



Briefing note

To: Schools Forum **Author:** Claire Emmerson on behalf of the Schools Forum Finance Sub-group

Date: 1 October 2020

Purpose of the Paper:

Information	√
Consultation	√
Decision	√

Title of Briefing: Schools in Financial Difficulty – Criteria Review September 2020

1 Background

- 1.1 At its meeting on 8 September 2020 Schools Forum received its annual report detailing the application of funding in relation to Schools in Financial Difficulty. In addition to the allocation of funding the report also asked Schools Forum to determine whether they wished the Sub-group to review the current eligibility criteria for Support for Schools in Financial Difficulty.

The review of eligibility was to see if the current criteria could be broadened / updated to allow for the following:-

- provide support for schools who are new to deficit including those who become a deficit school in year;
- provide support for those schools who are predicting a deficit longer than year 3 timeframe, but who are able to demonstrate a return to in-year balance within a reasonable time frame; and
- provide support for those schools who have already been in receipt of funding from the Schools in Financial Difficulty budget in previous years.

- 1.2 Schools Forum agreed that the Sub-group should undertake a review of the current criteria to understand the potential changes that could be made which would broaden the scope of schools' eligibility for funding. It was agreed that any potential changes would need to continue to safeguard the funding that had been set aside for this specific purpose. Schools Forum agreed that the Sub-group would report back to the next Forum meeting on 1 October 2020, outlining potential changes for consideration.

This briefing note summarises the considerations of the Sub-group and outlines the criteria changes which the Sub-group are recommending Schools Forum.

2 Schools in Financial Difficulty Criteria Review

- 2.1 The Sub-group of Schools Forum met with officers from the Authority on 24 September 2020 to undertake the review of the current criteria which is applied when considering schools' applications for Schools in Financial Difficulty funding.

The main areas considered by the Sub-group have been highlighted in section 1.1 of this briefing note. Appendix A to this report shows the current Schools in Financial Difficulty Criteria as at July 2019. Table 1 below shows the current criteria and where appropriate the revised criteria for Schools Forum to consider.

Table 1 – Criteria review, recommendations and suggested revised criteria

Criteria for review	Recommendation	Suggested revision
Schools who have a structural deficit cannot apply	Criteria remains	
Schools must operate within their approved licenced deficit agreement and reduce their in-year deficit (before any funding allocation) by a set % per annum, e.g. 25%;	Criteria remains	
Schools must have a clear plan of continued deficit reduction resulting in the school being out of in-year deficit within no more than three (3) years following allocation of funding, and are excluded from making any further application for this funding whilst the school remain in deficit;	Revise criteria - no longer in line with the Scheme for Financing Schools	All schools new to deficit from 1 st April 2019 must have a clear plan of continued deficit reduction resulting in the school reaching at least a zero cumulative balance within 3 years following an approved allocation of funding. Further applications for funding can be made during this period. Applications will be reviewed on a case by case basis.
Schools must not return to seek deficit approval once out of in-year deficit for a further 3-year period thereafter.	Revise criteria – the current criteria does not allow for flexibility and individual circumstances of	Schools that return to seek deficit approval once out of deficit and have previously received an approved allocation of funding may submit further applications for funding. However, these applications will be reviewed on a

	schools to be considered.	case by case basis and will only be considered where the school has been able to demonstrate that sufficient mitigating actions have been put in place and that an allocation of funding would result in the school returning to financial balance with no anticipated return to deficit for the duration of the 3 year budget plan.
Funding is only available to existing schools in deficit and those schools who are new to deficit in-year cannot apply.	Revise criteria – the current criteria does not allow for flexibility and individual circumstances of schools to be considered.	Schools that are new to deficit in the current financial year may make an application for funding which will be considered on a case by case basis.

- 2.2 In reviewing the criteria the Sub-group were keen to ensure that sufficient scrutiny would be in place for all applications submitted. Whilst the Sub-group recognised that there was a need to revise the criteria there was concern amongst members of the group that any relaxation of the criteria could encourage schools to apply for an allocation of funding instead of really addressing the underlying issues which were causing the financial pressure.

Officers from the Authority suggested that revising the current application documentation and introducing a framework which would support schools to make an application would go some way to providing assurance in relation to the submissions by schools. The Schools Finance team would be available to support schools in making an application (as they do currently) and would be able to support the Sub-group when considering applications from schools. This was to be put forward as a recommendation to Schools Forum for consideration.

3 Wider considerations

- 3.1 The Schools in Financial Difficulty report received by Schools Forum on 8 September 2020 identified a number of wider considerations which do not specifically fall within the criteria review. These are:-
- balances currently held for the purpose of supporting schools in financial difficulty;
 - fundamental purpose of the funding; and
 - the use of residual funding to support other areas.
- 3.2 The Sub-group recognised that a high level of balances was being carried forward year on year and that by relaxing the criteria more schools would be eligible to apply for funding. Therefore, the funding, which was set aside for this specific purpose, could be used to benefit more schools. All members of the group agreed with this principle.

- 3.3 During the meeting the Sub-group discussed the process for allocating any residual funding which was available once all applications had been received and approved by Schools Forum. The group agreed in principle that in the first instance the funding should be used for its intended purpose and a level of balances should be retained to support future applications from schools in financial difficulty. Only once all of the applications for funding had been reviewed, recommendations made and approved by Schools Forum, would any residual funding above the agreed retained balances level be used to support other areas for eg Special Leave.
- 3.4 The Sub-group agreed that this would be put forward as a recommendation to Schools Forum. Any decision in relation to supporting other areas for eg Special Leave is to be put on hold pending decisions taken at Schools Forum in relation to this report and a review of the Schools in Financial Difficulty balances should further allocations of funding be approved by Schools Forum.
- 3.5 A revised draft Schools in Financial Difficulty framework has been included as Appendix B which incorporates the recommendations throughout this briefing.

4 Recommendations

- 4.1 Schools Forum is asked to consider the following:
1. agree the recommendations for the review of criteria as per Table 1 and the revised draft framework as per Appendix B;
 2. agree that should the recommendation 1 be agreed, Schools Forum will then require the Sub-group to retrospectively apply the revised criteria to for those schools who had previously made an application for funding in July 2020 and where appropriate review the applications and make further recommendations for approval (November 2020);
 3. agree that Finance will continue to work with the Sub-group of Schools Forum to provide assurance that robust applications are submitted and provide advice when applications are considered;
 4. agree that the documentation for applications will be revised for the 2021/22 application framework;
 5. agree that in the first instance the funding should be used for its intended purpose;
 6. agree that a level of balances should be retained to support future applications from schools in financial difficulty, the balance to be determined;
 7. agree that only once all of the applications for funding had been reviewed, recommendations made and approved by Schools Forum, would any residual funding above the agreed retained balances level be used to support other areas for eg Special Leave; and
 8. the decision in relation to supporting other areas for eg Special Leave is put on hold pending decisions taken at Schools Forum.

Current Schools in Financial Difficulty Criteria as at July 2019:

No school which is deemed as a being in a structural deficit can apply for Schools in Financial Difficulty funding. Section 4.9 of the Scheme for Financing Schools describes a School as being in a Structural Deficit in the following circumstances:

A School is deemed to have a structural deficit if it is unable to produce suitable and robust financial plans for future years, which clearly demonstrate the ability to repay the full cumulative deficit balance in the three-year time period. Individual arrangements will be made with each school with a structural deficit however, the Authority will expect all schools with a structural deficit to have a recovery plan to achieve in year financial balance within a three year period or earlier with a view to begin to repay the cumulative deficit by year 4.

Schools who are in receipt of Schools in Financial Difficulty funding are required to:

- i. operate within their approved licenced deficit agreement and reduce their in-year deficit (before any funding allocation) by a set % per annum, e.g. 25%;
- ii. have a clear plan of continued deficit reduction resulting in the school being out of in-year deficit within no more than three (3) years following allocation of funding, and are excluded from making any further application for this funding whilst the school remain in deficit; and
- iii. not return to/seek deficit approval once out of in-year deficit for a further 3-year period thereafter.

Further requirements to administer the funding:

1. to allocate funds within the parameters / practice agreed by Schools Forum to those schools who qualify to apply within the financial year ending 31st March,
2. require Head teachers making an application for Headroom funding to present to the Sub-group using a standard report template; and
3. continue to require:
 - a. all new schools making an application for Headroom to show an improved in-year deficit position / plan to return to in-year balance within a 3-year period; and
 - b. those schools in deficit prior to 31st March 2018 to show an improved in-year deficit position / plan to return to in-year balance within a period agreed with the Authority on an individual school basis.

Revised draft Schools in Financial Difficulty Criteria as at September 2020:

No school which is deemed as a being in a structure deficit can apply for Schools in Financial Difficulty funding. Section 4.9 of the Scheme for Financing Schools describes a School as being in a Structural Deficit in the following circumstances:

A School is deemed to have a structural deficit if it is unable to produce suitable and robust financial plans for future years, which clearly demonstrate the ability to repay the full cumulative deficit balance in the three-year time period. Individual arrangements will be made with each school with a structural deficit however, the Authority will expect all schools with a structural deficit to have a recovery plan to achieve in year financial balance within a three year period or earlier with a view to begin to repay the cumulative deficit by year 4.

Schools who are in receipt of Schools in Financial Difficulty funding are required to:

- i. operate within their approved licenced deficit agreement and reduce their in-year deficit (before any funding allocation) by a set % per annum, e.g. 25%;
- ii. have a clear plan of continued deficit reduction resulting in the school reaching at least a zero cumulative balance within 3 years following an approved allocation of funding, this will apply to all schools new to deficit from 1st April 2019. Further applications for funding can be made during this period. Applications will be reviewed on a case by case basis.; and
- iii. Schools that return to seek deficit approval once out of deficit and have previously received an approved allocation of funding may submit further applications for funding. However, these applications will be reviewed on a case by case basis and will only be considered where the school has been able to demonstrate that sufficient mitigating actions have been put in place and that an allocation of funding would result in the school returning to financial balance with no anticipated return to deficit for the duration of the 3-year budget plan.

Further requirements to administer the funding:

1. to allocate funds within the parameters / practice agreed by Schools Forum to those schools who qualify to apply within the financial year ending 31st March;
2. Schools that are new to deficit in the current financial year may make an application for funding which will be considered on a case by case basis;
3. Head teachers are required to make an application for Schools in Financial Difficulty funding using a standard report template and will be required to present their application to the Sub-group and Authority officers; and
4. continue to require:
 - a. all new schools making an application for Headroom to show an improved in-year deficit position / plan to return to a zero cumulative balance within a 3-year period; and
 - b. those schools in deficit prior to 31st March 2018 to show an improved in-year deficit position / plan to return to in-year balance within a period agreed with the Authority on an individual school basis.
5. In the first instance the funding should be used for its intended purpose and a level of balances should be retained to support future applications from schools in financial difficulty. Only once all of the applications for funding had been reviewed,

recommendations made and approved by Schools Forum, would any residual funding above the agreed retained balances level be used to support other areas