

## **LANCASHIRE SCHOOLS FORUM**

**Date of meeting 24 March 2020**

### **Item No 10**

#### **Title: Recommendations of the Chair's Working Group**

##### **Executive Summary**

The Chair's Working Group are to consider a report about a bid from the Schools in Financial Difficulty Fund. Background information is provided in this report. Recommendations from the Chair's Working Group will be provided separately.

##### **Recommendations**

The Forum is asked to:

- a) Note the report and recommendations from the Chair's Working Group;
- b) Ratify the Group's recommendations.

## **Background**

On 25 February 2020, the Chair's Working Group considered On 24 March 2020, the Chair's Working Group considered a report about a bid from the Schools in Financial Difficulty Fund. Information is provided in this report. A summary of the key issues and recommendations arising from the Working Group's considerations of the items are provided in this report.

### **Schools in Financial Difficulty (SIFD) – Bid for one off financial support**

Previous reports to the Forum have set out the support arrangements developed by the Authority for schools that may be experiencing exceptional financial difficulty. Financial difficulty can arise from a number of causes which lead either to budget reductions for example due to falling rolls, or from the need for short term increases in expenditure. Examples of these pressures on the school budget requiring short term financial support include:

1. Being judged by OfSTED as Inadequate or Requires Improvement;
2. Identified by the School Advisor/Senior Accountant as requiring additional support for serious educational difficulties or failure to meet attainment targets;
3. Subject to intervention by the Authority;
4. Faced with serious personnel difficulties.

Schools can also face falling roll situations as a result of demographic changes.

The consequences of these are that the school can experience serious financial difficulty. The Schools Forum has agreed that the School Improvement Challenge Board (SICB) can provide support to schools in financial difficulty that has resulted from the above.

In addition, the budget is also used to:

- Mitigate the interest charges that would otherwise have to be met by schools that have implemented an agreed recovery plan (i.e. have implemented appropriate measures to ensure that they do not exceed agreed deficit limits);
- Meet the cost of Contracting the School Financial Services Team at an enhanced level;
- Provide financial support to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves, in accordance with the financial support criteria agreed with the Forum;
- Provide one off financial support to schools who otherwise would not be in a position to recover from a deficit position. As a general guide, SICB suggested that whilst individual circumstances will always need to be taken carefully into account, maximum allocations from the Schools in Financial Difficulty fund in response to an application from an individual school should generally not exceed 33% of the relevant deficit, but many may be lower.

The budget for this support is obtained through the de-delegation, which is agreed annually by the Forum, following a consultation with schools.

In recent years, the number of bids for one off support have been limited, with support being primarily offered through the standard support options. A bid for one off support has not been requested since October 2017.

The intervening period has been a very challenging one for school finances generally, and the county council has been working with a number of schools to help support recovery.

It should also be noted that a small number of schools at the extreme end of the Schools in Financial Difficulty (SIFD) spectrum have accumulated significant structural deficits, deemed as Category 1 on the county council's Schools in Financial Difficulty category warning system for maintained schools. These schools often have a range of difficulties, not simply a deficit budget, which can impact on their ability to recover financially.

It has not been considered appropriate to request one off SIFD support for a number of these schools, as it has been judged that they have a structural deficit with no prospect of financial recovery and it has been necessary to pursue strategic solutions in respect of these schools.

Of the 5 schools deemed SIFD Category 1 at the start of the financial year, one has closed following a statutory process and another has converted to an academy. The statutory process to consider the future of 2 further schools has commenced and officers are working with the final school to assess if a sustainable recovery is possible in the 3 year horizon from 2020/21.

Some of these decisions have implications for the Strategic reserve established by the Forum to meet the consequences of schools closing in deficit or becoming forced academies. Further information will be presented to the next round of Forum meetings as part of the 2019/20 outturn information.

As can be seen from the information above, the county council only submits a request to the Forum for a bid for one off support when there is confidence that any agreed funding will assist the school to return to a sustainable surplus position.

Information on a bid for one off support is to be presented to the Chairs Working Group, and any recommendations arising from the consideration will be provided separately.