

Leighton Andrews AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Education Cabinet Members in
Wales

12 February 2013

Dear Education Cabinet Members

I would like to bring to your attention the current position regarding the level of surplus budgets held by schools in Wales.

The levels of surplus budgets have tended to fluctuate over recent years, but they have remained at consistently high levels.

Statistical bulletin 177/2012, (released on 24 October 2012 by the Welsh Government's Statistical Directorate), shows that the level of reserves held by schools in Wales at 31 March 2012 was £67 million, or the equivalent of £149 per pupil. Whilst this represents a decrease of 9% from the previous year (when the levels were £74 million), I am concerned that this is still too high.

The School Funding (Wales) Regulations 2010 introduced provisions allowing local authorities to take action when school surplus balances reach certain levels. When surplus budgets held by schools exceed £50k for primary schools or £100k for secondary and special schools, authorities can direct schools to spend surpluses. If a governing body does not comply with such a direction, authorities may recover all or part of that surplus and allocate it to the authority's schools budget to be recycled for education in whatever way the authority sees fit.

There will of course, be certain circumstances where schools will have acceptable reasons to hold excessive surplus balances. For example, where expenditure has been set aside for a specific purpose and will be spent within a defined timescale. As long as the school has a robust plan to support this, they should be allowed to use the surplus for that purpose. However, if schools do not have plans that stand up to scrutiny, authorities should be taking action to reduce those schools' surplus budgets. Excessive surplus balances are not good budget management.

I am aware that some authorities are taking appropriate action and working with their schools to reduce surplus budgets. However, some authorities are not and this needs to be addressed. Local authorities should all be working to address this issue; and should be sharing the good practice of the most proactive local authorities for the benefit of all areas across Wales.

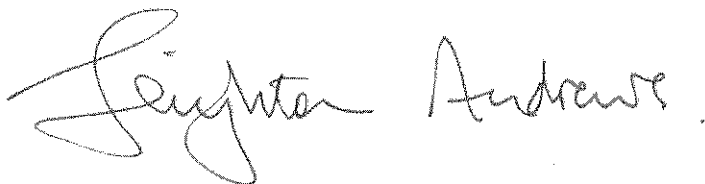
Some local authorities have commented that the provisions within the School Funding (Wales) Regulations 2010, to take action on school surplus budgets would benefit from either adjusting the monetary limits or including a percentage figure as well as monetary limits. We are considering revising the regulations to ensure that the provision is fit for purpose for all schools. However, in the meantime authorities should be taking action as the provision allows.

I would urge you to discuss this issue with your Directors of Education and ensure that you are clear in respect of what they are doing to reduce surplus budgets in schools within their area. From these discussions you should be clear what plans your authority have in place; and, within what timescales they expect to see improvements.

I would appreciate it if you could provide feedback from these discussions with Directors of Education to Steve Vincent, Deputy Director Schools Management & Effectiveness Division by the end of the financial year.

I must advise that if the situation does not improve or I am not convinced that you are taking the necessary action then I will take advice as to whether I can use the Welsh Ministers' intervention powers and direct authorities to take appropriate action to reduce school surplus budgets.

I am sending a copy of this letter to all Council Leaders in Wales.

A handwritten signature in black ink that reads "Leighton Andrews". The signature is written in a cursive style with a large, stylized initial 'L'.

Leighton Andrews AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills

Dirprwy Arweinydd y Cyngor • Deputy Council Leader
Aelod Cabinet dros Addysg a Phlant a Phobl Ifanc •
Cabinet Member for Education and Children & Young People
Cynghorydd / Councillor Sian Gwenllian



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Ein Cyf / Our Ref: **SG/lS**
Eich Cyf / Your Ref:

8 April 2013

Steve Vincent
Deputy Director
Schools Management and Effectiveness Sub-department
Welsh Assembly Government
Cardiff Bay
CARDIFF
CF99 1NA

Dear Steve Vincent

Re: School surplus reserves in Wales

I wish to acknowledge receipt of a letter dated 12 February 2013 from the Minister for Education on the above mentioned matter and present the following comments regarding his request.

I accept the comments made by the Minister for Education and Skills namely that total balances of some schools in Wales as at 31 March 2012 were too high and LEA's need to work with their schools to address this.

I also fully recognize that Gwynedd Schools had the highest percentage of school balances on average in Wales and I note that this matter receives detailed focus from the Schools Budget Forum and that I have already expressed my dissatisfaction about this situation to the Forum.

A clear implementation procedure has recently been established where the Education Department targets schools who have unallocated balances that exceed a specific threshold and review/challenge schemes that refer to use of these balances whilst also considering whether schools require further guidance on spending – enclosed for your information is a copy of a letter from the Head of Education to our schools outlining the current measures being taken in Gwynedd.

I have also forewarned the Schools Budget Forum **that unless there is sufficient progress on this matter, that the implementation measures will be reviewed and tightened up.**

I also support the intention to review the funding regulations.

Yours sincerely,

Cllr. Sian Gwenllian
Deputy Leader of the Council and
Cabinet member for Education and Children and Young People

Copy: Dyfed Edwards, Leader Gwynedd Council
Dilwyn Williams, Corporate Director
Hefin Owen, Finance Manager
Dewi R Jones, Head of Education
Owen Owens, Senior Manager Education

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