

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET 20th December 2016

REPORT AUTHOR: County Councillor A Jones
Portfolio Holder for Education
County Councillor W Jones
Portfolio Holder for Finance

SUBJECT: School Budgets

REPORT FOR: Decision

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.
- 1.2 Under section 2.2.3 of the Scheme for Financing Schools "Any school with a planned surplus balance at the end of the financial year and is projecting a deficit budget for the following year must submit a budget recovery plan by the end of September prior to the year when the school is projected to go into deficit".
- 1.3 This report provides an update on the projected budget position for schools for the 2017/18 financial year following the report considered by Cabinet on the 5th July. The overall position of schools delegated budgets submitted to Cabinet on the 5th July 2016 was as follows:

2.0 Background

In July governing bodies submitted budget plans for 2016/17 together with the following 2 years indicative budgets, the position was as follows:

Sector	2016-17	2017-18	2018-19
Primary	1,091,419	(282,018)	(2,100,421)
Secondary	(414,293)	(1,069,102)	(1,633,713)
Special	(381,837)	(611,226)	(767,056)
Total Cumulative Reserves	295,289	(1,962,345)	(4,501,190)

- 2.1 In the annual budget proposals council approved the change to the age of admission, and this sees an annual reduction of £2.8 million for Primary Schools. This change in funding will impact on the schools financial position and will necessitate a change in schools staffing structures.

- 2.2 Officers of the authority continue to work with schools to ensure that Governing Bodies work within the financial constraints of the funding allocated to them and in compliance with the Scheme for Financing Schools and class size requirements, where applicable.
- 2.3 Surgery sessions held during the autumn were held earlier to assist schools in this process.
- 2.4 In June 2016 schools were provided with their projected funding for 2017/18 including this change. Early notification will assist schools in implementing the necessary staffing changes.
- 2.5 In July 2016 8 schools were highlighted as having unlicensed budgets. This has reduced to 5. Llanrhaeadr Y Mochnant, Llanidloes High School, Ysgol Cedewain, Ysgol Maesydderwen and Brecon High School remained unlicensed during the Autumn Term 2016. Clyro, Churchstoke and Ysgol Dolafon submitted revised budget plans which met the requirements of the Scheme. The direction of travel continues to be to remove deficits as a matter of urgency.
- 2.6 The updated 2016/17 balances forecast an increase in the cumulative surplus position previously submitted by schools to Cabinet. The forecast outturn for schools is currently a cumulative surplus of £652,908, an increase of £357,618 since the last forecast to Cabinet in the summer.
- 2.7 In relation to cumulative deficit balances forecast by schools for the 2017/18 financial year, they were required to produce a recovery plan to the authority by the 30th September.
- 2.8 The majority of schools have reviewed their financial position due to this change in funding and have plans in place to make the necessary adjustments to their budget. However, based on the current information provided the following schools would be in an unlicensed budget position for the 2017/18 financial year, and need to resolve this position before submitting their budget plans by 1st May 2017:
- Bronllys CP School
 - Castle Caereinion C in W School
 - Churchstoke C P School
 - Clyro C in W School
 - Franksbridge C P School
 - Llandrindod C in W School Trefonnen
 - Llanfihangel Rhydithon C P School
 - Talgarth C P School
 - Builth Wells High School

Finance will continue to work with these schools closely towards meeting the requirements of the scheme for financing schools.

2.9 Overall Position

Sector	2016/17 Cabinet Position	2016/17 Updated Position	2017/18 Planned Position	2018/19 Planned Position
Primary	£1,091,419	£1,540,720	£653,597	(£872,335)
Secondary	(£414,293)	(£494,622)	(£1,227,953)	(£1,615,476)
Special	(£381,837)	(£393,190)	(£738,523)	(£1,017,095)
Total	£295,289	£652,908	(£1,312,878)	(£3,504,906)

- 2.10 Schools are forecasting cumulative deficit balances increasing through to 2018/19. However, the updated position above forecasts a significant improvement to the position reported and approved by Cabinet in July 2016, which was prior to the change of admission funding being removed of approx. £2.8 million across the 2017/18 and 2018/19 financial years.

The total projected deficit for all sectors has reduced from £4,501,190 to £3,504,906 by the end of 2018/19. Schools are taking action, but careful monitoring is required continually to ensure schools take further action to address the deficits.

Deficit	Actual Position 2015/16	2016/17 Cabinet Position	2016/17 Updated Position	2017/18	2018/19
Secondary	4	7	7	7	6
Primary	13	19	16	16	48
Special	1	1	1	1	2
Total	18	27	24	24	56

- 2.11 School financial surgeries will continue to take place twice a year, in the autumn and spring terms with current budgets and forecast budgets considered. The finance department also hold additional meetings with schools as required. Financial surgeries include HR and Challenge Advisors where necessary.
- 2.12 A review of the scheme for financing schools and the fair funding formula has been carried out and proposed amendments to the scheme and formula are currently subject to full consultation.

3. Surplus Balances

- 3.1 Governing Bodies holding planned cumulative surplus balances in excess of that detailed in the scheme for financing schools are liable for claw back.
- 3.2 The budgets submitted to Cabinet on the 5th July 2016 showed 6 schools that have surpluses in excess of the limits set within the scheme for financing schools. These schools were informed they fall under the claw back rules and have been requested to provide an explanation as to the use of these reserves over the forthcoming years. The Schools Service Management Team (SSMT) met on the

17th October to discuss the 6 schools and to review their intended use of the surplus.

- 3.3 The Schools Service Management Team (SSMT) concluded that the schools concerned had been very prudent with their budgets and had shown and practised very good budget management, including utilising all funding streams effectively. It was agreed that with the expectation that schools fund their own pay and price pressures for the forthcoming years, that the surplus held would aide these schools to plan their 3 year budget effectively. Schools were also demonstrating use of surplus balances in relation to building works that were required at the school as well as any other improvements. It would also ensure that those schools who were potentially subject to clawback, and planning the utilisation of their surplus over the next few years, were not put into a position where clawback was implemented leaving the school in a subsequent deficit position due to its prudent budget management. SSMT also agreed that due to the change of admission implementation for September 2017 within Primary schools, that schools were using their surpluses to plan ahead and smooth this change also. It is therefore proposed that no clawback action is taken in respect of the following schools:

Llanidloes CP
Mount Street Infants
Priory C in W
Ysgol Dafydd Llwyd
Ysgol Penmaes
Gwernyfed High School

- 3.5 Under the School Funding (Wales) Regulations 2010, the Authority has the power to direct spending or claw back monies where planned surplus budgets held by schools exceed £50,000 for primary and £100,000 for special and secondary schools.

4. Powys 2020

- 4.1 Ensuring that Governing Bodies effectively and efficiently manage their budgets within the resources made available to them by the Council is a key contributor to ensure our schools are financially viable and fit for purpose, and the overarching council's objective that the People in Powys benefit from a financially balanced and fit for purpose council.

5. Options Considered/Available

- 5.1 Recovery plans were required to be submitted by 30th September, 2016, where schools submitted deficit budgets, officers have worked with Governing bodies to address the deficit balance. Continual work by Governing bodies and officers of the council will be required to ensure balanced budgets. It is essential that the remaining schools develop their recovery plans in order to meet the deadlines required for consultation with staff on potential redundancies. This action needs to be taken by January 2017.

5.2 If, following advice from officers, the Governing Body do not make appropriate changes to effectively manage their budget within the requirements of the Scheme for Financing Schools, the deficit budget will not be licensed and the agreed procedures within the Scheme for Financing Schools will be implemented which includes the Headteacher and Governors being requested to meet with portfolio holders and Executive Directors to discuss their budget management.

5.3 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

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

6.1 This report relates to the sustainability and financial management of schools, in order to ensure schools can comply with the Scheme for Financing Schools.

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

7.1 Not applicable in this regard.

8. Local Member(s)

8.1 All schools across the council are included in this report therefore all local members have an interest.

9. Other Front Line Services

9.1 No implications to other front line services.

10. Support Services (Legal, Finance, HR, ICT, BPU)

10.1 Deficit and surplus balances must continue to be carefully monitored to ensure schools are in compliance with the Scheme for Financing Schools and that schools take the appropriate action to ensure they meet the requirements.

10.2 It is essential that officers from Finance, HR and Schools service continue to work with the Headteachers and Governing Bodies to address school balances.

10.3 Legal:

10.4 HR:

11. Local Service Board/Partnerships/Stakeholders etc.

11.1 Not applicable to this report.

12. Communications

12.1

13. Statutory Officers

- 13.1 The Solicitor to the Council (Monitoring Officer) has commented “I note the legal comments and have nothing to add to the report.”
- 13.2 The Strategic Director Resources (S151 Officer) notes the contents of the report. The financial position facing schools is of increasing concern and will need to be monitored. Appropriate support from council officers will also be required.

It is important that the Governing Bodies make appropriate changes to manage their budget within the requirements of the Scheme for Financing Schools. The authority will need to implement the agreed procedures within the Scheme for Financing Schools where appropriate if schools are unable to make the required changes.

14. 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.

Recommendation:	Reason for recommendation
1. There is no clawback applied in respect of the 6 schools Llanidloes CP, Mount Street Infants Priory C in W Ysgol Dafydd Llwyd Ysgol Penmaes Gwernyfed High School identified in the report approved by Cabinet in July 2016.	To comply with the Authority's scheme for the financing of schools
2. Schools that have not submitted recovery plans for their projected 2017/18 deficit are required to in draft by the 28th February. Finance will continue to work with these schools to ensure an appropriate budget plan is submitted.	To comply with the Authority's scheme for the financing of schools
3. Financial surgeries continue in the spring term and schools are reminded of the possibility of claw back.	To comply with the Authority's scheme for the financing of schools
4. Existing Loans are monitored.	To comply with the Authority's scheme for the financing of schools

Relevant Policy (ies):	Scheme for the Financing of Schools		
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	All
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Person(s) To Implement Decision:	School Finance Manager & Schools Service Senior Staff
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Date By When Decision To Be Implemented:	
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Background Papers used to prepare Report:

Scheme for the financing of Schools
Good Practice Guide