

AUDIT COMMITTEE: 18 SEPTEMBER 2018

GOVERNANCE IN SCHOOLS AND SCHOOL BALANCES

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

AGENDA ITEM: 4.1.2

Reason for Report

1. 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

2. The annual net budget delegated to the 127 schools in Cardiff in the 2017/2018 financial year is £230.923m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.
3. 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.
4. 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.
5. 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.
6. In Cardiff the terms of reference, membership listing, all agendas and the minutes of each meeting of the School Budget Forum are published on the Council's website.

Issues

School Thematic Audits

7. During the 2017/2018 financial year the following thematic audits were undertaken in schools;

Audit	Status	Assurance rating	Number of recommendations
Education - Commissioning and procurement	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	111
Education - Governance	Final / Draft reports issued	Most schools rated as "Effective with opportunity for improvement"	55
Education – payroll	Final reports issued	Most schools rated as "Effective with opportunity for improvement"	29
Education – income	Final reports issued	Most schools rated as "Effective"	81

Other Audits

8. During the 2017/2018 financial year the following audits were undertaken in schools and across the Education Directorate;

Audit	Status	Assurance rating	Number of recommendations
Adamsdown	Final report issued	Insufficient with major improvement needed	12
All Saints	Final report issued	Limited	10
Birchgrove (follow up)	Final report issued	Satisfactory	0
Catering in opted out schools	Final report issued	Effective with opportunity for improvement	7
Eastern High	Final report issued	Satisfactory	3

Kitchener	Final report issued	Effective with opportunity for improvement	9
Mount Stuart	Final report issued	Satisfactory	9
St. Cuthbert's	Final report issued	Limited	12
St. David's	Final report issued	Satisfactory	10
St. Mary's	Final report issued	Insufficient with major improvement needed	13
St. Monica's	Final report issued	Satisfactory	3
The Court	Final report issued	Insufficient with major improvement needed	12

School Control Risk Self-Assessment Tool

8. This tool continues to be used in all schools to promote improved self-governance and accountability. The Council's Internal Audit Section receive each completed CRSA to quality assured the return used to assess risk.

School Balances

9. Attached as Appendix A is an analysis of individual school balances as at 31st March 2018 which includes information showing the school balance as a % of the school delegated formula budget. Also attached as Appendix B is an analysis of the individual school balances for the previous six financial years.
10. Overall the level of surplus balances held by schools has increased from £4.242m at 31st March 2017, to £7.319m at 31st March 2018.
11. **Deficit Balances** - there are 9 schools, 4 Primary and 5 Secondary Schools, which carried forward a deficit balance. This is an improvement on the previous year when there were 13 schools; 6 Primary, 6 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.
12. **Surplus Balances** – there are 59 schools with a balance which is in excess of the Welsh Government recommended level (£50,000 for Primary Schools and £100,000 for a Secondary or Special School) and 4% of the schools annual delegated budget (a threshold agreed after consultation with schools). The Chair

of Governors of each of these schools will be written to request a justification of holding that balance and a description of their planned use of the balance within the financial year. The Council has retained the ability to either direct spending of the surplus balance to a Governing Body or reclaim either part or the whole of a surplus balance if a governing body does not have a robust plan to spend or has retained a balance for a number of financial years.

Director's Opinion

13. I continue to be encouraged by the work being undertaken through the Control Risk Self Assessment Tool and the thematic audits that have been carried out during 2017/2018.
14. However, during the 2017/18 financial year there were still too many schools being identified with either a limited or insufficient with major improvement 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.
15. Two schools continue to have delegation withdrawn; Eastern High School and Cantonian High School. In both schools the grounds for removal of delegation have been addressed, and consideration will be given to return of delegation during the coming school year.

School Balances

16. 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 with schools together to formulate and monitor individual school budget recovery plans. However I will continue to identify this risk on the Corporate Risk Register.
17. In recent years the overall level of school balances has risen. This trend has been tracked and reported to School Budget Forum. I will ensure strengthened scrutiny of those schools with a pattern of carry forward, and if necessary, will initiate action to address this through direction to spend or clawback of funds.

Recommendations

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

Nick Batchelar
Director of Education and Lifelong Learning
 11 September 2018

The following Appendices are attached:

Appendix A – Analysis of Individual School Balances showing balance as a proportion of delegated budget.

Appendix B – Analysis of Individual School Balances showing balance for the last six financial years.

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