

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**LEARNING AND SKILLS SCRUTINY COMMITTEE**

**Date 17<sup>th</sup> November 2023**

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**REPORT TITLE: Progress on School Balances Autumn 2023**

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**REPORT FOR: Discussion / Information**

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**1. Purpose**

1.1 To provide an update on the financial position of those schools that submitted unlicensed budget plans in May 2023 and those schools that were asked to produce recovery/spending plans in light of their projected financial positions.

**2. Background**

2.1 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.

2.2 The Scheme also sets out expectations for those schools holding surpluses in the excess of the regulations. £50k for Primary and £100k for all other sectors.

2.3 Schools' financial management has been an ongoing concern for some time and was highlighted by Estyn in 2019. It is an area where the authority has supported improvement, working with governors, headteachers and business / finance managers. There have been some significant developments, but there is further work to do and the current financial climate is challenging for all. Early engagement with schools on the scale of the budget challenge last Autumn helped ensure constructive budget discussions, while setting the expectation that schools, like the Council, were expected to do all that they can to manage their budgets within the resources available to them. This work will be ongoing as the public finance environment continues to be extremely challenging.

2.4 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. As at 1 April 2023 this number has reduced to 5.

### **3. Unlicensed Schools/Deficit recovery plans requested**

3.1 26<sup>1</sup> schools submitted budget plans in May 2023 (15 Primary schools, 8 Secondary, 2 All age and 1 Special school), that were either in an unlicensed position (16) or licensed/approved position for 2023-24 but future years were forecasting a deficit (10). 18 of these schools were requested to submit recovery plans by 30 September 2023. 4 Schools received extensions to these deadlines, 2 of which have in-depth reviews planned for November. In addition the authority is working with 3 schools to put deficit agreements in place. The remaining 5 schools were not required to take any further specific action at that time but were expected to continue to work with the Authority to manage their budget positions.

3.2 Table 1 and 2 below summarises the original (May 23) and updated positions (September 23) by sector of the 26 schools referred to above.

**Table 1: Summary position of the 26 schools following May 2023 budget plan submittals**

Sector	Cumulative Projected Surplus/(Deficit) at 31 March 2024	Cumulative Projected Surplus/(Deficit) at 31 March 2025	Cumulative Projected Surplus/(Deficit) at 31 March 2026	Cumulative Projected Surplus/(Deficit) at 31 March 2027
Primary	(148,560)	(614,494)	(914,963)	
Secondary	(3,199,046)	(4,367,299)	(5,736,402)	(7,469,813)
All Age	48,160	(446,914)	(1,088,978)	(1,828,720)
Special	(124,239)	105,324	369,087	
<b>Total</b>	<b>(3,423,684)</b>	<b>(5,323,382)</b>	<b>(7,371,255)</b>	<b>(9,298,533)</b>

**Table 2: Summary position of the 26 schools following September 2023 recovery plans submittals**

Sector	Cumulative Projected Surplus/(Deficit) at 31 March 2024	Cumulative Projected Surplus/(Deficit) at 31 March 2025	Cumulative Projected Surplus/(Deficit) at 31 March 2026	Cumulative Projected Surplus/(Deficit) at 31 March 2027
Primary	(11,798)	(289,763)	(316,508)	
Secondary	(3,643,533)	(4,568,165)	(5,799,702)	(6,530,347)
All Age	66,102	(289,906)	(636,492)	(1,403,182)
Special	22,973	(12,883)	(60,961)	
<b>Total</b>	<b>(3,566,255)</b>	<b>(5,160,717)</b>	<b>(6,813,662)</b>	<b>(7,933,529)</b>

<sup>1</sup> Any closed schools have been removed

3.3 It should be noted that 2 schools are included within the tables with their most recent projected balances as they have been given extensions to the initial recovery plan deadline, subject to collaborating with the Authority in an in-depth review. Both in-depth reviews will take place in November 2023.

3.4 Progress is evident in the tables above for the Primary Sector from the 2023/24 financial year onwards. With a forecast improvement of £598k by the 31<sup>st</sup> March 2026. Of the 15 Primary schools, 10 would now be in an approved/licensed position, 1 with a deficit agreement in place, further 3 require deficit agreements and 1 where further work needs to take place with the school. This is the same for the All-age sector with a forecast improvement of £426k by 31<sup>st</sup> March 2027. This is the sector where the in-depth reviews will take place in November 2023. This will assist schools with their recovery plan submittal extension.

3.5 In respect of the Secondary sector, improvement in balances is not evident until 31<sup>st</sup> March 2027. In some instances the level of deficit has not been addressed early enough and the action now needed may be too severe to be viable immediately. There are schools with in-year surpluses prior to 2026/27 and schools that have submitted plans that balance in-year by 2026/27. Further requests for recovery plans have been made to schools who are projecting cumulative surpluses up to 2024/25, but projecting deficits thereafter. There is a forecast improvement of £939k by 31<sup>st</sup> March 2027. This will need to improve further, with schools needing to achieve in-year balanced positions in the first instance, and a review of the cumulative deficit held and payback thereafter.

3.6 Overall Special school balances are deteriorating, however 2023/24 remains in an approved position. Individual schools are to be requested to submit a recovery plan by January 2024 with the target of ensuring that future years are balanced.

3.7 In depth reviews have been carried out by officers in conjunction with 4 of the secondary schools to support them with identifying potential areas they could review in order to produce cost savings. Schools have been able to use the findings of these reviews in the production of their recovery plans.

3.8 Deficit agreements are also being used across the sectors where suitable, this provides greater clarity and stability for schools in managing their deficits. In each case the deficit agreement sets out the maximum deficit and the expectations of the school in managing that deficit over time.

3.9 A collaborative approach involving the Governing Body, Senior Leadership and Business / Finance managers at each of the schools with Schools Service, School Improvement Advisers, HR and Finance officers is crucial to making sustainable improvements to budget positions and financial management. Early planning and action by schools is key in preventing existing deficits escalating or to prevent schools falling into a deficit position at

all. Constant monitoring, planning and reviewing budgets is needed more than ever in the challenging financial environment we are all currently in.

#### **4 Schools required to submit spending plans**

4.1 6 schools had significant surpluses compared to their budget shares when they submitted the ratified budgets in May 2023 and were required to submit a spend plan by 30<sup>th</sup> September 2023.

4.2 Table 3 sets out the projected balances prior to spending plans being received.

**Table 3 Projected balances prior to requested spending plan**

Sector	Cumulative Projected Surplus/(Deficit) at 31 March 2024	Cumulative Projected Surplus/(Deficit) at 31 March 2025	Cumulative Projected Surplus/(Deficit) at 31 March 2026
Primary	716,599	717,342	846,836
<b>Total</b>	<b>716,599</b>	<b>717,342</b>	<b>846,836</b>

**Table 4 Balances after spending plans received**

Sector	Cumulative Projected Surplus/(Deficit) at 31 March 2024	Cumulative Projected Surplus/(Deficit) at 31 March 2025	Cumulative Projected Surplus/(Deficit) at 31 March 2026
Primary	495,388	296,582	244,229
<b>Total</b>	<b>495,388</b>	<b>296,582</b>	<b>244,229</b>

4.3 Overall, balances have improved. There was 1 school that did not meet the deadline and has been asked to submit by the end of November.

#### **5 Overall School Budget Forecasts**

5.1 Overall, the schools' forecast positions at the end of September 2023 are set out in the table below with future years shown in Appendix A:

	Primary	Secondary	All-Age	Special	Total
<b>Budgets submitted 30th September 23</b>					
<b>Number of schools projecting a surplus 23-24</b>	62	2	2	3	69
<b>Projected Value of Surplus (£)</b>	3,282,976	577,438	426,805	586,087	<b>4,873,306</b>
<b>Number of schools in Deficit</b>	13	6	1	0	20
<b>Projected Value of Deficit (£)</b>	-512,178	-4,236,887	-31,787	0	<b>-4,780,852</b>
<b>Overall – Number</b>	75	8	3	3	89
<b>Overall – Value (£)</b>	2,770,798	-3,659,449	395,018	586,087	92,454

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5.2 Where schools' projected balances have fallen from approved or licensed positions into unlicensed positions, they have been asked to submit recovery plans. To date this year, 1 notice of concern has been issued and further recovery plan requests will be made in line with the Scheme for Financing Schools for any schools projecting a cumulative deficit balance for 2025/26.

5.3 In respect of Secondary school projected reserves as at 31<sup>st</sup> March 2024, 2 schools make up the majority of the deficit within this sector, together totalling £3.4 million. The table below set out the historical deficits for those 2 schools dating back 5 years

Cumulative Surplus/(Deficit) at 31 March 2019	Cumulative Surplus/(Deficit) at 31 March 2020	Cumulative Surplus/(Deficit) at 31 March 2021	Cumulative Surplus/(Deficit) at 31 March 2022	Cumulative Surplus/(Deficit) at 31 March 2023
(1,120,121)	(1,749,980)	(1,824,276)	(1,825,011)	(2,598,946)

5.4 Finance, School Improvement and HR advisers are supporting schools to develop appropriate recovery plans in line with suggested savings and there have been improvements seen since last month following financial surgeries, where discussions are held to ensure accuracy of current budget plans and costing of options by the Finance team (through Service Level agreement with Primary Sector only) and discussions around timing of savings. Finance officers have also identified potential training needs as part of the reviews and surgeries.

5.5 Key financial messages and training opportunities have been shared with headteachers through the Area Heads Meetings these include targeting training where required in respect of accessing financial systems, reporting, accuracy of budget plans and support to schools where business manager vacancies exist and striving for right first time in respect of financial coding. We continue to use the benchmarking tool and finance toolkit to direct discussions during finance surgeries to identify further potential savings.

<sup>2</sup> This table shows the position submitted by schools as at September 2023, not all recovery plan submittal figures were included at this point due to the timing of submittals, but they are included in Table 2 where applicable.

5.6 The tables in Appendix A show the number of deficits rising from 2023/24 by 10 and then a further 3 by 2025/26. Deficits in the majority are within the Secondary, All-age and Special school sector.

5.7 In respect of the impact of finance surgeries and support to schools Secondary cumulative deficits in 2025/26 are showing 1 Secondary school is projecting an in-year balance, this increases by a further 3 in 2026/27. Further, more are expected once recovery plans are submitted based on cumulative deficit projections for 2025/26. This is prior to further action being taken by Schools.

## **6 Other developments**

6.1 Improvements have also been made in respect of reporting school balances to the Head of Education on a monthly basis. There is now a specific report focusing on delegated budgets, allowing officers to discuss any developments over the previous month in more detail. This allows for the prompt escalation of any concerns regarding school balances or financial management. Concerns are discussed and actions agreed on an ongoing basis. This has resulted in more timely communication with schools, setting out the expectations of them in terms of managing their budget positions and, if needed, actions for them to undertake. This approach is more agile and is more effective in providing the support needed or, where necessary, putting spending restrictions in place, reducing the risk or scale of escalating deficit positions.

## **7 Conclusion**

7.1 Cumulative deficit 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 deficit where possible whilst also having due regard to the learner entitlement for the learners at the school currently.

7.2 The challenging public sector financial environment will continue to impact on schools' projected balances and Council officers will continue work with schools on an individual basis to support them in managing their budget position whilst maintaining delivery of education to Powys learners.

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All school balances Future years 2024-25 and 2025-26<sup>3</sup>

	Primary	Secondary	All-Age	Special	Total
<b>Budgets cumulative estimates March 2025</b>					
Number of schools projecting a surplus 24-25	55	2	1	2	60
Projected Value of Surplus (£)	2,334,335	191,813	161,825	302,781	2,990,754
Number of schools in Deficit	18	6	2	1	27
Projected Value of Deficit (£)	-622,043	-4,941,876	-289,906	-12,883	-5,866,708
Overall – Number	73	8	3	3	87
Overall – Value (£)	1,712,292	-4,750,063	-128,081	289,898	-2,875,954
<b>Budgets cumulative estimates March 2026</b>					
Number of schools projecting a surplus 25-26	52	1	0	1	54
Projected Value of Surplus (£)	1,865,902	41,333	0	107,719	2,014,954
Number of schools in Deficit	18	7	3	2	30
Projected Value of Deficit (£)	-919,593	-6,397,247	-686,960	-215,008	-8,218,808
Overall – Number	70	8	3	3	84
Overall – Value (£)	946,309	-6,355,914	-686,960	-107,289	-6,203,854

<sup>3</sup> Tables excludes New Brecon Primary School