

**Schools Forum
January 2015**

School Financial Management Information Statement

Introduction

1. Following the withdrawal of the Controls on Surplus Balances Scheme from 2012/13, this report considers how best to enable the Authority to fulfil its role in supporting schools to achieve sound financial control as required under Section 48 of the Schools Standard and Framework Act 1998.

Background

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 local authorities to have a mechanism in place to clawback surplus revenue balances, with effect from April 2011.
3. At their meeting on 6 December 2012, Schools Forum agreed to withdraw the Controls on Surplus Balances Scheme, with effect from the 2013/14 financial year. A more holistic approach would be introduced which would consolidate the existing reporting regime in a year end report to individual schools on the effectiveness of their budgeting and monitoring. This would maintain a balance between encouraging prudent financial management whilst also embracing the DfE's guidance that schools should operate autonomously.

Main Considerations

4. In 2012, the DfE consulted on improving the assurance system for financial management in local authority maintained schools and, in response, are now asking authorities to provide additional information where they have concerns that money is not being used with propriety and that value for money is not being secured. From 2011/12, they are challenging authorities with 5% of schools that have had a surplus of 15% or more for the last 5 years. The 15% threshold is applied to the total revenue balance.
5. Schools Forum considers the position of revenue balances of the Wiltshire maintained schools on an annual basis. This currently includes an analysis of those schools that have had revenue balances in excess of 15% of their total School Budget Share for the last 5 years.
6. The Controls on Surplus Balances Scheme operated with permissible thresholds of 5% and 8% for secondary and primary/special schools respectively. These percentages were applied to the revenue balance after the deduction of committed amounts which the governing body of the school had declared to be assigned for specific purposes as permitted by the Authority, and which the Authority was satisfied were properly assigned.
7. It is sound financial management for schools to retain a small surplus balance from year to year and they should be able to do so without criticism or claw back. If a school is saving money for a large capital project they could, potentially, have a substantial surplus balance for a couple of years. A period in excess of this suggests that they do not have a clear plan for deploying their surplus, that there is a persistent under-utilisation of resources and funding allocated is not being utilised to fully benefit current pupils.

8. Local Authorities continue to have a key role in supporting and challenging schools on excessive surplus balances and are expected to effectively challenge any schools that have very high, uncommitted surpluses.

Proposals

9. That in addition to the analysis of schools with revenue balances in excess of 15%, a further analysis of schools with revenue balances exceeding 5% and 8% for secondary and primary/special schools respectively for the last 5 years be included in the annual report on revenue balances. Both analyses will address the total revenue balance and will not consider any committed amounts to be held for unspent Pupil Premium, other grants or revenue to be applied to a capital project.

Consideration should also be given to how many years of a substantial surplus it would take to be reasonably confident that a school does not have a clear plan for deploying its resources.

10. That schools be presented with an annual School Financial Management Information Statement at year end which would offer an analysis of revenue balances and budget monitoring. Information included would be as follows:

- i) Revenue balances

An analysis of revenue balances for the previous five years, including amber and red warnings where balances had exceeded the 5% or 8% and 15% thresholds respectively (paragraphs 4 and 6 refer). Additionally, the annual mean revenue balance as a percentage for Wiltshire maintained schools.

- ii) Budget monitoring

Data comparing the year end forecast position, as defined on the budget and biannual Income and Expenditure returns, to the actual year end position. This would raise awareness of the importance of monitoring by giving an indication of the effectiveness of systems in place.

Schools Funding Working Group agreed that for those schools whose revenue balances had exceeded the 5% or 8% thresholds in the final year, assurance should be sought that the statement had been considered and ratified by the governing body and returned to the authority.

Further consideration should be given to the resource required at Wiltshire Council to administer the production of such a statement and the subsequent recording and analysis of returns if deemed appropriate.

11. An example of the format that the School Financial Management Information Statement might take is attached for consideration.

Recommendations

12. Schools Forum members are invited to comment on this report.

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