

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET
5 July 2016**

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

SUBJECT: School Budgets 2016/2017

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 2016/17 financial year, this budget must be approved and licensed by the Authority.
- 1.2 At the end of 2015/16 there were eighteen (18) schools with a cumulative deficit balance totalling £0.94m. Two schools accounted for over £0.5m of the outturn deficit.
- 1.3 The outturn financial position in 2015/16 for schools has seen a decrease in the level of reserves held to £2.9m. The outturn position in 2014/15 showed a balance of £3.6m meaning a reduction in the overall balance in schools between the financial years of £0.7m. The forecast position approved by cabinet in July 2015, for 2015/16 was for a balance of £2m at the end of 2015/16. School balances have increased on forecast by £0.9m from the projected position in July 15. Those schools whose balances are greater than that allowed as per the scheme for financing will be subject to consideration for claw back. Twenty (20) schools have been identified as being liable to claw back.
- 1.4 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. Twenty seven (27) schools are proposing to set a cumulative deficit balance in 2016/17. Fifteen (15) schools set a deficit balance in 2015/16. Eight (8) of the twenty seven (27) schools do not meet the criteria to be licensed and are considered to be unlicensed. Six (6) schools set unlicensed budgets for 2015/16.

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

2.2 In July 2015 6 schools were highlighted as having unlicensed budgets. Throughout 2015/16 officers within the authority continued to work with schools to reduce deficit positions, of the 6, Churchstoke, Llanidloes High School and Ysgol Cedewain remained unlicensed during the Autumn Term 2015. Llangattock, Llanbister and Ysgol Dolafon submitted revised budget plans which met the requirements of the Scheme. The direction of travel must be to continue to remove deficits as a matter of urgency.

2.3 Schools classed as unlicensed must submit a recovery plan to the Head of Schools and Schools Finance Manager by the 16th September 2016.

3. Loan Scheme

3.1 In 2013/14 the Authority approved the implementation of a loan scheme, funded by the collective balances held by schools, which does not operate by way of a licensed deficit in respect of a particular school on condition that a corresponding sum is repaid from the budget share over the agreed period of the loan.

3.2 The following four schools with projected deficit balances requested and received loans in 2013/14:-

School	Amount (£)	Term	Balance 31 st March 2016
Brecon High School	432,000	10 Years	£345,600
Caersws CP School	25,000	10 Years	£20,000
Talgarth CP School	25,000	5 Years	£15,000
Ysgol Dyffryn Trannon	45,000	10 Years	£36,000

3.3 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.

- 3.4 Each of the schools have made their first and second payments on the loan and Caersws, Talgarth and Ysgol Dyffryn Trannon have submitted approved/ licensed budgets for 2016/17.

Brecon High School has submitted a budget plan which does not comply with the scheme for the financing of schools and would therefore not be licensed, it also contravenes the conditions of approving the loan. In order to further assist the school, the schools service have commissioned the support of an ex Headteacher from Ceredigion who has supported other Powys Secondary schools in reviewing their curriculum and budget plans. He has assisted Brecon High before and has reviewed the current position during a meeting held on the 17th June with the School and Finance.

Following the meeting the work commissioned will review the work undertaken by the school and assess the financial position of the school and its ability to balance the budget over the next few years.

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.
- 4.2 The final outturn figures for 2015/16 shows twenty (20) schools that have surpluses in excess of the limits set within the scheme for financing of schools. These schools have been informed they fall under the claw back rules and have been requested to provide an explanation as to the reasons for the surplus being in excess of the position submitted and approved by Cabinet in July 2015. The Schools Service Management Team (SSMT) met on the 14th June to discuss the 20 schools and reviewed the reasons for underspending against the planned approved Cabinet budget.
- 4.3 The Schools Service Management Team concluded that the majority of 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, which therefore has led to schools increasing their surpluses. It was agreed that with a 4.5% real term reduction in spending powers on their budgets for 2016/17 and the estimated required efficiencies in the following 2 years that the surplus held would aide these schools to plan their 3 year budget effectively. It would also ensure that those schools who were potentially subject to clawback and are 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 it's prudent budget management. It was 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:
Banw C P School
Buillth Wells C P School

Buttington/Trewern C P School
Crossgates C P School
Guilsfield C P School
Ladywell Green N & I School
Llanfaes C P School
Llanfair Caereinion C P School
Llanidloes C P School
Mount St Infants School
Penygloddfa C P School
Priory C in W (A) School
Trefonnen C in W School
Treowen C P School
Ysgol Dafydd Llwyd
Ysgol Pennant C P
Ysgol Penmaes
Gwernyfed High School
Ysgol Uwchradd Caereinion
Llanfyllin High School

- 4.4 The projections for the 2017/18 and 2018/19 year included in Appendix A do not include the impact of the Change of Admission. A further report will be brought back to Cabinet in the Autumn Term 2016 which will include the impact of this change.
- 4.5 Planned budgets that are in excess of the surplus allowed as included in the scheme for financing schools for 2016/17 will be subject to clawback in accordance with the revised scheme which was approved by Cabinet in Spring 2016. 6 schools have planned surpluses in excess of these limits, 4 Primary, 1 Special School and 1 High School.
- 4.6 In line with the scheme these schools will be requested to submit a spending plan of how they intend on using this surplus by the 30th September 2016. A further report will be brought back to Cabinet during the Autumn term 2016 to advise of the outcome of the review of these plans and to provide members with an update on all school budget plans.
- 4.7 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 Seventy one (71) Schools have planned surplus budgets with the remaining twenty seven (27) schools proposing a deficit budget in 2016/17. The table below summarises the position for each sector:

2016/17 Budget Position

Proposed Licensed Deficits	Number of schools	Cumulative planned deficits	Cumulative planned surpluses	Deficit to surplus
		£'m	£'m	%
Secondary	4	0.47	0.45	103%
Primary	15	0.18	1.40	13%
Special	-	-	0.14	0%
Total	19	0.65	1.99	33%
Proposed Unlicensed Deficits	Number of schools	Cumulative planned deficits		
		£'m		
Secondary	3	0.40		
Primary	4	0.12		
Special	1	0.52		
Total	8	1.04	1.99	52%
Total - including proposed unlicensed deficits	27	1.69	1.99	85%
Position if unlicensed deficits were within requirements	Number of Schools	Cumulative planned deficits		
Secondary	7	0.81		
Primary	19	0.29		
Special	1	0.10		
Total	27	1.20	1.99	60%

- 5.2 Up to a maximum of 40% of the collective school balances may be used to back the arrangements for licensed deficits. The calculation shown in the above table demonstrates that the proposed licensed deficits represents 33% of the planned surpluses.
- 5.3 However, the level of planned surplus is insufficient to cover the level of overall planned deficit balances when the unlicensed deficits are included. The overall position would increase the percentage from 33% to 85%. This increases the risk upon the general fund of the Council rather than that risk being managed within the schools delegated budget.

- 5.4 In each of the last 3 years schools have consistently underspent against their approved budget plans. If this trend continued for 2016/2017 it would significantly improve the percentage of deficits to surpluses.
- 5.5 Appendix A shows the outturn position for all schools as at 31 March 2016 together with the planned projected budget position and planned cumulative balance for each school for the years ending 31 March 2017, 31 March 2018 and 31 March 2019.
- 5.6 The reserves collectively held by schools at 31 March 2016 were £2.9m. The budget proposals submitted for the 2016-17 financial year project a draw on these reserves of £2.6m which will reduce the projected reserves held at 31 March 2017 to £0.3m.
- 5.7 Of the twenty seven (27) schools submitting deficit budgets for 2016/17, nineteen (19) of these school budgets are projected to return to surplus over the following two years (4 years in respect of Welshpool High School) and are in compliance with the scheme for financing schools, therefore it is proposed that these budgets be licensed:

Primary

Archdeacon Griffiths C in W A School
Brynhafren C P School
Llanbister C P School
Llanelwedd C in W Primary School
Llanfyllin C P School
Llangedwyn C in W Voluntary Controlled School
Llangors C in W Controlled School
Llansantffraid C in W Aided School
St Mary's Catholic School
Ysgol Dyffryn Trannon
Ysgol Glantwymyn
Ysgol Gymaeg Dyffryn Y Glowyr
Ysgol Llanbryn-mair
Ysgol Maesydre
Ysgol Meifod

Secondary

Builth Wells High School
Crickhowell High School
Ysgol Bro Hyddgen
Welshpool High School

- 5.8 Cabinet licensed Welshpool High Schools deficit budget in July 2015 with the provision the school came within their forecast financial targets in each of the following 5 years. The school current position would meet this requirement and would return to a surplus by the end of the 2019/20 financial year.

5.9 During the 2015/16 financial year Crickhowell High School took on the management and running of the Community Sports facilities, at the end of the first financial year the Sports Facilities provision ended with a deficit position of £60k. This does not form part of the schools delegated budget and the deficit is held separately, a recovery plan has been submitted by the School. The School position at the 31st March 2016 was a deficit of £43k. However the schools budget meets the requirements of the Scheme and therefore it is proposed for licensing.

5.10 Eight (8) schools do 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 School

5.11 Detail for all eight schools financial position is contained within Annex B, these figures exclude the loan for Brecon High School.

5.12 The Governing of these schools will be 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, requiring them to take urgent action to remedy the financial position and produce a recovery plan by the 16th September 2016. Each of these schools are subject to being called in to scrutiny and they will be advised accordingly. Members need to note that this is the first step in terms of the potential withdrawal of delegation from a school (Section 2.16 of the Scheme).

5.13 The overall financial position within schools for the last, current and future two years are shown below:

Overall Position

School	Actual Position 2015/16	2016/17	2017/18	2018/19
	£'m	£'m	£'m	£'m
Total Deficit	(0.9)	(1.7)	(2.9)	(5.6)
Total Surplus	3.8	2.0	1.0	1.1
Total Balance	2.9	0.3	(2.0)	(4.5)

5.14 Schools are forecasting cumulative deficit balances increasing through to 2018/19. Continual monitoring will be required by officers and governing bodies to ensure deficit balances forecast in future years are kept under control. Schools with deficits projected during the 2017/18 financial year have been

requested to submit a recovery plan detailing how they intend on bringing the projected deficit back into surplus over 3 years as required by the Scheme. These plans are to be submitted by the 30th September 2016, or the 16th September for those 8 unlicensed schools.

Deficit	Actual Position 2015/16	2016/17	2017/18	2018/19
Secondary	4	7	8	5
Primary	13	19	44	54
Special	1	1	2	2
Total	18	27	54	61

5.15 School financial surgeries will continue to take place twice a year, in the autumn and spring terms with current budgets and forecast budgets considered.

5.16 A review of the scheme for financing schools and the fair funding formula is being carried out and proposed amendments to the scheme and formula will be subject to consultation with a paper being brought to the cabinet for approval to commence consultation in the autumn term.

6. Powys 2020

6.1 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.

7. Options Considered/Available

7.1 Budgets were required to be submitted by 1st May, 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.

7.2 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. The Headteacher and Governors can be requested to meet with portfolio holders and Executive Directors to discuss their budget management.

7.3 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.

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

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

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

9.1 Not applicable in this regard.

10. Local Member(s)

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

11. Other Front Line Services

11.1 No implications to other front line services.

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

12.1 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.

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

12.3 Legal: The recommendations can be supported from a legal point of view

13. Local Service Board/Partnerships/Stakeholders etc.

13.1 Not applicable to this report.

14. Communications

14.1 This report required proactive news release.

15. Statutory Officers

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

15.2 The Strategic Director Resources (S151 Officer) notes that if unlicensed budgets are included there is insufficient surplus to meet deficit balances. This could be a significant risk to the general fund of the Council unless this is managed within the schools delegated budget.

16. 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 all planned budgets with a cumulative surplus at 31 March 2017 are approved.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>2. There is no clawback in respect of the schools outturn figures for 2015/16 as named in paragraph 4.3 of the report.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>3. That all schools that are potentially subject to clawback for 2016/17 as set out in paragraph 4.5 have their budgets re-assessed after spending plans have been submitted by the 30th September 2016 and a further report brought back to Cabinet during the Autumn Term 2016.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>4. That the proposed budgets for the following schools who have planned cumulative deficit balances in 2016/17 are licensed:</p> <p><u>Primary</u> Archdeacon Griffiths C in W A School Brynhafren C P School Llanbister C P School Llanelwedd C in W Primary School Llanfyllin C P School Llangedwyn C in W Voluntary Controlled School Llangors C in W Controlled School Llansantffraid C in W Aided School St Mary's Catholic School Ysgol Dyffryn Trannon Ysgol Glantwymyn Ysgol Gymaeg Dyffryn Y Glowyr Ysgol Llanbrynmair Ysgol Maesydre Ysgol Meifod</p> <p><u>Secondary</u> Builth Wells High School</p>	<p>To comply with the Authority's scheme for the financing of schools</p>

<p>Crickhowell High School Ysgol Bro Hyddgen Welshpool High School</p>	
<p>5. The Schools named below with planned cumulative three year consecutive deficit balances, including the current year are not licensed and a notice of concern be issued to each Governing Body and that the Governing Bodies of these schools be required to submit a recovery plan to the authority by the 16th September 2016.</p> <p><u>Schools:</u> Churchstoke C P School Clyro C in W School Llanrhaeadr Ym Mochnant C P School Ysgol Dolafon Brecon High School Llanidloes High School Ysgol Maesydderwen Ysgol Cedewain Special School</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>6. A further report on schools with unlicensed deficits is brought to Cabinet during the Autumn Term 2016, to provide a budget update on any proposed actions to be taken as set out in section 2.16 Suspension of Delegation of thy Scheme for Financing Schools.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>7. Financial surgeries continue in the autumn and spring terms and schools are reminded of the possibility of claw back.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>8. Existing Loans are monitored.</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:	5 th July 2016

Contact Officer Name:	Tel:	Fax:	Email:
Nancy Wozencraft	01597 826459		nancyw@powys.gov.uk

Background Papers used to prepare Report:

Scheme for the financing of Schools
Good Practice Guide