

## **CABINET REPORT**

Date Written	19 <sup>th</sup> August 2021
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Service Area	Learning Department
Exempt/Non Exempt	Non Exempt
Committee Date	8 <sup>th</sup> September 2021

To: *Chair, Ladies and Gentlemen*

## **SCHOOL BALANCES 2020-2022**

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

- 1.1 The purpose of this report is to provide an update with respect to school balances at the financial year end 2020-2021 and the financial risk and sustainability of school budgets following the setting of school budgets and indicative Medium Term Financial Plans (MTFPs) 2021-2024.
- 1.2 School balances at 31<sup>st</sup> March 2021 were £4.3 million (actual) and £2.4 million (adjusted) which is 5.7% of formula funding. Adjusted figures take account of almost £1.9 million grant income from Welsh Government (WG) which was received too late in the financial year to spend by 31<sup>st</sup> March 2021.
- 1.3 School balances are projected to reduce significantly over the next three years with five schools at AMBER risk of requiring a deficit budget over this period.
- 1.4 There are currently three RED risk schools already delivering approved Planned Licensed Deficit (PLD) proposals to recover budget deficits during the period of their MTFP.
- 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 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 current 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 describe '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 MTFP;
- 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 2020-2021

4.1 The local authority's schools' balances held in reserve as at 31<sup>st</sup> March 2021 were £4,266,644. However, between January and March 2021 WG paid various grants into schools' budgets circa £1.9 million. Adjusting for this late and unexpected income, the schools' balances total £2,366,155, 5.7% of formula funding compared to £1,549,491 (3.9%) the previous year.

4.2 The late grants received included Learning Recovery & Progression £593k, COVID Safe Reopening & Cleaning Materials £89k, ALN Response to COVID19 £160k, School Revenue Maintenance Grant £857k and others. This additional income needs to be provided earlier in the financial year if schools are to plan for it to be spent effectively during the year.

4.3 Thirteen schools had adjusted year end balances higher than the excess balance thresholds. Further details are provided in Table 1 below.

*Table 1: Schools above Excess Balances Thresholds @ 31<sup>st</sup> March 2021  
(Primary Greater of £50k / 5%, Secondary/Special Greater of £100k / 4%)*

School	2020/2021		Excess Balance £000s	Year
	Adjusted Balance £000s	% Reserve		
Cyfarthfa Park Primary	94	6.3%	20	1
Twynnyrobyn Primary	153	11.7%	88	1
Ysgol Santes Tudful	149	8.9%	65	1
Afon Taf High	274	8.1%	138	1
Pen Y Dre High	346	9.5%	201	1
Caedraw Primary	91	8.8%	39	2
Dowlais Primary	118	13.2%	68	2
Edwardsville Primary	90	5.7%	11	2
Troedyrhiw Primary	65	7.1%	15	2
Ynysowen Primary	122	10.6%	65	2
Greenfield Special	287	9.0%	159	2
Gellifaelog Primary	92	9.1%	41	3
Trelewis Primary	60	6.5%	10	3

- 4.4 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 2021-2022.
- 4.5 Gellifaelog and Trelewis schools are in the third year of excess balances and are both undertaking building improvement projects during 2021-2022 in order to use the excess balances to improve their school learning environments.
- 4.6 Ysgol Y Graig and Goetre Primary schools recovered their financial deficits brought into 2020-2021 and both ended the year with surplus balances circa £43k.
- 4.7 St Aloysius and St Illtyd's RC Primary schools had PLDs approved during 2020-2021 and are expected to deliver sustainable budgets over the medium term in order to avoid requiring deficit budgets in future years.
- 4.8 Cyfarthfa High School are currently working towards their PLD proposals and are expected to deliver a balanced budget in 2023-2024.
- 4.9 Following the closure of the 2020-2021 accounts in May 2021, all schools set their 2021-2022 budgets by 31<sup>st</sup> May 2021 in line with statutory requirements. Three-year MTFP's were also approved by Governors.
- 4.10 Appendix 1 details schools' 2021-2022 budgets and indicative three-year MTFPs 2021-2024 alongside their 2020-2021 year end balances.
- 4.11 The aggregate level of school balances budgeted in 2021-2022 is £2,303k which shows an estimated £1,964k reduction in balances year on year.
- 4.12 The level of balances is currently projected to further reduce to £1,212k in 2022-2023 and £49k in 2023-2024. The main factor for the overall reduction to very low aggregate balances is the financial position of six schools that are currently projecting a deficit in 2023-2024 totalling £ -567k. These schools will reconsider their MTFPs during the current financial year to identify the savings required to maintain a sustainable budget position.
- 4.13 Following consideration of schools' budgets and MTFPs each school was categorised for financial risk and sustainability. See Table 2 below.

*Table 2: Financial Risk Categorisation 2020/21 and 2021/22*

Financial Risk Category	Judgement	No. of Schools		%
		2020/21	2021/22	
RED	HIGH RISK	5	3	11%
AMBER	MEDIUM TO HIGH	6	12	44%
YELLOW	LOW TO MEDIUM	10	8	30%
GREEN	LOW	6	4	15%
<b>TOTAL</b>		<b>27</b>	<b>27</b>	<b>100%</b>

- 4.14 The number of schools at high risk (RED) has decreased from five to three, with these schools; Cyfarthfa High, St Aloysius and St Illtyd's, currently delivering approved budget deficit proposals to recover budget deficits over the period of the MTFP.
- 4.15 Schools categorised at medium to high risk (AMBER) have increased from six in 2020-2021 to twelve in 2021-2022, with seven of these schools categorised due to schools holding excess balances for two or more years. The other five AMBER schools are at risk of a deficit budget over the medium term and further consideration of budget saving proposals are required during the current financial year.
- 4.16 Ten of the schools changing have gone into a higher category of risk, twelve remain the same and five are moving into a lower category.

## 5.0 NEXT STEPS

- 5.1 The local authority will 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 2022-2023 or 2023-2024.
- 5.3 Schools will continue financial monitoring during the Autumn and Spring Terms and where appropriate will set updated budgets and MTFPs.

## 6.0 FINANCIAL IMPLICATION(S)

- 6.1 There are no financial implications associated with this report.

## 7.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Neutral/Not Applicable
<b>1. Merthyr Tydfil Well-being Objectives</b>	0 of 4	0 of 4	4 of 4
<b>2. Sustainable Development Principles - How have you considered the five ways of working?</b> <ul style="list-style-type: none"> <li>• Long term</li> <li>• Prevention</li> <li>• Integration</li> <li>• Collaboration</li> <li>• Involvement</li> </ul>	0 of 5	0 of 5	5 of 5

<b>3. Protected Characteristics</b> (including Welsh Language)	0 of 10	0 of 10	10 of 10
<b>4. Socio-economic Disadvantage</b>	0 of 6	0 of 6	6 of 6
<b>5. Consultation and Engagement</b>	<b>Undertaken</b>	<b>Due to be Undertaken</b>	<b>Not Required</b>
	0 of 1	0 of 1	1 of 1
<b>6. Data and Evidence to inform the proposal</b>	<b>Yes</b>		<b>No</b>
	0 of 1		1 of 1
<b>7. Biodiversity and the resilience of Ecosystems</b>	<b>Maintained</b>	<b>Enhanced</b>	<b>Reduced</b>
	0 of 1	0 of 1	0 of 1
<b>Summary</b>			
<b>The main positive impacts are:</b>	N/A		
<b>The main negative impacts are:</b>	N/A		

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

**COUNCILLOR LISA MYTTON**  
**LEADER OF THE COUNCIL/CABINET**  
**MEMBER FOR LEARNING**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Schools Balances 2019-2021 Cabinet Report	6th January 2021	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>No</b>

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

	2020/2021 Budget			2021/2022 MTFP			2022/2023 MTFP		2023/2024 MTFP	
	Final Outturn	Adjusted Outturn	% of FA	Budget	% of FA	Assessment of Risk	MTFP	% of FA	MTFP	% of FA
ABERCANAID COMMUNITY	£ 73,512	£ 26,863	3.4%	£ 37,912	4.9%		£ 12,805	1.6%	-£ 11,388	-1.4%
BEDLINO G COMMUNITY PRIMARY	£ 31,102	£ 5,843	1.3%	£ 21,573	4.3%		£ 20,008	4.0%	£ 33,161	6.5%
CAEDRAW PRIMARY	£ 143,060	£ 90,639	8.8%	£ 102,801	8.9%		£ 62,277	5.5%	£ 2,762	0.2%
CYFARTHFA PARK PRIMARY	£ 179,611	£ 94,451	6.3%	£ 74,669	4.9%		£ 52,942	3.3%	£ 15,300	1.0%
DOWLAIS PRIMARY	£ 166,985	£ 118,354	13.2%	£ 83,523	10.3%		£ 73,062	8.7%	£ 51,749	6.1%
EDWARDSVILLE PRIMARY	£ 176,512	£ 90,081	5.7%	£ 75,396	4.8%		£ 55,510	3.4%	£ 7,798	0.5%
YSGOL GYNRADD COED Y DDERWEN	£ 118,253	£ 41,936	3.9%	£ 60,470	5.5%		£ 37,678	3.3%	£ 14,978	1.3%
GELLIFAELOG PRIMARY	£ 150,005	£ 91,505	9.1%	£ 57,228	5.8%		£ 33,741	3.4%	£ 4,864	0.5%
GOETRE PRIMARY	£ 145,496	£ 43,211	2.1%	£ 127,464	5.7%		£ 57,395	2.6%	-£ 92,730	-4.2%
GWAUNFARREN PRIMARY	£ 88,752	£ 32,742	3.2%	£ 34,888	3.3%		-£ 21,914	-2.1%	-£ 69,398	-6.5%
HEOLGERRIG PRIMARY	£ 92,832	£ 42,442	4.6%	£ 44,366	4.8%		£ 10,908	1.1%	£ 17,319	1.8%
PANTYSGALLOG PRIMARY	£ 108,629	£ 50,715	4.6%	£ 57,311	4.7%		£ 24,049	2.1%	£ 4,626	0.4%
ST ALOYSIUS R.C. PRIMARY	£ 30,029	-£ 8,937	-1.4%	£ 3,704	0.6%		£ 32,161	4.8%	£ 103,022	14.6%
ST ILLTYD'S R.C. PRIMARY	£ 27,239	-£ 12,312	-2.0%	£ 11,937	2.0%		£ 27,292	4.5%	£ 11,787	2.0%
ST MARY'S R.C. PRIMARY	£ 84,563	£ 36,898	4.7%	£ 77,341	9.4%		£ 52,489	6.7%	£ 4,241	0.6%
TRELEWIS PRIMARY	£ 114,635	£ 59,886	6.5%	£ 45,174	4.7%		£ 37,525	3.8%	£ 37,256	3.7%
TROEDYRHIW PRIMARY	£ 111,436	£ 64,502	7.1%	£ 32,079	3.4%		£ 16,102	1.7%	£ 20,604	2.1%
TWYNYRODYN COMMUNITY	£ 223,299	£ 153,271	11.7%	£ 68,356	5.3%		£ 43,951	3.4%	-£ 69,949	-5.6%
YNYOWEN COMMUNITY	£ 189,641	£ 122,647	10.6%	£ 55,084	4.4%		£ 53,377	4.3%	£ 9,161	0.7%
YSGOL RHYD Y GRUG	£ 87,161	£ 24,220	2.1%	£ 20,548	1.8%		-£ 13,398	-1.2%	-£ 34,558	-2.9%
YSGOL SANTES TUDFUL	£ 245,657	£ 148,777	8.9%	£ 214,531	13.3%		£ 188,056	11.6%	£ 27,046	1.7%
YSGOL Y GRAIG PRIMARY	£ 94,637	£ 42,550	4.5%	£ 63,662	7.0%		£ 41,742	4.4%	£ 4,480	0.5%
<b>TOTALS</b>	<b>£ 2,683,045</b>	<b>£ 1,360,283</b>	<b>5.8%</b>	<b>£ 1,370,018</b>	<b>5.7%</b>		<b>£ 897,760</b>	<b>3.7%</b>	<b>£ 92,131</b>	<b>0.4%</b>
AFON TAF HIGH	£ 411,233	£ 273,481	8.1%	£ 342,150	9.7%		£ 152,770	4.2%	£ 9,616	0.3%
BISHOP HEDLEY HIGH	£ 192,812	£ 91,086	3.4%	£ 150,714	5.3%		£ 70,200	2.4%	£ 19,273	0.6%
CYFARTHFA HIGH	£ 184,914	£ 8,667	0.2%	£ 29,032	0.6%		£ 46,768	1.1%	£ 98,211	2.3%
PEN-Y-DRE HIGH	£ 468,210	£ 346,231	9.5%	£ 269,080	6.9%		£ 110,795	2.6%	£ 118,380	2.6%
<b>TOTALS</b>	<b>£ 1,257,169</b>	<b>£ 719,465</b>	<b>4.9%</b>	<b>£ 790,976</b>	<b>5.4%</b>		<b>£ 380,533</b>	<b>2.5%</b>	<b>£ 245,481</b>	<b>1.6%</b>
GREENFIELD SPECIAL	£ 326,430	£ 286,367	9.0%	£ 141,728	4.2%		-£ 66,045	-1.9%	-£ 288,928	-8.3%
<b>TOTALS</b>	<b>£ 326,430</b>	<b>£ 286,367</b>	<b>9.0%</b>	<b>£ 141,728</b>	<b>4.2%</b>		<b>-£ 66,045</b>	<b>-1.9%</b>	<b>-£ 288,928</b>	<b>-8.3%</b>
<b>GRAND TOTALS</b>	<b>£ 4,266,644</b>	<b>£ 2,366,115</b>	<b>5.7%</b>	<b>£ 2,302,722</b>	<b>5.5%</b>		<b>£ 1,212,248</b>	<b>2.8%</b>	<b>£ 48,683</b>	<b>0.1%</b>