

School balances

Vale of Glamorgan Council

December 2025



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Contents

Audit snapshot	4
Key facts and figures	6
Our findings	7
Recommendations	12

Audit snapshot

What we looked at

- 1 We looked at whether the Vale of Glamorgan Council ('the Council') has arrangements to support and challenge its schools to recover from their budget deficit positions. ¹

Why this is important

- 2 Across Wales, the overall level of school reserves balances has declined sharply since 2021. Audit Wales reported in December 2024 that nationally, school reserves had reduced sharply to a total of £115 million. This is £253 per learner at 31 March 2024. At that time 21% of schools in Wales held deficit reserve balances ('deficits').
- 3 In the Vale of Glamorgan, the percentage of schools with a deficit at 31 March 2024 was 42%. This increased to 53% at 31 March 2025. Schools forecast further overspends against their allocated funding in the next two to three years so increasing the overall deficit position. The Council's Medium Term Financial Plan (MTFP) 2025-2028 states that 'School balances are a major concern if the current level of spend in schools isn't brought in line with budget during 2025-26.'
- 4 The Council also faces financial pressures across other services. It forecasts that its levels of usable reserves will reduce by half in 2025-26, in part due to schools overspending. These challenges pose a risk to the Council's overall financial sustainability. Without concerted and strategic approaches to address overspending, both school governing bodies and the Council will not have assurance that school deficits are being addressed.

¹ This refers to the cumulative financial position of a school. A deficit balance therefore creates a draw on overall Council reserves as schools have overspent against the funding allocated by the Council.

- 5 The Estyn inspection report of the Council's education service, published in April 2024, stated that 'despite the authority's support and challenge to schools during the development of their plans, including the use of data and peer review, it has evaluated that almost all of the schools currently in deficit will be unable to return to a balanced position at this time. This poses a notable on-going risk to the sustainability of individual schools' budgets.'

What we have found

- 6 The Council is supporting and challenging its schools to address their deficits, but some of these activities are in the early stages of implementation and not yet having the desired impact. Many schools in deficit either don't have recovery plans or the plans aren't robust. This raises concerns about how schools will achieve the step change needed to become financially sustainable. This could impact on the Council's overall financial sustainability. There are shortcomings in the Council's reporting of this significant risk. This limits the effectiveness of monitoring and challenge in public committees.

What we recommend

- 7 We made three recommendations:
- to improve oversight of the impact of its actions to aid assessment of value of money;
 - to strengthen support and challenge; and
 - to learn from the approaches adopted by other councils to address school deficit balances.

Key facts and figures

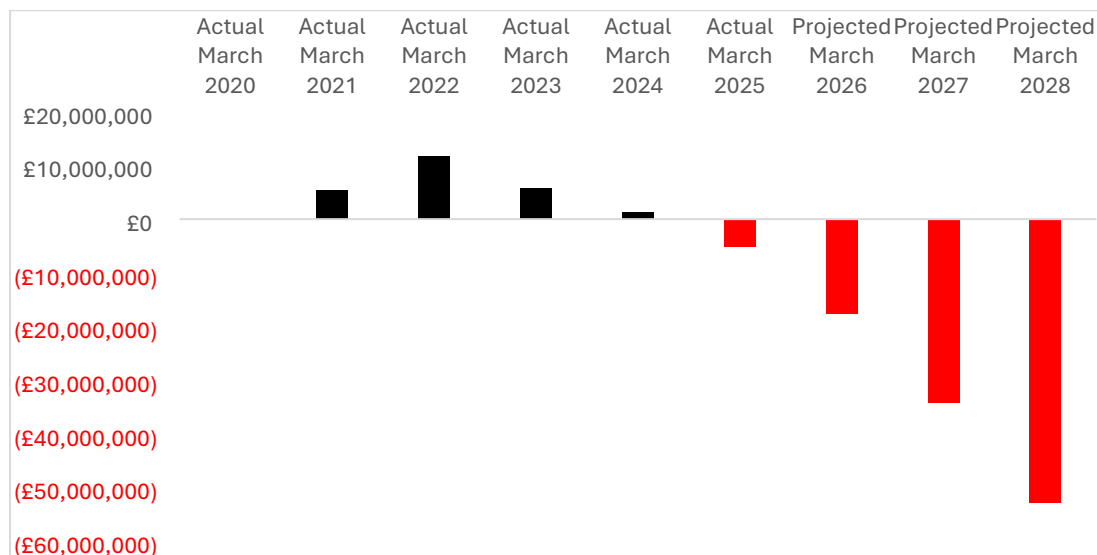
- Between 2025 and 2028 the Council faces financial pressures of £82.1 million. This reduces the ability of the Council to provide additional funding to schools.
- The Council forecasts that its level of useable reserves will reduce significantly in 2025-26 from £63 million to £33.4 million.
- The Council has sought to maximise the resources available to schools, but in 2024-25 overall schools spent £4.2 million more than allocated. This led to an unplanned use of Council reserves.
- Based on the data available at the time of budget setting in 2025-26, schools are forecasting a further excess of spending above their allocated funding of £12.6 million taking the overall school reserves position to a deficit of £16.8 million.
- For 2025-26 as part of the Council's overall annual budget, schools have a 1% savings target which amounts to £1.2 million. The Council's latest assessment is that schools are unlikely to achieve it.
- At the end of 2023-24, 19 of the 44 primary schools, two of the six secondary schools and one of the two middle schools held a deficit. Therefore 42% of schools were in a deficit position.
- The data for 2024-25 shows that 24 of the 44 primary schools, three of the six secondary schools and one of the two middle schools held a deficit. This is 53% of all schools were in a deficit position.

Our findings

A quarter of schools in deficit have not submitted recovery plans

- 8 The Council's finance scheme for schools 2025-26 ('the scheme') states that each school in deficit 'should' provide a robust recovery plan showing their actions to recover within five years. Nine of the 36 schools reporting a deficit position for 2025-26 failed to provide a plan. This limits the Council's ability to assess how well-placed each school is to recover. This presents a risk to the Council that those school deficits might further increase challenges to its financial sustainability if not quickly addressed. Exhibit 1 below illustrates overall school reserves balances from 2020 to 2028.

Exhibit 1: school reserve balances across all schools in Vale of Glamorgan 2020-2028



Source: Actual data for the period 2020-2024 taken from Stats Wales Level of school reserves carried forward by school Council provided projected data for 2026 onwards based on school forecasts. We have not audited that data.

Many school recovery plans are not robust. This poses a risk to both individual schools' and the Council's financial sustainability

- 9 For the remaining 27 schools that provided the Council with a recovery plan, many of those plans are not sufficiently robust to support recovery from deficits. The plans focus strongly on the current year and lack robust proposals to improve their positions over the five years. The Council has assessed that they contain unexplained and sometimes unrealistic proposals to reduce staff and other cost centres.
- 10 Following an assessment of submitted recovery plans in the summer of 2025, the Council issued informal warning notices to 10 schools in September 2025 whose recovery plans caused the most concern. The Council's assessment of school plans to recover their deficits in August 2025 was:
- 24 rated as amber – with plans having some credible elements but still insufficient to support recovery; and
 - three rated as green – there is a robust plan to support recovery within the five-year period.
- 11 Informal notices are one of a range of options open to the Council if a governing body is unable to set a recovery plan to address its deficit. The Council's range of powers include:
- Informal warning notices
 - Formal warning notices
 - Providing additional support
 - Appointing additional governors
 - Suspending the school's right to a delegated budget.
- 12 The Council does not currently set out clear criteria setting out when it might choose to use its range of statutory powers if schools are unable to set a realistic recovery plan.

- 13 The poor quality of schools' recovery plans poses not only an on-going risk to the sustainability of individual schools' budgets. Without robust school recovery plans, it is difficult for the Council to develop accurate Medium Term Financial Plans and help forecast any necessary future calls on reserves.

The Council is taking a range of actions to support and challenge schools to recover from their deficits, but this is not yet reducing overspends

- 14 The role of the governing body is to set a budget which demonstrates an efficient and effective use of resources. The Council provides budgetary and financial advice to schools to assist in setting and managing their budgets. These arrangements alone have been insufficient to address the unprecedented levels of deficit balances across schools in the Vale of Glamorgan.
- 15 In response to the increasing school deficits, the Council is taking a range of actions to help schools. These include:
- Appointing a schools' procurement officer to work with schools to deliver savings across a range of contracts that schools hold.
 - Appointing a consultant headteacher to work with the top 10 priority schools with the most significant deficits. ²
 - Undertaking benchmarking of school budgets with two other Welsh councils which have similar demographics.
 - Providing detailed financial data at individual, cluster, and whole Council level to support Governing bodies to analyse budgets.
 - Commissioning the Education Endowment Foundation to run training sessions with all schools to increase confidence of mainstream teachers to respond to the challenges of pupils with Additional Learning Needs (ALN) in the classroom. ³

² This is based on an analysis of several factors including, the actual level of deficit, the level of deficit as a percentage of a school's allocated funding and the quality of the recovery plan.

³ The Education Endowment Foundation is an independent charity dedicated to breaking the link between family income and educational achievement.

- reviewing the mainstream school funding formula with the School Budget Forum with changes to be introduced in 2026-27.
- 16 Most of these actions are in the initial stages of implementation and the impact on school deficits will not be seen until at least 2026-27.
- 17 The Council's approach, whilst multi-faceted, is not clearly co-ordinated in a single programme with milestones and targets. This makes it challenging for members and others to understand progress, intended delivery timescales and impact. It also hinders the ability to target resources to those projects that will deliver the greatest and most timely impact.
- 18 As highlighted earlier, increasing school deficits is a national issue where other councils are developing responses to the same issue. Whilst the Council is collaborating with two other councils to benchmark schools' budgets, there is less evidence of it seeking learning from how other councils are addressing similar challenges.

Shortcomings in the Council's reporting of this significant risk is limiting the effectiveness of monitoring and challenge in public committees

- 19 Officers told us they have provided briefings to Cabinet members and to members more generally about the worsening school deficit position. These have not been published as part of a formal Cabinet report on the Council's website.
- 20 Given the size and trajectory of the deficit position and quality of recovery plans, the Council's 2024-25 self-assessment does not capture entirely the significance of this issue and its potential impact on the Council's financial sustainability. Neither does the Council's quarter one budget monitoring report. This, therefore, limits awareness and understanding among members and residents of the potential impact the schools' financial position may have on the Council's financial sustainability.
- 21 The Council includes the school deficit balance risk in its Learning and Skills Directorate risk register. It has a residual risk score of 12 which is higher than six of the 12 corporate risks. The directorate management team is responsible for managing this risk.
- 22 The Corporate Risk Register contains limited information on this risk as it is treated as a component part of the 'Financial Resources' corporate risk. The Corporate Risk Register 2024-25 quarter four update did not mention the issue. The 2025-26 quarter one update states that school's deficit balances are causing 'great concern'.
- 23 As part of its terms of reference, the Governance and Audit Committee (GAC) is responsible, amongst other things, for assessing the effectiveness of the Council's arrangements for financial oversight and risk management. The GAC is not receiving regular and detailed information about this risk, unlike other risks with lower risk scores. This is a missed opportunity to make members and the public more aware of the significance of the risk to schools and in turn to the Council's financial sustainability. Without this information, Committee members will be unable to challenge and assess how well the Council is mitigating the risk.

Recommendations

R1 To enable greater oversight of the impact of its actions the Council should:

- 1.1 Strengthen corporate oversight of all school recovery activity as part of one coherent programme of work (Paragraph 17).
- 1.2 Set realistic milestones and targets to improve monitoring and evaluation of impact (Paragraph 17).

R2 To enable robust support and challenge the Council should:

- 2.1 Require all schools in deficit to submit a robust recovery plan in line with the Finance Scheme for Schools 2025 (Paragraph 8).
- 2.2 Clarify its criteria for when it will use its range of statutory powers as described in the Finance Scheme for Schools 2025 for schools that are unable to set a robust recovery plan (Paragraph 12).
- 2.3 Assess and set out in both its budget monitoring and risk management reports the significance of school deficits. This should be within the context of the wider financial position of the Council using consistent messaging to improve awareness and understanding (Paragraphs 20-23).

R3 To identify any additional actions that it could take to address deficits, the Council should review alternative approaches adopted by other Councils. (Paragraph 18)

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