

Pennaeth Addysg Head of Education

Dewi R Jones

Gofynnwch am/Ask for:

Mr Hefin Owen ☎(01286) 679061

✉ hefinowen@gwynedd.gov.uk

Mrs Kathy Bell ☎(01286) 679449

✉ kathybell@gwynedd.gov.uk

Mr Gwyn Owen ☎(01286) 679561

✉ gwynowen@gwynedd.gov.uk

Ffacs 📠(01286) 677347

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School Headteachers

20 June 2013

Dear Headteacher

A) SCHOOL ACCOUNTS

Final Accounts for Financial Year 2012/13

The final accounts for 2012/13 have been completed and you will already have received a statement indicating the total available resources and true net expenditure (including interest) for the year. For primary schools, the statement shows budget and true expenditure for each budget heading. The secondary and special schools provide their own reports of FMS system.

Overspend at the end of 2012/13

It is a statutory requirement for schools who have a deficit at the end of the financial year to provide the LEA with details of their financial strategy so as to clear this deficit. It would be appreciated if you would please send me a letter providing a summary of the situation **by 5 July 2013**. There are 9 primary schools, 2 secondary schools and 1 special school who over-spend at the end of 2012/13.

B) SCHOOL BALANCES 31/03/2013

As you will be aware, school balances have been regularly and increasingly discussed over recent years by headteachers, Governors, Councillors etc. Gwynedd schools had the highest percentage of balances in Wales at the end of 2011/12 standing at *5.9% (see my letter dated 24 January 2013 - **Appendix 1**).

An enquiry was received from the Minister for Education on 12 February 2013 - see **Appendix 2** that also includes the Cabinet Member for Education's response.

Here is a summary of school balances on 31/03/2013 -

	percentage	31/03/2012	increase/reduction	31/03/2013	percentage
Primary	7.53%	£2,309,098	+ £34,767	£2,343,865	6.68%
Secondary	6.06%	£2,059,415	- £586,048	£1,473,367	4.31%
Special	2.57%	£69,107	- £73,022	- £3,915	-0.20%
Total	*6.59%	£4,437,620	- £624,303	£3,813,317	5.35%

(* The Assembly uses a different basis to calculate school balances)

Swyddfa'r Cyngor
Caernarfon
Gwynedd LL55 1SH
01766 771000
www.gwynedd.gov.uk

There is a substantial reduction in the secondary and special sector balances, but an increase in the primary sector.

A spreadsheet is appended detailing the situation of each individual school (**Appendix 3**).

You will be aware that the Schools Funding Regulations legislation (Wales) 2010 that has been implemented since 1 April 2011, that gives an LEA powers when a surplus after setting a budget exceeds the threshold of £50,000 in the primary sector or £100,000 in the secondary and special sectors.

The Council Board has also decided to exceed the £50,000/£100,000 threshold and use the 8% of the allocation – or whichever is the greatest. The Schools Budget Forum will review this at their meeting held on 25/06/2013.

The following procedure will be implemented regarding balances in Gwynedd schools this year -

1. Balances of over 5% (Schools Funding Scheme)

To comply with Schools Funding Scheme (clause 4.2) there is a statutory requirement on schools who have balances of over 5% of their allocation to report to the LEA on the use that the school intends to make of the balances (it is expected that the Governing Body has agreed on the school's response to the questionnaire).

65 primary schools and 8 secondary schools have balances in excess of 5% at the end of 2012/13.

A questionnaire is appended (**Appendix 4**) for you to respond to the enquiry – if applicable.

Time-table – questionnaire to be returned to the Development Finance Unit by no later than 5 July 2013

2. Budget for 2013/14

Education Department and Finance Department Officers to review school budgets for 2013/14 (that should have been established by the full Governing Body by 31 May 2013) to identify the uncommitted balances element in the budget and calculate the element that exceeds the threshold.

Time-table – by the end of term

3. Direct Governing Body

Following a detailed review of matters 1 and 2, if appropriate, I will direct the Governing Body which has balances above the threshold how to spend an element of their balances and request confirmation that they will act in accordance with the instruction.

I will also contact schools which have balances in excess of 5%, but under the threshold, if the questionnaire on use of balances is unclear and/or that the reasons offered are unacceptable or vague.

Time-table – implement in September 2013

4. Surplus payment to the LEA

Review the schools revised budget by November 2013 and unless the Governing Body acts in compliance with the guidance, I will notify them of the appropriate amount that I will transfer from the school budget to the schools budget during the financial year 2013/14.

Time-table – implement during the period December 2013 to March 2014.

C) SCHOOL ACCOUNTS MONITORING

Increase in balances having set budget for 2012/13

A report was presented to the Schools Budget Forum 04/02/2013 to highlight use of balances when establishing the budget for 2012/13, an initial projection of balances on 31 March 2013, as well as a review of the budget during the year. By now, we are aware of the actual situation (**Appendix 5**), and a summary is provided below -

	balances 31/03/2012	Use when setting a budget 2012/13	OBJECTIVE 1 balances 31/03/2013	OBJECTIVE 2 balances 31/03/2013	TRUE balances 31/03/2013
primary	£2,309,098	£969,851	£1,339,247	£2,252,000	£2,343,865
secondary	£2,059,415	£984,064	£1,075,351	£1,257,490	£1,473,367
special	£69,107	£0	-£77	-£45,000	-£3,915
Total	£4,437,620	£1,953,915	£2,414,521	£3,464,490	£3,813,317

- **OBJECTIVE 1** – When setting the budget for 2012/13, the schools state that they commit £1,953,915 of balances when setting the budget, that leads to an initial projection that balances reduce to **£2,414,521** at the end of the financial year.
- **OBJECTIVE 2** – A review held during the year provides revised projected balances of £3,464,490 that is **£1,049,969 above** compared to the time when the budget was set up.
- **TRUE** – The true situation indicates balances of £3,813,317 that is **£1,398,796 above** the estimate. (OBJECTIVE 1) .

It is intended to target certain schools to identify and understand the reasons for the increase in unplanned balances during the year. Secondary schools with an increase of

over £75k and primary schools with an increase of over £40k are targeted. Education Officers and Development Finance Unit staff will investigate with the following schools during the Summer -

secondary schools	primary schools
Eifionydd	Tregarth
Botwnnog	Llandygai
Glan Y Môr	Penybryn, Tywyn
Tryfan	Maesincla

and report to the Forum on their findings at the meeting held on 13 November 2013.

May I remind you of the general concern that persists that some schools do not always make best use of the available finance for the children who are currently in the educational system, this matter has been highlighted by the Cabinet Member for Education.

A report on school final accounts and balances will be presented to the Schools Budget Forum on 25/06/2013.

Yours sincerely,

Dewi R Jones

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Head of Education