

REPORT TO CABINET

13 December 2016

Cabinet Member: Councillor Dyfed Edwards and Councillor Gareth Thomas

Subject: Budgetary Priorities and Secondary School Budgets

Contact officer: Dilwyn Williams, Chief Executive

The decision sought:

- i. That the Cabinet commission a plan for inclusion in our 2017/18 Strategic Plan to assess where the protection line should be for the Secondary Sector so as to use this information when setting the budget for 2018/19.
 - ii. Accepting that discussions have started with stakeholders on assessing the problem, it should be underlined that the new Council needs to consider the results of these discussions early on in the Council's lifetime so as to establish a long term sustainable solution for the Secondary sector.
 - iii. So as to buy time for this to happen, that the Cabinet Member for Resources be asked to try and bridge for two years the £298,990 that the Secondary sector is expected to find to be financed from balances.
 - iv. In order to avoid wasting resources through redundancy and re-employment, that the Cabinet Member for Resources also be asked to consider including bridging finance in his budget for 2017/18 for those schools that would lose money because of the reduction in pupil numbers and to also consider the use of individual school balances in any proposed scheme.
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Local member's opinion

Not a local matter

Background

1. Back at the beginning of 2014, as part of the preparatory work for coping with the substantial financial gap we anticipated for the forthcoming period, the Council agreed to set a saving target of £4.3m for the schools over a period of 4 years as their contribution towards the financial gap we faced.

2. The idea was that the remainder of the Council's services would shoulder the remaining burden.
3. Every year we compare our expenditure per pupil on schools with other councils in Wales and at that time, the primary sector was the 4th highest in Wales whilst the secondary sector was also the 4th highest throughout Wales.
4. The Schools' Budget Forum was asked to advise us on the best way to share £4.3m between Primary and Secondary.
5. We had concerns at the time regarding the Secondary Sector's ability to cope with the reduction whilst trying to improve standards, and we noted that it would be the Council's wish to see any distribution between Primary and Secondary being made so as to have the least impact on pupils' educational attainment.
6. After a great deal of discussion, it is fair to say that the Schools' Budget Forum found it difficult to differentiate between Primary and Secondary. The Council therefore decided to adopt a formula that would reduce the resource 2.3 in the primary for every 1 in the Secondary in respect of any reduction that would have to be made outside the obvious painless savings.
7. The implication for this was that Primary would face £3.0m of the savings whilst Secondary would face savings of £1.3m. However, in the past three years, we now know that Primary has gained £937,270 because of the increase in the number of primary school age children whilst Secondary has lost £1.78m because of the reduction in the number of children.
8. At the same time, we knew that there was one specific secondary school that was very vulnerable at that time and the then Head of Education was asked to note the minimum budget needed to sustain the curriculum. He supplied the figure and since then we have been implementing a protection scheme within the Secondary sector.
9. By now two schools have reached this criteria.

Financial Context

10. Everyone now knows what has happened with the financial situation since 2014/15.
11. The budget for the next year will be the last year in respect of the original 4 year plan. By looking at what has happened over the past three years, and presuming what needs to be done next year, we can picture the following:-

- Because of inflation and additional demands on our services our unavoidable costs will have increased by **£25m** over the 4 years, and on top of that the grant we receive from the Government will have reduced by **£15m**.
 - We have been able to address some of the problem by increasing the Council Tax (**£10m**) but we will have had to find the remainder (**£30m**) through the target given to schools (**£4m**); other Council service efficiency savings (**£21m**) and cuts to services (**£5m**).
12. Looking back, the only way we could have avoided giving the schools a target would have been to increase cuts, but we know from the Gwynedd Challenge that we would have had to implement groups 4.5 and 6 of the list of cuts the Council considered at its meeting on 3 March 2015. (You can see details of these schemes at:
<https://democracy.cyngor.gwynedd.gov.uk/documents/g284/Public%20reports%20pack%2003rd-Mar-2016%2013.00%20The%20Council.pdf?T=10>)
13. We know that it was difficult enough to implement the cuts that we had to make and that there would have been substantial implications in having to make even further cuts.
14. The £4.3m represents approximately 5.6% of the schools budget whilst the efficiency savings and cuts that the rest of the Council's department have had to shoulder represents on average 20% of the budget.
15. On the whole therefore, looking back, it seems that the strategy we implemented was a balanced one.

Secondary School Budgets

16. The comparison of school expenditure for 2016/17 shows that the primary sector has improved to be the second highest in Wales (which suggests that other authorities have certainly taken firmer steps within the sector than we have), but the Secondary sector has now slipped to the 7th highest.
17. This causes some concern and raises the question as to whether the original distribution between primary and secondary was appropriate.
18. Implementing the third stage of the £4.3m reduction results in a loss of £298,990 to the Secondary sector for 2017/18.
19. On top of this we also know that the sector faces a further budgetary reduction of £383,000 next year because of the reduction in the number of children (with 8 schools losing a total of £544,000 and 6 schools gaining £166,000).

20. Our projections show however that these figures will increase by a similar figure in 2018/19 and again in 2019/20.
21. At a recent meeting of the Schools' Budget Forum, an application was made to bridge the financial reduction caused by the reduction in the number of children in view of the increase projected in 2018/19 and 2019/20. It was also noted that it would be fair to consider school balances in any bridging scheme.
22. Whilst the effects differ from school to school, this application makes sense, as quite often any financial reduction is implemented by a reduction in staffing levels and it would not make sense to make teachers redundant only perhaps to re-employ the following year.
23. Obviously, this underlines the need to reach a long term sustainable solution for the Secondary sector and we know that a dialogue is currently taking place between the stakeholders which will enable the new Council to consider what should be done about the situation.
24. In view of this recent information on relative funding, perhaps there is also room to freeze some of the £4.3m savings that the Secondary sector is expected to face next year in order to allow us to buy some time to develop a more sustainable response (accepting that we will not have a choice but to implement it if a solution is not agreed).
25. In the short term, there is also a question as to whether the "protection line" is in the correct place and we should revisit this before setting the budget for 2018/19.

Recommendations

26. In view of all this, it is recommended
 - i. That the Cabinet commission a plan for inclusion in our Strategic Plan for 2017/18 to assess where the protection line should be for the Secondary sector so as to use this information when setting the Budget for 2018/19.
 - ii. Accepting that discussions have started with stakeholders on assessing the problem, it should be underlined that the new Council needs to consider the results of these discussions early on in the Council's lifetime so as to establish a long term sustainable solution for the Secondary sector.

- iii. So as to buy time for this to happen, that the Cabinet Member for Resources be asked to try and bridge for two years the £298,990 that the Secondary sector is expected to find to be financed from balances.
 - iv. In order to avoid wasting resources through redundancy and re-employment, that the Cabinet Member for Resources also be asked to consider including bridging finance in his budget for 2017/18 for those schools that would lose money because of the reduction in pupil numbers and to also consider the use of individual school balances in any proposed scheme.
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Views of Statutory Officers

The Chief Executive

Author

Monitoring Officer:

The report develops a rational plan to address a short term situation with a long term direction based on the Strategic Plan. No further comments from a propriety perspective.

Head of Finance:

I have worked with the author in providing the financial content of this report which I can confirm is correct.

It is anticipated that by the end of this financial year (by 31/03/2017) the Council will have general balances of £5.5m, which represents approximately 1.5% of the Council's gross revenue expenditure. In the 2016/17 budget, I recommended keeping a minimum of £4.4m of general balances. These recommendations would not endanger these levels, although it would of course reduce the balances after the Council has considered their use for any other purpose.

The Cabinet should therefore be convinced of the relevant secondary schools' priority needs – those facing a reduction in the number of pupils and the resultant reduction in budget allocation in 2017/18, as well as the effects of the savings. If the Cabinet support the recommendations, then I will work with the Cabinet Member for Resources to provide the necessary provision when setting the proposed budget for 2017/18.

Generally, I would not plan to finance continuous regular spending from the Council balances. However, these recommendations do not propose that we do so. The one-off use of balances, so as to bridge a unique situation in the secondary sector in 2017/18, would be good practice so as to avoid unnecessary redundancies, giving the secondary sector an opportunity to reach a more sustainable position in the medium term.