

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

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

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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