

# School Budgets 16.7.21

## Addysg a Phlant

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This report provides an update on the local authority's strategy and position with maintained schools facing or predicting budget deficit. It follows a previous presentation made to the Audit Committee.

It is recognised that the last 17 months has seen a significant impact on schools and services across Carmarthenshire. As a result, school budgets have been impacted significantly and the Finance Team's capacity with support from School Improvement to support and challenge schools has been severely disrupted.

<b>Progress against audit report</b>	
The Scheme for the Financing of Schools should be updated and circulated to all Schools as a matter of importance.	Completed
A standard approach for the approval of deficit licences and spending plans within the function should be adopted, to ensure consistency and clarity.  Policies and procedures should be developed, documenting the process for monitoring, reviewing, and controlling of School budgets.	Completed
Current working practices should be reviewed, with the roles and responsibilities of sections and officers clearly defined in order to ensure clarity and consistency in the process of financing Schools	Draft included and to be taken to Budget Forum
It is imperative that key controls are implemented to prevent Schools running continuously with an ever-increasing unapproved deficient budget.  Consideration should be given to the training of key representatives in preparing the budget to ensure deficit licences are realistic and approved promptly.	Completed
Processes should be developed for the reviewing, evaluating, approving, and rejecting of spending plans. With consideration being given to issuing a direction to spend or claw back any excess surplus held.	Completed

## Deficit Position

	March 2019	March 2020	March 2021
<b>TOTAL (DEFICIT)/ SURPLUS £000s</b>	<b>(393)</b>	<b>(2,001)</b>	<b>7,266</b>
<b># OF PRIMARIES IN DEFICIT</b>	<b>39</b>	<b>44</b>	<b>23</b>
<b># OF SECONDARIES IN DEFICIT</b>	<b>7</b>	<b>6</b>	<b>4</b>

### Financial Position 2018-2019

- Overall schools' **Surplus** / Deficit at the end of 31.3.19 = **-£3,224,669** / £3,618,005 (£393,336 Total)
- Total **Surplus** / Deficit for Primary at the end of 31.3.19 = **-£1861,817** / £1,688,361 (-£173,456 Total)
- Number of primary schools in **surplus** / deficit at 31.3.19 – **59 Surplus** / 39 Deficit
- Number of secondary / special schools in **surplus** / deficit at 31.3.19 – **7 Surplus** / 7 Deficit

### Financial Position 2019-20

- Overall schools' **Surplus** / Deficit at the end of 31.3.20 = **-£3,677,201** / £5,678,217 (£2,001,016 Total)
- Total **Surplus** / Deficit for Primary at the end of 31.3.20 = **-£1,787,526** / £2,528,703 (£741,177 Total)
- Number of primary schools in **surplus** / deficit at 31.3.20 – **51 Surplus** / 45 Deficit
- Number of secondary / special schools in **surplus** / deficit at 31.3.20 – **7 Surplus** / 7 Deficit

### Financial Position 2020-21

- Overall schools' **Surplus** / Deficit at the end of 31.3.21 = **-£11,023,393** / £3,757,762 (-£7,265,631 Total)
- Total **Surplus** / Deficit for Primary at the end of 31.3.21 = **-£5,717,515** / £1,396,196 (-£4,321,319 Total)
- Number of primary schools in **surplus** / deficit at 31.3.21 – **73 Surplus** / 23 Deficit
- Number of secondary / special schools in **surplus** / deficit at 31.3.21 – **9 Surplus** / 5 Deficit

### **Impact of grant funding during 2020-21**

Schools have been able to take advantage of significant additional grant funding released during the pandemic. This has impacted positively on several school budgets this year and into next year.

School budgets have significantly benefitted from the following factors:

- Additional Grant funding from WG, both during the year (e.g. Additional Learning Programme) as well as specific grants very late in the financial year (e.g. ALN COVID received in February, Caretaking & Cleaning grant funding)
- Reduced activities normally funded from non capitation budgets e.g. school trips
- Reduced expenditure on Supply Teacher expenditure – through a combination of reduced requirements (less non-COVID19 absence) and ability to claim COVID19 supply cover through WG hardship scheme

## **Strategy Moving Forward**

### **Context**

This strategy is linked with the Carmarthenshire Scheme for Financing Schools (ref. ) where the requirement of managing all schools in deficit are set out in greater detail. In the main, the majority of Carmarthenshire schools have been mostly financially secure in the recent past due to the effective and efficient financial planning between governing bodies and school leaders.

However, over recent years a growing number of schools have, for several reasons, faced financial challenges and have required additional support, budgetary controls, and monitoring from the local authority.

Where a school is in financial difficulty and has demonstrated a lack of capacity to manage its finances the local authority does have the power to withdraw financial delegation. In Carmarthenshire, no schools have had their finances de-delegated to manage the recovery plan and to avoid increasing financial risk to the local authority.

Due to a number of factors, some maintained primary schools have faced financial challenges over the last three years due in part pupil enrolment versus capacity, and in some cases, legacy issues. Informal processes have been in place in the past for how the local authority supports and intervenes. It is an appropriate time for the local authority to formalise an approach.

### **Recommended strategy for supporting schools facing financial challenges**

For schools facing a potential deficit budget, practice has involved the local authority school's ESA, Group Accountant, Head of Service, and other senior education officers meeting with the school leaders, chair of governors and bursar to understand the school's plans to balance the budget, or plan to return to a balanced budget over an appropriate time frame.

In the main, this has led to the local authority being confident in the school's plans, accepting of the budget submission, and with no further action required or taken by the

local authority. For the very few cases where budget deficit is significant and there are no realistic plans to reduce the deficit, the local authority has not used its powers of intervention.

Any future strategy needs to recognise that schools have responsibility to manage their finances and therefore any action taken by the local authority needs to be reasonable. However, it also needs to recognise that any significant deficit that goes unchecked does risk the broader financial resources available to all schools within the local authority.

In providing a balanced approach to supporting schools and using the local authority's powers of intervention, the following suggested strategy is recommended for schools' budget forum to consider.

Schools facing temporary financial deficit or moving into deficit for the first time	
Governing bodies and headteachers undertake their initial budget planning and, where there is a risk that the budget submission will be a deficit budget, early notice will be provided to the local authority's schools ESA.	
ESA will engage with the school to support and advise as appropriate.	
Where the school is planning to submit a deficit budget, the chair of governors and headteacher will formally notify the local authority of this by completing appropriate template and returning to the LMS team. A meeting will be arranged with the ESA, Senior ESA and finance Officer to talk through the budget plan and to question and to provide challenge where appropriate. Within, and following this discussion, the school will be required to detail a recovery plan to ensure that the projected deficit is reduced to a break even over an appropriately agreed timeframe.	
The local authority will work with the school to agree the recovery plan and, where the plan is agreed, a six-monthly review of spending and implementation of the plan will take place involving the school, ESA and School Finance Officer. If this plan is on track, no further action will take place.	
Where an initial recovery plan cannot be agreed, a further meeting will take place with the school, and both HR, Group Accountant and Senior ESA along with the Head of Education. The intention of this meeting is to help the school consider its resources, organisation structures, and financial commitments. The meeting will seek to agree a shared plan for returning the school to a break-even budget over an appropriate timeframe without this compromising the quality of provision. Any plan will need to be phased appropriately. The local authority will maintain a quarterly review of progress against the plan alongside the school. Where the plan is working well and the deficit reduction is managed, the local authority will continue working with the school providing support and light touch monitoring of the progress until the school returns to break even.	
Schools facing significant, or growing debt, and without the ability to manage debt reduction and a recovery plan	

<p>Where discussions, and work with the school and governors, has not been able to secure the appropriate reduction in debt, or implementation of the agreed recovery plan, the local authority Head of Education, Senior ESA and Group Accountant, will hold a meeting with the school leadership, bursar, and chair of governors. This will involve discussion on how the local authority and school can manage the debt reduction plan. It may lead to a re-scoping of the strategy and engagement of the local authority in supporting and monitoring spending and the financial capacity building at the school. It will involve agreeing detail of the local authority's close monitoring of spending against the budget, including the provision of data and out-turns. It may involve agreeing local authority support at governing body financial sub committee meetings. This may include discussion on temporary removal of financial delegation, the re-allocation of financial and administrative resources. It could involve discussion with HR and the Senior ESA on staffing structures and school organisation. The specific actions taken will be dependent upon the specific circumstances of each school. These discussions will explore a range of options with governors and the school's leadership on consideration of a range of options to bring about the budget savings required.</p>	
<p>Where schools are unable to manage their finances and, following support and guidance, are unable to maintain and reduce their deficit, the local authority may exercise its responsibilities to intervene and remove financial delegation. This will involve formally writing to the governing body and outlining the local authority's plans. These could include removing financial authority, establishing agreed processes for the schools to follow in agreeing and authorising expenditure within set parameters. In exceptional circumstances, it could include managing the financial planning, accounting, and decisions on staffing directly from the local authority. If this action is taken, a strategy group will be established to include the school's Headteacher, chair of governors, school bursar and local authority Senior ESA and Group Accountant to agree the procedures and spending priorities. The intention would be to work with the school governors and leaders to ensure that any decisions met the debt reduction plan over an appropriate timeframe without this putting the quality of the school's provision at risk. It would –</p> <ul style="list-style-type: none"> <li>• Involve close working with governors to ensure that there was transparency on budget plans and spending.</li> <li>• Involve dedicated financial resource funded from the school's budget and resources.</li> <li>• Involve working alongside the school's leadership to build capacity to enable the budget control to return to the school as soon as is practically possible and when the debt recovery plan is secure</li> </ul>	

