

**4.2.2. Controls on surplus balances**

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1<sup>st</sup> April 2008. The changes to interest on surpluses balances (4.3) will be effective from March 2008:

- (i) The Authority shall calculate by 31 May each year the surplus balances, if any, held by each school as at the preceding 31 March. This will include all school balances at 31<sup>st</sup> March, as required by Consistent Financial Reporting and reported in the Section 52 outturn statement. For Dudley Schools this will include:
- School budget share arising from the delegated budget;
  - Extended school activities;
  - Community facilities;
  - Standards Fund;
  - Private funds.
- (ii) The balances covered by the CFR framework intend to give an overall picture of the resources available to the school from one year to the next. These balances relate to both revenue and capital.

This section of the scheme shall only apply to those surplus balances arising from the school budget share maintained within the delegated budget.

The definition of a school's budget share surplus balance will include those balances accumulated in previous years and held in the reserve categories detailed in section 4.3 of the Scheme of Financing for Schools at the end of the financial year.

It should be noted that funds derived from sources other than the Authority e.g. Schools Standards Grant or lettings etc, will be taken into account in the calculation of surplus balances if paid into the budget share account of the school, whether under provisions in this scheme or otherwise and for those funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) and any other activity accounted for outside of the school budget share will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

- (iii) The value each school can hold in reserves will be subject to a

maximum limit.

- Secondary schools will be able to hold 5% of their delegated budget for that financial year
- For nursery, primary and special schools the limit will be 8%.
- ***For schools with boarding facilities the limit will be 10%.***

The normal year end accounting rules apply in that schools should highlight to the Authority where there is a prior year commitment to pay for goods or services from the surplus balances identified at the year-end. A prior year commitment will include work or goods for which a contract has been entered into, or a scheme which is included on the LA's approved capital programme. Prior year commitments will not count towards the limit imposed on the reserve.

Funds set aside in the Single Status and Equal Pay costs Contingency will be maintained outside of the local management of schools reserves and excluded for claw back purposes at this stage.

Those schools which have set aside contingency funding over £20,000 for the purpose of single status and equal pay costs, are authorised to withdraw the excess funding from the contingency at their discretion and without reference to the Director of Children's Services, provided that the contingency funding does not reduce to less than £20,000 and that it be strongly recommended that schools add a further £20,000 in 2009/10 or until such time as settlement is reached.

- (iv) For reserves within the cash limits the governing body of each maintained school will be required to make a detailed return to the local authority by early May stating how it wishes to assign its budget share surplus balances which it will need to spend in the next financial year. These plans will be described as 'Provisional Plans'.

Schools Forum will be required to consider these Provisional Plans at its Summer Term meeting following the closure of the financial year. Where Schools Forum approves the provisional plans, as recommended by the Director of Children's Services, then these will be confirmed as 'Approved Plans'. Where Schools Forum does not approve the plans, schools will be notified of the reason why and the next course of action. Either way, schools will be notified of Schools Forum's response to the plans within 14 days of the meeting.

- (v) For those schools that set aside reserves to balance the following year's budget, but subsequently don't require some or all of the amount set aside, the excess amount may be clawed back by the Director as permitted by the Schools Finance Regulations 2008.
- (vi) If at the end of the following year a school has not spent its surplus balances in line with its Approved Plan and is unable to justify this action to the satisfaction of the Director of Children's Services, then the Director may claw back school budget share reserves, as permitted by the Schools Finance Regulations 2008 and retain some or all of any unspent balances at the financial year end.

Schools will be notified of the Director of Children's Services decision to claw back any balances by Children's Services Accountancy.

- (vii) The total of any amounts deducted from schools' budget share reserves by the Authority under this provision is to be applied to the Schools Budget of the Authority and allocated in accordance with Schools Forum approval.
- (viii) Schools Forum may invite Head Teachers to discuss their school's plans in detail during the course of its normal business, if required.
- (ix) Schools Forum will be notified on an annual basis of the total surplus balance held by schools for all activities including; full service extended services, community activities, Standards Fund, private and other funds.

### **Process & Timetable**

- Financial Year end 31<sup>st</sup> March;
- Unspent balances at the end of the financial year confirmed early May;
- Children's Services Accountancy will review:
  - any excess reserves set aside to balance the previous year's budget
  - reserves over the cash limit
  - whether the previous year's reserves have all been spent and whether they have been spent in accordance with the approved plans
- Schools provide Provisional Plans for the next financial year for unspent balances held in the reserve categories

listed in section 4.3. These will be sent to Children's Services Accountancy by early May;

- Provisional plans to be discussed with Building and Estates – where capital works planned;
  - Director of Children's Services notifies schools of his intention to claw back balances;
- Provisional Plans for the new financial year which include any claw back are presented to Schools Forum at the Summer Term meeting;
- The plans for each school's reserves are either confirmed as Approved Plans (Accountancy notify school) or not approved (further discussions etc);
- Reassignment of plan requests, received mid year, to Director of Children's Services and schools notified accordingly;
- Process recommences.