

Kirsty Williams AC/AM
Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education



Llywodraeth Cymru
Welsh Government

Lynne Neagle AM
Chair
Children, Young People and Education Committee

17 November 2017

Dear Lynne,

During my attendance at the Children, Young People and Education Committee on Thursday 16 November 2017, I agreed to provide further information in relation to some of the questions raised and this is detailed below:

Management of School reserves

Following publication of the updated information on school reserves, as at 31 March 2017, I considered it appropriate to write to both Denbighshire and Powys Local Authorities, to seek assurance that they are safeguarding their school budgets. I enclose copies of my letter and the responses received from the Leaders of Denbighshire and Powys Councils.

More widely, I have challenged local government to ensure schools are making good use of the funding allocated to them and whilst the overall level of reserves has decreased with some schools making better use of their reserves, there remains a varied picture.. Some schools continue to maintain higher balances of more than 10% of their total delegated expenditure and in the case of the two authorities above, overall levels have reduced at pace.

Breakdown of the Raising School Standards BEL in 2018-19

Education in Wales: Our national mission sets out how the school system will move forward in securing implementation of the new curriculum supported by leadership, professional learning, and excellence & equity within a self-improving system. The action plan focuses on raising standards for all, reducing the attainment gap and delivering an education system that is a source of national pride and public confidence.

The Welsh Government's commitment to invest £100 million to raise standards over this Assembly term is aligned to our national plan of action and structured against its overarching objective and four enabling objectives.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In 2018-19 we have budgeted to spend £25 million to support, enhance and accelerate a range of actions to help delivery of the action plan. As in 2017-18 there is expected to be an element of over-programming to account for natural changes and to ensure we maximise our investment over the term, therefore figures are approximate.

| | |
|---------------------------|----------------------|
| Curriculum and Assessment | £3.0 million (12%) |
| Leadership | £3.25 million (13%) |
| Professional Learning | £13.25 million (53%) |
| Self Improving System | £5.0 million (20%) |
| Wellbeing | £0.5 million (2%) |
| Total | £25.0 million (100%) |

Within these allocations are:

- £3.2 million to support ALN transformation as part of a total £10.1 million planned investment over the Assembly term from this budget.
- £4.2 million to support the teaching and learning of Welsh including to continue the expansion of the Welsh language sabbatical scheme, deliver a regional programme of professional learning, attract more prospective teachers to teach through the medium of Welsh, support schools to provide more opportunities for learners to use their Welsh language skills, and continue with a programme of research and evaluation to ensure that the teaching and learning of Welsh and through the medium of Welsh is based on best practice.
- £0.6 million over 3 years for action to improve the use of business managers to support school leaders and release critical head teacher time to focus on teaching and learning. This will be match funded by Local Authorities providing a total of circa £1.28 million over the term to support these pilots.
- The £1 million in 2018-19 for Music in Education, announced as part of the Plaid Cymru agreement is outside of this commitment and is set within the Curriculum Assessment Budget Expenditure Line (5162).

The element of the budget which is planned to be passported to and through regional consortia as one of our main delivery partners, reflects action across the enabling objectives and is planned to support a number of areas including around:

- Coding clubs
- LNF Oracy Scheme
- Aspiring leaders
- Collaborative working
- Developing schools as learning organisations
- Welsh professional development
- National networks for excellence
- Digital competence
- Professional standards
- Higher level teaching assistants

Sufficiency of Local Authority and Regional Consortia support for Governors

Local authorities and the regional education consortia already provide a wide range of governor support services to help governors understand their statutory duties and to help deal with complex queries. For example they:

- provide training for governors to meet Welsh Government mandatory training requirements, (as well as training on other areas);
- provide clerking services for those schools who subscribe to Service Level Agreements; and
- provide regional conferences for governors on national and local developments affecting them.

Many local authorities and/or consortia also provide written material for governors in the form of handbooks, guidance documents, and newsletters on their webpages. These services provide both a local and all-Wales view as much of the training and services available to governors derive from developments in Welsh Government education policy.

Some key recommendations from a review of the activities and services undertaken by Governors Wales in 2014/15 have not been addressed by Governors Wales. Very little has been achieved to align the development officer role with the consortia and there continues to be little progress with Governors Wales sourcing additional income from other partners or revenue raising activities.

Whilst there has been some improvement in the take up of the helpline and hits to their website, the overwhelming majority of school governors continue to access support from their local authorities and consortia and currently only around 2,000 governors (from a total of approximately 21,000 governors) registered on the organisation's mailing list.

During the review a survey undertaken with a sample of just over a thousand governors, chairs of governors and clerk's indicated that only 10% contact Governors Wales should they have a query with their role. Most would use other means such as contacting their local authority, chair of governors, other governors, headteachers, or other means such as mentors and the diocesan authorities. A question was asked of responders as to whether they have used the Governors Wales helpline, and of the 981 who responded only around 10% had used the helpline.

Update on the regional working review in the context of school governance

We will be working with regional consortia to ensure that the potential loss of Governors Wales' services is mitigated. We have already received feedback from the regional consortia on this matter. Regional consortia we have engaged with thus far have stated that they did not foresee any significant issues arising from the potential loss of Governors Wales.

We are also aware however that Governors Wales are canvassing to ascertain levels of support for introducing a governing body subscription for membership and access to their services. If they can successfully establish a mechanism to become self-funding funding (in line with for example the National Governors Association in England) they may continue to offer services to those governing bodies who wish to access their services specifically.

Consortia feel that the use of the services offered by Governors Wales has likely decreased since the existence of the regional consortia. For example, consortia provide regional conferences for governors, something that Governors Wales no longer provide.

One consortia region stated that they did not expect the loss of Governors Wales to have a major impact in their area acknowledging that there was some duplication in existence between their services and those of Governors Wales.

However, these developments will allow a clear steer in new National Model on strengthening services for governors to be more regionally rather than locally focussed.

Note on the new memorandum of understanding around the expenditure of the Education Improvement Grant (EIG)

Over the next two years the Welsh Government will make available more than £225 million through the EIG for Schools to support our schools, regional consortia and Local Authorities to improve educational outcomes for learners in Wales. This reflects a significant investment through the Welsh Government's additional grant funding.

Over this two year period as part of the whole-government approach to prioritise funding for frontline school services and social care through the Local Government Settlement Revenue Support Grant, I am proposing to make available £22.2 million from the EIG budget. In my evidence paper to the Committee to support scrutiny of the Draft Budget I signalled the potential to include as part of this the element of support for Local Authority Minority Ethnic Achievement services and support for Gypsy, Roma and Traveller learners.

I should emphasise that this is part of the Draft Budget and as I outlined in Committee, no firm decision has been made. My officials are working with the WLGA on the detail and I will update members in due course. I can confirm that I have written to the Leader of the WLGA to set out my expectations for the £170 million over two years which the Welsh Government is prioritising for schools, to support Local Government as they set their budgets. My expectations are clear and focus around frontline schools delivery, continued investment in regional school improvement arrangements and continued support to reduce and remove barriers to education for our more vulnerable learners.

Update on the number of local authority applications to reduce infant class sizes (by local authority).

All 22 local authorities have submitted business cases for use of the class sizes grant. These are currently undergoing initial assessment in line with the key criteria for the grant.

Update on the £10 million to offset the lower than anticipated income for HEIs

No further update is available at the moment. As I stated in Committee, I am due to meet with the Cabinet Secretary for Finance on the issue. I am happy to provide an update to the Committee when I have had the opportunity to discuss.

I trust these address the additional points raised.

Yours sincerely



Kirsty Williams AC/AM

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Cabinet Secretary for Education

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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref: MA-P/KW/3631/17

Councillor Rosemarie Harris
Leader of Powys County Council

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23 October 2017

Dear Rosemarie,

On the 19 October the Welsh Government released information provided by Local Authorities around school reserves as at 31 March 2017.

This is a challenging time for public service budgets with the UK Government's continued commitment to austerity and the money to Wales reducing in real terms each year. In previous budget rounds the Welsh Government has sought to protect Local Government from the worst of the reductions with a protection for schools, a cash increase to the overall Settlement this year, and a Draft Budget which prioritises local services, schools and social care through the Settlement Revenue Support Grant in 2018-19 and 2019-20.

Against this backdrop the information released on 19 October shows Powys to have school reserves equivalent to £2 per pupil.

What assurances can you give me that your authority has plans in place to safeguard school budgets and to ensure that schools with negative balances are brought back to modest surpluses quickly and sustainably?

I look forward to your reply.

Yours sincerely

Kirsty Williams AC/AM
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Cabinet Secretary for Education

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13 November 2017

Ms Kirsty Williams AM
Cabinet Secretary for Education
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Dear Kirsty,

Thank you for your letter dated 23rd October 2017, in respect of school reserves and budgets.

It is an extremely challenging time for public service budgets, but an extra £1m was invested in schools in the 2017-18 budget, and this has been recommended again for 2018-19. I can confirm that Education alongside Adult and Childrens Social Services remain key priorities for the Council.

The Council are working with seventeen schools who submitted deficit budgets, these were not licensed by the cabinet in July 2017. These schools were issued with a Notice of Concern and were required to submit recovery plans to the Council by the 29th September 2017. The majority of schools complied with the Notice of Concern and are now in a position to submit recovery plans for approval which would move them into a licensed position. An updated school balance report will be considered by the Education Scrutiny Committee in November.

It is a priority of the Council to progress further formal intervention with the schools that are not engaging to reduce deficit balances.

There are a number of reviews in progress that will refine the current funding mechanisms:

- The Audit and Education Scrutiny Group, within their work programme, are undertaking a review, to ensure that schools and the Council are effective in their resource management.

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Cyngor Sir Powys County Council

- In addition the Council has commenced a fundamental review of the fair funding formula for schools which will evaluate the distribution of the funding available to schools. There are both short and long term objectives expected to be delivered from this review.

I hope this provides reassurance about the commitment from the Council to the future funding of Powys schools.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Rosemarie Harris'.

**County Councillor Rosemarie Harris
Executive Leader, Powys County Council**

Kirsty Williams AC/AM
Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref: MA-P/KW/3631/17

Councillor Hugh Evans
Leader of Denbighshire County Council

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23 October 2017

Dear Hugh,

On the 19 October the Welsh Government released information provided by Local Authorities around school reserves as at 31 March 2017.

This is a challenging time for public service budgets with the UK Government's continued commitment to austerity and the money to Wales reducing in real terms. In previous budget rounds the Welsh Government has sought to protect Local Government from the worst of the reductions with a protection for schools, a cash increase overall in the Settlement this year, and a Draft Budget which prioritises local services, schools and social care through the Settlement Revenue Support Grant in 2018-19 and 2019-20.

Against this backdrop the information released on 19 October showed Denbighshire to have school reserves in a overall deficit position equivalent to -£70 per pupil.

What assurances can you give me that your authority has plans in place to safeguard school budgets and to ensure that schools with negative balances are brought back to modest surpluses quickly and sustainably?

I look forward to your reply.

Yours sincerely

Kirsty Williams AC/AM
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Cabinet Secretary for Education

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Eich cyf / Your ref

Ein cyf / Our ref

Dyddiad / Date

Rhif union / Direct dial

HHE/SEE

7 November 2017

01824 706097



Kirsty Williams AM
Cabinet Secretary for Education
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Dear Kirsty

Many thanks for your letter dated October 23rd, 2017 regarding the information provided by Local Authorities around financial reserves as at March 31st, 2017.

I can assure you that the Authority has secure plans in place to support schools with negative balances in order to bring them back into a secure financial position. We have a Challenge and Intervention Strategy for schools in financial difficulty (document attached) and through this process are confident that we can support schools through this challenging time.

School balances were at a high of £3.9m in 2013-14 before falling steadily since. It is important to note that during this period the 1% protection pledge to school budgets has been met in every year, but it hasn't been enough to keep up with the financial pressures placed upon schools. The pay rises and the N.I increase for teachers during this period was especially difficult for the Sector.

The value of Welsh Government Protection to Denbighshire County Council Schools was £4.422m over 6 years from 2011/12 to 2016/17 whereas DCC School Budgets increased by £7.519m over same period. Even with this extra non-statutory investment schools have struggled to cope financially. In particular 2016/17 was a difficult year for schools and council finances alike. DCC protected schools by £1.173m, but the actual school pressures were somewhere nearer to £2.5m so there was a significant funding gap (mainly as a result of the changes to NI and Pension Costs announced a number of years before by the Coalition Government). There have however been no efficiency savings applied to school budgets during the period of protection, unlike the cuts felt by other Council services.

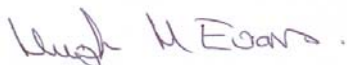
DCC schools also pay their own redundancy and EVR costs. This does however allow them to plan their overspends through a 3 year budgeting process which is monitored closely through our Schools in Financial Difficulty Policy. Our balances are however set to stabilise in 2017/18 and there is a feeling the worst may have passed, but pressure to give pay rises of >1% and further cuts to Council budgets in future years would be a threat. There are also several schools who have now stabilised their deficit but are struggling to clear it, and any further cost pressures could see their deficits increase once more.

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I can assure you that schools in Financial Difficulty are supported throughout the process and are monitored carefully to ensure they are able to secure a recovered position. Regular meetings are held with officers and an escalation process is in place when a planned recovery is not achieved.

I hope this and the supporting document gives you an assurance that there are adequate plans in place to ensure schools with negative balances are brought back to modest surpluses as quickly as possible.

Yours sincerely,



Cllr Hugh H Evans OBE
Leader of Denbighshire County Council

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Denbighshire County Council

Schools Reporting Timetable and Challenge & Intervention Framework for Schools in Financial Difficulty



Created: June 2013

Last Updated: June 2017

Author: Schools Support Team

Introduction

The Denbighshire Scheme for Financing Schools prohibits schools from planning for a deficit when preparing their annual budget plans. In support of the Authority's monitoring and intervention role the scheme requires schools:

- To return a draft 3 year budget to the LA and if applicable, submit notification that they are unable to set a balanced budget by the 1st April each year
- To gain approval, where applicable, for a planned deficit, by the 1st May of each year including submission of the proposed recovery plan intended to support the reduction/removal of that deficit. Any unplanned deficits that occur within the financial year due to unforeseen circumstances must be reported as soon as they become known to the school. Approval to carry forward that deficit to the new financial year must be sought.
- To submit a final Governor approved budget (surplus or deficit) by the 31st May each year to include a financial recovery plan for those schools who have been granted a licensed deficit

Schools should only apply for a licensed deficit in circumstances where they cannot set a balanced budget without seriously impacting on educational provision.

Denbighshire County Council has no power to write off the deficit balance of any school and all deficits will remain a liability of the Governing Body until paid back. This applies in all circumstances including during school re-organisation.

Schools must, where possible, avoid the need to apply for a licensed deficit by robustly managing their 3 year budget planning process and being proactive in responding to changes early enough to allow mitigating actions to be implemented.

Where it is found that deficits have occurred as a result of financial mismanagement at a school level then Denbighshire County Council will consider the merits of enforcing its powers under S51 of the Schools Standards and Framework Act to remove financial delegation from the school. Denbighshire is however committed to working with the Governing Body to ensure this can be avoided where possible.

What is the purpose of the Framework?

The challenge and intervention framework is intended to act as a mechanism for the Authority to provide schools with an appropriate level of challenge and support to help them set a balanced budget or if this is not achievable to prepare a recovery plan that sets out the action the school will take to achieve a sustainable financial position over an agreed period of time.

The framework will provide schools with:

- **An agreed timescale in which to take the action required to balance the budget**
A school will normally be expected to deliver its recovery plan within a three year period. This may be extended in exceptional circumstances where a school cannot deliver a recovery plan over three years without seriously affecting its educational provision or standards. Any extension beyond a two year period must be agreed by Denbighshire's Head of Education and Section 151 Officer.
- **Support, Monitoring and Challenge**
Financial and operational management support and challenge through a network of advisors including Education Officers, Finance Officers and HR Officers.

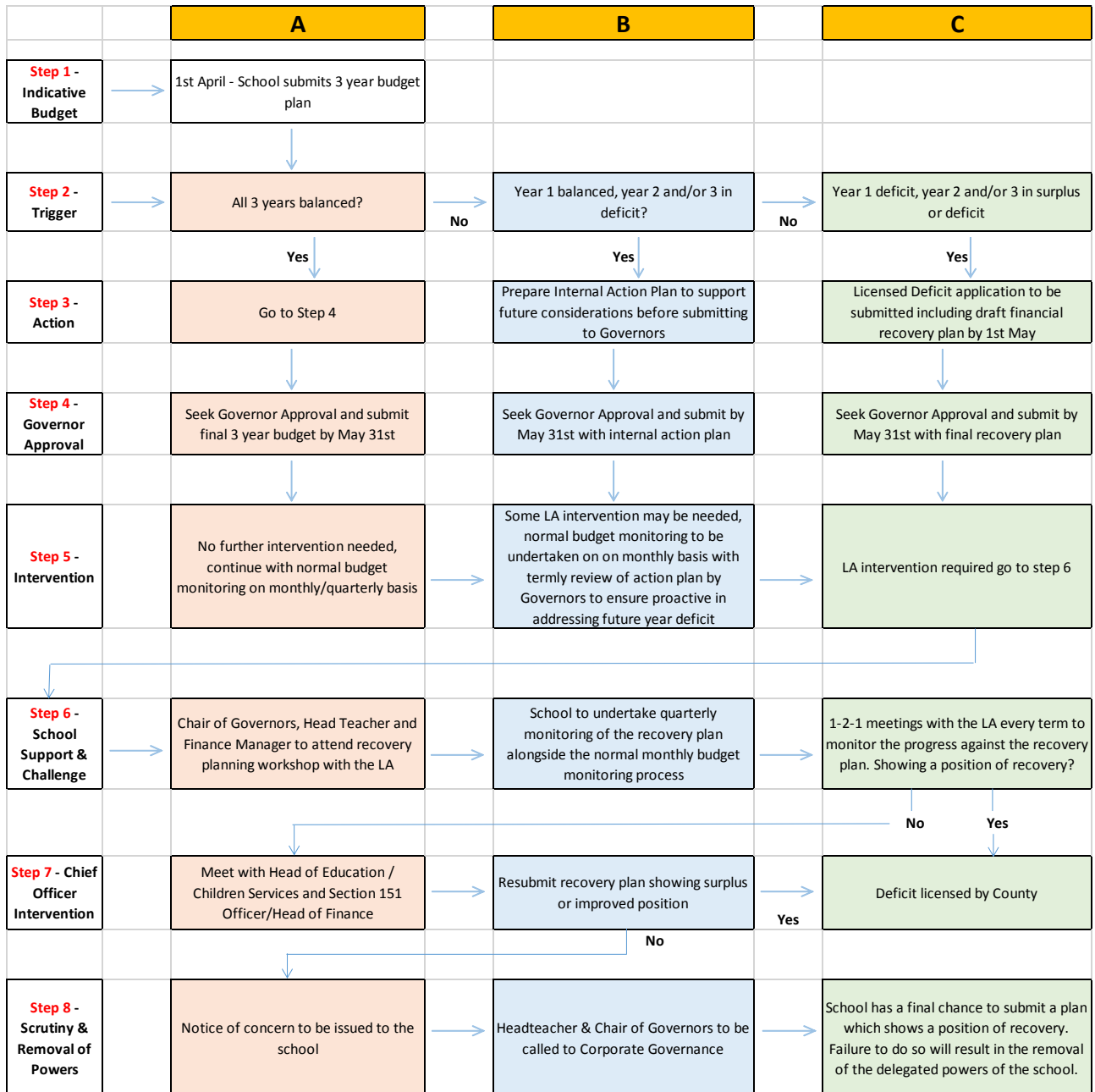
This may include the provision of:

- Benchmarking data
- Financial analysis
- Audit information
- Regulatory Advice

- Contextual data – e.g. demographic changes
- Focused training sessions relevant to the situation

Any school failing to comply with this framework by taking actions to meet the requirements will be in breach of their financial management responsibilities. This will be challenged and can lead to intervention by the S151 Officer and potential removal of the delegated powers of the school

The process for challenging and supporting schools is defined in the diagram below:



Each of the steps in the diagram is explained below.

Step 1: Indicative Budgets

The school will submit their DRAFT 3 year budgets to the School Funding Team by the 1st April of each year. These will be based on the final budget released to schools within the annual school budget formulation cycle.

Step 2 & 3: Trigger/Action

If a school submits a 3 year budget plan that shows a surplus position in each of the 3 years no intervention will be required and they will only be required to seek Governor Approval and continue to monitor as part of the normal budget monitoring process for schools.

If a school submits a 3 year budget plan that shows a surplus position in year 1 but a potential deficit in year 2 and/or year 3 then there will be no direct requirement for intervention however the schools will be required to prepare an internal action plan that outlines their commitment to address future year's deficits. They will then only be required to seek Governor Approval and monitor as part of the normal budget monitoring process for schools with the action plan being reviewed on a termly basis.

If a school submits a 3 year budget plan that shows a year 1 deficit and/or surplus/deficit in years 2 & 3 then direct intervention will be required. The school must initially apply for a licensed deficit by 1st May with a draft financial recovery plan as supporting documentation. The recovery plan must indicate the actions that will be taken to bring the financial position back into balance. This may be through a combination of income generation and/or a reduction in expenditure and will in most cases result in staffing implications.

If the Recovery Plan is not deemed robust enough to deliver the savings needed the licensed deficit will be rejected. Schools will be in breach of financial regulations if they set a deficit budget that has not been approved via the appropriate process

Schools are required to re-apply for a licensed deficit on an annual basis, even where a recovery plan has been agreed previously. This will allow the LA to ensure that the recovery plan is on track to being delivered and mitigates the risk of further changes at the detriment to the schools financial position

Step 4: Governor Approval

In all cases schools must ensure that Governors are accountable for the financial position of the school. The 3 year Governor Approved budget plan must be submitted by 31st May of each year to include a recovery Plan for those in deficit.

Step 5: Intervention

Those schools that are in surplus over the 3 year period will not require any direct intervention and will simply be required to monitor their position within the normal monthly monitoring process. Those schools who may be facing a year 2 and/or year 3 deficit may require intervention dependent upon the severity of the forecast position. This will be provided at the request of the school and if deemed appropriate.

Those schools that are in deficit in the current year will require intervention under step 6 of the above process.

Step 6: School Support and Challenge

Financial advice, information and training will be available to support schools in recovering from a deficit financial position. This will initially be via a financial recovery workshop that will be set up between the Head teacher, Chair of Governors and Finance Manager. Schools will then be required to continue to monitor the plan, as a minimum on a termly basis and re-submit as necessary.

1-2-1 meetings will be held between the school and LA Officers to ensure the recovery plan is continually validated and appropriately monitored. **Paperwork for this meeting must be received by the Schools Support Team at least 3 working days prior to it taking place, or the meeting will be cancelled and the position escalated. Full spreadsheets including the 3 year plan, recovery plan and staffing list are required.**

Following the submission of a recovery plan a number of validation checks will be completed by the School Funding Team to ensure that the plans are reasonable. This will be done by: -

- Comparing the current year's income and expenditure budgets with previous years' trends to identify any significant differences.
- Checking that the correct balances have been brought forward into the current year and all funding delegated by the Local Authority has been taken in to account.
- Actions included in the recovery plan are realistic and that by implementing them the required level of savings can be achieved.
- Any areas that are unclear or simply not achievable will be queried with the school and clarification sought.

Where the plans are deemed to be suitable then they will be accepted by the Local Authority and reviewed throughout the year in the termly 1-2-1 meetings.

The licensed deficit will be approved by the Head of Education & S151 Officer and written confirmation will be sent to the school once the licensed deficit has been processed.

Step 7: Chief Officer Intervention

This step is for those schools who are unable to show a position of recovery following meetings with the LA. The Chair of Governors, Head Teacher and Finance Manager will be called to meet with the Head of Education plus the Section 151 Officer to discuss the financial recovery plan submitted.

The School will have another opportunity to re-submit a recovery plan showing a surplus position.

If the plans are deemed to be suitable they will be accepted by the Local Authority and reviewed throughout the year in the termly 1-2-1 meetings.

Step 8: Corporate Governance Committee & Removal of Delegated Powers

Intervention is proposed to escalate at three levels. It is envisaged that deficit schools will engage with the Local Authority well before the need for intervention as these arrangements are the last resort, for the protection of public monies and to protect the overall resource for all schools. The levels of intervention are:

1. Notice of Concern issued to School

A school that fails to not take the necessary action will be given a formal notice of concern, stating the action the Local Authority recommends they should take to bring the budget back in to balance including any charging of interest on the deficit.

2. School given 1 month to respond to notice of concern

An explanation will be required from the school about the action being taken to safeguard the school's financial position and why progress to date has not been satisfactory.

The School will also be requested to discuss the deficit at the Council's Corporate Governance committee.

3. Suspension of delegated financial powers

Where the LA considers that insufficient progress or cooperation has been made decision will be made by the Head of Education and S151 Officer to suspend delegation. Under suspension the authority would take control of the budget and take the necessary action before returning control to the Governing Body. During the suspension school staff would be responsible to the authority for the day-to-day financial administration in the school and all budgetary decisions will be removed from the school.

Removal of delegated powers will apply where:

- The school is persistently in breach of the Scheme for Financing Schools
- The school will not set a balanced budget
- The school will not engage in the licensed deficit process
- The deficit is worsening and no action is being taken by the school
- There is evidence of financial mismanagement by the school
- A school in special measures has not demonstrated commitment to making better use of resources or achieving value for money

Appendix 1

Recovery Plan Proforma



Draft Financial Recovery Plan

***** School

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Status from latest 3 year projection if no further action taken:

Surplus/(Deficit) Carried Forward

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0

Budget/Forecast Budget

Forecast Expenditure

Annual Surplus/(Deficit)

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0 0 0

Cumulative Surplus/(Deficit) if no further action taken

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0 0 0

Mitigating Actions:

EVR's / Retirement

Total

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0 0 0

In-year Surplus/(Deficit)

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0 0 0

Revised Cumulative Surplus/(Deficit)

| 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------|-----------|-----------|-----------|
|-----------|-----------|-----------|-----------|

0 0 0 0

Notes

Appendix 2

Licensed Deficit Proforma



Application for a Licensed Deficit for Schools

Schools should only apply for a planned licensed deficit in circumstances where they cannot set a balanced budget without seriously impacting on educational provision.

Name of School:

Date:

Financial Year: 2017/2018

Value of deficit (predicted deficit by 31/03/2018):

We will:

- Confirm we will implement the savings in the timescales agreed, and inform the School Funding Section of any deviation from the recovery plan (attached).
- Provide any other information as and when required by the Local Authority.
- Enclose a 3 Year Budget Recovery Plan.

Signed (Headteacher):

Print Name:

Date:

Signed (Chair of Governors):

Print Name:

Date:

Please either scan and return this form to catherine.howatson@denbighshire.gov.uk or send it to the School Funding Team, Finance, County Hall, Wynnstay Road, Ruthin, LL15 1YN.