

**SCHOOLS FORUM**

**13 July 2012**

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**Controls on Surplus Balances – Intended Use of Reserves 2010/11 Update**

**Purpose of the paper**

1. To update Schools Forum on the use of reserves carried forward from 2010/11 in respect of those schools that exceeded the permissible revenue rollover threshold.

**Background**

2. The Controls on Surplus Balances Scheme came into effect in the 2006/07 financial year.
3. The Scheme prescribes limits on schools revenue balances carried forward from one year to the next. Primary and Special Schools may carry forward 8% or £10,000, whichever is the greatest, and Secondary Schools may carry forward 5%.
4. Under the rules of the scheme schools may assign revenue balances in excess of the allowable thresholds for specific purposes as set out in the scheme, i.e. for projects of a capital nature and ring fenced grants.

**Update on current position**

5. There were forty one schools, at the end of 2010/11, which had balances in excess of their prescribed threshold. As part of the Controls on Surplus Balances Scheme monitoring process, the schools were required to confirm by 31<sup>st</sup> March 2012 that they had utilised the excess reserves for the purposes they had originally stated. If they had not, they were asked to describe how those reserves had or would be used.
6. Twenty eight schools were asked to complete an Intended Use of Revenue Balances Monitoring Return, or respond in writing, for the financial year 2010/11.

The remaining thirteen were not required to submit a return as follows:

- a) Excess balance deemed immaterial– one school
  - b) Conversion to academy status – seven schools
  - c) Reserves assigned to trigger allocations made late in the 2010/11 year – three schools
  - d) Reserves assigned to continuity of staffing as agreed – one school
  - e) Excess balance clawed back as agreed by SFWG – one school
7. Of the twenty eight schools which were requested to confirm that they had utilised their excess reserves for the purposes they had originally stated, twenty seven responded and the responses are summarised as follows:
    - a) Eighteen schools confirmed that their reserves have been/or will be used as intended with three of the eighteen reporting that expenditure is either delayed or ongoing

- b) Nine schools stated that funds had not been spent for the purpose they had originally stated. A summary of how they are planning to spend the excess reserves is detailed below:
- One school had retained funds for a new build, but the contribution wasn't required. Funds were re-directed to pay for other capital items
  - One school did not require the full amount for the earmarked project and are planning to add the balance to 2012/13 DFC to provide an early years canopy
  - One school is still holding balances for parent support advisers. They have confirmed that these funds will be used to enable PSA's to operate in 2012/13
  - One school held funds back to offset costs incurred with amalgamation. The school are waiting for a Government decision on the amalgamation and so funds have not yet been spent
  - Two schools have delays in their building projects
  - One school has a large extended school balance which will be used in future years to fund extended school activities
  - One school is holding a balance to support ASD students. They confirm that the grant should be fully spent by the summer of 2012
  - One school has carried forward £830 'Freetime' grant and is planning on using it to fund outside play equipment in 2012

## **Conclusions**

8. The returns indicate that schools have used, or intend to use, their reserves for the purposes they were originally intended, with two schools further developing their original projects.
9. That the school which failed to make a return is asked to account for its failure to comply and to explain how the balance on their ring fenced grant has been utilised.

## **Recommendations**

10. Schools Forum is recommended to note the contents of this report.

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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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