

## **Wiltshire Council**

### **Schools Forum 14<sup>th</sup> March 2013**

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#### **Result of the consultation on a revision to the Wiltshire scheme for funding schools in respect of the control of the use of surplus balances**

##### **Purpose of the paper**

1. To report the result of the consultation on a proposal to revise the Wiltshire scheme for funding schools in respect of the control of the use of surplus balances.

##### **Background and context**

2. Consistent with their view that school's are best placed to manage their own resources and should be moving towards greater autonomy, the DfE removed the requirement for LA's to have a mechanism in place to clawback surplus revenue balances, with effect from April 2011. Schools Forum considered this option but resolved that the Controls on Surplus Balances Scheme would continue in 2011/12 and 2012/13 as they felt that it had facilitated informed decision making and increased accountability in schools.
3. The DfE has now announced that they will be asking LA's to provide additional information where they have concerns that public money is not being used with propriety and value for money is not being secured. Significantly they will challenge LA's with 5% of schools that have had a surplus of 15% or more for the last 5 years. An analysis has shown that the level of surplus in Wiltshire maintained schools, whose total net revenue balances have reduced from £13.9m in 2008/09 to £8.76m in 2011/12, would not trigger an enquiry from the DfE.
4. At their meeting on 6<sup>th</sup> December 2012, Schools Forum considered the future of the Controls on Surplus Balances Scheme beyond the 2012/13 financial year. Key factors in decision making included:
  - i) reducing the burden on schools as they manage the expected turbulence in budgets due to the funding reforms to be implemented in April 2013
  - ii) allowing the LA to fulfil its role of supporting schools in achieving sound financial control
  - iii) recognition of the moral issue of spending funds generated for pupils while they are currently in school
  - iv) the inclusion of unspent Pupil Premium in year end revenue balances
  - v) the reduction in Devolved Formula Capital grant having a direct impact on individual school revenue balances as schools carry forward revenue balances in support of capital projects
  - vi) the removal of the limit set on the sum of General Annual Grant that could be carried forward by an academy
5. A preferred option of withdrawing the Scheme was agreed, to be replaced by a year end statement to schools which would consolidate the existing reporting regime.

This would compare the year end forecast position, as defined on the biannual Income and Expenditure returns, to the actual year end position and would raise awareness of the importance of monitoring by giving an indication of the effectiveness of systems in place in school. The statement would be considered and ratified by the governing body but would not be included on the compliance statement.

6. Schools have been consulted on a proposal that the local authority withdraws the Controls on Surplus Balances Scheme with effect from the 2013/14 financial year and initiates an alternative approach which maintains a balance between encouraging prudent financial management whilst also embracing the DfE's guidance that schools should operate autonomously.

### Results of the consultation

7. A summary of the responses received is detailed below:

<b>Phase</b>	<b>Agree</b>	<b>Disagree</b>	<b>Total</b>
Primary	54		54
Secondary	2	1	3
Special	1		1
<b>Total</b>	<b>57</b>	<b>1</b>	<b>58</b>

Comments are included at Appendix 1 attached to this report.

### Recommendation

1. That Schools Forum approves a revision to the Wiltshire scheme for funding schools to withdraw the control mechanism on surplus balances with effect from the 2013/14 financial year.

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