

# Wiltshire County Council

## SCHOOLS FORUM

24 June 2010

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### Controls on Surplus Balances – Intended Use of Reserves 2008/09 Update

#### Purpose of the paper

1. To update Schools Forum on the use of reserves carried forward from 2008/09 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%. The Scheme in operation for the 2008/09 financial year deduced the percentage carried forward by comparing the actual revenue rollover with the following year's delegated budget, including certain government grants.
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 e.g. for projects of a capital nature or to cushion the effect of falling pupil numbers.

#### Update on current position

5. There were ninety two schools at the end of 2008/09 that had balances in excess of the prescribed threshold. One school had closed and twenty six had reserves that fell below the threshold after deducting prior year commitments and unspent standards funds. The remaining sixty five schools were asked to complete an Intended Use of Revenue Balances Monitoring Return for the financial year 2008/09.
6. As part of the Controls on Surplus Balances Scheme monitoring process, the schools were required to confirm by 31<sup>st</sup> March 2010 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.
7. A summary of the position is as follows:
  - a. The number of schools that have confirmed that the reserves have been/or will be used as intended: 63 (NB: of these 12 have reported that expenditure is either delayed or ongoing)
  - b. The number of schools that have confirmed that they have used or will use the reserves for different purposes: 1
  - c. The number of schools failing to make a return: 1

8. The returns indicated that the majority of schools have used, or intend to use, their reserves for the purposes they originally intended. With regards to the school that had not utilised its reserves as intended, an explanation has been received giving details of the reassignment as follows:

School X – Of the £30,000 reserve to be used to refurbish the school kitchen in order to meet safety standards, only £9892 was spent due to a successful grant bid and the total refurbishment cost coming in at £20,000 below budget. £10,050 was redirected to ICT and the balance to renovation of the SEN area and staff room

### **Main issues for consideration**

9. In respect of the School X mentioned in paragraph 8 above, a decision is required as to whether it should be given retrospective approval to use the reserves for a different purpose.
10. Despite sending a reminder letter to the Headteacher, copied to the School Business Manager and Chair of Governors, information has not been forthcoming from one school, School Y. Officers therefore have no knowledge as to whether the reserves were spent for the purposes originally stated. The final revenue balance as at the end of 2009/10 in respect of this school is detailed at Appendix 1, this indicating that the school has carried forward reserves below the permissible threshold at the end of 2009/10.

The issue is one of compliance as the school not only failed to submit the Intended Use of Revenue Balances Monitoring Return for the financial year 2008/09 but also the Intended Use of Revenue Balances Return for that same year. This resulted in their inclusion in the appeal process against having excess reserves clawed back. Their appeal was successful although the Appeals Panel subsequently issued instructions to seek written confirmation that the excess balance was as stated in the unsigned appeal. This has also not been forthcoming.

### **Recommendations**

11. That the school mentioned in paragraph 8 is given retrospective permission to utilise their reserves for different purposes.
12. That the school that failed to make a return is asked to account for their failure to comply and to explain how their excessive reserves at the end of 2008/09 were utilised in 2009/10.