

Item 10

Recommendations of the Schools Block Working Group

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Brief Summary

On 28 September 2023, the Schools Block Working Group considered a number of reports, including:

- **Schools Budget Outturn Report 2022/23**
- **School Balances and Clawback 2022/23**
- **Schools Block Funding Arrangements 2024/25**
- **Service De-delegations 2024/25**
- **Clawback Exemption Request 2023/24**

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 Schools Block Working Group held on 28 September 2023;
- b) Ratify the Working Group's recommendations.

Detail

On 28 September 2023, the Schools Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Schools Budget Outturn Report 2022/23

This report provides information on the Schools Budget outturn position for 2022/23

The Overall Schools Budget outturn position for 2022/23 shows an underspend of circa £1.3m.



Further details are provided below in connection with each funding block.

Central Schools Services Block (CSSB)

CSSB 2022/23			
	Budget (£)	Actual (£)	Variance (£)
CSSB			
ESG Retained Duties (transferred to DSG)	2,591,000	2,591,000	0
Overheads	850,800	851,000	0
Copyright Licence	1,016,000	1,016,063	-63
School Forum	188,000	188,000	0
Pupil Access (Admissions)	1,400,000	1,400,000	0
Rates Rebates	-75,000	78,539	-153,539
PFI - Sixth Form	867,840	977,422	-109,582
Total Grant	-6,838,640	-6,838,441	199
Total Variance	0	263,583	263,383

Rates Rebates

The rates rebate budget estimated a £75k level of income from rateable value challenges throughout the year, but there was actually a net expenditure of around £78k against this budget line, giving a total variance of just over £153k. Expenditure relates to a contribution to the LCC Estates team to facilitate the school rateable value challenges and the payment of rates rebates to schools in accordance with the Forum policy.

As we are at the end of the current ratings cycle, there are reduced opportunities for rateable value appeals, but over the lifetime of the current schools forum policy, the arrangements have generated significantly more income than has been paid out.

PFI - Sixth Form

This budget line ended the year over £110k overspent. This was due to ongoing expenditure on the former Thomas Whitham Sixth Form PFI site, mainly attributable to utilities costs, that must continue whilst the sites are converted to use by other schools.

Other CSSB budget lines ended the year on or near the agreed budget level.



Schools Block

Schools Block 2022/23			
	Budget (£)	Actual (£)	Variance (£)
Maintained Schools	683,528,360	657,127,685	26,400,494
Academy Recoupment	193,069,885	220,973,729	-27,903,844
Total Expenditure	876,598,245	878,101,594	-1,503,350
Total Grant	-878,278,380	-878,278,380	0
Total Variance	-1,680,135	-176,786	-1,503,350

Maintained Schools/Academy Recoupment

The total Schools Block expenditure on maintained schools for 2022/23 overspent by circa £1.5m which is mainly due to the removal of the PFI funding. This funding has been reallocated in 2024/25. Academy recoupment increasing by circa £27.9m during the year, as schools converted to academies which is largely balanced out by the underspend of £26.4m in the maintained sector.

High Needs Block

High Needs Block			
	Budget (£)	Actual (£)	Variance (£)
Maintained Schools			
Mainstream Schools	15,499,953	22,764,192	7,264,238
Special Schools	69,311,571	76,737,451	7,425,881
Alternative Provision	10,438,784	12,756,191	2,317,407
Further Education - Post 16	11,000,000	9,857,055	-1,142,945
Commissioned Services	36,423,254	43,609,769	7,186,515
Exclusions	-400,000	-1,182,348	-782,348
High Needs Growth	17,142,970	0	17,142,970
Total Grant	-159,416,532	-164,542,310	5,125,778
TOTAL VARIANCE	0	643,154	643,153

The outturn position for the 2022/23 High Needs Block (HNB) revealed a circa £643,000 overspent. Further information is provided below:

Maintained Schools

Actual costs on all elements of maintained schools HNB expenditure, including mainstream schools, special schools and PRUs were above the budgeted figure. Please note, £6.2m of the overspend relates to the Additional High Needs



Supplementary Grant, which is reflected in the total grant figure. The most significant variance related to mainstream schools and represented a circa 50% growth in funding compared to the budget. Special Schools grew by over 10% and Alternative Provision by 20%.

Further Education - Post 16

The Further Education - Post 16 budget had a reduction of £1.1m or circa 10%.

Commissioned Services

The commissioned services expenditure ended the year with an overspend of over £6.8m. As per established practice, a more detailed breakdown of the HNB expenditure against the agreed budget lines is provided at Annex A. Of particular interest to the Forum on the commissioned services breakdown will be the £9.6m overspend on the Out-county budget. This overspend figure is a c£6m increase in expenditure compared to 2021/22. As members will be aware, strategies are being deployed to enhance maintained provision within the county, through the AP Strategy, SEN Units and increased special school capacity, but this will take time to feed through into the budget position.

Exclusions

The original 2022/23 budget estimated that £0.4m income would be generated for High Needs Block establishments as funding followed pupils who were excluded from mainstream schools during the year. The actual income was circa £1.1m, created a variance of just under £0.7m

High Needs Growth

When the 2022/23 Schools Budget was being set, provision was made for HNB growth, which was forecast at circa £17m for the year. This provision was utilised in year to offset the increased expenditure of circa £10m across HNB school budget lines. It should be noted that the level of in year HNB growth has been running at very roughly circa 10% of HNB budget for a number of years.

The year end deficit of £750k on the High Needs Block signifies the need for caution on High Needs funding levels and expenditure going forward. The levels of DSG increases are expected to reduce in future years, early indications are 3% in 2024/25 with future expenditure forecasted at 8%, which are likely to again place considerable pressure on high needs funding and reserves.

DSG grant

The DSG grant for the HNB in 2022/23, was circa £4.4m under budget, mainly due to the £6.2m Additional High Needs Supplementary Grant. A further £1.8m overspend relates to the Hameldon PFI allocation which was removed from the Schools Block and expected to be transferred to High Needs Block. Following confirmation from the ESFA, the funding will be reallocated in 2023/24 to the CSSB.



High Needs Funding Block Monitoring at Year End 2022 23 can be found in Appendix A.

Early Years Block (EYB)

Early Years Block			
	Budget (£)	Actual (£)	Variance (£)
Maintained Schools			
2YO	1,525,946	2,048,437	522,491
3 4 YO	20,541,451	19,142,146	-1,399,305
PVI			
2YO	7,016,599	8,617,177	1,600,578
3 4 YO	50,769,678	50,339,806	-429,872
Early Years DAF	363,200	240,000	-123,200
Early Years PPG	937,727	938,897	1,170
Commissioned Services			
SEND Inclusion Fund	500,000	1,005,885	505,885
Total Grant	-80,654,601	-83,008,399	-2,353,798
TOTAL VARIANCE	1,000,000	-676,051	-1,676,051

The Early Years Block outturn position for 2022/23 indicates a circa £1.6m underspend which means there would have been an underspend without the circa £1m transfer from reserves.

Further information is provided below:

Maintained Sector

Early Years Block expenditure relating to maintained providers overspent on 2 year olds but a significant underspend on 3&4 year old provision creating a £870k underspend overall.

PVI Providers

The PVI outturn position also revealed a similar pattern, however, an overspend on 2 year old provision and a slight underspend on 3&4 year old provision creating an overspend of circa £1.1m.

Disability Access Fund

This budget line was circa £123k below budget.

Early Years Pupil Premium

This budget line ended the year on or near the agreed budget level.



Commissioned Services

Commissioned Services in the Early Years Block relates to the Inclusion Fund and expenditure was circa £500k over budget.

Due to the full year effect of the changes introduced part way through 2021/22 has resulted in the inclusion fund expenditure exceeding the budget level.

DSG Grant

The actual grant income for the year was some £2.3m above the original budget, as early years take up was above the level forecast in the original 2022/23 budget. It should be noted that the LA are notified of the forecasted Early Years DSG in December 2021, however, final Early Years DSG was confirmed in July 2022.

Total Variance

The Early Years Block outturn position for 2022/23 indicates a circa £1.6m underspend which means there would have been an underspend without the circa £1m transfer from reserves.

The Working Group:

- a) **Noted the updated report.**

2. School Balances and Clawback

School Balances Outturn 2022/23

This report sets out the year end position of schools' delegated budgets at 31 March 2023.

The overall school balances have decreased from c£95m to c£73m, an overall reduction of £22m.

The tables below show analysis of school balances by phase at the end of the financial year 2022/23.

2022/23 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2022	In-year Increase / (Decrease) 22/23	Balance Carried Forward as at 31 March 23
	£m	£m	£m
Nursery	0.797	-(0.445)	0.352
Primary	53.537	-(13.314)	40.042
Secondary	27.372	-(3.353)	24.019
Special	10.049	-(2.633)	7.416



Short Stay	1.727	-(0.395)	1.332
Total	93.304	-(20.141)	73.162

As can be seen, all phases showed an overall decrease in their aggregate balance.

Increased levels of core funding were provided by the Government in 2022/23, with Lancashire's gross Dedicated Schools Grant (DSG) allocation some £54m higher than that received in 2022/23. This was partly due to increased funding nationally made available by Government.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2022/23 in the form of Government grants. For Lancashire maintained schools, grant allocations in the year totalled over £57m, £19m of this was the Mainstream Schools Supplementary Grant.

A number of the other grants were specifically to assist schools continue to respond to the challenges of supporting pupils catch up on learning. Some of these grants were allocated by the DfE on an academic year basis and will need to be spent by the end of the current school year, which may have had some impact on the level of balances held at 31 March 2023.

It should be noted that the aggregate school balances figure at 31 March 2023 includes a number of adjustments related to school academisations during the year. This included academisation of 14 primary schools, 3 secondary schools and a closure of one special school.

2022/23 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	16	6
Primary	323	119
Secondary	25	17
Special	20	8
Short Stay	4	4
Total	388	156

To Summarise, 388 schools operated an in year deficit in 2022/23, which equates to 71%, with 156 schools (29%) operating an in year surplus. In comparison, in 2022/23, 52% of schools operated an in year deficit.

2022/23 School Balances – Number of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance
Nursery	8	16



Primary	29	413
Secondary	1	41
Special	3	25
Short Stay	1	7
Total	42	502

A total of 42 schools ended the 2022/23 financial year in deficit. The number of schools in deficit at 31 March 2023 has increased from 21 schools in deficit a year earlier.

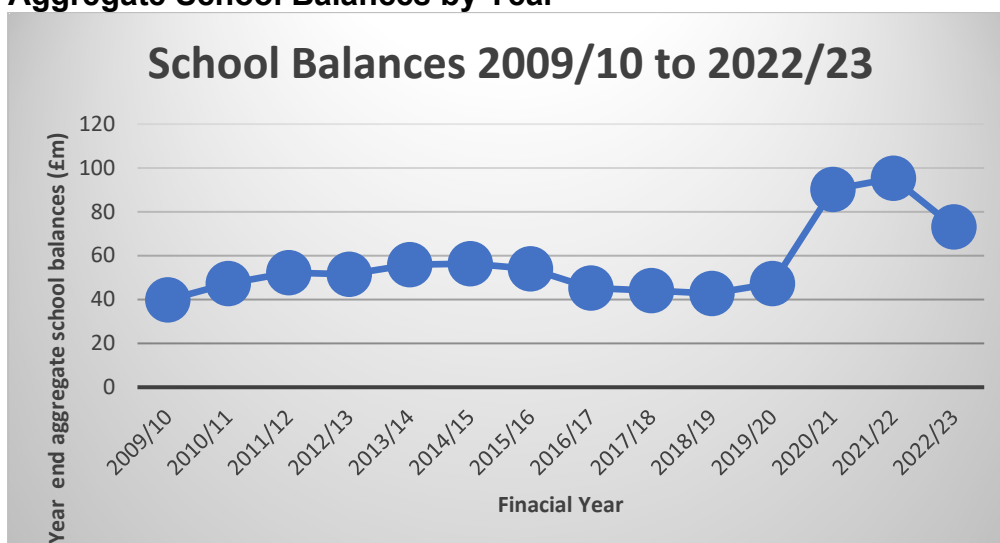
The nursery sector remains the most concerning phase highlighted through this table, with 8 out of 24 schools ending the financial year in deficit, representing 33% of schools in the sector.

A comparison showing the total number of schools in deficit across recent years is provided below:

Year End	Number of schools in deficit
31 March 2023	42
31 March 2022	21
31 March 2021	30
31 March 2020	41
31 March 2019	39
31 March 2018	47
31 March 2017	40

As noted in the table, the number of schools in deficit is significantly higher for 2022/23 than in recent years.

Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over a number of years and shows that following the increase in the balances held by schools at March 2022, school balances have significantly decreased at March 2023. Analysis provided by schools about their year end position at 31 March 2023 indicates that circa £15m of total balances are classed as 'committed'.

Support for Schools in Deficit

The county council, in consultation with the Lancashire Schools Forum, has continued to provide significant targeted support and enhanced monitoring and early warning to support schools that are in, or may be heading towards, financial difficulty. This includes monitoring the financial outlook of schools on the Schools in Financial Difficulty (SIFD) category warning system for maintained schools, issuing early warning letters to offer a 'heads-up' that financial pressures may be mounting and using the agreed SIFD procedures to provide additional support to some schools.

42 schools ended the 2022/23 financial year in deficit, compared to 21 schools a year earlier.

Individual School Balances 2022/23

Attached at **Annex A** are details about the movement in balances at an individual school level in 2022/23. As previously requested by the Forum, in addition to the year-end balance by school, information is included in this annex setting out:

- Balance as a % of CFR income.
- Balance per pupil.

School Balances and Clawback Policy 2022/23

Whilst clawback had been suspended on year end balances at March 2020, 2021 and 2022. In July 2022, the Forum voted to reintroduce clawback at March 2023 and increase the minimum balance thresholds, policy is as follows:

- 12% of Consistent Financial Reporting (CFR) income for all phases of maintained school
- A £75,000 minimum balance threshold will be applied.

The Forum are now asked to consider the school balances and clawback policy to be applied at 31 March 2024.

When considering the policy to be applied at March 2023, it was agreed that the clawback of excess balances would be reintroduced due to the consistently high balances.

Although the 2022/23 outturn positions have decreased by £22m since 2022/23, balances have remained significantly high. In financial terms, school balances still contain significant funding for covid catch up grants that were allocated by the DfE on an academic year basis. As referred to above, the Analysis of Balances return from maintained schools about their year end position at 31 March 2023 indicates that circa £15m of total balances are classed as 'committed'. This was across over 300 schools.



Whilst the level of committed balances has reduced from 2022/23, when the figure was £36m, it is still well above pre-pandemic levels, with the 2019/20 figure equating to only £6.8m.

In addition, members will be aware that there are significant and increasing costs pressure facing schools, with UK inflation jumping to 9% in the 12 months to April 2022, the highest level for 40 years, and expected to rise further.

A number of schools balances and clawback options are available to the Forum for 2024/25, which include:

- a) Apply the clawback policy in 2024/25, as per previous arrangements set out below, or with amended rates:
 - A clawback rate of 50% is to be applied to any balance above guideline in the first year a school exceeds the guideline (after adjusting for exemptions)
 - A clawback rate of 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years (after adjusting for exemptions)

(Note: As clawback was reintroduced in 2022/23, schools would be subject to the 100% clawback rate in 2024/25).

- b) Suspend the application of clawback at March 2024 due to the continued uncertainties around school funding and inflationary pressures;
- c) Other suggestions that members may have e.g., Raising the threshold percentage from the current 12% or increasing the threshold.

*Please Note, in July 2023, the Schools Forum voted to Implement the Clawback policy at March 2024

Clawback Outturn

In July 2022, the Schools Forum voted to implement the Clawback policy to excess balances at 31st March 2023. In line with the policy, circa £739,00 is due to be clawbacked from 18 schools. The final figure does not include two late exemption requests which are currently being considered by the Schools Forum Chair. Therefore, the final clawback figure may increase if these exemptions are accepted. Clawback will be processed in the Autumn Term and schools will receive communication via the Schools Portal.

The Local Authority propose to use the clawback funds to assist schools in Financial Difficulty and seek views from the working group.

The proposal is to support schools who currently have a Budget Recovery Three Year Plan, who are showing good financial practice within the plan and working with the authority, to submit a bid to the Schools Forum for funds for approval. 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.



In line with the current SIFD policies, the proposal is to provide one off financial support to schools who otherwise would not be able to recover from a deficit position. As a general guide, the authority proposes to follow the Schools Improvement Challenge Board guide; 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. Following the authorities existing processes, Recovery Plans would be monitored termly, the proposal would stipulate those schools actively working with the authority and within their recovery plan would be eligible towards the end of the financial year to submit a bid to Schools Forum for funding.

A total of 42 Lancashire schools ended the 2022/23 Financial Year in a deficit. Currently, 19 schools are forecasting a deficit at March 2024 which totals circa £2m. An additional 13 schools are forecasting a minor surplus of below £1000. In the 2023/24 Financial Year, there is currently 14 schools working towards a Budget Recovery Plan school.

Schools Budget Reserves 2022/23

		£
<u>1</u>	<u>DSG Reserve</u>	
	Opening Balance	-24,488,731
	22/23 underspend	-1,322,624
	Closing Balance	-25,811,355
<u>2</u>	<u>Schools in Financial Difficulty Reserve</u>	
	Opening Balance	-3,891,016
	Academy School Balances	509,324
	Underspend 22/23	947,392
	Balancing adj	-66,335
	Closing Balance	-5,281,397
<u>3</u>	<u>De-delegated Reserves</u>	
	Opening Balance	-918,327
	Year End reserves movement 22/23	-95,209
	Closing Balance	-1,013,536
<u>4</u>	<u>Supply Teacher Reserve</u>	
	Opening Balance	-2,259,812
	Reserves Movement 22/23	-1,221,846
	Reimbursement of funds to 21/22 members	759,812
	Closing Balance	-2,721,846
<u>5</u>	<u>Schools Balances</u>	
	Opening Balance	-95,313,697
	Revenue surplus in year	-6,966,705



	Forced academy closing balance	-605,419
	Revenue deficits in year	-27,626,436
	Closing Balance	-74,048,547
6	<u>Total All Reserves</u>	
	Open Balance	-126,871,582
	Net In Year Movement	-17,994,903
	Closing Balance	-108,876,680

Further information about the year end reserves are provided below:

1. DSG Reserve

The overall Schools Budget for 2022/23, excluding individual school balances, was an underspend of £1.3m. Details of this figure are provided in the Schools Budget Outturn report 2022/23. This underspend has been added to the DSG Reserve as at 31 March 2023.

The outturn position for the DSG Reserve is therefore a balance of £25.811m.

This is the highest level of DSG Reserve held since the year ending March 2015.

2. Schools in Financial Difficulty Reserve

In order to maximise the funding available in the Schools in Financial Difficulty (SIFD) Reserve, a number of adjustments have been made to the reserve in 2022/23.

This includes unallocated schools income, which has been placed in the reserve at year end. This is money received and held in the county councils schools' income account, until it is identified and transferred to the appropriate school. Ongoing work continues to trace and allocate this income correctly, so the figures will reduce as income is identified and allocated.

As members will be aware, convertor academies take a surplus or deficit balance with them to their academy trust, whereas the balance at forced academies remains with the LA. Where balances have accrued due to academy conversions, these have been transferred to the SIFD reserve.

Including the above and underspends, the reserve has increased by £1.3m in year. The level of expenditure is expected to increase in 2023/24 due to due to significant inflation causing increased cost pressures.

These in year movements leave the final year end position on the reserve at circa £5.2m.

3. De-Delegation Reserve

The de-delegation reserve ended the year with a surplus of circa £1.3m.

Members will recall that for the Inclusion Hubs de-delegation the LA includes adjustments relating to inclusion hub funding that has been delegated to banker



schools at the start of the year. So that individual school balances at certain banker schools were not artificially high, which would impact on school year end balances reporting and national benchmarking, this funding was held by the LA for year end accounting purposes and then redistributed to the relevant banker schools in the new financial year.

4. School Teaching and Support Staff Supply Reimbursement Scheme

The staff reimbursement scheme ended the year with an underspend of circa £1.2m, leaving an outturn position of circa £2.7m.

The overall in year position includes a surplus on the teacher scheme of just under £1.3m, which was offset by a circa £0.6m deficit on the support staff scheme.

The Forum has previously agreed that any year end balance above £1.5m should be redistributed to scheme members. The working group may wish to consider if £1.5m remains an appropriate maximum level for the reserve. Whatever level is agreed, the Forum are asked to support the redistribution of the scheme reserve above that level back to scheme members.

Taking account of the deficit on the support staff element of the scheme, it is proposed that the 'excess' scheme reserve should be redistributed on the basis of the contribution levels to the teaching staff scheme only.

For 2024/25, members will need to consider a rise in the premiums charged for the support staff scheme, but it may be possible to hold the premiums on the teaching element of the scheme to 2023/24 levels. Further reports will be presented to the Forum in due course.

5. School Reserves

As set out earlier in the report, school balances decreased to just over £73m at the end of 2022/23, when school closure/academisation adjustments are taken into account. a decrease of nearly £22m.

The Working Group:

- b) Noted the updated report.**
- c) Recommended that the Schools Forum approve the proposal to use the Clawback 2022/23 funds to support school in Financial Difficulty through Bids to the Schools Forum**
- d) Recommended that the Schools Forum approve the proposed Supply scheme reimbursement based on members of the teachers scheme in 2022/23. Supported the reimbursements calculated on the basis of the NOR which was used to calculate the charges.**

This is a formal Schools Forum decision and members will be asked to formally approve at the 17 October 2023 meeting.



3. Schools Block Funding Arrangements

Please note due to the recent DfE announcements, this report has not been included and a revised report will be presented during the Schools Forum meeting. Item X for reference.

The Working Group:

- a) **Noted the report and that the final allocation for 2024/25 would be notified in December 2023.**
- b) **Noted that consultation responses on the level of MFG would be presented to the Forum meeting on 17 October 2023 and that the Forum would be asked to formally consider the 2024/25 rate.**
- c) **Supported the proposal to retain the current notional SEN calculation for the 2024/25 financial year.**
- a) **Supported the proposed voting arrangements as set out for consideration of the MFG proposals.**
- b) **Supported the disapplication to the DfE to request the continued use of an Exceptional Factor in the Lancashire formula, to provide allocations to 3 schools to cover the costs of renting premises for the schools.**

4. Service De-delegations 2024/25

Each year, the primary and secondary school members of the Schools Forum must decide on Service De-delegation proposals put forward by the Authority. Where appropriate, agreed de-delegations are then offered to nursery schools, special schools and PRUs as group buy-backs.

At the July 2023 working group meeting, initial proposals for 2023/24 de-delegations were presented for consideration. Proposals included a continuation of the Staff Costs and Heritage Learning service de-delegations that had been approved by the Forum for 2023/24, the removal of the School Improvement service de-delegation and an amendment to the Schools in Financial Difficulty name and funding allocations:

- Staff costs – Public Duties/Suspensions
- Heritage Learning Service - Primary Schools Only
- Schools Requiring additional Support
- Inclusion Hubs - Primary Schools Only

After the Summer Term Schools Forum meetings, a further De-delegation request was received from the Inclusion Service;

- Children's Champions

This De-delegation is to support the recruitment of 4 new children's champions to support maintained schools only. These are Grade 9 posts in line with the current structure and therefore would cost around £200,000 which our current budgets do not allow. The role of the children's champions is to support young people at risk of exclusion and those who are struggling to attend and work as an advocate for the child to support breakdown of relationships with schools.

At the working group, Jeanette Whitam from Schools HR attended to present the Staff costs Report. Sally Richardson, Head of Inclusion Service and Headteachers



from the Inclusion Hubs attended to give a brief overview of the work of the Inclusion Hubs. Aby Hardy attending to provide an overview on the Schools Requiring additional support and the additional Childrens Champions service de-delegations. The working group supported the 5 services being included in annual de-delegation consultation with schools.

At the time of the working group, the de-delegation consultation papers had not yet been approved for publication, but it was agreed to circulate the papers to members once they were cleared.

The closing date for consultation responses is 13 October 2023 and a final analysis and comments will be provided to the Schools Forum meeting on 17 October 2023 when maintained primary and secondary schools members will be asked to formally vote on the 2024/25 de-delegation proposals.

The working group supported the operation of the de-delegation voting at the Forum, which would take place at the meeting.

The Working Group:

- a) **Noted the report;**
- b) **Noted that de-delegation papers would be circulated to members after the meeting.**
- c) **Noted that consultation responses would be presented to the Forum meeting on 17 October 2023 and that the Forum would be asked to formally consider de-delegation decisions for 2024/25.**
- d) **Expressed concerns around the Inclusion Hub Report**
- e) **Supported the proposed de-delegation voting arrangements.**
- f) **Thanked colleagues for attending the meeting to present the de-delegations.**

Subsequent to the meeting, copies of the 2024/25 service de-delegations and schools block funding formula full consultation document and the summary document were circulated to members and copies are attached to this report as Appendix A and Appendix B.

Analysis and comments from the consultation responses will be presented to the Forum meeting on 17 October 2023.

5. Schools in Financial Difficulty Bid

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 several 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 because of demographic changes.

The consequences of these are that the school can experience serious financial difficulty. 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 Finance 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 able 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.

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.



Bid to Forum for one off financial support

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.

This bid relates to a Lancashire primary school that has been in and out of deficit during recent years, with a deficit of £55,574 as at 31st March 2023.

In the planning for 2023/24 and beyond, school leaders are working with considerable support from the schools' finance team, to produce a sustainable recovery plan.

Despite forecasting in-year savings for the next two years, the size of the deficit indicates that the school cannot repay the deficit over the required maximum period of three years.

If support from the Schools in Financial Difficulty Fund can be agreed, the recovery plan indicates that the school should return to a surplus position by 31st March 2025.

Key components of the recovery plan include:

- Revision of the staffing structure to remove at least one full time class teacher from September 2024;
- Reduction in support staff
- Income generation is maximised.
- Efficiency savings across all other budget headings continue to be maximised.

As mentioned earlier, the deficit at 31 March 2023 was £55,574 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 £18,525 is now submitted.

This level of bid is reflective of the level of support needed to tackle the deficit at the school and is deemed appropriate to enable the school to return to surplus, without a significant impact on the educational provision at the school.

The School Improvement Challenge Board (SICB) considered this bid on 25 July 2023 and supported the proposed allocation.

Taking the recovery plan actions into account, and assuming the success of the SIFD bid with the forum bid contribution spread over 2023/24 and 24/25, the following budget position is forecast, which will bring the school out of deficit at 31st March 2025:

The Working Group is asked to support the allocation of £18,525 from the Schools in Financial Difficulty budget to assist with the recovery at a Lancashire primary school.

If approved, it is intended that the support will be distributed across the two years of the recovery plan, allocating £6,175 in 2023/24 and £12,350 in 2024/25.

The Working Group:



- a) **Noted the report;**
- b) **Recommended the Schools Forum support this Schools in Financial Difficulty Bid**

6. Clawback Exemption Request 2024/25

The Schools Forum unanimously voted to implement the Clawback Policy to balances at March 2024. This has continued to raise a particular issue for one Lancashire primary school and the views of the working group are now sought on a request to exempt the school from clawback in 2023/24.

The school in question is based on an army barracks in the county. This presents some peculiar challenges for the school, especially as and when the army changes the troops posted at the barracks, as this can mean that a significant proportion of the school's pupils leave en masse and then later a similar number of pupils are enrolled as a new regiment moves in.

Information about the planned troop movements at the barracks are continuing to cause some concern from the school.

The school's outturn position at 31 March 2023 was a balance of over £610k, against a guideline balance of circa £154k. A clawback exemption was approved for 2022/23.

The school's key financial challenge over the coming years is to manage the reduced income for the interim time when the NOR is lower due to the period without a regiment being stationed at the barracks. The school anticipate pupil numbers will begin to stabilise in September 2024.

If Forum were willing to confirm a 2023/24 exemption to clawback for the school, it would assist the school's planning with the aim of utilising reserves to operate a more stable staffing structure for the interim period when the NOR is reduced, ahead of the September 2024 pupil number increase. This would increase stability for the school and decrease the risk of compulsory redundancies providing a more established staffing base to assist the arrival of the new regiment and the anticipated increase in roll, the school expects to be full with 210 pupils on roll for the 2024/25 academic year. The clawback exemption would also allow the school to commit any savings to their reserves that accrue in the 2023/24 budget year, which is calculated on the 120 NOR, that will be generated by reduced costs when the pupil numbers fall from October 2023.

Other options to support the school with the challenges caused by the significant increase in the pupil population from September 2024 may be considered nearer the time, if necessary, for example a growth fund allocation. However, any future options of this kind relate to the 2025/26 financial year and would need to take account of appropriate DSG allocations and DfE funding regulations applicable at that time Further information may be presented in due course.

The views of the working group are sought on the proposal to exempt this Lancashire primary school from the application of clawback at 31 March 2024 due to



the unique circumstances described in the report. The School provided a letter, Appendix A below, to provide further detail.

Appendix A

18 September 2023

Dear School Forum

I wish to apply for an exemption from clawback at 31 March 2024 to help us to assist the school managing our financial position due the circumstances surrounding the troop movements at the barracks.

As I am sure you are aware, Primary School is situated on the army barracks at [REDACTED].

In summer 2022, 2Mercians left the barracks, and were not replaced. This had significant impact on our NOR (see below). 1Lancs are due to be posted to [REDACTED] in Summer 2024.

	NOR
July 2022	185
September 2022	123
September 2023	125
Summer 2024	150
September 2024	210

To mitigate our drop in NOR, we reduced our staffing costs significantly – through secondments to other schools, reduction in TA hours and natural loss. This enabled us to build up a healthy financial amount of reserves, ready for the extra staffing costs that we will face from September 2024.

Clawback would obviously cancel out any savings we have made since September 2022, and would leave us without the required funds to return our staffing levels similar to July 2022.

Schools Forum agreed for us to be exempt from clawback in March 2023, and I ask if this exemption could be extended again.

I understand this is an usual request. I am happy to expand further if needed. Yours sincerely
Headteacher

The Working Group:
a) **Noted the report.**



b) Requested further information to be presented at the Schools Forum due to the high level of balances held by the school

The Schools Forum have requested further information from the school and hope to present this to the Schools Forum on 17 October 2023.

