA financial reporting and budget documents to be amended accordingly.

9. Whilst the intention of the Scheme is not to claw-back excessive balances from schools, its operation has enabled the LA to monitor and challenge schools that have built up excessive reserves. This would be difficult if the Scheme was not in place.
10. Wiltshire schools balances have reduced between 2008-09 and 2010-11 and this could be a consequence of the Scheme being in place. It should also be noted that the number of schools with excessive balances has reduced significantly over the past two years.
11. The DfE published a national comparison of school revenue balances recently which showed that the balances held by schools in Wiltshire are below the national average. It also showed that 14% of schools in Wiltshire held balances above the permitted threshold in 2009-10 compared to the England average of 27.7%.
12. As one of the lowest funded LAs in the country making a case to the Government for increased funding may be difficult if schools are holding significant or increasing balances.
13. The Audit Commission's Valuable Lessons report on improving economy and efficiency in schools (2009) commented that excessive revenue balances represent an inefficient use of public money as retained funding is not being used to improve outcomes for children.
14. The application of the Scheme has been refined recently with the aim of reducing the administration involved. If it is decided that the Scheme should continue it could be further refined as follows:
 - a. Requiring only those schools that exceed the permitted thresholds to submit a Controls on Surplus Balances monitoring statement. Currently all schools are encouraged to complete this return irrespective of the level of their reserves.
 - b. By deferring a decision on the recent consultation to change the Scheme as set out in the next Agenda item.

Proposal

15. That Schools Forum considers the merits of continuing the Scheme or removing it. Given that the DfE have not published any further guidance on this issue and it is difficult to gauge the national picture, consideration could be given to operating the Scheme in 2011-12 with a further review in the autumn.

Recommendation

16. That Schools Forum decides whether to continue with the Controls on Surplus Balances Scheme in 2011-12.

CAROLYN GODFREY
Director, Department for Children & Education

Unpublished documents relied upon in the production of this Report: NONE

Environmental impact of the recommendations contained in this Report: NONE
KNOWN

Report author: Phil Cooch., Schools Accounting & Budget Support Manager,
Children & Education Finance Team, Resources Department
Tel: 01225 713814
e-mail: philcooch@wiltshire.gov.uk