



## Schools Forum

### **Report title: Schools Health Check – update report**

**Date:** 15<sup>th</sup> October 2020

**Key decision:** No.

**Item number:** 8

### **Outline and recommendations**

*The purpose of this report is to update Schools Forum on the outcomes of the “3 Year Rolling Budget Plan” including the introduction of a new RAG rating system for engagement with Schools.*

*Report is for information only.*

### **Timeline of engagement and decision-making**

No direct decisions are required from this report at this stage.

## Summary

- 1.1 This report provides a summarised position on schools' budget plans following the submission of the June 2020 three year rolling budget plans. The report also updates on the system for finance team engagement with schools on a RAG rating (Red/Amber/Green ) traffic light system.
- 1.2 Schools forum has been kept for the Local Authority (LA) to support schools to develop long term sustainable budget plans. In addition to the RAG rating, we have also introduced a voluntary scheme known as a Deficit Prevention Plan (DPP).
- 1.3 This report provides further detail around both the RAG rating and the DPP.

## Background

- 1.4 Schools forum has been kept for the Lewisham schools finance team to work collaboratively with schools to provide appropriate support and tools to enable them to secure sound financial management. Over the past 18 months, a number of new ways of working have been introduced to support schools. The general feedback from school leaders and managers is that these measures have resulted in them feeling more supported and they welcome the partnership working with Lewisham schools finance team.
- 1.5 Examples of the support schools benefit from include:
  - Termly visits
  - Themed small group training- e.g closedown
  - Rapid response email queries
  - Tools to do the job – budget plan templates/salaries spreadsheets
  - DfE updates to schools
  - Embedding metrics management
  - Induction and training
- 1.6 Our principle is to build on our new ways of working with further new initiatives including supporting best practice in schools.
- 1.7 Normally schools submit budget plans and no formal response is received.
- 1.8 Our next stage of development is to introduce RAG ratings and Deficit Prevention Plans to further support schools.

## June 2020/21 Budget Plan

- 1.9 With the exception of two schools, all schools submitted a budget plan for June

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2020/21.

- 1.10 Schools forum will recall that following closedown it was noted that 11 schools are experiencing financial difficulties and had a deficit balance position at the start of 2020/21.
- 1.11 A review of the June budget plans over a three year period shows that this position could effectively worsen with 29 schools in deficit. A further point to note is that of the schools in surplus, 23 would have seen significant reductions in their overall surplus position.

## RAG Ratings

- 1.12 For 2020/21 we have introduced the traffic light system of Red, Amber Green. The purpose of this rating is to enable a discussion with each school as part of their autumn visits, to verify if the school agrees or disagrees with our rating and to thereby mutually agree a common rating. The key purpose for finance is to enable our team to prioritise schools that need additional support.
- 1.13 This is not a formal rating and will not be used for any formal public publication. It does however enable meaningful dialogue to take place with the school including establishing “next steps”

## Deficit Prevention Plans

- 1.14 A further addition to this year’s changes is to introduce Deficit Prevention Plans (DPP).
- 1.15 This is a voluntary and mutual process to support schools towards a longer term sustainable budget plan.
- 1.16 The DPP would consider issues such as structural deficits- i.e the structure of current staffing cannot be funded from the annual resources that the school receives. Another example would be reduction in pupil numbers which need to be considered with appropriate timely planning.
- 1.17 Equally some schools have progressed towards joint working, for example as a Federation but at present are not reaping the potential rewards of this and need to revisit their plans to maximise funding and co-ordinate expenditure
- 1.18 A key aspect for sustainable budget planning is to ensure that measures are taken in a timely and structured way. It is anticipated that the DPP will support schools towards a preventative approach.

## Feedback from Schools

- 1.19 The schools finance team has now started visiting schools as part of the autumn visit programme. Feedback from the first set of visits has been positive:
- *‘The RAG rating is helpful as we had not reviewed our financial position from this perspective’*
  - *‘This will help us have a detailed discussion with our governing body’*
  - *‘This is not a surprise but its reassuring that you have determined the same analysis’*

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- 'The DPP is very helpful and allows us to focus on a strategy.'

## Determination of RAG rating and DPP

1.20 The RAG rating and DPP work in harmony. The table below shows the matrix that is being considered for determining the rating and next steps.

2019/20	2020/21	2021/22	2022/23	2023/24	RAG	Health Check	Action Required	DRP/DPP
cumulative surplus	In year surplus	In year surplus	In year surplus	cumulative surplus	Green	School has a healthy financial position and is able to demonstrate their ability to deliver their outcomes within the funding available	No Direct Action requested	NO
cumulative surplus	in year DEFICIT	in year DEFICIT	in year DEFICIT	cumulative surplus more than 5% of budget	Amber	It appears that the school has a structural deficit and is utilising reserves. Mindful the reserve position remains above 5%, the classification is Amber	School to review budget assumptions and if the position remains - to commence review of spend to ensure longer term sustainability.	Not at this stage -but close to requiring to do a DPP
Surplus	In year surplus	In year surplus	in year DEFICIT		Amber	Whilst the School is able to deliver its outcomes within budget for this year and next, there is concern that the school is heading into a structural deficit by year 3	School to review budget plan assumptions and if the position remains--to commence review of spend to redress year 3 budget position	Level -2
Surplus	In year surplus	in year DEFICIT	in year DEFICIT		Red	Whilst the School is able to deliver its outcomes within budget for this year, it is not able to set a balanced budget for next year within the resources	School to review budget plan assumptions and if the position remains--to commence review of spend to redress next year's budget plan. The school may have reserves, but the reserves will not last indefinitely and may be required to	Level - 1

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							fund any costs of restructuring etc -	
Surplus	in year DEFICIT	in year DEFICIT	in year DEFICIT		Red	School is not able to set a budget within this year's funding and potentially able to do so using prior year reserves - structural deficit	School to review budget plan assumptions and if the position remains--to commence review of spend to redress budget plan's with immediate effect. The school may have reserves, but the reserves will not last indefinitely and may be required to fund any costs of restructuring etc.	Level – 1
Deficit	in year DEFICIT	in year DEFICIT	in year DEFICIT		in year DEFICIT	School is not viable based on the current spend plans and must undertake immediate action	School is not viable based on the current spend plans and must undertake immediate action	Level -1

## Financial implications

- 1.21 There are no direct financial implications arising from this report, however it is expected that the introduction of the new ways of working will provide schools with the necessary guidance and support to secure sound financial management and avoid the school going into deficits

## Legal implications

- 1.22 There are no specific legal implications arising from this report.

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### **Equalities implications**

1.23 There are no direct equalities impacts arising.

### **Climate change and environmental implications**

1.24 Not applicable

### **Crime and disorder implications**

1.25 Not applicable

### **Health and wellbeing implications**

1.26 Not applicable

### **Report author and contact**

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