

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET
26th July 2016

REPORT AUTHOR: County Councillor Arwel Jones, Portfolio Holders for Schools and County Councillor Wynne Jones
Portfolio Holder for Finance

SUBJECT: Ysgol Cedewain – Financial Management

REPORT FOR: For Information

1. Summary

- 1.1 The Governing Body of Ysgol Cedewain since 2015/16 have failed to set a balanced budget.
- 1.2 Special schools are funded on the number of places available regardless of their number on roll on the PLASC counting date. With reduced levels of funding the Governors are expected to review and reduce annual expenditure to a level that does not exceed the funding available.
- 1.3 With approximately 91% of the schools expenditure relating to staffing it is this area of the budget from which the majority of the savings have been required. The reductions have to be balanced with the delivery of the statutory requirements which the school has to fulfil.
- 1.4 The Governing Body have submitted a budget plan which projects an in year deficit of £151k leading to a cumulative deficit of £517k.
- 1.5 This report provides an update on the current and projected financial position of the school.

2. Background

- 2.1 The Scheme for the Financing of Schools requires that “*planned expenditure must not exceed the resources available to the school, taking into account any balances due to or from the school for the previous year, without specific approval by the County Council under para 4.9 (unlicensed deficits). Failure to set a budget within the resources available may lead to the issue of a notice of concern with accompanying restrictions on powers of expenditure or to the withdrawal of delegated powers from the school.*” (Section 2.2 submission of budget plans)

- 2.2 Sections 4.5 to 4.9 of the scheme provide the requirements in terms of deficits budget, these sections are included in Appendix A.
- 2.3 At the end of 2014/15 Ysgol Cedewain had accrued a deficit budget in the region of £248k.
- 2.4 The financial position of the school over the last 5 years is provided in the table below.

Year	2011/12	2012/13	2013/14	2014/15	2015/16
Balance B/F	99,785	94,712	88,951	(3,272)	(247,757)
In Year Position	5,073	(5,761)	(92,223)	(244,485)	(118,227)
Balance C/F	94,712	88,951	(3,272)	(247,757)	(365,984)

- 2.5 The school projected a surplus in 2013/14 of £46,472 but actually ended the year with a deficit of £3,272 and this has continued to rise.
- 2.6 The projected financial position submitted by the Governing Body, shown in the table below, forecasts a rising deficit position by the end of March 2017. For the following 2 years the current forecast is an increasing deficit to £773k by 2018/19 if no further action is taken to address the situation.

Year	2015/16 Budget	2015/16 Actual	2016/17 Cabinet	2017/18 Projected	2018/19 Projected
Delegated Funding	2,040,519	2,053,586	2,035,330	2,005,607	2,005,304
Net Expenditure	2,057,261	2,171,931	2,186,779	2,127,132	2,139,369
Balance B/F	(247,757)	(247,757)	(365,984)	(517,433)	(638,958)
In Year Position	(16,742)	(118,227)	(151,449)	(121,525)	(134,065)
C/F Balance	(264,499)	(365,984)	(517,433)	(638,958)	(773,023)

- 2.7 Cabinet considered a report on the 5th July 2016 on Schools Budgets and recommended that Ysgol Cedewain's budget was not licensed and a notice of concern be issued to the Governing Body and that the Governing Body submit a recovery plan to the authority by the 16th September 2016. It was agreed that Cabinet would consider what action to take at its meeting on 26th July.
- 2.8 A recent adjustment to the schools budget plan already increases the deficit position to that submitted to Cabinet on the 5th July.

3. Further Action and Proposal

- 3.1 In order to further assist the school, the schools service have commissioned the support of a Headteacher from Caerphilly who has many years' experience as a Special Schools Headteacher and he will assist the school in reviewing their budget plan. A Finance officer from the authority will also attend.
- 3.2 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.
- 3.3 It is therefore proposed that a further report is submitted to report on the outcome of Mr Elliott's work and any subsequent action required.
- 3.4 Mr Elliott will visit the school at the beginning of September 2016. He will be requested to submit his findings back to the Authority.
- 3.5 Cabinet will receive a further report on the unlicensed budgets at its meeting of 27th September, 2016. Ysgol Cedewain's budget plan will be considered within this report.

4. Further Action available

- 4.1 The School Standards and Organisation (Wales) Act 2013 ("the Act") consolidates, clarifies and reforms the law in relation to intervention in schools causing concern.
- 4.2 The Welsh Government have issued statutory guidance under section 20 of the Act. The guidance is Guidance Document 202/2016 issued in March 2016 (Schools causing concern- Statutory guidance for schools and local authorities.)
- 4.3 A school will be "eligible for intervention" where one or more of the six grounds identified below exist
 - **Ground 1**- the standards of performance of pupils at a school are unacceptably low
 - **Ground 2** - there is a breakdown in the way a the school is managed or governed
 - **Ground 3** -the behaviour of pupils at the school or any action taken by those pupils of their parents is severely prejudicing, or is likely to severely prejudice, the education of pupils at the school.
 - **Ground 4** -the safety of pupils or staff is threatened 9 whether by a breakdown of discipline or otherwise
 - **Ground 5** –the governing body or Headteacher has failed, or is likely to fail with a duty under the education acts
 - **Ground 6** -the governing body or Headteacher has acted, or is proposing to act unreasonably in the exercise of any of its or his or her functions under the Education Acts

4.4 Where a school is “eligible for intervention” there are a number of powers the Local Authority may use. Where a local authority decides that sufficient evidence exists to warrant the formal use of its powers of intervention, the Welsh Ministers should be notified of the type of intervention that the authority has put in place.

4.5 **Local Authority Intervention Powers**

1. Requirement to secure advice or collaborate

Purpose of intervention; to require a school to secure advice or collaborate in order to secure improvements

Best used; where the school or key figures within it refuse to collaborate with an appropriate partner

2. Appointment of additional governors

Purpose of the intervention; to strengthen the Local Authority’s voice on the governing body and /or provide additional expertise to the governors in key areas to support school improvement

Best used; where the governing body needs additional expertise , or the Headteacher and senior management team need further challenge.

3. The suspension of delegated authority for the governing body to manage a school’s budget

Purpose of the intervention; to secure control over staffing and spending decisions in order to secure improvements

Best used; where the governing body is providing insufficient challenge to the Headteacher or senior management team of the schools, or where the management of the budget is providing a distraction from the improvement priorities for governors

4. The Appointment of an Interim Executive Board(IEB)

This requires an application to Welsh Ministers for consent to constitute the governing body as an IEB. It is a specially constituted governing body which replaces a school’s existing governing body

Purpose of the intervention; to secure a step – change in the leadership and management of the school through the use of a specially- appointed governing body for a temporary period

Best used; where the governing body is providing insufficient challenge to the Headteacher or senior management team of the school, is providing an obstacle to progress, or where there has been a breakdown in working relationships that is having an impact on standards

5. **One Powys Plan**

- 5.1 This proposal supports the key areas prioritised for improvement within the One Powys Plan.
- Transforming learning and skills - All children and young people are supported to achieve their full potential.
 - Financially balanced and fit for purpose public Services - Enabling 'joined up' services for Powys citizens through public and third sector partnerships.

6. **Options Considered/Available**

N/A

7. **Preferred Choice and Reasons**

N/A

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

N/A

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

N/A

10. **Local Member(s)**

The Local Member County Councillor J M Williams has commented:

The report does not seem to be unreasonable. I have made a request to speak to the matter at Cabinet.

The Local Member County Councillor G Bowker has commented:

Could I also echo Cllr Mike's words and express some concern that the report does not clearly acknowledge some of the financial issues facing Ysgol Cedewain in recent years have been specific to the school and the difficulties with the site, and have been outside its control. In addition, the point needs to be more clearly made that the challenges of managing an ageing site across a collection of ten buildings is considerable. I would also like to speak at Cabinet.

11 **Other Front Line Services**

Schools service – The Head of Schools Service notes that Ysgol Cedewain has failed to set a balanced budget and therefore is not licensed. The Service will provide support to Mr Elliott and the finance team.

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

The Finance Business Partners for Schools comments that the current budget plan submitted by the Governing Body does not meet the requirements of the Scheme for the Financing of Schools and would not be licensed. The Finance team will support Elliott in his work with the School.

HR –

13. Local Service Board/Partnerships/Stakeholders etc

N/A

14. Communications

15. Statutory Officers

The Strategic Director Resources notes the comments made by Finance and that the school must operate within the financial regulations covering the need to balance a budget or licence a deficit. The report to September’s cabinet will need to demonstrate this requirement.

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

16. Members’ Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

17. Future status of report

Members are invited to consider the future status of this report and whether it can be made available to the press and public either immediately following the meeting or at some specified point in the future.

The view of the Monitoring Officer is that:

Recommendation:	Reason for Recommendation:
That the report is noted and a further	That an appropriate budget plan is

report is provided by the 27 th September outlining the findings of the work commissioned as set out in section 3 of the report and any actions.	submitted by the school; And to ensure that the school has a financial basis on which to ensure that the school continues to progress the recommendations for improvement.

Relevant Policy (ies):	Scheme for the Financing of Schools		
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	Cllr Bob Mills Cllr G J Bowker Cllr J M Williams
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Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

Contact Officer Name:	Tel:	Fax:	Email:
Jane Thomas	01597826341		Jane.thomas@powys.gov.uk

Background Papers used to prepare Report:
Scheme for the Financing of Schools

Extract from the Scheme for the Financing of Schools

4.5 Obligation to carry forward deficit balances

A deficit balance at the end of a financial year will be treated as a deduction from the following year's budget share.

4.6 Planning for deficit balances

A governing body has no legal right to set a deficit budget without the consent of the Authority and should not presume that such consent will be granted. The Authority will consider approving a licensed deficit to a school in certain approved circumstances (see para. 4.9).

4.7 Charging of interest on deficit balances

The Authority will charge interest on deficit balances. The charge will be based on the school's closing cumulative balance at the end of the financial year. To ensure that the school will effectively repay, in real terms, the deficit sum its value will be increased each year in line with any inflation increase applied to school budget shares.

4.8 Writing off deficits (see also section 3.6)

The Authority has no power to write off the deficit balance of any school except for a closed school, subject to authorisation of the Portfolio Holder for Education.

4.9 Licensed deficits

The detailed arrangements applying to this scheme are set out below:

- (a) 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 ability to take early action.
- (b) deficit arrangements may be agreed in the following circumstances:
 - falling pupil numbers;
 - to spread the cost of cyclical maintenance works over two or more years;
 - other circumstances agreed by the Authority to be reasonable

In the primary sector the maximum licensed deficit which may be approved will be up to 10% of the school's budget share (including any amounts for pupil number adjustments), 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 (including any amounts for pupil number adjustments), 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 approved.

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

The arrangements for licensed deficits will be operated by the Strategic Director: Resources, working within the accounting requirements of the County Council as set out by the Section 151 Officer.

Schools wishing to apply to the Authority to set a deficit budget will be subject to detailed terms and conditions agreed between the governing body, headteacher and the Authority's officers. Restrictions on expenditure and a higher level of budget monitoring will be required by the school and the Authority for the period of the deficit and until such a time as the Authority is satisfied that the school has met repayment targets and is in a position of financial stability. The Authority will appoint a named officer / adviser to support the school in analysing its finance, curriculum and staffing needs.

Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years (exceptionally 5 years). The Authority's named officer / adviser will have a key role in determining whether the recovery plan can be recommended to the Authority as fulfilling these criteria.

Schools have a duty to identify potential deficits and to plan recovery action early. The Authority expects the recovery plan to be submitted by 1st May. The format of the recovery plan, and arrangements for its submission, will be specified by the Authority. The recovery plan will have to be updated at least annually until the school returns to a cumulative surplus budget and is in a position of financial stability. Failure to comply with the agreed recovery plan will mean the re-activation of the process set out in para 2.16.

The Authority will impose additional restrictions on a school during the term of the licence, as part of the licence, including but not limited to:

- the right of approval of staffing appointments and any other changes to staffing that increase costs;
- the right of approval of contracts over a specified value;
- restriction of expenditure to agreed plans and removal of powers of virement;
- a requirement to purchase the full Local Authority financial support package;
- agreed repayment targets, etc.

- the written agreement to the terms by the Chair of Governors, following a resolution passed by the full governing body.

The named officer / adviser will be the first point of contact for the school in relation to these restrictions. He or she will make appropriate recommendations to the Strategic Director: Resources and Head of Schools Service. The need for and extent of such restrictions will be assessed on a school by school basis