

Wiltshire County Council

Schools Forum

1 December 2011

Controls on Surplus Balances Scheme

Purpose of the paper

1. To decide whether the Controls on Surplus Balances Scheme should continue in 2012-13.

Background

2. With effect from April 2011 the DfE removed the requirement for Local Authorities to have a Controls on Surplus Balances Scheme in place. However, Regulations allow LAs to have a Controls on Surplus Balances Scheme if it wishes.
3. The 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 was effective from April 2011, the Local Authority's current Controls on Surplus Balances Scheme applied to excess balances carried forward at the end of 2010-11.
5. At its meeting in March 2011, Schools Forum decided to continue with the scheme and review the situation once the national picture had been identified.
6. 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.
7. The DfE have confirmed that they will not be issuing any further guidance to LAs on Controls on Surplus Balances schemes or on the level of school balances generally.
8. The majority of LAs in the south west continued to apply their schemes in 2011-12.

Main Considerations

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 from £13.9m in 2008-09 to £11.08m in 2010-11. 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 three years. In 2008-09 there were 92 schools with balances above the threshold, 51 in 2009-10 and 41 in 2010-11.
11. The value of excess balances has also reduced significantly between 2008-09 and 2010-11. In 2008-09 excess balances totalled £9.2m and in 2010-11 they totalled £5.3m, a reduction of 42%.
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. At a meeting on 15th November 2011 Schools Funding Working Group made the recommendation that Wiltshire should continue with the scheme for a further year.

Proposal

15. That Schools Forum considers the merits of continuing the Scheme or removing it.

Recommendation

16. That Schools Forum agree to continue with the Controls on Surplus Balances Scheme in 2012-13.

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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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