

CYNGOR SIR POWYS COUNTY COUNCIL.

LEARNING AND SKILLS SCRUTINY COMMITTEE
11th November 2020

Briefing Paper

SUBJECT: Progress on Schools Causing Concern Autumn 2020

REPORT FOR: Information / Discussion

1 Background

- 1.1 The Scheme for Financing Schools sets out the Council's expectations and potential actions should a school present a budget showing deficit balances arising in relation to a school's budget share.
- 1.2 During Estyn's inspection of the Council's Education Services in July 2019 financial management was identified as an area of significant concern, recommending that

"R5: Continue to improve the quality of financial management in schools and take appropriate action to address schools with significant deficit budgets"

2 Schools on Warning Notice

- 2.1 12 warning notices were issued in July 2019 to schools that submitted budgets with escalating deficits that did not comply with Powys County Council's Scheme for Financing Schools, bringing the total number of active warning notices at 1 April 2020 to 13, one of which has since closed resulting in 12 currently in place. Since the warning notices were issued, these schools have been working with Schools Service, Challenge Advisers, HR and Finance officers to improve their budget positions.
- 2.2 Table 1 below summarises the original positions by sector and the progress achieved since the warning notices were in place.

Table 1: Summary position of Schools issued with Warning Notices

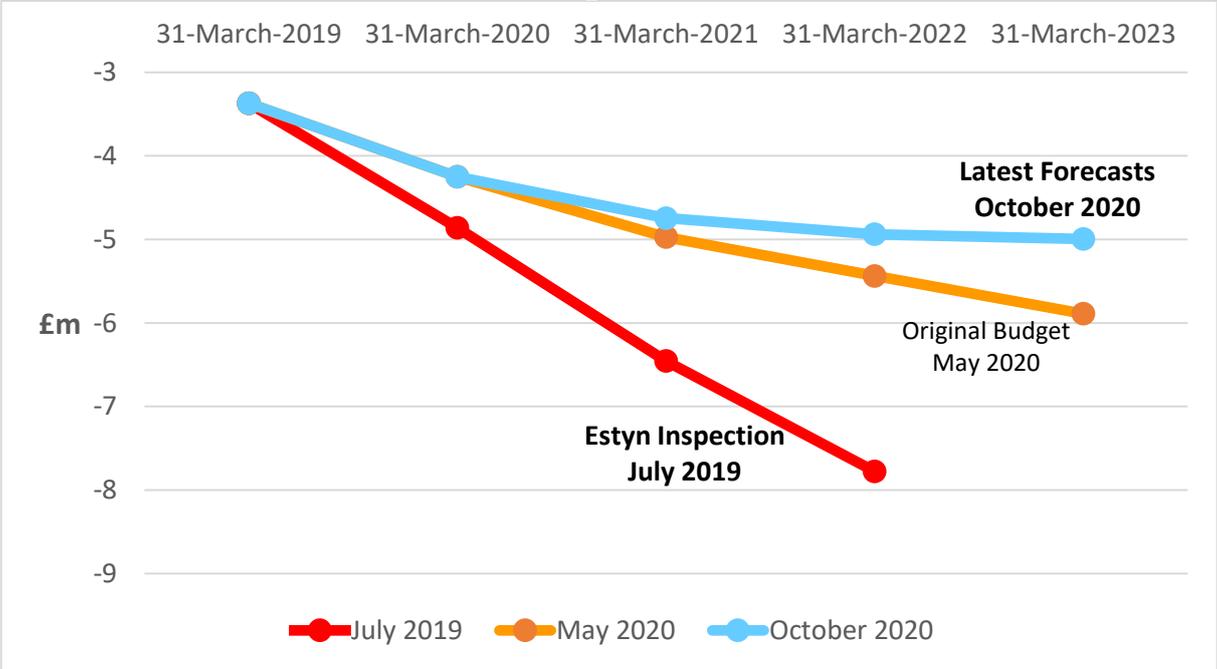
Sector	Number of Warning Notices issued	Projected Cumulative Deficit at July 2019			Actual Cumulative Deficit	Projected Cumulative Deficit at May 2020	Number of Warning Notices Removed 2020
		31-Mar-19 £	31-Mar-20 £	31-Mar-21 £	31-Mar-20 £	31-Mar-21 £	
Primary	5	(£287,493)	(£506,263)	(£727,325)	£781	(£74,810)	4
Secondary / All through	6	(£4,263,828)	(£5,773,761)	(£6,998,599)	(£3,952,751)	(£4,757,830)	0
Special	1	(£309,428)	(£175,742)	(£51,311)	(£297,296)	(£139,132)	0
TOTAL	12	(£4,860,750)	(£6,455,766)	(£7,777,235)	(£4,249,266)	(£4,971,772)	4

- 2.3 On reviewing the budgets submitted by governing bodies in May 2020, it was clear that progress was being made and that the rate of growth of cumulative deficits had either halted or slowed significantly in the vast majority of cases. For four primary schools, sufficient progress had been made that both the interim Chief Education Officer and the Head of Finance agreed that these warning notices could also be removed. Welsh Government have been notified of this. The remaining schools were required to submit updated recovery plans in October.
- 2.4 A collaborative approach involving the Governing Body, Senior Leadership and Business / Finance managers at each of the schools with Schools Service, Challenge Advisers, HR and Finance officers is crucial to making sustainable improvements to budget positions and financial management.

3 Latest positions: Review of Recovery Plans / September Forecasts

- 3.1 Finance surgeries have been held with all schools on Warning Notice and the recovery plans submitted in October have been reviewed by the interim Chief Education Officer, the Head of Finance, Challenge Advisers and Finance officers.
- 3.2 Appendix A sets out the predicted positions for each of the next three financial years (by sector) at three points in time – July 2019 (Estyn Inspection); May 2020 (original budgets submitted); October 2020 (updated recovery plans / forecasts). Chart 1 below shows how the estimated year end deficit balances have reduced at each stage.

Chart 1: Estimated deficits at each stage



- 3.3 Again, progress is evident and a further two schools will have their warning notices reviewed at the start of the new calendar year. At the time of the Estyn inspection the cumulative deficits of these schools were projected to reach £6.5 million by 31 March 2021 and £7.8 million by 31 March 2022. Current projections

(blue line above) are £4.7 million and £4.9 million respectively. While there is still work to do to reduce the deficits that have already accumulated, the position has stabilised.

4 Impact of Covid-19

- 4.1 The pandemic has inevitably had an impact on all school budget positions, including those of the schools currently on warning notice. The school closures earlier this year did allow a modest level of savings on areas such as utilities but also hindered some HR processes meaning that the delivery of some recovery plans was compromised. Welsh Government have provided financial support for the vast majority of Covid-19 related costs and some of the income lost (£385k and £222k respectively) but it has resulted in a greater level of uncertainty than would otherwise be the case.

5 Conclusion

- 5.1 Cumulative balances remain a concern, but schools are working well with Council officers to bring in-year budgets into balance and halt the growth of cumulative deficits. Once this position is achieved and consolidated, work begins on reducing the cumulative deficits.
- 5.2 All schools' forecasts are reviewed on a monthly basis and any concerns raised with individual schools at the earliest opportunity. A collaborative approach to early intervention and support is key to avoid the escalation of financial issues.
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Projected cumulative balances over time

Sector	Projected Cumulative Deficit at July 2019			Cumulative Deficit at 31 March 2020	Estimated Cumulative Deficit at Original Budget submitted May 2020			Estimated Cumulative Deficit at Original Budget submitted October 2020		
	31-Mar-20 £	31-Mar-21 £	31-Mar-22 £		31-Mar-21 £	31-Mar-22 £	31-Mar-23 £	31-Mar-21 £	31-Mar-22 £	31-Mar-23 £
Primary	(£287,493)	(£506,263)	(£727,325)	£781	(£74,810)	£63,549	£203,375	(£29,913)	£3,594	£65,775
Secondary / All through	(£4,263,828)	(£5,773,761)	(£6,998,599)	(£3,952,751)	(£4,757,830)	(£5,512,803)	(£6,245,088)	(£4,469,467)	(£4,846,711)	(£5,174,979)
Special	(£309,428)	(£175,742)	(£51,311)	(£297,296)	(£139,132)	£13,327	£152,198	(£245,500)	(£93,781)	£114,204
TOTAL	(£4,860,750)	(£6,455,766)	(£7,777,235)	(£4,249,266)	(£4,971,772)	(£5,435,927)	(£5,889,515)	(£4,744,880)	(£4,936,898)	(£4,995,000)