

Schools In Financial Difficulty Criteria

The SIFD support criteria is administered through the School Improvement Challenge Board (SICB).

The current support arrangements have been 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 include:

- Being placed in special measures or requiring significant improvement as identified by Ofsted;
- Identified by the School Advisor/Area Team Leader as requiring additional support for serious educational difficulties or failure to meet attainment targets;
- Subject to intervention by the Authority;
- Faced with serious personnel difficulties.
- 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 SICB can provide support to schools in financial difficulty that has resulted from the above.

In addition, the SIFD 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. retuning to a surplus budget position within the statutory three year recovery plan timescale) or an agreed sustainability plan (in exceptional circumstances, achieve an in year balanced budget position if returning to an overall surplus budget position is not achievable in a three year timescale);
- Meet the cost of Contracting the School Financial Services Team at an enhanced level for schools with an agreed recovery plan or an agreed sustainability plan;
- 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.

School Improvement Challenge Board (SICB) Guidance for providing Financial Support to Schools

The Lancashire Schools Forum has agreed the criteria whereby financial support will be provided to schools from the Schools in Financial Difficulty budget. The formula and assumptions used in this assessment will be reviewed annually by the Forum.

This applies to all funding decisions agreed by the School Improvement Challenge Board, e.g. contracts, additional funding bids, associate and acting arrangements. Separate arrangements apply to Voluntary Redundancy, Compulsory Redundancy and Severance payments (see below).

The formula

Financial support will be provided to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves. To ensure fairness and equity across all phases and size of schools, the following formula will be used to determine the contribution the school will be required to make. Where:

Schools are in deficit or have a surplus balance below their floor balance:

- The full cost of the support will be met from the Schools in Financial Difficulty budget.

Schools have balances above their floor balance but below their ceiling balance:

- Schools will pay the lower of:
 - The full cost of the support, or
 - 50% of their balance above their floor balance
- Any difference between the school contribution and the cost of the support will be met by the Schools in Financial Difficulty budget.

Schools have balances above their ceiling balance:

- Schools will pay the lower of:
 - The full cost of the support, or
 - The balance above their ceiling balance, plus 50% of their balance above their floor balance and ceiling balance
- Any difference between the school contribution and the cost of the support will be met by the Schools in Financial Difficulty budget.

For the purpose of this formula:

- A school's floor balance is set at the greater of £20,000 or 1% of CFR income;
- A school's ceiling balance is set at the greater of £60,000 or 4% of CFR income;
- The level of support from the Schools in Financial Difficulty budget will be calculated on the basis of the year end position in the preceding financial year.
- Any allocation made to Schools in Deficit or Schools in Surplus that qualify for support under the agreed formula will not be reduced. All bids will be re-calculated once the final outturn for the current financial year is known. Any additional support required, after applying the agreed formula to the final outturn will be funded to the school before financial close.

Schools in deficit or forecasting to move into deficit by 31 March are required to:

- Agree a Recovery Plan with the Local Authority
- Provide termly I&E submission with a revised forecast closing balance, and
- Provide a copy of the termly management accounts that are submitted to the governing body

Procedures are in place to challenge schools where the approved recovery plan is not on target.

Financial Support for Voluntary Redundancy, Compulsory Redundancy and Severance payments

Financial support for VR, CR and severances is treated separately to other Schools in Financial Difficulty (SIFD) decisions. Financial support is not based on cumulative figures throughout the year, nor is it re-calculated* once the final outturn for the current financial year is known.

Financial support for VR, CR must have prior approval from the School Improvement Challenge Board (SICB). Any VR or CR payments arising without SICB prior approval will be charged in full to the school budget.

Financial support for severances must have prior HR approval.

The formula (for VR, CR and severances)

Financial support will be provided to schools where their reserves are not sufficient for the school to meet the full cost of the intervention or restructuring costs themselves. To ensure fairness and equity across all phases and size of schools, the following formula will be used to determine the contribution the school will be required to make. Where:

Schools are in deficit or have a surplus balance below their floor balance:

- The schools will pay 20% of the cost with the remaining 80% being met from the Schools in Financial Difficulty budget.

Schools have balances above their floor balance but below their ceiling balance:

- Schools will pay 50% of the cost with the remaining 50% being met from the Schools in Financial Difficulty budget

*Schools have balances above their ceiling balance:

- The schools will pay 80% of the cost with the remaining 20% being met from the Schools in Financial Difficulty budget.

*where schools have balances above their ceiling balance SICB reserve the right to recharge any Schools in Financial Difficulty contributions towards VR, CR or severances

made during the year if balances remain above their ceiling balance at the end of the current year.

For the purpose of this formula:

- A school's floor balance is set at the greater of £20,000 or 1% of CFR income;
- A school's ceiling balance is set at the greater of £60,000 or 4% of CFR income;
- The level of support from the Schools in Financial Difficulty budget will be calculated on the basis of the year end position in the preceding financial year.