

## **LANCASHIRE SCHOOLS FORUM**

**Date of meeting 20 October 2020**

### **Item No 9**

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

#### **Appendix A refers**

#### **Executive Summary**

On 22 September 2020, the Chair's Working Group considered a number of reports, including:

- Schools in Financial Difficulty (SIFD) – Bid for one off financial support for a Lancashire primary school;
- Schools in Financial Difficulty (SIFD) – Bid for one off financial support for a Lancashire special school;
- Schools in Financial Difficulty (SIFD) – Revised Categorisations.

A summary of the information presented and the Working Group's recommendations are provided in this report.

#### **Recommendations**

**The Forum is asked to:**

- a) Note the report from the Chair's Working Group held on 22 September 2020;**
- b) Ratify the Working Group's recommendations.**

## **Background**

On 22 September 2020, the Chair's Working Group considered a number of reports. A summary of the information presented and the Working Group's recommendations is provided below.

### **1. Schools in Financial Difficulty (SIFD) – Bid for one off financial support for a Lancashire primary school**

A report was provided in connection with a bid for one off financial support from a Lancashire primary school.

Information was provided included some of the factors contributing to the deficit budget and the steps that have been taken to return the school to a surplus position. However, despite making significant in-year savings, the size of the historical debt means school cannot repay the accumulation over the required three years, despite showing efficiencies and financial viability.

In the planning horizon from 2020/21, a concerted effort has been made by the school, with considerable support from the county council, to produce a sustainable 3 year recovery plan. The recovery plan should return the school to a surplus position by the end of the 2022/23 financial year, if support from the Schools in Financial Difficulty Fund can be agreed.

The deficit at 31 March 2020 was £108k and in accordance with the agreed SIFD arrangements that one-off bids from individual support should not exceed 33% of the relevant deficit, a bid for £36k was requested.

The School Improvement Challenge Board (SICB) considered this bid on 14 July 2020 and supported the proposed allocation.

#### **The Working Group:**

- a) Noted the report;**
- b) Supported the allocation of £36,000 from the Schools in Financial Difficulty budget to assist with the recovery at a Lancashire primary school.**

### **2. Schools in Financial Difficulty (SIFD) – Bid for one off financial support for a Lancashire special school**

A report was provided in connection with a bid for one off financial support from a Lancashire special school.

Information was provided included some of the factors contributing to the deficit budget and the steps that have been taken to return the school to a surplus position. This bid related to a Lancashire special school that has been in deficit for a number of years, with the cumulative deficit of £399,998 at its height at 2019/20 year end

The new Headteacher and senior leadership team at the school began to tackle the identified budget issues and had provisional plans that may have been able to return the school to a surplus budget position in a three year timescale. However, staffing adjustments were delayed due to the COVID-19 pandemic and a realistic recovery plan cannot now meet the statutory 3 year recovery.

The revised plan still makes considerable progress towards a return to a surplus budget position by March 2023, but due to the implementation constraints described above, the plan still forecasts a circa £63k deficit: at the end of 2022/23.

In order for the plan to achieve a surplus within the statutory three year period, without a significant negative impact on pupils, a one-off SIFD support bid of £64,000 is now requested.

This level of bid is significantly below the maximum bid size allowable under the SIFD arrangements, which state that one-off bids for individual support should not exceed 33% of the relevant deficit, which would have allowed a bid of up to £133k to be proposed.

The School Improvement Challenge Board (SICB) considered the bid and were supportive, but commented that there was urgency required in implementing the staffing reduction to ensure the plan was achievable.

#### **The Working Group:**

- a) Noted the report;**
- b) Supported the allocation of £64,000 from the Schools in Financial Difficulty budget to assist with the recovery at a Lancashire special school.**

### **3. Schools in Financial Difficulty (SIFD) – Revised Categorisations**

Previous reports have been presented to the Forum around Schools in Financial Difficulty (SIFD) categorisations, which indicated that arrangements are kept under regular review.

The LA has recently reviewed the SIFD categories in light of the publication of the DfE's response to the Financial transparency of local authority maintained schools and academy trusts consultation. One aspect of the response is that the DfE will make a directed revision to the scheme for financing schools requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%.

Lancashire Schools in Financial Difficulty (SIFD) arrangements are already more robust than the minimum requirement being introduced by the DfE, with all schools either in deficit at year end, or forecasting a deficit at the end of the current financial year, requested to submit a recovery plan. There are no proposals to change this requirement locally.

However, on reviewing the Lancashire SIFD categorisation approach, the 5% trigger appears to be a sensible demarcation between schools in a serious financial position and those in a vulnerable position. It was therefore proposed to revise the SIFD categorisation criteria so that schools with a deficit of 5% or over would be identified as category 2. This would align local arrangements to nationally published requirements. Previously, cash values were used to determine schools falling into category 2, the levels of which were adjusted by phase.

In a further amendment, Category 4 has been retitled 'Financially Stable' from 'No financial issues'. This is to reflect the fact that schools in category 4 may have faced financial challenges and taken mitigating actions in order to remain or become financially stable. The fact that the school did not trigger any indicators that would place them in another category does not mean that a school has not faced any financial issues, and the name change more accurately acknowledges the position of the category 4 schools.

An updated SIFD categorisation document is provided at Appendix A, which includes that name change and the revised categorisation descriptions and indicators.

SIFD categorisations analysis for Lancashire maintained schools, based on 31 March 2020 outturn data, has now been compiled using the revised methodology, and the analysis is provided below for all schools:

<b>Category</b>	<b>No. of schools</b>	<b>%</b>
1	5	0.9%
2	13	2.3%
3	86	15.0%
4	470	81.9%
	574	

The updated methodology has had a net impact of increasing the number of schools deemed category 2 by 2, with a corresponding decrease in category 3 schools, when compared to the situation at 31 March 2020 data using the previous calculation.

The following points are highlighted when comparing the March 2020 analysis to that based on March 2019 data. For comparison, category 2 and 3 data has been combined, as the March 2019 analysis used the previous methodology:

- The number of schools judged Category 1 Structural Deficit in March 2020 was equal to that at March 2019, however some of the identified schools have changed. Two schools from March 2019 have been removed from the list as a result of the closure of one school and the conversion to an academy of another school and a further two schools have been added following analysis of the March 2020 outturn position. The percentage of schools in the most serious financial difficulty remains unchanged at 0.9%;
- The overall numbers of schools across Category 2 Significant Deficit and Category 3 Vulnerable Position, has increased to 99 (17.3%) from 55 (9.4%) a year earlier. This increase in the number of schools showing some form of financial strain reflects the ongoing pressure on school funding, where Dedicated Schools Grant (DSG) income has, for a number of years, been cash flat, or has not kept pace with inflation;
- The County Council continues to provide significant targeted support and enhanced monitoring and early warning around Schools in Financial Difficulty, with the aim of assisting schools in the challenging financial environment. New delivery methods are being utilised during the current coronavirus outbreak and ongoing budget monitoring will also assess the financial impact on individual schools associated with the operational changes necessitated by COVID-19;
- Increased levels of funding have been made available in the DSG for 2020/21 and the impact this may have on school finances will also be kept under review.

Information was also provided analysing the March 2020 categorisation, using the revised methodology, by sector.

When school categorisation information is published in Forum or County Council reports, requests are often received from individual schools asking which category they have been placed in.

In the interests of openness and transparency, it is proposed that the SIFD categorisation information, including the financial indicators, are published on the Forum website, so that schools are able to calculate their categorisation from their own in school data that should be more up to date and more accurate than the data frequently accessible by officers.

**The Working Group:**

- a) Noted the report;**
- b) Supported the revised SIFD categorisation names, descriptions and financial indicators**
- c) Supported the publication of the SIFD categorisation on the Forum website.**

**Schools in Financial Difficulty (SIFD) Categorisation**

<b>Category</b>	<b>Description</b>	<b>Financial Indicators</b>
<b>Category 1 Structural Deficit</b>	Structural deficit that could be beyond recovery within the school finances, the school may not be financially viable and a strategic solution is required	<ul style="list-style-type: none"> <li>• Closing deficit in excess of 30% of the schools budget,</li> <li>• And - In deficit for more than 2 years;</li> <li>• And - No approved recovery plan.</li> </ul>
<b>Category 2 Significant Deficit</b>	School has a significant deficit requiring the school to make substantial organisational savings that need intensive intervention and focussed support to recover. Maybe pushing boundaries of statutory 3 year recovery timescale	<ul style="list-style-type: none"> <li>• Significant Deficit: in excess of 5% of the schools budget</li> </ul>
<b>Category 3 Financially Vulnerable</b>	Schools using significant reserves to balance their budget or have lost significant pupil numbers on the October census, or have low-level deficit or indications of going into a financial deficit.	<ul style="list-style-type: none"> <li>• In Deficit below 5% of the schools budget, or</li> <li>• Indicated deficit closing balance of any level, or;</li> <li>• Over 70% reduction in surplus balances, or;</li> <li>• Reduction in pupil numbers exceeds 10%.</li> </ul>
<b>Category 4 Financially Stable</b>	No budget issues but continued monitoring of financial indicators to confirm ongoing financial health.	None of the above indicators are present