



Lancashire Schools Forum

Annual Report 2017/18 April 2017 - March 2018

The Lancashire Schools Forum met on four occasions in the financial year 2018/18 and has considered a variety of reports and presentations on school funding and finance related matters. This annual report sets out some of the significant issues dealt with by the Forum.

Schools Budget 2018/19

Advising on the Schools Budget is a crucial responsibility of the Forum. The key headlines from the 2018/19 budget setting process included:

Schools Block Budgets

Following a consultation with all schools and academies, the 2018/19 Schools Block budget was allocated using the DfE's National School Funding Formula methodology, which incorporated a guaranteed 0.5% per pupil increase over 2017/18 budget baselines.

Despite some challenges in implementing this policy, the Forum supported the County Council in pursuing negotiations with the Education and Skills Funding Agency (ESFA) to ensure that the methodology could be implemented in full, but this did slightly delay the issuing of 2018/19 Schools Block budgets.

The Forum also agreed to the transfer of circa £0.7m headroom from the Schools Block into the High Needs Block, to help mitigate the forecast overspend in this block. This proposal was supported in a consultation with schools and academies.

High Needs Block

There was a forecast shortfall of circa £8.5m in this funding block and a number of savings proposals were implemented from April 2018 in order to alleviate the forecast overspend, including:

- Transfer of headroom from the Schools Block to the High Needs Block;
- Reductions in certain commissioned place numbers;
- Reductions in the level of payments for some provision, where it is less than the designated full time level of 25 hours per week;
- Applying the Government prescribed changes around SERF unit funding;
- Use of commissioning agreements to reduce out-county expenditure;
- Reductions in various central budgets funded from the Dedicated Schools Grant (DSG).

Following representations from some schools and sectors, and acknowledging the significant cost pressures being faced by schools, every effort was made to minimise the impact of the required HNB savings on schools. Some of the initial proposals were not implemented and others will be phased in over a longer period, including:

- Proposals to reduce WPN rates from £4,100 to £3,700 were **not** implemented in 2018/19;

- Proposals to realign school specific allocations in special schools will be implemented over a 2 year period to allow a transitional period to the revised funding levels.

Fundamental reviews of the SEND Banding system and the special school specific allocations will be undertaken during the year.

Early Years Block

2018/19 is a transitional year towards full implementation of the Government's Early Years National Funding Formula (EYNFF), including a Universal Base Rate.

The 2018/19 funding rate for 3 and 4 year olds is £4.09 per hour, but nursery classes will receive a further £0.17 per hour traditional funding providing £4.26 per hour

Maintained nursery school (MNS) supplementary funding for 3 and 4 years old provision is still provided in 2018/19 to offer some funding protection.

Service De-delegations 2018/19

Regulations require that the Forum is responsible for deciding which services should be de-delegated each year. In October 2017, the Forum considered a number of de-delegation proposals. Primary and secondary members agreed by phase that a number of services would be de-delegated for the 2018/19 financial year. This means that for primary and secondary schools (but not academies) services will be provided centrally. These services are:

- **Staff costs – Public Duties/Suspensions.** The 2018/19 de-delegation incorporates reimbursement to schools for staff costs associated with public duties and suspensions.
- **Museum Service - Primary Schools Only.** Provides funding for the work the museum service undertakes for primary schools to help meet the national curriculum and to support wider cultural learning.
- **Support for Schools in Financial Difficulty.** This funding allows support to be offered to schools in financial difficulty, which is managed by the School Improvement Challenge Board (SICB) against published eligibility criteria.

Consultation Responses

A number of consultations and discussions were held with schools and academies and with representative groups to help shape the budget and savings proposals and de-delegation decisions for 2018/19. The Forum were very grateful for the responses and comments that helped to steer their decisions and recommendations.

Support for Schools in Financial Difficulty

A number of national and local indicators are showing that the pressure on school budgets is mounting and the number of schools and academies in a deficit budget position are growing. In response to the increasingly challenging financial environment, the Forum has endorsed revised procedures and policies for supporting Schools in Financial Difficulty (SIFD), including:

School Categorisation Approach

In order to evaluate and monitor the financial health of Lancashire schools, a new school categorisation approach has been introduced. This approach has assessed financial data on each school and catalogued them into one of four SIFD categories:

- Category 1: Structural Deficit;
- Category 2: Significant Deficit;
- Category 3: Reserve Burner;
- Category 4: No financial issues.

Various early warning processes, training support and toolkits are being developed to help support schools in avoiding entering a deficit budget position.

Early Warning Process

A process of issuing 'Early warning' letters has been introduced, to provide schools with a 'heads up' that they may be heading towards financial difficulties. LA data has been used to set indicators to identify schools to target, including:

- LA forecasts breach of agreed recovery plan deficit levels;
- LA forecasts a surplus at year end but balances are reducing by 70% or more;
- LA forecasts a deficit at year end that was not anticipated on the school's I&E return;
- School NOR has fallen by 10% or more since the previous October.

This revised approach is part of a wider strategy to enable the LA to provide schools with early advice, working together to understand financial circumstances over a longer term horizon.

Phased Based Financial Reviews

In addition, the LA is instigating Phased Based Financial Reviews, to identify any common issues that are impacting across a number of schools and find possible shared solutions that could be initiated.

SIFD Financial Support

The Forum ratified amendments to the support available from the Schools In Financial Difficulty budget in connection with the criteria applicable to support for Voluntary Redundancy, Compulsory Redundancy and Severance payments. The proposed 2018/19 criteria changes the balance of VR/CR/Severance support to make a SIFD contribution of 20% even when schools are above the balance ceiling, and expects all schools to make their own 20% contribution even if they are in deficit or below the floor.

School Balances and Clawback

The Forum reviews the Lancashire school balances and clawback arrangements each year.

In connection with School Balances and Clawback at 31 March 2017, clawback totalling circa £33k was applied to 6 schools.

The Forum confirmed the School Balances and Clawback arrangements for 31 March 2018:

Guideline Balances

For all phases guideline balance is the maximum of £60,000 or 12% of the schools Consistent Financial Reporting (CFR) income.

Clawback Rates

For all phases the following clawback rates will be applied at 31 March 2018 and in subsequent years:

- A clawback rate of 50% is to be applied to any balance above guideline (after adjusting for exemptions) as at 31 March 2018, or in the first year a school exceeds the new guideline (after adjusting for exemptions);
- A clawback rate 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years.

Exemptions

The Forum confirmed that Devolved Formula Capital (DFC) allocations are exempt from the clawback calculations, which only relate to revenue balances.

Apprenticeship Levy

Community and controlled schools must contribute to the County Council's Apprenticeship Levy fund and have access to relevant school focused training opportunities for apprentices or for existing staff. The Forum has been involved in helping to shape the arrangements for Levy paying schools, the development of appropriate school focused training opportunities, possible criteria for allocating available fund resources and the encouragement of schools to utilise the Fund. Following, representations from the Forum, the County Council has also offered advice to other Lancashire schools that are not contributing to the LCC levy.

Surface Water Drainage (SWD) Charges

The Forum and individual schools, have been involved in lobbying United Utilities (UU) for a reduction in charges for Surface Water Drainage in a long running campaign co-ordinated by Sefton Borough Council.

Members welcomed a decision by UU to introduce concessions to the SWD charging for schools from 2018/19, which could save over £1m annually for Lancashire schools.

However, nursery schools were omitted from the eligibility criteria to access the concessionary charges and the Forum are continuing to lobby UU on behalf of the sector.

Full details of all Schools Forum business are available from the [Schools Forum website](#). For any queries please email schoolsforum@lancashire.gov.uk