

**AUDIT COMMITTEE: 18 SEPTEMBER 2017**

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**GOVERNANCE IN SCHOOLS AND SCHOOL BALANCES**

**REPORT OF THE DIRECTOR OF EDUCATION AND LIFELONG  
LEARNING**

**AGENDA ITEM: 4.1**

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**Reason for Report**

At its meeting in June 2014 the Audit Committee requested that, on an annual basis, it should receive a report on governance in schools covering relevant governance aspects and updated figures and opinions related to the corporate risk in respect of school balances.

**Background**

The annual net budget delegated to the 127 schools in Cardiff in the 2017/2018 financial year is £235.992m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.

The Welsh Government's School Funding (Wales) Regulations 2010 (The Regulations) set the parameters for how Local Authorities in Wales should fund individual schools and also oblige each Local Authority (LA) to publish a Scheme for Financing Schools (The Scheme). The Regulations list the matters which are required to be included in The Scheme including financial reporting requirements, audit, banking and procurement obligations.

In addition to The Scheme, schools receive regular advice and guidance on financial issues through the Council's Local Financial Management Team and Council's Internal Audit Team.

Each LA in Wales is obliged to have a School Budget Forum, which is key to developing informed and confident dialogue between the LA and its schools on budgetary issues including school funding levels, financial pressures on schools, changes to local funding formulae and the review of contracts/service level agreements between an LA and schools.

## Issues

### School Audits

During the 2016/2017 financial year 13 new school audits were carried out, 1 (7%) received a satisfactory assurance opinion, 11 (84%) an opinion of limited assurances and 1 ((7%) an opinion of no assurance.

So far in 2017/2018 of the 4 school audits carried out, 3 (75%) have received a satisfactory assurance opinion and 1 (25%) a limited assurance opinion.

### School Control Risk Self-Assessment Tool

This tool continues to be developed, with the assistance of a small number of both headteacher and school governor representatives from the School Budget Forum, and is used in all schools to promote improved self-governance and accountability. The Council's Internal Audit Section receive each completed CRSA to quality assure the return used to assess risk.

### School Balances

Attached as Appendix A is an analysis of individual school balances as at 31<sup>st</sup> March 2017 and the previous four financial years.

Overall the level of surplus balances held by schools has increased from £2.521m at 31<sup>st</sup> March 2016, to £4.242m at 31<sup>st</sup> March 2017. However there are 13 schools, 6 Primary 6 Secondary and 1 Special School, which carried forward a deficit balance. This is an improvement on the previous year when there were 21 schools; 12 Primary, 8 Secondary and 1 Special School with deficit balances. Each school with a deficit budget has a medium term financial plan showing how it will reduce its deficit to a balanced position. There is an assigned monitoring officer for each school with a deficit, working closely with the school and governing body to monitor the delivery of the medium term plan.

### Director's Opinion

I continue to be encouraged by the work being undertaken through the Control Risk Self Assessment Tool which has been strengthened by the decision of the S151 Officer to charge schools for any Internal Audit work identified as a result of a school not following the Controlled Risk Self-Assessment process properly. This will provide the process with a necessary sanction. The quality of the CRSA has improved since the tool was introduced 2 years ago.

However, during the 2016/17 financial year there were still too many schools being identified with a limited assurance opinion. I will continue to consider exercising the LA powers of intervention in those schools where poor financial management and poor governance are identified, and which warrant such action.

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The following schools have had delegation withdrawn;

- Eastern High School
- Cantonian High School

Delegation had also been withdrawn at Glyn Derw High School and Michaelston Community College, but these closed on the 31<sup>st</sup> August 2017.

### **School Balances**

Although the number and level of schools with a deficit balance in Cardiff has fallen this figure remains too high. Colleagues from Financial Services, Education and the Central South Consortium continue to work together to formulate and monitor individual school budget recovery plans. However this identified risk needs to remain on the Corporate Risk Register.

### **Recommendations**

That the information and opinion contained in this report are noted.

*The following Appendix is attached:*

*App A – Analysis of Individual School Balances*

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