

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET
18th June 2019**

REPORT AUTHOR: County Councillor M Alexander
Portfolio Holder for Education
County Councillor A Davies
Portfolio Holder for Finance

SUBJECT: School Budgets 2019/20

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. Where a school is planning to set a deficit budget in the current 2019/20 financial year, the budget must be approved and licensed by the Authority as long as it meets the requirements defined in the Scheme.
- 1.2 The cumulative outturn position at the 31st March 2019 for schools was £1.307m deficit balance on reserves. The cabinet approved position for 2018/19 was a cumulative position of £2.250m deficit on reserves. This shows an in year improvement of £0.9m and an in year net draw on reserves of £617k.
- 1.3 During the financial year Llandrindod and Builth Wells High schools closed, the closing deficit balance of both schools of £1.374m was written off. A £1m reserve was set aside at the end of last financial year for this purpose. This now leaves a deficit schools general reserve balance of £374k. The schools cumulative balance on reserves at the 1st April 2019 is £78k surplus.
- 1.4 All schools have been supported during the year. Team around the school meetings continue to take place to address continuing concerns and the action required. Notice of concerns were issued and followed up throughout the year and one warning notice was issued which is still active. This level of challenge and scrutiny will continue to ensure the levels of deficit can be reduced.
- 1.5 As at the 31st March 2019, there were twenty one (21) schools with cumulative deficit balances totalling £3.98m, this compares with twenty three (23) schools as at the 31st March 2018 with deficits of £3.71m.
- 1.6 As at the 31st March 2019 there were sixteen (16) schools whose surplus balances are greater than that defined within the scheme for financing schools will be subject to consideration for claw back.

- 1.7 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.
- 1.8 Sixty five (65) Schools are proposing to set cumulative Surplus balance in 2019/20 and meet the criteria to be approved. Twenty Eight (28) schools are proposing to set a cumulative deficit balance in 2019/20, twenty (20) of these do not meet the criteria to be licensed. Nine (9) schools failed to submit their budgets by the required date set out in the scheme, with four (4) of these submitted prior to approval by the full governing body as required and are in breach of the scheme for financing schools. The budgets for these nine (9) schools have been assessed and included in the recommendations in the report.

Llanfechain C in W – late

Llangedwyn C in W voluntary controlled – late

St Marys Catholic primary – late

Ysgol Gymraeg Dyffryn y Glowyr – late and not approved by Governing body

Ysgol Maesydderwen - late and not approved by Governing body

Welshpool High – late

Ysgol Calon Cymru – late and not approved by Governing Body

Ysgol Cedewain – late

Ysgol Penmaes - late and not approved by Governing Body

2. Deficit Budgets

- 2.1 The scheme for the financing of schools outlines the parameters within which a deficit budget may be licensed.
- 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 planning and ability to take early action.
 - In the primary sector, the maximum licensed deficit that may be approved will be up to 10% of the school's budget share but with a ceiling of £50,000. In the secondary and special sectors, the maximum licensed deficit that may be approved will be up to 7½% of the school's budget share 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 licensed.
- 2.2 There are twenty eight (28) schools planning to have a deficit balance at the end March 2020. Twenty (20) of these schools are highlighted as having unlicensed budgets. Of the twenty eight schools, nine (9) of these were unlicensed last year and remain in that position. Eleven (11) schools have moved into an unlicensed position during the year. Eight (8) schools are in a licensed deficit position.

Comparison of 2018/19 to 2019/20 deficits

	School	Number in 18-19	Number in 19-20	Value £k 18-19	Value £k 19-20
<i>Unlicensed Deficits</i>	<i>Primary</i>	7	12	189	567
	<i>Secondary</i>	8	7	4,241	4,314
	<i>Special</i>	1	1	269	309
Total Unlicensed Deficits		16	20	4,699	5,190
<i>Licensed Deficits</i>	<i>Primary</i>	2	6	25	61
	<i>Secondary</i>	0	1	0	74
	<i>Special</i>	1	1	5	25
Total Licensed Deficits		3	8	30	160
Total Deficits		19	28	4,729	5,350

Details of individual schools are shown in Appendix A

3. Loan Scheme

3.1 In 2013/14 the Authority approved the implementation of a loan scheme. The following four schools received loans in 2013/14:-

School	Amount (£)	Term	Balance 31st March 2019
Brecon High School	432,000	Ended	0
Caersws C P School	25,000	10 Years	£12,500
Talgarth C P School	25,000	School Closed Written off	£0
Ysgol Dyffryn Trannon	45,000	10 Years	£22,500

3.2 The loan scheme was withdrawn during 2015/16 and no further loans have been approved. Schools who have already had loans authorised will continue to have the loans in place subject to meeting the loan repayments and the terms of the loan as per the agreement made at the time.

3.3 Each of the schools have made repayments on the loans, Caersws C P School and Ysgol Dyffryn Trannon have submitted approved budget plans for 2019/20. Brecon High school loan has been recharged back to the schools balance and is shown in their cumulative position.

4. Surplus Balances

4.1 Governing Bodies holding planned cumulative surplus balances in excess of that detailed in the scheme for financing schools are liable for claw back. There are two types of clawback i) clawback on outturn ii) clawback on budget set out in the scheme of financing schools.

4.2 There are sixteen (16) schools that meet the criteria set out in the scheme to have potential outturn surplus clawback. These schools will be written to asking

for details as to why this occurred and the planned use so that a clawback decision can be made by the end of the Summer Term. These schools are:

Builth Wells C P
 Buttington Trewern C P
 Guilsfield C P
 Knighton C in W
 Llanfair Caereinion C P
 Llanidloes C P
 Montgomery C in W
 Mount St C P junior
 Treowen C P
 Welshpool C in W
 Ysgol Bro Tawe
 Ysgol Dafydd Llwyd
 Ysgol Y Cribarth
 Gwernyfed High School
 Newtown High school
 Ysgol Penmaes

- 4.3 There are sixty five (65) schools proposing a surplus balance at the 31st March 2020 and are therefore approved. This compares to seventy four (74) schools that were approved in June 2018.

	School	Number in 18-19	Number in 19-20	Value £k 18-19	Value £k 19-20
<i>Approved</i>	<i>Primary</i>	68	61	2,072	1,881
<i>Surpluses</i>	<i>Secondary</i>	5	3	441	334
	<i>Special</i>	1	1	114	47
Total surpluses		74	65	2,627	2,262

- 4.4 Of the sixty five (65) schools showing a surplus position at the end March 2020, fourteen (14) are subject to clawback on the budgeted balances. These schools will be written to and asked to provide an explanation as to the reasons for the surplus being in excess of the acceptable levels set out by the scheme of financing schools. The schools that fall under this potential budget clawback are:

Builth Wells C P
 Guilsfield C P
 Hafren C P Junior
 Knighton C in W
 Llandinam C P
 Llanfair Caereinion C P
 Llanidloes C P
 Montgomery C in W
 Mount St C P Junior
 Priory C in W (A)
 Sennybridge C P

Ysgol Bro Tawe
 Ysgol Golwg Y Cwm
 Gwernyfed High School

- 4.5 Recommendations for budget clawback will be brought to Cabinet in the Autumn term.
- 4.6 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.

5. Proposal

5.1 2019/20 Budget Position

Type of School	Number of Schools Projected to be in Deficit	Number of Schools Projected to be in Surplus	Actual Deficit	Actual surpluses	Total
			£000	£000	£000
Primary	18	61	(628)	1,881	1,253
Special	2	1	(334)	47	(287)
Secondary	8	3	(4,388)	334	(4,054)
Total	28	65	(5,350)	2,262	(3,088)

- 5.2 Appendix A shows the outturn position for all schools as at 31 March 2018 together with the planned projected budget position and planned cumulative balance for each school for the years ending 31 March 2020, 31 March 2021 and 31 March 2022.
- 5.3 The reserves collectively held by schools at 31 March 2019 was £78k surplus. The budget proposals submitted for the 2019/20 financial year project a net draw on these reserves of £3.088m which will reduce the projected reserves held at 31 March 2020 to a deficit of £3.01m.
- 5.4 Of the twenty eight (28) schools submitting deficit budgets for 2019/20, eight (8) of these school budgets are projected to return to surplus over the following two years and are in compliance with the scheme for financing schools, therefore it is proposed that these budgets be licensed and the actions listed in Appendix A are implemented.
- 5.5 Twenty (20) schools do not meet the requirements to have their budgets licensed as their projected deficit balance at 31 March 2020 is not brought back into balance within three years, or the deficit in 2019/20 is above the threshold to license and it is therefore proposed that these remain unlicensed and the actions listed in Appendix A are implemented.

5.6 Sixty five (65) schools have submitted budgets for 2019/20 that meet the requirements of the scheme for financing schools, therefore these are approved.

6. Options Considered/Available

N/A.

7. Preferred choice and reasons

N/A

8. Impact assessment

Is an impact assessment required – No

9. Corporate improvement plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council's financial strategy sets out the financial requirements to deliver the short and longer term council vision. The approval and monitoring of school delegated budgets is a key element of financial management to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

10. Local Member(s)

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

11. Other Front Line Services

No implications to other front line services.

12. Communications

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

13.1 Finance: 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. It is essential that officers from Finance, HR and Schools service continue to support and challenge Head teachers and Governing Bodies to address school balances.

13.2 Legal:

14. Statutory Officers

14.1 The Solicitor to the Council (Monitoring Officer) has commented as follows

14.2 The Head of Finance (S151 Officer) comments as follows:-

The current and projected financial position of our Schools continues to be a challenge. The additional funding provided in the 2019/20 budget assists schools in meeting the pressures they face, but it is essential that all Governing Bodies take action to provide a curriculum that can be delivered within the funding provided to them. The school reserves are ring fenced but, ultimately, represent a potential council risk. It is essential that compliance work is undertaken to ensure that school budgets are managed in accordance with regulations by Governing Bodies.

15. Members' Interests

The Monitoring Officer advises that Members may have an interest in this item if they are Governors of or have any other interest in the management of schools affected by this report. If that is the case, they should seek advice prior to the meeting.

Recommendation:	Reason for recommendation
<p>1. That the proposal in section 5.4 regarding the licensing of deficit budget positions for 2019/20 for the following schools is approved and recommended actions (Appendix A) are agreed.</p> <p>Churchstoke C P Llanbister C P Llanfechain C in W Llangedwyn C in W Maesyrrhandir C P Ysgol Bro Cynllaith Llanidloes High Brynlywarch Hall</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>2. That the proposal in section 5.5 regarding the unlicensed deficit budget positions for 2019/20 for the following schools is approved and recommended actions (Appendix A) are agreed.</p> <p>Brynhafern C P Carreghofa C P Llanbedr C in W</p>	<p>To comply with the Authority's scheme for the financing of schools</p>

<p>Llandrindod Wells C P Cefnlllys Llanerfyl C in W Llansantffraid C in W Presteigne C P Rhayader C in W St Michael's C in W Ysgol Gymraeg Dyffryn Y Glowyr Ysgol Meifod Ysgol y Bannau Brecon High Ysgol Maesydderwen Crickhowell High Llanfyllin High Ysgol Bro Hyddgen Welshpool High Ysgol Calon Cymru Ysgol Cedewain</p>	
<p>3. That the Portfolio Holder for Education has the delegated decision on whether to apply clawback as mentioned in paragraph 4.2 of the report, pending reasons for the surplus being in excess of the position submitted to cabinet in June 18.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>4. That all schools that are potentially subject to clawback for 2019/20 as set out in paragraph 4.3 have their budgets re-assessed after spending plans have been submitted by the 5th July 2019 and a further report brought back to Cabinet during the Autumn Term 2019.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>5. Existing Loans are monitored.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>6. All actions recommended in Appendix A for the schools that are non-compliant on submitting budgets as stated in 1.7 are approved.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>

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
Date By When Decision To Be Implemented:	18th June 2018

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Background Papers used to prepare Report:

Scheme for the financing of Schools
Good Practice Guide