

DCSF Guidance		Wiltshire LA current practice	In place?
Processes	Local Authorities should have been monitoring and challenging balances at least since the model Scheme for Financing Schools was amended in 2007.	Wiltshire LA put in place a shadow balance control mechanism in 2005/06 prior to implementing the DCSF statutory requirement in 2006/07. From this point onwards excess funds have been subject to claw back.	Yes
	Local Authorities and schools should take an active role in agreeing how balance control works and is defined locally.	Any proposed changes to the Scheme are discussed in detail by Schools Forum. If endorsed, all schools are then consulted on these changes with the results being reported back to Schools Forum prior to being implemented.	Yes
	The use of surplus balances should not be seen as just an issue for finance teams.	The finance team works closely with asset management colleagues when considering reserves held for capital projects.	Note 1
	Work on surplus balances should not be seen as just a year end issue but should also be integrated with multi year budget planning and in year monitoring.	Schools estimated revenue balances are routinely challenged as part of the LA monitoring role, starting with the budget template and thereafter by reviewing schools quarterly Income and Expenditure returns.	Yes
	Schools with surpluses already above the threshold should be subject to ongoing monitoring.	Schools are required to confirm that revenue balances held for specific purposes have been utilised as intended. If not, an explanation and supporting evidence are requested.	Yes
	Schools and local authorities should start their planning as early as possible in the year.	If an excess balance is identified on the budget template this triggers a request for submittal of a Provisional Intended Use of Revenue Balances (IURB) return.	Yes
Thresholds	When working out which schools are over the threshold, each schools total balance should be considered, not just sums which are recorded as uncommitted.	The total uncommitted revenue balance is the starting point for completion of the IURB return.	Yes
	It is Important that schools understand that thresholds are not seen as targets but as the maximum percentage which might be retained to support exceptional circumstances.	Schools are encouraged to fully utilise their funds to best effect for current pupils and continuous school improvement. Recognition is given to the need to make provision for longer term plans.	Yes
	Schools over the threshold are responsible for showing that they have plans for their whole balance and not just the part taking them over the threshold, i.e. schools should not only justify surpluses over the thresholds.	Currently schools are only required to justify surpluses above the threshold.	Note 2
	Local Authorities have the power to amend their thresholds in agreement with their Schools Forum.	Wiltshire LA has adopted the permissible thresholds as advised by the DCSF but in addition to these it has also introduced lower thresholds which act as an 'early warning'.	Yes

	<b>DCSF Guidance</b>	<b>Wiltshire LA current practice</b>	<b>In place?</b>
<b>Defining a committed balance</b>	<p>Local Authorities should clearly define what counts as a committed balance and these should be based on sound planning and supported by rigorous evidence.</p> <p>Examples of what an LA could define as committed are detailed below.</p>	<p>The Controls On Surplus Balance Scheme clearly defines the specific revenue reserves which governing bodies may retain funds for. A copy of the Scheme is sent to all schools with the IURB return along with detailed guidance on completion of the form. Additionally, Schools Forum has now agreed that all schools should submit a signed declaration to confirm that they have read and understand the Scheme.</p> <p>Information is required in support of committed balances. For planned investment of a capital nature a brief outline of the investment, the estimated completion date and the detail from the SDP or Committee minute are requested. For ring fenced grants additional information is requested such as the funding period and source.</p>	Yes
	<p><b>Capital</b></p> <ul style="list-style-type: none"> <li>• Revenue funding should not be used in support of capital projects until all capital resources have been exhausted</li> <li>• Revenue funding cannot be converted to capital in school accounts until it is spent</li> <li>• The local authority should check that schools adhere to timescales</li> </ul>	<p>The Scheme states that any school wishing to assign revenue balances to capital must be able to demonstrate that allocations of devolved Formula Capital funds have been fully spent or committed. A time limit of two years is applied to the retention of excess surplus balances for planned uses permitted under the scheme.</p>	Yes
	<p><b>Planned falling rolls and falls in funding</b></p> <ul style="list-style-type: none"> <li>• Schools should provide calculations, plans or projections to show expected changes in rolls or staffing</li> <li>• Surplus balances should not be used to defer difficult decisions</li> </ul>	<p>Until 2009/10 schools could assign revenue balances to providing continuity of staffing through a period of significant change in pupil numbers. This criterion was too generalised and could easily be used as a 'catch all' to justify unreasonable levels of reserves. Schools were consulted on its removal and subsequently agreed with the proviso that schools would be able to make a case, if called to appeal, which would be considered on its merits.</p>	Yes
	<p><b>Prior year accruals and orders</b></p> <ul style="list-style-type: none"> <li>• Commitments against a year end balance for orders must be supported by evidence such as copies of orders, system reports etc</li> <li>• Local authorities should specify, on the grounds of materiality, the threshold above which accruals for goods received or services rendered are included in the year end accounts</li> </ul>	<p>From 2009/10, schools can no longer deduct orders from their year end revenue balance.</p> <p>Wiltshire LA recommends a threshold of £50 above which accruals for goods received or services rendered are actioned.</p>	Yes
	<p><b>Single status:</b></p> <ul style="list-style-type: none"> <li>• Schools may hold balances to support single status agreements</li> <li>• Schools should be able to demonstrate that they can fund the ongoing costs on a sustainable basis</li> </ul>	Not applicable	Yes

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	<p><b>Monies held for other schools:</b></p> <ul style="list-style-type: none"> <li>Funds held on behalf of other schools, e.g. as part of extended services cluster provision, should be accounted for separately within the host school account</li> </ul>	<p>Schools account for extended school activities using a discrete fund ending with year end balances being subject to scrutiny prior to closedown. Other funds held by banker schools are also subject to scrutiny at year end.</p>	Yes
	<p><b>Private school funds:</b></p> <ul style="list-style-type: none"> <li>Privately raised funds should not be included in the calculation of a schools revenue balance because these are separate from public funds</li> </ul>	<p>Voluntary funds are accounted for separately and must be audited annually.</p>	Yes
<b>Standards Fund</b>	<p>Local Authorities should make allowances for unspent Standards Funds only where these are ring fenced, specifically allocated for an academic year and/or allocated part way through the financial year</p>	<p>The Wiltshire LA Scheme states that grants may be retained where they are ring fenced or allocated late in the financial year, i.e. after January.</p>	Yes
<b>Use of clawed back funds</b>	<p>Local authorities, in consultation with their Schools Forum, should ensure that any significant funds clawed back are spent productively so that either local and national priorities benefit directly or by reallocating resources to support efficiency measures elsewhere</p>	<p>Schools Forum agreed that if the claw back total exceeds £100k, the funds will be redistributed within the sector from which they originated.</p>	Yes
	<p>Redistributing relatively small sums to all other schools will be of little benefit and, as an alternative, these could be used to fund invest to save schemes such as supporting the training of school business managers or pump priming federations or partnership arrangements.</p>	<p>Where the claw back total is less the £100k, the funds will be used towards the write off of closed schools deficit budgets and to offset costs associated with premature retirement.</p>	Yes

**Notes:**

- 1.** The Audit Commission, in its report 'Valuable Lessons', recommends ensuring that School Improvement Partners consider the efficient deployment of school resources as an essential part of school improvement. The Accounting and Budget Support team produces a financial information sheet for each school which includes a range of data including school balances information. This is routinely shared with non-finance colleagues but not directly with School Improvement Partners.
- 2.** The DCSF guidance states that it is not the case that schools should only justify surpluses above the threshold but that when attempting to justify surplus balances, the total balance must be taken into account. The Wiltshire Council Controls on Surplus Balances Scheme requires schools with balances above the permissible thresholds to complete the Intended Use of Revenue Balances Return. This return is structured such that schools only have to justify the surplus balance, i.e. above the threshold, and not the total balance.

Schools with balances below the thresholds are not required to justify their balances. Although it is not compulsory for these schools to complete the return, they are strongly encouraged to do so in order to give a complete and accurate view of how schools propose to use revenue balances.