

## **LANCASHIRE SCHOOLS FORUM**

**Date of meeting 18 March 2021**

### **Item No 9**

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

#### **Executive Summary**

On 2 March 2021, Chair's Working Group considered a number of reports, including:

- DSG Historic Commitments
- Schools in Financial Difficulty (SIFD) –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 2 March 2021**
- b) Ratify the Working Group's recommendations.**

## **Background**

On 2 March 2021, the Chair's Working Group considered a number of reports. A summary of the information presented and the Working Group's recommendations are provided below:

### **1. DSG Historic Commitments**

The Central School Services Block (CSSB) of the Dedicated Schools Grant (DSG) is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. CSSB allocations for local authorities are split into funding for 'historic commitments' and funding for 'ongoing responsibilities'.

As has been reported to the Forum and working groups for a number of years, the DfE are reducing historic commitments funding each year and have indicated that they will continue to unwind the historic commitments funding to zero in future years.

The Forum have made considerable reductions in historic commitments expenditure in Lancashire over recent years, in accordance with DfE requirements, as indicated below:

- 2017/18 - £1,243k historic commitments contribution.
- 2018/19 - £450k historic commitments contribution.
- 2020/21- £350k historic commitments contribution.

School funding announcements for 2021/22 included confirmation that the historic commitments element of the CSSB will decrease by a further 20% from April 2021.

In setting the Lancashire Schools Budget for 2021/22, the Forum supported a continuation of the existing combined budgets that are funded from the Historic Commitments element of DSG as follows:

- Emotional Health and Wellbeing Service - £200k
- MASH - £150k

Members noted, however, that this was only affordable in 2021/22 as a prudential borrowing expenditure commitment had ended in 2020/21 and due to a subsidy from the 'ongoing costs' allocation. It was clear that continued support for these services was not sustainable from the 'historic commitments' allocation going forward as the DfE allocation reduced further/ceased.

Both services supported by the historic commitments funding had produced annual reports for the Forum in the lead up to the 2021/22 budget cycle and members stated that they held the services in high regard.

When offering a steer about the budget setting process for 2021/22, the Chairs' Group had asked that enquiries be made of DfE to ascertain if these contributions can be made from elsewhere in DSG when 'historic commitments' funding is reduced/ceased. It was advised that services should be notified that 'combined budget' allocations for 2022/23 would need to cease and any future funding from DSG could not be guaranteed, but consideration would be given to possible support options depending on the response from DfE.

Subsequent to the Forum meeting, enquiries have been made of the DfE and the response indicates that:

*'Movements from the central school services block (CSSB) or high needs block to any other block, are not subject to any limit and can be made in consultation with the schools forum.*

*Local authorities can also transfer up to 0.5% from the schools block to the CSSB with the agreement of the schools forum, or with a disapplication request if the schools forum does not agree.'*

This response made clear that the Forum could decide to offer continued support to these services from the wider DSG funding envelope, even when historic commitments funding is further reduced/ceased.

The group noted that Lancashire receives an overall DSG allocation of over £1b, and a commitment of circa £350k is not a significant amount in these terms, but there are considerable cost and demand led pressures facing a number of funding blocks and any continued allocation would need to be balanced against other DSG pressures and also any impact for schools and pupils if these services were discontinued.

Members recommended that service representatives for MASH and Emotional Health and Wellbeing be invited to attend the full Schools Forum meeting in July 2021 and to present information about what any future DSG funding would provide, including information on value for money for schools and to set out what the impact for schools and pupils if these services were discontinued.

**The Working Group:**

- a) **Noted the report.**
- b) **Asked that services be invited to present information to the July 2021 Schools Forum meeting.**

**2. Schools in Financial Difficulty (SIFD) –Categorisations**

Regular reports have been presented to the Chairs' Group/Forum around Schools in Financial Difficulty (SIFD) categorisations, against the agreed criteria, as set out below:

**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	<ul style="list-style-type: none"> <li>• Significant Deficit: in excess of 5% of the schools budget</li> </ul>

	pushing boundaries of statutory 3 year recovery timescale	
<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

Information was shared with the group most recently in September 2020 and an updated analysis was provided for the group, which was based on the county council's forecasts of the outturn position for schools at 31 March 2021, taken from data in the LCC accounts at 31 December 2020. The analysis is provided below:

<b>Category</b>	<b>No. of schools</b>	<b>%</b>
1	4	0.7%
2	18	3.2%
3	36	6.3%
4	511	89.8%
	569	

It was noted that:

- The number of schools in Category 1, Structural Deficit, had reduced by one since that last report, due to the closure of a secondary school that had a substantial structural deficit.
- In percentage terms the current analysis represents 10.2% of schools identified with some level of financial challenge, compared to 18.1% in the previous report;
- This does represent a more positive outlook for school funding overall, but there are still significant uncertainties around school funding, especially when unpredictable covid-19 related costs are factored in, and many schools may continue to face financial challenges.

An analysis and comparison data by sector was also provided to the group.

In the sector data small primary schools, PRUs and nursery schools were identified as those phases facing specific challenges. It was noted that some of the higher risk sectors may have faced additional pressures due to COVID-19 issues, for example reduced income.

It was also confirmed that reviews were taking place in some areas, for example in connection with the AP strategy and the review of maintained nursery schools.

In addition, the county council was establishing a Lancashire Education Partnership Board, which would include school representatives and would take a strategic overview of education provision across the county. The importance of Schools Forum linking into outcomes from this group were emphasised, so that funding and strategic priorities were aligned. To assist with this process, it was suggested that a dialogue could take place through the chairs' group initially.

The SIFD categorisation will be run again, based on the actual outturn position of schools at 31 March 2021, and SIFD support will continue to be provided to any school in financial difficulty.

**The Working Group:**

- a) Noted the report and information provided.**
- b) Welcomed the proposal to link in with Schools Forum to align with strategic priorities.**
- c) Noted that the SIFD categorisation would be rerun when the actual outturn data for 31 March 2021 was available.**