

## **CABINET REPORT**

Date Written	11 <sup>th</sup> December 2020
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Service Area	Learning Department
Committee Division	Portfolio
Exempt/Non Exempt	Non Exempt
Committee Date	6 <sup>th</sup> January 2021

*To: Chair, Ladies and Gentlemen*

## **SCHOOL BALANCES 2019-2021**

### **1.0 SUMMARY OF THE REPORT**

- 1.1 The purpose of this report is to provide an update with respect to schools' balances at the financial year end 2019/20 and the financial risk and sustainability of school budgets following the setting of school budgets and indicative medium term financial plans 2020-2023.
- 1.2 Schools balances at 31<sup>st</sup> March 2020 were £1,549,491 which is 3.9% of formula funding, although this is projected to reduce to £847,570 (2.1%) by 31<sup>st</sup> March 2021.
- 1.3 Within this reduced balance are four schools that are planning deficit budgets in the current year and these have submitted licensed deficit recovery plans to bring their budgets back into balance over the medium term.
- 1.4 However, more schools are at risk of requiring a deficit budget in either 2021/22 or 2022/23 and the total number of schools categorised as either RED or AMBER for financial risk is currently eleven.
- 1.5 Next steps have been identified to continue to monitor, challenge and support schools with regards to their financial sustainability, with a particular focus on schools categorised RED and AMBER.

### **2.0 RECOMMENDATION(S) that**

- 2.1 The financial categorisation of schools, as shown in Appendix 1, be approved.

### 3.0 INTRODUCTION AND BACKGROUND

- 3.1 In response to the low level of school balances at 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2015, circa £358k and £214k respectively, and the high number of schools ending those financial years in deficit (ten and then nine), the Schools' Financial Monitoring, Scrutiny and Intervention Policy was implemented to risk assess the financial sustainability of schools and to target appropriate local authority challenge and support.
- 3.2 At the same time, the Direction of Schools' Excess Balances and Clawback Policy was implemented. This policy allows the local authority to direct the use of (and if necessary, clawback) balances above stipulated thresholds for Primary/Secondary and Special schools. The policy enables the local authority to clawback the excess balances after three years and schools are required to submit plans regarding intended use of balances in years one and two.
- 3.3 In accordance with the Schools Funding Regulations (Wales) 2010 any balances clawed back by the local authority must be spent on pupils in the same financial year as part of the local authority's overall spend on schools.
- 3.4 These policies were revised in July 2019 implementing new excess balance thresholds that reflect the relative size of schools alongside the monetary value of the regulatory thresholds. The new excess balance thresholds are:
- Primary – Greater of £50k or 5%
  - Secondary/Special – Greater of £100k or 4%
- 3.5 The local authority has a benchmark target for aggregate schools' balances held at the financial year end to be 3% of formula funding and also recommends that individual schools hold balances within the following ranges:
- Primary - between 2% and 4 %, and within the excess balance limits
  - Secondary/Special – between 2.5% and 3.5%, and within the excess balance limits
- 3.6 Good resource management in schools is the result of effective leadership and governance and Estyn describes 'Good' resource management in the following terms:
- Staffing and financial resources are managed and deployed effectively to support learning improvement.
  - The impact of resources on teaching and learning is kept under review and future needs are planned for.
  - The school's spending decisions relate well to priorities for improvement and the benefit of the pupils.
  - The Pupil Deprivation Grant is well spent.
  - The use of shared resources through efficient partnership work or federation provides good value for money because it contributes to improved and generally good outcomes for pupils in aspects which the school alone could not provide.

- 3.7 The key measures of success that the local authority uses to judge 'Good' resource management in schools are:
- no schools with an unplanned financial deficit;
  - all schools with a licensed deficit deliver against their recovery plan and balance their budget in line with their Medium-Term Financial Plan;
  - all schools with a surplus balance in excess of regulatory thresholds will successfully deliver their excess balances spending plan; and
  - no school will hold excess balances for three consecutive years requiring local authority clawback.

#### 4.0 SCHOOLS FINANCIAL PERFORMANCE 2019/2020

- 4.1 The local authority's schools' balances held in reserve as at 31<sup>st</sup> March 2020 were £1,549,491 (3.9%) compared to £1,458,503 (3.8%) the previous year.
- 4.2 Ten schools had year end balances higher than the new excess balance thresholds. Further details are provided in Table 1 below.

*Table 1: Schools above Excess Balances Thresholds @ 31<sup>st</sup> March 2020*

*(Primary Greater of £50k / 5%, Secondary/Special Greater of £100k / 4%)*

School	2019/2020		Excess Balance £000s	Year
	Balance £000s	% Reserve		
Abercanaid	56	6.5%	6	1
Caedraw	57	5.7%	7	1
Dowlais	81	8.6%	31	1
Edwardsville	95	6.0%	16	1
Coed Y Dderwen	70	5.2%	20	3
Gellifaelog	55	8.6%	5	2
Trelewis	53	6.0%	3	2
Troedyrhiw	70	8.4%	20	1
Ynysowen	135	11.4%	76	1
Greenfield	243	7.5%	113	1

- 4.3 All schools with excess balances have provided excess balance plans to the local authority detailing the reasons for the balances being held and the planned use of those balances in the current financial year 2020/21. These plans have been approved by the Chief Officers for Learning and Finance.
- 4.4 Coed Y Dderwen are in the third year of excess balances but have commenced a series of planned maintenance projects during 2020/21 in order to use the excess balances to address priority work on the premises. £23k costs have been incurred to date on this work in the current financial year and a further £22k is planned before 31<sup>st</sup> March 2021.
- 4.5 Two schools ended with unplanned deficit balances in 2019/20. See Table 2 below for a summary of these details.

Table 2: Schools with unplanned deficit budgets @ 31<sup>st</sup> March 2020

School	2019/2020		Year
	Balance £000s	% Reserve	
Goetre	-18	-0.9%	1
Ysgol Y Graig	-24	-2.5%	1

- 4.6 Ysgol Y Graig Primary school has been granted a Planned Licensed Deficit in 2020/21 and have plans in place to recover a balanced budget in 2022/23.
- 4.7 Goetre Primary are expected to deliver a balanced budget in the current year and have developed sustainable budget proposals to balance over the medium term in order to avoid further deficit budgets in future years. These proposals will be submitted for further consideration and approval early in the Spring term.
- 4.8 Following the closure of the 2019/20 accounts in May 2020, all schools set their 2020/21 budgets by 31<sup>st</sup> May 2020 in line with statutory requirements.
- 4.9 Appendix 1 details schools' 2020/21 budgets and indicative three-year Medium Term Financial Plans (MTFP) 2020-2023 alongside their 2019-20 year end balances.
- 4.10 The aggregate level of school balances budgeted in 2020/21 is £839k which shows an estimated £711k reduction in balances year on year. This estimated year-end balance for schools is 2% of formula funding which is £400k lower than the benchmark local authority target of 3%.
- 4.11 The level of balances is currently projected to further reduce to £239k in 2021/22 and to be in an aggregate deficit position of £-261k in 2022/23. The main factor for the overall projected deficit is the financial position of Cyfarthfa High School that is currently projecting a deficit in 2022/23 of £-505k. The school is currently working towards a planned licensed deficit and is in the process of identifying significant reductions in staffing to bring their budget back into balance by 2024/25.
- 4.12 Following consideration of schools second budgets during the Autumn term, each school was categorised for financial risk and sustainability. See Table 3 below.

Table 3: Financial Risk Categorisation 2019/20 and 2020/21

Financial Risk Category	Judgement	No. of Schools		%
		2019/20	2020/21	
RED	HIGH RISK	0	5	19%
AMBER	MEDIUM TO HIGH	13	6	22%
YELLOW	LOW TO MEDIUM	8	10	37%
GREEN	LOW	6	6	22%
<b>TOTAL</b>		<b>27</b>	<b>27</b>	<b>100%</b>

- 4.13 The number of schools at high risk (RED) has increased from nil to five, with these schools submitting plans to recover a deficit budget over the medium term. These plans require schools to deliver sustainable proposals that recover the budget deficit over a three-to-four-year period and are subject to ongoing discussion and review.

4.14 Schools categorised at medium to high risk (AMBER) have decreased from thirteen in 2019/20 to six in 2020/21. Four of the schools changing went into a higher category of risk and three went into a lower category.

## 5.0 NEXT STEPS

5.1 The local authority will continue to monitor schools' finances in accordance with the relevant financial monitoring policies and schools categorised RED and AMBER will be subject to additional scrutiny, challenge and support as required.

5.2 These schools will be required to attend financial monitoring meetings with the local authority and further work will be undertaken with all schools that are projecting a deficit budget position in either 2021/22 or 2022/23.

5.3 Schools will continue financial planning during the Spring term and upon receipt of the revised Formula Allocations 2021/22, and indicative figures to 2023/24, they will set annual budgets and updated MTFPs 2021-2024 by the statutory deadline 31<sup>st</sup> May 2021.

## 6.0 FINANCIAL IMPLICATION(S)

6.1 There are no financial implications associated with this report.

## 7.0 INTEGRATED IMPACT ASSESSMENT

7.1 No positive or negative impacts have been identified against the Well-being Objectives, the Sustainable Development Principles, the Protected Characteristics, Welsh Language or Biodiversity.

**SUE WALKER**  
**CHIEF OFFICER LEARNING**

**COUNCILLOR LISA MYTTON**  
**PORTFOLIO MEMBER FOR LIFELONG LEARNING**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Schools Balances 2018-2020 Cabinet Report	11th September 2019	Intranet
Schools Financial Monitoring, Scrutiny & Intervention Policy (v2.0)	July 2019	Learning Department
Direction of Schools Excess Balances & Clawback Policy (v2.0)	July 2019	Learning Department
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>N</b>

***Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.***

SCHOOL	2019/2020 Outturn		2020/2021 Budget				2021/2022 MTFP		2022/2023 MTFP	
	Outturn	% of FA	Budget	% of FA	2nd Budget	Assessment of Risk	MTFP	% of FA	MTFP	% of FA
ABERCANAID COMMUNITY	£ 55,920	6.5%	£ 16,836	2.1%	£ 18,812		£ 11,889	1.5%	£ 830	0.1%
BEDLINO G COMMUNITY PRIMARY	£ 24,367	6.0%	£ 10,487	2.3%	£ 17,875		£ 4,614	1.0%	£ 1,500	0.3%
CAEDRAW PRIMARY	£ 56,919	5.7%	£ 25,441	2.5%	£ 65,355		£ 69,754	6.6%	£ 70,604	6.5%
CYFARTHFA PARK PRIMARY	£ 75,617	5.0%	£ 28,824	1.9%	£ 50,039		£ 55,057	3.6%	£ 57,728	3.7%
DOWLAIS PRIMARY	£ 80,833	8.6%	£ 21,563	2.4%	£ 29,470		-£ 16,963	-1.9%	-£ 97,718	-10.9%
EDWARDSVILLE PRIMARY	£ 95,179	6.0%	£ 70,548	4.5%	£ 20,344		£ 48,632	3.0%	£ 61,229	3.7%
YSGOL GYNRADD COED Y DDERWEN	£ 70,266	7.0%	£ 15,370	1.4%	£ 12,716		-£ 8,167	-0.7%	-£ 13,727	-1.2%
GELLIFAELOG PRIMARY	£ 54,750	5.8%	£ 45,907	4.6%	£ 68,128		£ 32,315	3.2%	-£ 19,191	-1.9%
GOETRE PRIMARY	-£ 18,397	-0.9%	£ 10,401	0.5%	£ 10,401		£ 13,228	0.6%	£ 21,868	1.0%
GWAUNFARREN PRIMARY	£ 26,192	2.7%	£ 14,515	1.4%	£ 21,549		-£ 19,372	-1.9%	-£ 31,992	-2.9%
HEOLGERRIG PRIMARY	£ 24,502	2.8%	£ 29,582	3.2%	£ 30,445		£ 17,473	1.8%	-£ 6,133	-0.6%
PANTYSGALLOG PRIMARY	£ 46,194	4.6%	£ 55,915	5.1%	£ 67,000		£ 40,882	3.7%	£ 32,516	2.8%
ST ALOYSIUS R.C. PRIMARY	£ 31,913	4.8%	-£ 43,815	-6.8%	-£ 38,841		-£ 48,894	-7.3%	-£ 72,143	-10.6%
ST ILLTYD'S R.C. PRIMARY	£ 24,975	3.8%	-£ 58,331	-9.6%	-£ 48,222		-£ 42,029	-6.7%	-£ 45,415	-7.2%
ST MARY'S R.C. PRIMARY	£ 30,482	3.7%	£ 14,471	1.9%	£ 21,215		£ 9,000	1.1%	-£ 31,000	-4.0%
TRELEWIS PRIMARY	£ 52,588	6.0%	£ 32,595	3.5%	£ 39,869		£ 40,286	4.3%	£ 49,186	5.1%
TROEDYRHIW PRIMARY	£ 70,219	8.4%	£ 44,271	4.9%	£ 47,856		£ 30,669	3.3%	£ 2,346	0.3%
TWYNYRODYN COMMUNITY	£ 51,680	4.3%	£ 21,112	1.6%	£ 68,980		£ 59,247	4.6%	£ 28,451	2.2%
YNYSOWEN COMMUNITY	£ 135,360	11.4%	£ 64,532	5.6%	£ 64,532		£ 80,636	6.9%	£ 123,272	10.2%
YSGOL RHYD Y GRUG	£ 7,868	0.7%	£ 4,181	0.4%	£ 9,275		-£ 8,000	-0.7%	-£ 24,483	-2.0%
YSGOL SANTES TUDFUL	£ 67,152	4.2%	£ 70,820	4.2%	£ 59,000		£ 57,645	3.3%	£ 13,932	0.8%
YSGOL Y GRAIG PRIMARY	-£ 23,651	-2.5%	-£ 33,767	-3.6%	-£ 16,690		-£ 7,631	-0.8%	£ 22,902	2.3%
<b>TOTALS</b>	<b>£ 1,040,927</b>	<b>4.5%</b>	<b>£ 461,458</b>	<b>2.0%</b>	<b>£ 619,109</b>		<b>£ 420,271</b>	<b>1.8%</b>	<b>£ 144,562</b>	<b>0.6%</b>
AFON TAF HIGH	£ 88,428	2.8%	£ 74,809	2.2%	£ 62,139		£ 47,106	1.4%	£ 58,303	1.6%
BISHOP HEDLEY HIGH	£ 42,670	1.7%	£ 100,244	3.7%	£ 70,000		£ 58,847	2.1%	£ 9,630	0.3%
CYFARTHFA HIGH	£ 16,473	0.3%	-£ 129,110	-2.7%	-£ 99,514		-£ 324,698	-6.6%	-£ 505,025	-10.0%
PEN-Y-DRE HIGH	£ 118,262	3.7%	£ 257,885	7.1%	£ 150,440		£ 4,992	0.1%	-£ 12,382	-0.3%
<b>TOTALS</b>	<b>£ 265,833</b>	<b>1.9%</b>	<b>£ 303,828</b>	<b>2.1%</b>	<b>£ 183,065</b>		<b>-£ 213,753</b>	<b>-1.4%</b>	<b>-£ 449,474</b>	<b>-2.9%</b>
GREENFIELD SPECIAL	£ 242,731	7.5%	£ 52,036	1.6%	£ 45,396		£ 32,787	1.0%	£ 43,504	1.3%
<b>TOTALS</b>	<b>£ 242,731</b>	<b>7.5%</b>	<b>£ 52,036</b>	<b>1.6%</b>	<b>£ 45,396</b>		<b>£ 32,787</b>	<b>1.0%</b>	<b>£ 43,504</b>	<b>1.3%</b>
<b>GRAND TOTALS</b>	<b>£ 1,549,491</b>	<b>3.87%</b>	<b>£ 817,322</b>	<b>2.0%</b>	<b>£ 847,570</b>	<b>2.1%</b>	<b>£ 239,305</b>	<b>0.6%</b>	<b>-£ 261,408</b>	<b>-0.6%</b>