



## Learning and Skills Scrutiny Committee

### Scrutiny Observations to Cabinet on the Schools Budget

The Learning and Skills Scrutiny Committee met on 24<sup>th</sup> May 2019 and considered the following documents:

- Schools Budgets 2019/20
- Appendix A – outturn and projected budget position

The Learning, Skills and Economy Scrutiny Committee thank the Portfolio Holders for Education and Finance, the Head of Schools Services and the Schools Finance Officer for attending scrutiny.

#### Observations:

Scrutiny was disappointed that no Cabinet comments have been provided on the pre-Cabinet scrutiny that had been undertaken of school budgets in September 2018, due to come to Cabinet in October 2018 and then November 2018 but not actually considered at Cabinet. These observations are attached and scrutiny request that Cabinet comments on these recommendations are forthcoming.

Consideration of the report and appendix was made more difficult with the lack of total balances provided on Appendix A. These figures were requested prior to scrutiny and it was unfortunate that they were unavailable. Inclusion of the totals should assist Cabinet in their consideration of the report.

The in-year position has improved from a forecast deficit of £2.250m to an in-year surplus of £78k and the service and schools should be commended for the work that had been done to improve this position although it should be noted that £1m had been set aside to write of the deficit balances at Llandrindod High School and Builth High School when they closed on 31.08.2019. The actual deficit budgets from these two schools was £1.374m and therefore a deficit sum of £374k is outstanding. It remains a particular concern (highlighted in scrutiny observations to Cabinet autumn 2018) that the new school Ysgol Calon Cymru is forecast a deficit budget. Indeed last autumn the deficit budget was forecast for YCC to be over £500k by 2020/21. In eight months this forecast has been amended to a forecast deficit budget of £1.259m in 2020/21 and £2.302m in 2021/22. Scrutiny again question why new school was created which is not financially viable within the first two years of operation.

The potential for local authority governors to play an enhanced role in supporting their schools in prudent financial management was discussed together with a requirement to provide appropriate governor training to facilitate this.

Scrutiny explored the matter of clawback accepting that there is a requirement for schools in a clawback position to be written to but that appropriate reasons for a school to be in a clawback position would result in no action being taken. Scrutiny are of the opinion that clarity is needed within the report to reflect the position that was only understood after questioning the officers and Portfolio Holders.

The meeting heard that the authority spent more on education than the average across Wales but that the school transport budget was high. Scrutiny are concerned that the fiscal burden of school transport is limiting the ability of the authority to increase the delegation of school budgets. The Portfolio Holder indicated that it would be necessary to look at school transport as this is where a significant amount of education funding is spent.

A number of issues were raised regarding the impact of the changes to the funding formula and it was noted that the funding formula would be subject to review as it was a 'living formula' and needed to be maintained. Scrutiny look forward to the opportunity to play their role in the review of the funding formula which is due to take place in autumn 2019.

The funding formula now funds schools to provide a minimum curriculum. This was somewhat lower than the formula review group had recommended and is at odds with the desire of the authority to provide a broad curriculum. It will be extremely difficult for schools to pay back deficits and resources must be focussed on supporting schools to produce a balanced budget within year.

The figures are particularly stark within the secondary sector. Difficulties are apparent within the primary sector but it appears that the changes to the funding formula are resulting in a move of funds from secondary to primary sector (in particular to small schools). The accuracy and intention of this apparent position will need to be tested by the funding formula review.

Scrutiny considered the central support available to support schools through the budget process. The service confirmed that sufficient capacity was available and the teams had been strengthened to include staff able to offer HR, Finance and curriculum support. It was also noted that the authority was under significant financial pressure and that central cuts may have to take place. Given the increasing financial pressures that schools are facing and the rising number of schools predicting deficit positions it is not unreasonable to expect an increase in demand for support from the central team. If this support is not available schools may not be able to produce balanced budgets thereby increasing the financial risk to the authority. It is therefore important that close notice should be paid to this position to ensure that the necessary level of central support is available.

Overall school budgets are projecting a position that is a high risk to the Council. Prompt action needs to be taken to ensure that this risk is not realised and the Portfolio Holders for Education and Finance and Cabinet Members are urged to take the necessary decisions to protect the Council's financial position whilst providing access to excellent education to all pupils in Powys.

Recommendations:

Scrutiny's Recommendation	Accept (plus Action and timescale)	Partially Accept (plus Rationale and Action and timescale)	R e j e
<p>1. That a Cabinet response is provided to those recommendations contained within the Scrutiny Observations to Schools Budgets of autumn 2018</p>	<p>Accept. Responses now provided.</p>		
<p>2. That total figures are provided on Appendix A broken down across the different educational phases with an overall total provided</p>	<p>Accept, amended prior to Cabinet meeting on 18<sup>th</sup> June</p>		
<p>3. That the work undertaken by the schools service and individual schools to improve the outturn schools budget position be commended</p>	<p>Accept, PFH's to comment at Cabinet meeting of the 18<sup>th</sup> June when this years budget report is considered</p>		

<p><b>4. That the Portfolio Holder for Education and Finance provide an explanation for the decision which has resulted in a new school being projected to be an alarmingly worsening deficit position within two years of opening</b></p>	<p>The budget position for the new school showed that action was required to address the projected deficit in the following 2 years.</p> <p>School were aware that they needed to address the future year's budgets.</p> <p>Authority have as part of monitoring meetings advised the school and governing body of their recommendations for reducing the deficit balance that was projected.</p>		
<p><b>5. <i>That a review is undertaken of the direct school support service provision to ensure capacity is available to support schools in achieving a balanced budget during difficult financial conditions</i></b></p>	<p>Permanent appointment of schools finance manager June 19</p> <p>Team around schools meetings take place include HR/Schools/Finance</p> <p>Training for Governors and Business Managers so that they can fulfill their budget management responsibilities.</p>		

<p><b>6. <i>That arrangements are made to train local authority governors to provide the skills needed to undertake the necessary levels of challenge and support particularly with regard to the financial position of their school</i></b></p>	<p><b>Review of training offer to heads/schools finance staff &amp; Governors taking place currently.</b></p> <p><b>New training to be offered in Autumn Term 19</b></p>	
<p><b>7. <i>That a comprehensive review of school transport provision is undertaken as a priority.</i></b></p>		<p><b>Given that the recent transport and ALN transport policy have been reviewed last year as part of scrutinised cabinet paper. The service will be reviewing transport policy and costs as part of the modelling of whole school provision and the wider transformation of education as part of Vision 2025</b></p>

<p><b>8. Include sufficient detail within the report to explain the actions required regarding clawback so that the report can be understood without the requirement to question officers or Portfolio Holders.</b></p>		<p><b>Scheme for the financing of school clearly defines the requirements See attached.</b></p>	
<p><b>9. That the review of the funding formula includes an understanding of the outcome of the changes and identify any unintended consequences that have resulted from the changes</b></p>		<p><b>Formula review group starts on the 12<sup>th</sup> July. This will be the role of this group</b></p>	
<p><b>10. That the schools service monitor the level of financial and HR support that schools require to make changes to produce a balanced budget to ensure that this support remains sufficient</b></p>	<p><b>Accept This will be in line with the SLA's in place for the next 3 years.</b></p>		
<p><b>11. That the arrangements for scrutiny of school budgets be confirmed by the Scrutiny Co-ordinating Committee</b></p>			

In accordance with Rule 7.27.2 the Cabinet is asked to provide a written response to the scrutiny report, including an action plan as soon as possible, but at the latest, within 2 months of the date of the meeting i.e. by 18<sup>th</sup> August 2019.

Membership of the Learning and Skills Scrutiny Committee present on 23<sup>rd</sup> May 2019:

County Councillors: G Breeze, B Davies, S C Davies, D Jones, L Roberts and P Roberts

Parent Governor Representatives: A Davies (in the Chair), S Davies and G Robson

Church Representative: M Evitts