

Results of the consultation on a change to the Controls on Surplus Balances Scheme.

Purpose of the Paper

1. To report the results of the consultation on a proposal to change the Controls on Surplus Balances Scheme.

Background

2. A Controls on Surplus Balances Scheme is in place which applies limits to school balances as follows:
 - Secondary schools up to 5% of current year school budget share
 - Primary and special schools, up to 8% of current year school budget share or £10,000 whichever is the higher

Any surplus balances in excess of the above thresholds may be clawed back and redistributed to the sector from which they arose.

3. In 2009 the DCSF and Local Government Association conducted a joint survey of local authorities on the subject of school balances using the results to develop a best practice guide. An evaluation of Wiltshire Council practice against the key factors demonstrated that sound procedures were in place to successfully manage down school balances.
4. It is proposed to further support the management of excess surplus balances by adopting a key factor from the best practice guide that schools with balances over the thresholds are challenged on their whole balance and not just surpluses over the threshold. The 5% and 8% thresholds should not be viewed as targets but as the maximum percentage which might be retained in exceptional circumstances.

Results of the Consultation

5. A summary of the responses received is given below:-

Phase	Agree	Disagree	Total
Primary	38	25	63
Secondary	6	4	10
Special	0	1	1
Total	44	30	74

6. Several schools made comments and these are included in Appendix 1 attached to this report.

Main Considerations

7. The Secretary of State for Education published the schools White Paper, The Importance of Teaching, in November 2010. This advised that the requirement for local authorities to have a clawback mechanism would be removed from 2011/12 and that there would be a consultation on making changes to the current arrangements from 2012/13.

8. In December 2010, the DfE published revisions to the Scheme for Financing Schools which local authorities are required to take into account when publishing their own schemes. Regarding clawback mechanisms, the revised Scheme reads:

“The scheme may contain a mechanism to clawback 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.”

Local authorities are advised that they should consider removing or relaxing their existing mechanism with effect from 1st April 2011.

9. Due consideration should be given to the practicalities of challenging schools with balances over the thresholds on their whole balance and not just surpluses over the threshold.

10. The change to the existing Controls on Surplus Balances Scheme may not be perceived as being fair and equitable.

Proposal

11. That the proposed change to the Controls on Surplus Balances Scheme to challenge schools with balances over the thresholds on their whole balance be reconsidered pending the publication of the DfE's revised guidance on clawback arrangements.

Recommendations

12. That Schools Forum decides whether it wishes to implement the proposed change to the Scheme or defer a decision pending further guidance from the DfE.

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

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

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