

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET  
22<sup>nd</sup> November 2016**

**REPORT AUTHOR:** County Councillor Arwel Jones, Portfolio Holders for  
Schools and County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Unlicensed School Budgets

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**REPORT FOR:** Decision

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**1. Summary**

1.1 Governing Bodies of maintained schools are required, under the authority's scheme for financing schools, to set and submit an annual budget for their school together with initial budget plans for a minimum of the following two financial years. Where a school is planning to set a deficit budget in the current 2016/17 financial year, this budget must be approved and licensed by the Authority.

1.2 A report was considered by Cabinet on the 5<sup>th</sup> July, 2016, and Cabinet approved or licensed the majority of the budgets submitted by Governing Bodies. A further report was requested for those schools submitting unlicensed deficit budgets to be brought to Cabinet during the Autumn Term 2016.

1.3 Eight (8) schools did not meet the requirements to have their budgets licensed as their projected deficit balance at 31 March 2017 is not brought back into balance within three years:

Churchstoke C P School  
Clyro C in W School  
Llanrhaeadr Ym Mochnant C P School  
Ysgol Dolafon  
Brecon High School  
Llanidloes High School  
Ysgol Maesydderwn  
Ysgol Cedewain Special

1.4 The Governing Bodies of these schools were issued with a Notice of Concern in accordance with 2.15 of the Scheme, stating that the budget plan is not in compliance with the scheme and requiring them to take urgent action to remedy the financial position and produce a recovery plan by the 16<sup>th</sup> September

2016. Each of these schools are subject to being called in to scrutiny and they will be advised accordingly.

- 1.5 At a Cabinet meeting on the 26<sup>th</sup> July, Cabinet received 2 additional reports in respect of Financial Management at Brecon High School and Ysgol Cedewain.
- 1.6 In respect of Brecon High School, Cabinet resolved the following:-
  - That the report is noted.
  - That the School must submit their recovery plan by 23rd September 2016.
  - That the School must collaborate in further independent review of budget, curriculum planning and identification of efficiencies.
  - That Cabinet to consider the findings of the independent review.
  - That should the school not comply with 2 and 3 above the Authority may invoke powers of intervention.
- 1.7 Further to the original recommendation at the meeting of the 26<sup>th</sup> July, an extension in relation to the deadline for the recovery plan has been agreed for Brecon High School. This has been agreed as the feedback from the independent review which took place on the 8<sup>th</sup> September, recommended additional time to review the curriculum in full. A further visit took place on the 13<sup>th</sup> October and the school has been granted an extension for the submission of the recovery plan by the 14<sup>th</sup> November 2016.
- 1.8 In respect of Ysgol Cedewain Cabinet resolved the following:-
  - That the report is noted and a further report is provided by the 27<sup>th</sup> September outlining the findings of the work commissioned as set out in section 3 of the report and any actions.
- 1.9 Further to the original recommendation at the meeting of the 26<sup>th</sup> July, an extension in relation to the deadline for the recovery plan has been agreed for Ysgol Cedewain. This has been granted to give the Governing Body sufficient time to develop their recovery following the receipt of the report from the independent review. The revised deadline for the recovery plan was the 11<sup>th</sup> November, 2016.
- 1.10 Separate reports will be submitted to Cabinet for both Brecon High and Ysgol Cedewain upon receipt of their recovery plans. The remaining six schools are considered in the following sections.

## **2. Deficit Budgets**

- 2.1 The Scheme for the Financing of Schools requires that “*planned expenditure must not exceed the resources available to the school, taking into account any balances due to or from the school for the*

*previous year, without specific approval by the County Council under para 4.9 (unlicensed deficits). Failure to set a budget within the resources available may lead to the issue of a notice of concern with accompanying restrictions on powers of expenditure or to the withdrawal of delegated powers from the school.” (Section 2.2 submission of budget plans)*

2.2 Sections 4.5 to 4.9 of the scheme provide the requirements in terms of deficits budget, these sections are included in Appendix A.

2.3 The financial position of the remaining 6 Unlicensed schools that were taken to Cabinet on the 5<sup>th</sup> July 2016 were as follows:

<b>School</b>	<b>2015/16 Actual</b>	<b>2016/17 Cabinet Budget</b>	<b>2017/18 Draft Budget</b>	<b>2018/19 Draft Budget</b>
Churchstoke C P School	(7,731)	(15,378)	(42,380)	(67,576)
Clyro C in W School	(9,068)	(45,208)	(79,362)	(94,668)
Llanrhaeadr Ym Mochant CP School	20,171	(33,820)	(73,124)	(116,800)
Ysgol Dolafon	14,125	(28,474)	(68,795)	(99,043)
Ysgol Maesydderwen	42,966	(35,983)	(210,485)	(337,473)
Llanidloes High School	(148,043)	(175,641)	(260,882)	(301,996)

2.4 The revised projected financial position of the remaining 6 schools that submitted recovery plans are as follows:-

<b>School</b>	<b>2015/16 Actual</b>	<b>2016/17 Cabinet Budget</b>	<b>2016/17 Revised Budget</b>	<b>2017/18 Draft Budget</b>	<b>2018/19 Draft Budget</b>
Clyro C in W School	(9,068)	(45,208)	(31,595)	(24,212)	978
Churchstoke C P School	(7,731)	(15,378)	813	(18,812)	(40,549)
Llanrhaeadr Ym Mochant CP School	20,171	(33,820)	(16,696)	(15,923)	(19,196)
Ysgol Dolafon	14,125	(28,474)	150	993	(10,627)
Ysgol Maesydderwen	42,966	(35,983)	(30,876)	(92,945)	(198,909)
Llanidloes High School	(148,043)	(175,641)	(183,008)	(246,799)	(275,691)

- 2.5 Clyro C in W School submitted a recovery plan which meets the requirements of the scheme as it shows the budget achieving a surplus balance in 2018/19. This budget can now be licensed. The school will continue to meet with Finance during the autumn to review their ongoing budget in light of the impact in the change of the age of admission.
- 2.6 Churchstoke C P School have continued to work with the authority in order to produce a balanced budget, a review by Governors of the financial position of the school is regularly carried out alongside any support from Finance and Schools Service. The school has taken every opportunity and pursued various options each year to reduce the deficit forecast. Since the Cabinet report on the 5<sup>th</sup> July, the school have further reduced the deficit from £15k to a £813 surplus position for the 2016/17 financial year. This surplus position means that the budget can now be approved as it meets the requirements of the scheme. Further work is required on the ongoing budget plan as the projections show a further decline and a move back into a deficit position.
- 2.7 Llanrhaeadr Ym Mochnant CP School have submitted a revised budget plan. The school have reviewed their staffing structure, and changes have been actioned from the beginning of the Autumn Term 2016, with further changes planned. This forecasted position has resulted in a reduction of the deficit from £117k to £19k by the end of the 2018/19 financial year. However, the current plan would still not meet the requirements of the scheme for financing schools as the deficit is not projected to be paid back over a 3 year period. Therefore Llanrhaeadr Ym Mochnant CP school should remain unlicensed.
- 2.8 Ysgol Dolafon submitted their recovery plan, the school have reviewed their staffing structure and amendments have taken place from the Autumn Term 2016, with further changes scheduled for Spring Term 2017. The recovery plan submitted by the school projects a cumulative surplus of £150 in the 2016/17 financial year, with a slight increase to £993 by the end of 2017/18. The budget plan can be approved as the 2016/17 financial year is projected to be in a small surplus.
- 2.9 Ysgol Maesydderwen have submitted a revised budget plan. The school have taken forward some changes which has resulted in a reduction in the forecasted deficit by the end of 2018/19 from £337k to £199k. The school have other options they will be exploring, however currently the budget plan does not meet the requirements of the Scheme for financing schools as the deficit is not projected to be paid back over a 3 year period. The Headteacher feels that the curriculum

could not be reviewed any further unless group sizes were raised to an unacceptable level.

Therefore Maesydderwen budget should remain unlicensed.

- 2.10 Llanidloes High School have submitted a revised budget plan. The school has taken forward some changes which have resulted in a reduction in the forecasted deficit by the end of 2018/19 from £302k to £276k. The school have other options they will be exploring, however currently the budget plan submitted does not meet the requirements of the Scheme for financing schools as the deficit is not projected to be paid back over a 3 year period. The Headteacher feels that the curriculum could not be reviewed any further unless group sizes were raised to an unacceptable level.
- Therefore Llanidloes budget should remain unlicensed.

### **3. Further Action and Proposal**

- 3.1 Revised budget plans for Churchstoke, Clyro C in W School, and Ysgol Dolafor are approved or licensed as they meet the requirements of the Scheme for Financing Schools.
- 3.2 The revised budget plan submitted by the Governing Body of Llanrhaedr Ym Mochnant shows a significant improvement in reducing the deficit from £117k to £19k, it is proposed that officers of the authority continue to work with the school to further improve this position. The Governing Body have worked closely with and collaboratively with the Local Authority in drafting the recovery plan, it is proposed that no further intervention is taken at this time.
- 3.3 Ysgol Cedwain submit a recovery plan by the 11<sup>th</sup> November and a report submitted to Cabinet with the findings of the review and the recovery plan. If the schools fails to submit a revised budget and recovery plan a warning notice be issued to the school.
- 3.4 Brecon High School submit a recovery plan by the 14<sup>th</sup> November 2016 and a report submitted to Cabinet with the findings of the review and recovery plan.
- 3.5 Maesydderwen and Llanidloes High School remain unlicensed and an independent review is commissioned for each school to review their budget plans, curriculum provision and staffing arrangements. Revised budgets and recovery plans be submitted back to Cabinet for consideration in December.

### **4. Further Action available to Cabinet**

- 4.1 The School Standards and Organisation (Wales) Act 2013 ("the Act") consolidates, clarifies and reforms the law in relation to intervention in schools causing concern.

- 4.2 The Welsh Government have issued statutory guidance under section 20 of the Act. The guidance is Guidance Document 202/2016 issued in March 2016 (Schools causing concern- Statutory guidance for schools and local authorities.)
- 4.3 A school will be “eligible for intervention” where one or more of the six grounds identified below exist
- **Ground 1**- the standards of performance of pupils at a school are unacceptably low
  - **Ground 2** - there is a breakdown in the way a school is managed or governed
  - **Ground 3** -the behaviour of pupils at the school or any action taken by those pupils or their parents is severely prejudicing, or is likely to severely prejudice, the education of pupils at the school.
  - **Ground 4** -the safety of pupils or staff is threatened whether by a breakdown of discipline or otherwise
  - **Ground 5** –the governing body or Headteacher has failed, or is likely to fail with a duty under the education acts
  - **Ground 6** -the governing body or Headteacher has acted, or is proposing to act unreasonably in the exercise of any of its or his or her functions under the Education Acts
- 4.4 Where an authority has specific concerns about a school related to the above, a warning notice must be given in writing to the governing body of the school and must set out
- The grounds for intervention
  - The reasons why the authority is satisfied that the grounds exist
  - The action the governing body is required to take in order to deal with the grounds for intervention
  - The period in which the action is to be taken by the governing body (this is “the compliance period”)
  - The action the local authority is minded to take if the governing body does not take the required action

Where a warning notice has been given which has not been complied with, to the satisfaction of the Local Authority within the compliance period, the school is eligible for intervention.

Where a school is “eligible for intervention” there are a number of powers the Local Authority may use. Where a local authority decides that sufficient evidence exists to warrant the formal use of its powers of intervention, the Welsh Ministers should be notified of the type of intervention that the authority has put in place.

#### 4.5 Local Authority Intervention Powers

1. Requirement to secure advice or collaborate

**Purpose of intervention;** to require a school to secure advice or collaborate in order to secure improvements

**Best used;** where the school or key figures within it refuse to collaborate with an appropriate partner

2. Appointment of additional governors

**Purpose of the intervention;** to strengthen the Local Authority's voice on the governing body and /or provide additional expertise to the governors in key areas to support school improvement

**Best used;** where the governing body needs additional expertise , or the Headteacher and senior management team need further challenge.

3. The suspension of delegated authority for the governing body to manage a school's budget

**Purpose of the intervention;** to secure control over staffing and spending decisions in order to secure improvements

**Best used;** where the governing body is providing insufficient challenge to the Headteacher or senior management team of the schools, or where the management of the budget is providing a distraction from the improvement priorities for governors

4. The Appointment of an Interim Executive Board(IEB)

This requires an application to Welsh Ministers for consent to constitute the governing body as an IEB. It is a specially constituted governing body which replaces a school's existing governing body

**Purpose of the intervention;** to secure a step – change in the leadership and management of the school through the use of a specially- appointed governing body for a temporary period

**Best used;** where the governing body is providing insufficient challenge to the Headteacher or senior management team of the school, is providing an obstacle to progress, or where there has been a breakdown in working relationships that is having an impact on standards

#### 5. One Powys Plan

- 5.1 This proposal supports the key areas prioritised for improvement within the One Powys Plan.

- Transforming learning and skills - All children and young people are supported to achieve their full potential.

- Financially balanced and fit for purpose public Services - Enabling 'joined up' services for Powys citizens through public and third sector partnerships.

**6. Options Considered/Available**

The Authority also has the option to withdraw delegation from the Governing Body and manage the budget from within the Authority. This can only be done following the issuing of a formal warning notice and non-compliance within a set timeframe

**7. Preferred Choice and Reasons**

N/A

**8. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc.**

N/A

**9. Children and Young People's Impact Statement - Safeguarding and Wellbeing**

N/A

**10. Local Member(s)**

Cllr J Gibson Watt

Cllr M J Jones

**Cllr A Davies comments:**

No school wants to be in a deficit position, over the recent months the Head and Governors of Llanrhaeadr YM primary school have had extensive discussions with the School Service to try and find a solution to bring the school budget back into the black. Many budget options have been considered, one suggested budget option that did meet the Scheme for the Financing of Schools was considered but PCC officers cast doubt on the deliverability. The latest proposed budget does not meet the Scheme for the Financing of Schools as the school budget will remain in a deficit position over the next 3 years, however that deficit is much reduced.

The £18k efficiency savings demanded in addition to a very large unjustified cut in SEN funding and other budget cuts will make a balanced budget unachievable at this moment in time without putting at risk the educational standards and the school's dual stream structure. The current budget proposal will have a negative impact on the Welsh language provision, greater cuts will weaken provision further, in my opinion, this is unacceptable.



The Cabinet must review the impact that the fair funding formula has on a dual stream school of this size. The 'fair' funding formula does not deliver adequate funding to maintain this school. The governors of Llanrhaeadr YM school have worked hard to try and resolve the issues but to date a solution has not been found. The Head and Governors welcome continued interaction with the school service to try and deliver a solution. However I suspect that a solution will not be possible without an increase in resources. If an increase in resource is not delivered and the Cabinet insist on a balanced budget within 3 years, the education of Llanrhaeadr children will be damaged and the delivery of a Welsh medium education will be further compromised.

A reduction in teaching staff at Llanrhaeadr YM primary school that is greater than 20% will clearly impact the children's education it will also put Llanrhaeadr YM dual stream delivery model at risk. The Cabinet must review funding of such schools before demanding larger cuts and causing further damage.

Cllr T J Van-Rees  
Cllr S Williams  
Cllr S Davies  
Cllr D A Thomas  
Cllr S McNicholas  
Cllr H Williams  
Cllr G Jones  
Cllr R Davies  
Cllr G Morgan  
Cllr Roche Davies

#### **11     Other Front Line Services**

Schools service – The head of Schools service notes the report and supports the recommendations. Senior managers in the Schools Service will provide advice and support in collaboration with the Finance Team and any commissioned services.

#### **12     Support Services (Legal, Finance, HR, ICT, BPU)**

The Finance Business Partner for Schools comments that the Finance Team will continue to support and challenge Governing Bodies in their budget preparation, monitoring and financial planning. Staff will also support the work of the independent reviews.

HR –

Legal - The recommendations can be supported from a legal point of view. If Cabinet chose to adopt any of the further actions set out in section 4 of the report, additional legal advice should be sought.

#### **13.   Local Service Board/Partnerships/Stakeholders etc**

N/A

**14. Communications**

The report is of public interest and requires news release and use of appropriate social media to publicise the decision.

**15. Statutory Officers**

The Strategic Director Resources (Section 151 Officer) comments that whilst it is welcomed that the number of unlicensed deficit budgets is reducing this remains a cause of concern for the overall delegated budget. It is important that Governing Bodies take appropriate action to rectify the position and to move from an unlicensed budget situation.

The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report.

**16. Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>That the revised Budget plans for Churchstoke C.P. and Ysgol Dolafon are approved and that the revised Budget Plan for Clyro C in W School is licensed.</b>	<b>To comply with the Authority's scheme for the financing of schools</b>
<b>That the budget plan for Llanrhaeadr Ym Mochnant remains unlicensed but the school are required to continue to work with the local authority to further improve this position. The Governing Body have worked closely with and collaboratively with the Local Authority in drafting the recovery plan, it is proposed that no further intervention is taken at this time.</b>	<b>To comply with the Authority's scheme for the financing of schools</b>
<b>That Llanidloes High school and Ysgol Maesydderwen must collaborate in the independent review of their budget, curriculum planning</b>	<b>That an appropriate budget plan is submitted by each school which complies with the Authority's scheme for the financing of schools.</b>

<p>and staffing arrangements.</p> <p>Revised budgets and recovery plans be submitted back to Cabinet for consideration in December.</p> <p>Should the schools not comply the Authority will consider issuing a warning notice.</p>	
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<b>Relevant Policy (ies):</b>	Scheme for the Financing of Schools		
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>

<b>Relevant Local Member(s):</b>	Cllr J Gibson Watt Cllr M J Jones Cllr A Davies Cllr T J Van-Rees Cllr S Williams Cllr S Davies Cllr D A Thomas Cllr S McNicholas Cllr H Williams Cllr G Jones Cllr R Davies Cllr G Morgan Cllr Roche Davies
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<b>Person(s) To Implement Decision:</b>	Schools Finance Manager and Senior Schools Staff
<b>Date By When Decision To Be Implemented:</b>	

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597826341	jane.thomas@powys.gov.uk

**Background Papers used to prepare Report:**

Scheme for the Financing of Schools

**Extract from the Scheme for the Financing of Schools**

**4.5 Obligation to carry forward deficit balances**

A deficit balance at the end of a financial year will be treated as a deduction from the following year's budget share.

**4.6 Planning for deficit balances**

A governing body has no legal right to set a deficit budget without the consent of the Authority and should not presume that such consent will be granted. The Authority will consider approving a licensed deficit to a school in certain approved circumstances (see para. 4.9).

**4.7 Charging of interest on deficit balances**

The Authority will charge interest on deficit balances. The charge will be based on the school's closing cumulative balance at the end of the financial year. To ensure that the school will effectively repay, in real terms, the deficit sum its value will be increased each year in line with any inflation increase applied to school budget shares.

**4.8 Writing off deficits (see also section 3.6)**

The Authority has no power to write off the deficit balance of any school except for a closed school, subject to authorisation of the Portfolio Holder for Education.

**4.9 Licensed deficits**

The detailed arrangements applying to this scheme are set out below:

- (a) the maximum length of time over which a school may repay a deficit is three years, except where a longer period, not exceeding five years, has been agreed in exceptional circumstances and with the support of the Head of Schools and the Section 151 Officer. In practice the timescale will depend on the extent of the deficit and the school's ability to take early action.
- (b) deficit arrangements may be agreed in the following circumstances:
  - falling pupil numbers;
  - to spread the cost of cyclical maintenance works over two or more years;
  - other circumstances agreed by the Authority to be reasonable

In the primary sector the maximum licensed deficit which may be approved will be up to 10% of the school's budget share (including any amounts for pupil number adjustments), but with a ceiling of £50,000.

In the secondary and special sectors the maximum licensed deficit which may be approved will be up to 7½% of the school's budget share (including any amounts for pupil number adjustments), but with a ceiling of £100,000 for special schools and £150,000 for secondary schools.

A school with a planned deficit of less than £500 and a planned underspend in the following financial year will not have to apply to have the deficit approved.

Up to a maximum of 40% of the collective school balances may be used to back the arrangements for licensed deficits. Schools holding balances in their own bank accounts may be invited to participate.

The arrangements for licensed deficits will be operated by the Strategic Director: Resources, working within the accounting requirements of the County Council as set out by the Section 151 Officer.

Schools wishing to apply to the Authority to set a deficit budget will be subject to detailed terms and conditions agreed between the governing body, headteacher and the Authority's officers. Restrictions on expenditure and a higher level of budget monitoring will be required by the school and the Authority for the period of the deficit and until such a time as the Authority is satisfied that the school has met repayment targets and is in a position of financial stability. The Authority will appoint a named officer / adviser to support the school in analysing its finance, curriculum and staffing needs.

Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years (exceptionally 5 years). The Authority's named officer / adviser will have a key role in determining whether the recovery plan can be recommended to the Authority as fulfilling these criteria.

Schools have a duty to identify potential deficits and to plan recovery action early. The Authority expects the recovery plan to be submitted by 1st May. The format of the recovery plan, and arrangements for its submission, will be specified by the Authority. The recovery plan will have to be updated at least annually until the school returns to a cumulative surplus budget and is in a position of financial stability. Failure to comply with the agreed recovery plan will mean the re-activation of the process set out in para 2.16.

The Authority will impose additional restrictions on a school during the term of the licence, as part of the licence, including but not limited to:

- the right of approval of staffing appointments and any other changes to staffing that increase costs;
- the right of approval of contracts over a specified value;
- restriction of expenditure to agreed plans and removal of powers of virement;
- a requirement to purchase the full Local Authority financial support package;
- agreed repayment targets, etc.

- the written agreement to the terms by the Chair of Governors, following a resolution passed by the full governing body.

The named officer / adviser will be the first point of contact for the school in relation to these restrictions. He or she will make appropriate recommendations to the Strategic Director: Resources and Head of Schools Service. The need for and extent of such restrictions will be assessed on a school by school basis