Agenda Item No. 4

THE VALE OF GLAMORGAN COUNCIL

CABINET: 19TH NOVEMBER 2026

REFERENCE FROM GOVERNANCE AND AUDIT COMMITTEE: 12TH OCTOBER 2026

"301 AUDIT WALES: SCHOOL BALANCES FOLLOW UP REVIEW 2026 (DCR) –

The report presented the findings of Audit Wales' follow-up review of the Council's arrangements for managing school budget deficits and its response to the recommendations arising from the 2025 School Balances review. Audit Wales assessed the progress made by the Council in strengthening governance, monitoring, recovery planning and oversight arrangements for schools with deficit budgets.

The report also presented the Council's proposed response to the review findings and the management response action plan attached at Appendix B.

Councillor E. Goodjohn suggested that it would be beneficial if Scrutiny had sight of any analysis of the impact of any specific interventions undertaken with schools.

Subsequently, it was

RESOLVED –

(1) T H A T the findings from Audit Wales' school balances follow-up letter (Appendix A to the report) and the Council's proposed management response and action plan (Appendix B to the report) be noted.

(2) T H A T the report be referred to Cabinet for their oversight and endorsement of the Council's proposed actions (Appendix B to the report) to address the recommendations arising from the review.

(3) T H A T the report be sent to Members of the Start Well Task and Finish Group examining school budgets, along with any analysis of the impact of any specific interventions with schools.

Reasons for decisions

(1) Having regard to the contents of the report and discussions at the meeting.

(2) To ensure appropriate corporate oversight of the actions required to further strengthen the Council's arrangements for managing school budget deficits.

(3) To highlight the report to Members as part of the evidence pack being used to inform the Task and Finish Group's work."

Attached as Appendix: Report to Governance and Audit Committee: 12th October 2026

Appendix

Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Monday, 12 October 2026**
Relevant Scrutiny Committee:	Start Well Scrutiny Committee
Urgent Decision Procedure Used **(If yes, why)**	N/A
Item Type	Part I
Report Title:	Audit Wales: School Balances Follow Up Review 2026
Portfolio Holder:	Executive Leader and Cabinet Member for Performance and Resources
Strategic Leadership Team:	Director of Corporate Resources
Lead Officer:	Tom Bowring, Director of Corporate Resources

1.0 What is this report about?

1.1 The report presents the findings of Audit Wales' follow-up review of the Council's arrangements for managing school budget deficits and its response to the recommendations arising from the 2025 School Balances review. Audit Wales assessed the progress made by the Council in strengthening governance, monitoring, recovery planning and oversight arrangements for schools with deficit budgets.

1.2 The report also presents the Council's proposed response to the review findings and the management response action plan attached at **Appendix B**.

2.0 What are the Recommendations?

	Recommendations – What and How?	**Reason for Recommendation – Why?**
2.1	That Governance and Audit Committee consider the findings from Audit Wales' school balances follow-up letter (**Appendix A)** and the Council's proposed management response and action plan (**Appendix B**).	To provide for scrutiny of Audit Wales' findings regarding the Council's arrangements for managing school deficits and the Council's proposed actions to address the recommendations.
2.2	That, subject to recommendation 2.1, the report be referred to Cabinet for their oversight and endorsement of the Council's proposed actions (**Appendix B**) to address the recommendations arising from the review.	To ensure appropriate corporate oversight of the actions required to further strengthen the Council's arrangements for managing school budget deficits.

	Recommendations – What and How?	Reason for Recommendation – Why?
2.3	That, subject to recommendations 2.1 and 2.2, the report be sent to Members of the Start Well Task & Finish Group examining school budgets.	To highlight the report to Members as part of the evidence pack being used to inform the Task & Finish Group's work.

3.0 What is the background to this report?

3.1 In January 2026, Audit Wales published its review of the Council's arrangements for supporting and challenging schools with deficit budgets. The review concluded that while appropriate support and challenge arrangements were in place, stronger oversight of recovery activity, recovery planning, intervention arrangements, financial and risk reporting and learning from elsewhere were required.

3.2 Given the significance of school budget deficits and the associated risks to the Council's financial sustainability, Audit Wales undertook an early follow-up review to assess progress against the recommendations arising from the original review.

3.3 The follow up review examined whether the Council had made effective progress in addressing the recommendations from the 2025 School Balances review. Evidence was gathered through document reviews, interviews with officers and observation of the Council's monitoring arrangements.

3.4 The review took place during the summer 2026 with the Council providing supporting evidence of progress as requested. Given that many arrangements had only recently been introduced or strengthened, the review focused on progress against recommendations from the original review.

4.0 What issues are there to be considered?

4.1 **Appendix A** sets out the findings of Audit Wales' follow up review on school balances.

4.2 Audit Wales concluded that the Council has made good progress in strengthening its arrangements for managing school budget deficits but that it is too early to determine whether these changes are making a sustainable difference.

4.3 The review found improvements in senior officer and member oversight, cross-service working, monitoring arrangements, financial forecasting, recovery planning and corporate reporting of school deficits as a financial risk.

4.4 Audit Wales identified that recovery planning arrangements are now more structured, with clearer templates, deadlines, reviews and feedback processes. However, further work is required to ensure all recovery plans provide a realistic and deliverable route back to financial sustainability.

4.5 Audit Wales recognised that the Council has established an escalation process for schools with deficit budgets but concluded that greater clarity is required regarding how schools move through stages of escalation, how decisions are informed and recorded, and how consistency and equity are demonstrated.

4.6 The review also noted that the Council has sought learning from other local authorities but cannot yet demonstrate how this learning is driving improvement.

4.7 School deficits increased from £4.1 million in 2024/25 to £10.8 million at March 2026 and are forecast to reach £22 million by 2029. Audit Wales noted that this represents an improvement on earlier forecasts of £43.9 million but continues to represent a significant risk to the Council's financial sustainability.

4.8 Audit Wales made two recommendations from the follow-up review:

- **R1**: Clarify escalation and intervention arrangements.
- **R2**: Review whether current arrangements are working and improving financial sustainability.

4.9 The Council has accepted both recommendations in full and has developed an action plan to address them (**Appendix B**). This includes updating the Finance Scheme for Schools, strengthening escalation arrangements and undertaking a systematic review of the Schools Budget Deficit Programme.

5.0 How has evidence been used to inform the report, including the views of others?

5.1 This report is based on the findings of Audit Wales' follow-up review of the Council's arrangements for managing school budget deficits and responding to the recommendations arising from the 2025 School Balances review.

5.2 Audit Wales gathered evidence through a review of relevant documentation, interviews with Council officers and observation of the Council's monitoring and governance arrangements. The review considered the progress made in strengthening governance, monitoring, forecasting, recovery planning, escalation arrangements and corporate reporting of school deficits. Audit Wales also assessed how the Council was supporting and challenging schools with deficit budgets and its arrangements for learning from other local authorities.

5.3 The findings and recommendations contained within **Appendix A** have informed the preparation of this report and the Council's proposed response contained within **Appendix B**.

5.4 The management response has been developed in consultation with officers from Learning and Skills, Finance and Corporate Resources, taking account of the findings of Audit Wales and existing work being undertaken through the Schools Budget Deficit Recovery Programme. The proposed actions are intended to address the recommendations relating to escalation arrangements and the ongoing review of the effectiveness of deficit recovery activities.

5.5 Audit Wales discussed its findings with Council officers prior to finalising the review and the Council was provided with the opportunity to comment on factual accuracy through the clearance process. Evidence gathered through the review has therefore informed both the final audit findings and the Council's proposed actions.

6.0 What are the next steps if the recommendations are approved?

6.1 Subject to consideration by the Governance and Audit Committee, the report and management response will be referred to Cabinet for oversight and endorsement.

6.2 The actions arising from the management response will be incorporated within the Council's Strategic Insight Board Regulatory Tracker with progress against the agreed actions monitored quarterly in line with the Council's performance monitoring arrangements.

6.3 Governance and Audit Committee will continue to be informed of progress against regulatory improvement areas through a quarterly review of regulatory progress, with Cabinet having final oversight.

6.4 Audit Wales has confirmed that it will continue to monitor the Council's school balances position and financial sustainability through its routine audit and liaison arrangements over the next 12 months.

6.5 It is also recommended that the report be sent to Members of the Start Well Scrutiny Committee's Task & Finish Group which is considering school budgets as part of that Group's evidence pack.

7.0 How does this report support Vale 2030 and Reshaping?

7.1 The report supports the delivery of Vale 2030, particularly the Council's ambition to provide sustainable, high-quality services and ensure the effective stewardship of public resources. Strong financial management within schools is essential to maintaining the long-term sustainability of education services and supporting positive outcomes for children and young people across the Vale.

7.2 The Audit Wales review recognises the progress made in strengthening governance, oversight, monitoring and recovery planning arrangements for school deficits. The Council's commitment to implementing the review recommendations will further strengthen financial resilience, corporate governance and risk management arrangements, supporting the delivery of Council priorities and the Vale 2030 Well-being Objectives.

7.3 The report also supports the Council's Reshaping agenda by promoting effective use of resources, evidence-based decision making and continuous improvement. The agreed actions will strengthen the Council's ability to identify financial risks at an earlier stage, target support and intervention more effectively, and ensure that resources available for education are used as efficiently and sustainably as possible.

7.4 By improving the management of school budget deficits and strengthening accountability arrangements, the Council will be better placed to maintain financially sustainable services,

support school improvement and respond proactively to future financial challenges. This reflects the Reshaping principles of resilience, prevention, efficiency and long-term sustainability.

8.0 How does this demonstrate the Five Ways of Working?

8.1 The findings of the Audit Wales review and the Council's proposed response support the application of the five ways of working set out in the Well-being of Future Generations (Wales) Act 2015.

- **Long Term**: The review focuses on strengthening the Council's arrangements for addressing school budget deficits and improving financial sustainability. The agreed actions, including reviewing the effectiveness of the Schools Budget Deficit Recovery Programme and strengthening escalation arrangements, will help ensure that schools are better placed to achieve sustainable financial positions over the longer term
- **Prevention**: The strengthened monitoring, forecasting, recovery planning and escalation arrangements identified by Audit Wales are intended to identify financial difficulties at an earlier stage and support timely intervention. This preventative approach aims to reduce the risk of deficits escalating and impacting on educational delivery and the Council's wider financial resilience.
- **Integration**: Audit Wales recognised the development of a more coordinated approach involving Finance, Education, Human Resources, School Improvement and Inclusion Services. The review demonstrates how financial sustainability, educational outcomes, risk management and governance arrangements are being considered in a joined-up way across the Council.
- **Collaboration**: The Council's approach to managing school deficits relies upon collaboration between schools, governing bodies, elected members and a range of Council services. Audit Wales highlighted the benefits of strengthened cross-service working and the Council's efforts to learn from other local authorities to improve its arrangements.
- **Involvement**: The review identified the importance of clear roles, responsibilities and expectations for schools, governing bodies, officers and members within the escalation and intervention process. The proposed actions, including consultation on revisions to the Finance Scheme for Schools with schools and the Schools Budget Forum, will support stakeholder involvement in the ongoing development of the Council's arrangements.

Resources

9.0 Finance

9.1 There is an annual audit fee associated with the Council’s Annual Audit Work Programme and no additional financial implications arise directly from consideration of this report.

9.2 However, the Audit Wales review findings relate to a significant financial sustainability risk for the Council. Audit Wales noted that cumulative school deficits increased from £4.1 million in 2024/25 to £10.8 million at March 2026 and are forecast to reach £22 million by 2029. While this represents an improvement on previous forecasts of £43.9 million, Audit Wales concluded that the position continues to exceed the Council's reserves and therefore poses a significant risk to the Council's financial sustainability.

9.3 The agreed recommendations arising from the review will be implemented through existing resources and governance arrangements. The proposed actions focus on strengthening escalation arrangements, reviewing the effectiveness of the Schools Budget Deficit Programme, and continuing robust monitoring of school recovery plans.

9.4 Failure to make continued progress in reducing school deficits could increase financial pressures on the Council and may adversely affect the Council's overall financial resilience. Effective implementation of the agreed actions will support improved financial management, oversight, and long-term financial sustainability across schools.

10.0 Workforce

10.1 There are no direct workforce related implications arising from the report. Implementation of the agreed management actions will be delivered through existing officer structures and governance arrangements within the Council. The actions relate to strengthening escalation processes, reviewing the effectiveness of existing arrangements and continuing to monitor school recovery plans. These activities form part of the ongoing Schools Budget Deficit Recovery Programme and associated financial management responsibilities.

10.2 Failure to effectively address school budget deficits could place additional pressures on schools and support services over the longer term. Therefore, implementation of the recommendations will help strengthen the Council's ability to support schools in achieving financial sustainability and managing future workforce planning considerations.

11.0 Legal and Equalities

11.1 **Does an Equalities Impact Assessment need to be completed? If not, why?**

11.2 This report relates to the findings of an external Audit Wales review and the Council's response to the recommendations arising from that review. An Equalities Impact Assessment is not required in relation to the consideration of the report itself. Should any future changes to policy, process or service delivery arise from the implementation of the recommendations, Equality Impact Assessments will be undertaken in line with Council procedures.

11.3 There are no direct equality implications arising from the report. However, the recommendations seek to strengthen the Council's arrangements for monitoring, supporting and challenging schools with deficit budgets and will help ensure that financial sustainability considerations are managed consistently and transparently across all schools.

11.4 Whilst there are no direct legal implications arising from the report, the Council has a statutory responsibility to maintain sound financial management arrangements and to exercise its functions in accordance with relevant education and local government legislation. The Audit Wales review identified areas where the Council should strengthen its escalation and intervention arrangements and review the effectiveness of its actions in reducing school

deficits. Responding appropriately to the recommendations will support good governance, transparency and accountability, and help mitigate the risk of future regulatory challenge.

11.5 This report forms part of the Council's wider regulatory and governance framework and supports the Council in demonstrating effective oversight of a significant financial sustainability risk. Audit Wales has confirmed that it will continue to monitor the Council's progress through its routine audit work and liaison arrangements over the next 12 months.

12.0 Key Contacts

12.1 **Who are the primary officers to contact with any comments and/or queries on the report?**

Lead Officer: Tom Bowring, Director of Corporate Resources TBowring@valeofglamorgan.gov.uk 01446 709247	Democratic Services Officer: Gareth Davies, Democratic and Scrutiny Services Officer gjdavies@valeofglamorgan.gov.uk 01446 709249

Appendix

Appendix A – Audit Wales Schools Balances follow-up Review Letter

Appendix B – Audit Wales School Balances Follow-up Review Management Response & Action Plan

Background Documents

Audit Wales School Balances Review 2025 (Cabinet)

1 Cwr y Ddinas / 1 Capital Quarter
Caerdydd / Cardiff
CF10 4BZ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Rob Thomas
Chief Executive
Vale of Glamorgan Council
Civic Offices
Holton Road
Barry
CF63 4RU

Reference: 5514A2026

Date issued: September 2026

Dear Rob

Vale of Glamorgan Council: School Balances Follow-up Review

In this letter, we set out the background to our follow-up review, our overall conclusion, findings, recommendations, and next steps.

We met with officers on 2 September to talk through our findings.

Background

In January 2026, we published our report: Vale of Glamorgan Council: School Balances. That audit looked at the Council's arrangements for supporting and challenging schools with deficit budgets. At the time, we found that the Council was supporting and challenging its schools on their deficits, but some activity was still new and not yet having the intended impact. We found that the Council needed stronger oversight of recovery activity, recovery planning, intervention, financial and risk reporting, and learning from elsewhere.

Given the schools' deficit position poses a risk to the Council's financial sustainability, we wanted to gain an early assessment of the Council's progress in addressing our recommendations from our previous audit. This follow-up audit considered: **Has the Council made effective progress in addressing the recommendations from our 2025 school balances audit?**

We reviewed documents, interviewed officers, and observed the Council's monitoring arrangements. Our evidence cut-off date was 12 August 2026. As many arrangements were introduced or strengthened during 2026, we assessed progress against our previous recommendations rather than their impact on school deficits as it was too early to determine their impact.

Overall conclusion

The Council has made progress in strengthening how it manages school deficits, but it is too early to know whether these changes are making a sustainable difference.

The Council now has:

- stronger senior officer and member oversight;
- a more joined-up approach across relevant services;
- improved monitoring, forecasting, and recovery planning;
- more regular support and challenge for schools; and
- clearer reporting of school deficits as a corporate financial risk.

We found that the Council is making good progress against our previous recommendations, but escalation and intervention need further work. The Council has an escalation process, but it should be clearer about when formal action may be needed and how formal powers would be used. Being clear about roles, and decision-making would help everyone understand expectations and reduce the risk of challenge.

School deficits rose from £4.1 million in 2024-25 to £10.8 million at March 2026 and are forecast to reach £22 million by 2029. This is an improved position than the £43.9m deficit the Council was forecasting earlier this year. However, it still exceeds the Council's reserves and poses a significant risk to its financial sustainability. The Council must, therefore, maintain its focus on continuing to reduce school deficits. We will monitor progress through our routine audit work and liaison meetings.

What we found

Governance, monitoring and reporting have improved

The Council has developed a more coordinated approach involving finance, education, human resources, school improvement, and inclusion services. Senior officers and members now have a clearer view of school deficits, recovery activity, and the wider financial risks.

The Council has introduced more structured monitoring through financial forecasts, recovery-plan reviews, risk ratings, a deficit register, and regular review meetings. School deficits are also reported more clearly through budget, performance, and corporate risk arrangements.

These changes should help the Council spot problems earlier and target support more effectively. However, it is too early to know if actions are sustainably reducing deficits.

Recovery planning is more structured, but further work is needed

The Council has introduced clearer recovery-plan templates, deadlines, reviews, and feedback. Schools also receive more coordinated support from relevant Council services.

All schools that needed to prepare a recovery plan had submitted one by the Council's deadline. Although some of these plans needed to be amended and resubmitted. Therefore, the Council cannot yet be assured that all plans provide a realistic and deliverable route back to financial sustainability.

Intervention arrangements need to be clearer

The Council uses financial information, recovery-plan reviews, risk ratings, and professional judgement to identify schools needing more support or challenge. It has also developed an overall escalation process. However, this is currently quite high-level. We recognise there needs to be flexibility to consider a range of factors relevant to individual schools. But the Council would benefit from providing more detail about the process. For example, to set out expectations and responsibilities for schools, governing bodies and the Council. It could also explain how:

- schools move through different stages of escalation,

- information such as risk, evidence and school progress is considered,
- decisions are made and recorded, and
- how consistency and equity are demonstrated across schools.

This would help officers, members and schools develop a shared understanding of how the escalation process works in practice. It would also clarify what can be expected at each stage of the process. This would support consistent decision-making and reduce the risk of challenge.

Learning from others

The Council has actively sought learning from outside the organisation to understand how other councils are managing school deficits. However, the Council cannot yet show how this learning is driving improvement.

Recommendations

As a result of this follow-up review, we have made two new recommendations. These are in addition to the recommendations we made in the original audit.

Recommendation 1: Clarify escalation and intervention arrangements

The Council should strengthen its escalation process for schools with deficit budgets.

The Council should provide additional detail so that it does more than set out the broad stages of the process. Further explanation of how decisions are informed, reviewed, and applied in practice would help ensure a clearer and more consistent understanding of escalation arrangements among all stakeholders.

Recommendation 2: Review whether the arrangements are working

The Council should review whether its actions are reducing school deficits and improving financial sustainability. The review should identify what is working, what is not, and where improvements are needed.

Next steps

We will monitor the school balances position and the Council's financial sustainability over the next 12 months through our routine audit work.

We would like to thank Council officers for their help during the audit.

Yours sincerely

Gary Emery
Audit Director
Audit Wales

Management response form

Audit Wales use only	
Audited body	Vale of Glamorgan Council
Audit name	School Balances Follow-up Review
Issue date	September 2026

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)
R1	**Clarify escalation and intervention arrangements** The Council should strengthen its escalation process for schools with deficit budgets. The Council should provide additional detail so that it does more than set out the broad stages of the process. Further explanation of how decisions are informed, reviewed, and applied in practice would help ensure a clearer and more consistent understanding of	This recommendation is agreed in full. Review and update the Finance Scheme for Schools in readiness for 2027/28 to include a detailed description of the escalation process and how decisions are informed, reviewed and applied. Consult on the Scheme with Budget Forum and Headteachers.	December 2026 January 2027	Director of Learning & Skills Director of Learning & Skills

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)
	escalation arrangements among all stakeholders.	Approve the Scheme for adoption.	April 2027	Director of Learning & Skills
R2	**Review whether the arrangements are working** The Council should review whether its actions are reducing school deficits and improving financial sustainability. The review should identify what is working, what is not, and where improvements are needed.	This recommendation is agreed in full and will be responded to in the following months and then form a part of ongoing monitoring arrangements. Conduct a systematic review of all workstreams of the Schools Budget Deficit Programme informed by the work of Audit Wales and Estyn's Thematic Report (including the theme of working with other Councils to identify areas of good practice) to determine what is working, what is not and identify areas for improvement.	December 2026 (noting that this will need to be ongoing)	Director of Learning & Skills

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)
		Continue to monitor the financial performance of school budget recovery plans on a monthly basis and take action to address any variances.	October 2026 (noting that this will be ongoing)	Director of Learning & Skills