

**AUDIT COMMITTEE: 19 SEPTEMBER 2016**

---

**GOVERNANCE IN SCHOOLS AND SCHOOL BALANCES**

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

**AGENDA ITEM: 4.1**

---

**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 and the report should provide the Director of Education's opinion, an update on 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 2016/2017 financial year is £216.246m. 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 obliges 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.

## Issues

### **School Audits**

6. During the 2015/2016 financial year, 10 new school audits were carried out, 7 (70%) received a satisfactory opinion and 3 (30%) an opinion of limited assurances. Of the 3 follow up audits, 2 (67%) received a satisfactory opinion and 1 (33%) received a no assurance opinion.
7. These figures represented a slight improvement on the previous year where, of the 14 new school audits, 9 (64%) received a satisfactory opinion and 5 (36%) an opinion of limited assurance. Of the 11 follow up audits, 10 (91%) received a satisfactory opinion and 1 (9%) received a limited assurance opinion.

### **School Control Risk Self-Assessment Tool**

8. Following the development of this tool, through the School Budget Forum, it continues to be used in all schools to promote the importance of self-governance and accountability.

### **Estyn Action Plan – School Governance**

9. Following an Estyn monitoring visit at the end of January 2016, Cardiff Council was judged to have made sufficient progress in relation to the recommendations that arose from the monitoring visit in February 2014. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considered that the authority was no longer in need of significant improvement and removed it from any follow-up activity.
10. Following the monitoring visit in January 2016, the letter from Estyn contained the following comments with regards to School Governance;

*'Processes for strengthening school governance are developing well. This includes bespoke training for governors of its underperforming schools. The council has revised the process for appointing local authority governors and it has brokered a wide range of partnerships with businesses in the city to identify and deploy governors who are better able to support their schools. In schools where governance is particularly weak, the regional consortium has recruited a number of experienced governors to act as consultant governors to work alongside challenge advisers to support the governing body.'*

### **School Balances**

11. Attached as Appendix A is an analysis of individual school balances as at 31<sup>st</sup> March 2016 and the previous four financial years.
12. Overall the level of surplus balances held by schools has increased from £1.287m at 31<sup>st</sup> March 2015, to £2.521m at 31<sup>st</sup> March 2016. However, there are 20 schools, 12 Primary and 8 Secondary, which carried forward a deficit balance. This is an improvement on the previous year when there were 21 schools; 14 Primary and 7 Secondary. 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 monitoring the delivery of the medium term plan. In addition, a

number of schools hold surplus balances in excess of the recommended Welsh Government levels of £50,000 for a primary school and £100,000 for a secondary or special school. Schools have been notified of the fact that they need to take steps to reduce the level of balances held and have been asked to develop plans for utilising these surplus funds. Again, schools are working closely with their particular finance officer to develop these plans.

## **Director's Opinion**

### **School Audits**

13. Continue to be encouraged by the work being undertaken through the Control Risk Self-Assessment Tool which I believe will be 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.
14. However, there are still too many schools being identified as just satisfactory or worse and I will continue to consider exercising the LA powers of intervention in those schools where poor financial management and poor governance are identified.

### **Estyn Action Plan – School Governance**

15. Whilst it was encouraging to be removed from further follow up activity that does not mean that in order to achieve the outcomes that we wish to see in the capital city of Wales there is much more to do. Good schools with strong leadership and governance will be at the forefront of leading our improvement journey and developing their staff teams as we move forward.
16. In moving forward to accelerate educational achievement in Cardiff and ensure that all children and young people have the opportunity to succeed we will be focussing on five key goals which are outlined in 'Cardiff 2020' – attached as Appendix B.

### **School Balances**

17. The number and level of schools with a deficit balance in Cardiff remains too high. I am pleased that colleagues from Financial Services, Education and the Central South Consortium continue to work together to formulate and monitor individual school plans however, this identified risk needs to remain on the Corporate Risk Register.

## **Recommendations**

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

**NICK BATCHELAR**  
**DIRECTOR EDUCATION & LIFELONG LEARNING**

4.CTC.CS.018	Issue 1	Date: Jan 13	Process Owner: Committee & Member Services Manager	Authorised: Deputy Committee & Member Services Manager	Page 3 of 4
--------------	---------	--------------	--	--	-------------

The following Appendices are attached:

*Appendix A – Analysis of Individual School Balances*

*Appendix B – ‘Cardiff 2020’*

4.CTC.CS.018	Issue 1	Date: Jan 13	Process Owner: Committee & Member Services Manager	Authorised: Deputy Committee & Member Services Manager	Page 4 of 4
--------------	---------	--------------	--	--	-------------