

Financial Intervention Panel Annual Report 2017/18

REPORT OF THE COUNTY TREASURER AND CHIEF OFFICER FOR CHILDREN'S SERVICES

RECOMMENDATIONS

It is recommended that DEF:

- a)** Notes the Financial Intervention Panel Report as set out below.

1. Introduction

Support for schools in financial difficulty is funded from maintained schools de-delegated contingency, which is subject to annual consultation with maintained schools by phase. The Panel meticulously scrutinises every submission and will only award financial support when it is satisfied that the governing body has taken every action it possibly can to balance the budget. It should be noted that the contingency budget cannot over spend. If the call on it is greater than the funds available, the over spend will be carried forward to the following financial year and maintained schools will be asked to de-delegate more.

2. Governing Bodies are responsible for:

- i) Taking any remedial actions required to secure an in-year balanced budget
- ii) Having a 3 – 5 year strategic plan to secure high quality educational provision for children within a balanced budget
- iii) Taking timely remedial action when three-year budget plan does not balance
- iv) Implementing appropriate action wherever possible to prevent redundancy and retain employment
- v) Ensure that plans submitted to the Financial Intervention Panel, Schools (FIPS) are correct, robust and deliverable
- vi) Implementation of agreed actions following FIPS decisions
- vii) Ensuring the school participates in the Active Redeployment Programme when future budget difficulties are identified. This includes working pro-actively with the HR Direct Redeployment team at an early stage to place staff at risk of redundancy where possible, thereby retaining experienced staff in Devon and minimising the cost of redundancies.

3. Purpose of Financial Intervention Panel, Schools

- FIPS is an officer constituted group that has the function of scrutinising budgets and recovery plans of schools at financial risk.

- FIPS will consider Redundancy, Contingency, Compromise Agreement and Ending Fixed Term Contract requests along with Vulnerable Budgets requests to appoint.
- FIPS may signpost schools to appropriate strategies to support them in planning for long-term financial viability.

As part of these responsibilities FIPS may:

- Place a school on monthly monitoring or period review.
- Advise Devon County Council to issue a Notice of Concern or a School Financial Warning Notice (SFWN) or to withdraw delegation
- Instigate an Individual School Review (ISR) regarding future sustainability of a school and it's status e.g. Federation/ Closure
- Advise that the school be placed on the Keys to Success Programme (Excellence for All)
- Instigate a formal audit of the school's financial processes and/or a financial review.
- Authorise recovery plans for schools using an "invest to save" model where strategies are sufficiently innovative and necessary to resolve underlying financial pressures for long term viability
- Pass on any significant concerns raised with the authority regarding financial processes around an Academy school in Devon to the Secretary of State.

4. Analysis of submissions to FIPS

4.1 Analysis of cases

There have been 21 submissions during 2017/18 which is a reduction of 49% from 2016/17. Submissions across all school types have reduced. The Schools Finance team has continued working with schools to flag potential financial issues early, enabling proactive budget management. This has reduced FIPS submissions. The table below shows the breakdown by school type.

| | 2015/16 | | 2016/17 | | 2017/18 | |
|-----------------------------|-----------|-------------|-----------|-------------|-----------|-------------|
| | No. | % | No. | % | No. | % |
| Primary Schools | 17 | 53% | 17 | 41% | 9 | 43% |
| Secondary Schools | 10 | 31% | 17 | 41% | 9 | 43% |
| Special Schools | 5 | 16% | 5 | 12% | 3 | 14% |
| Nurseries/Childrens Centres | 0 | 0% | 2 | 5% | 0 | 0% |
| Total | 32 | 100% | 41 | 100% | 21 | 100% |

The table below shows the breakdown by type of submission. The main reason for submissions in 2017/18 has again been around redundancy although we have seen a reduction of 39% from the previous year. Of the 5 submissions by Special Schools in 2016/17, 4 separate submissions have been made by 1 school.

| | 2015/16 | 2016/17 | 2017/18 |
|----------------------------|-----------|-----------|-----------|
| Redundancy (Stage 1 & 2) | 10 | 28 | 17 |
| Contingency | 7 | 8 | 1 |
| Vulnerable Budgets | 1 | 1 | 0 |
| Licensed Deficit | 5 | 1 | 3 |
| Falling Rolls applications | 1 | 0 | 0 |
| Other | 8 | 3 | 0 |
| Total | 32 | 41 | 21 |

The 17 redundancy submissions came from: 9 Primary, 7 Secondary and 1 Special Schools. Two stage 2 submissions related to previously agreed redundancies made in 2016/17.

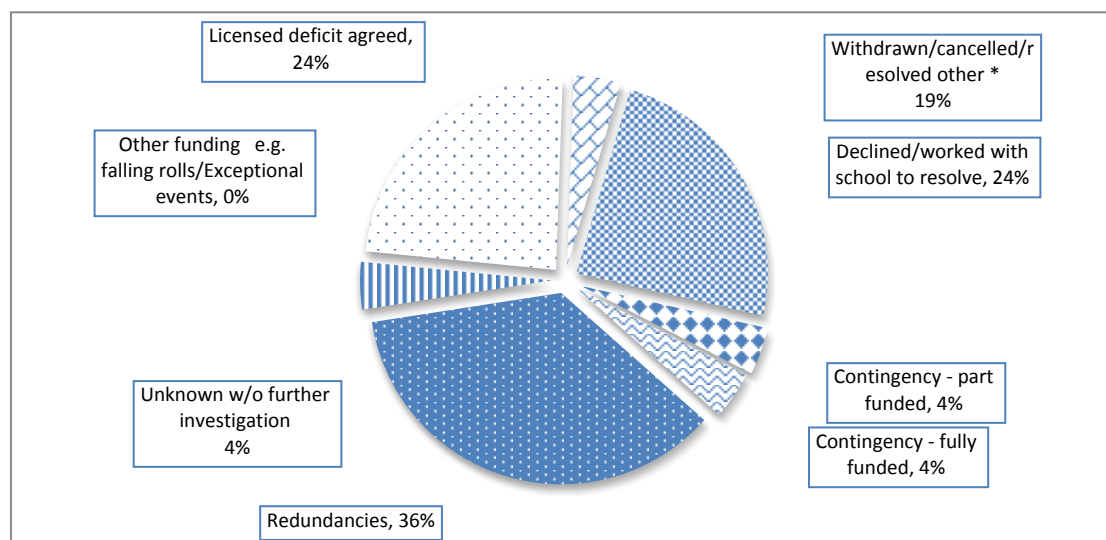
4.3 Outcome from cases submitted

The following table shows the decisions made by the panel and in some cases the decision has resulted in more than one outcome for a submission. For example, there may be an agreement to fund redundancies and have a licenced deficit in the first year.

| | 2015/16 | 2016/17 | 2017/18 |
|-----------------------------------------------------|-----------|-----------|-----------|
| Withdrawn/cancelled/resolved other * | 6 | 6 | 1 |
| Declined/worked with school to resolve | 3 | 9 | 6 |
| Contingency - part funded | 0 | 2 | 1 |
| Contingency - fully funded | 1 | 4 | 1 |
| Redundancies | 13 | 14 | 9 |
| Unknown w/o further investigation | 0 | 0 | 1 |
| Other funding e.g. falling rolls/Exceptional events | 4 | 6 | 0 |
| Licensed deficit agreed | 5 | 10 | 6 |
| Total | 32 | 51 | 25 |

* includes subsequent academisation

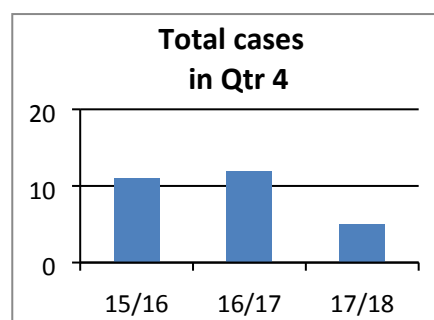
As part of the agreements in 2016/17 there are 3 licenced deficits for 2017/18 and 1 for 2018/19. As part of the agreements in 2017/8 there is 1 licensed deficit for 2019/20 and 1 for 2020/21.



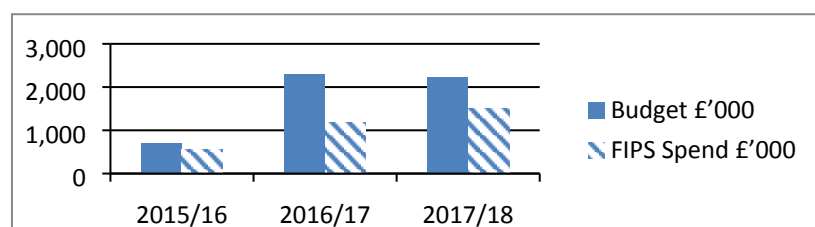
4.4 Comparison of 4th Quarter Submissions

The number of submissions in the 4th quarter has reduced in line with the overall reduction in FIPS submissions.

| | 15/16 | 16/17 | 17/18 |
|---------------------------|-----------|-----------|----------|
| Redundancy | 8 | 9 | 2 |
| Contingency | 0 | 3 | 1 |
| Vulnerable budget | 0 | 0 | 0 |
| Licensed deficit | 2 | 0 | 2 |
| Falling rolls application | 1 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Total cases | 11 | 12 | 5 |



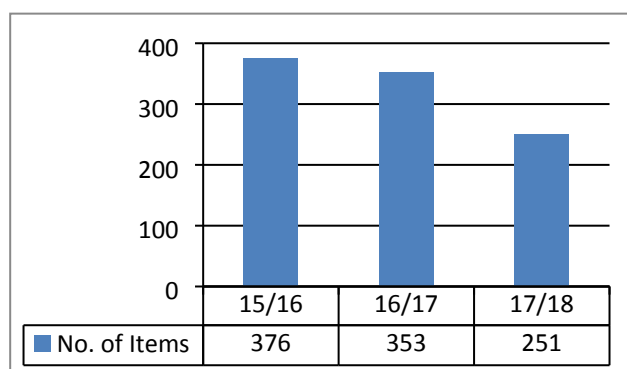
4.5 Budget vs Spend



| | 2015/16 | 2016/17 | 2017/18 |
|------------------|---------|---------|---------|
| Budget £'000 | 712 | 2,309 | 2,232 |
| FIPS Spend £'000 | 560 | 1,191 | 1,507 |

Despite significant reductions in the number of FIPS submissions, year on year spend continues to increase as schools experience the impact of Government policy around austerity and reduced funding.

The FIPS budget includes a carry forward of £1.128 millions from 2016/17 and of the surplus £1.418 millions to be carried forward to 2018/19 there are already redundancy costs up to £550,000 committed as a result of submissions during 2017/18.



The number of items on the FIPS agenda have reduced in line with overall submissions. The breakdown below shows what actions have been undertaken to resolve the submissions across the year.

| | 15/16 | 16/17 | 17/18 |
|---------------------------------------------------------------|-------|-------|-------|
| No. of schools on monthly monitor | 30 | 13 | 13 |
| No. of letters sent from FIPS | 274 | 185 | 112 |
| No. of pre-notice of concern/warnings/serious concern letters | 8 | 0 | 0 |
| No. of FIPS meetings held | 23 | 22 | 16 |
| Workshops with schools ** | 10 | 10 | 1 |
| FRS reports analysed & queried | 125 | 163 | 52 |
| Budget Plans Analysed & queried | 149 | 128 | 155 |

** This does not include approximately 20 meetings for 1 particular school in 2015/16.

5. Summary

The Panel continues to provide support when it is satisfied that the governing body has taken every action it possibly can. Where the Panel decides to provide support for a school in financial difficulty, this may not always be of a financial nature (i.e. financial support or the provision of a loan) but could also be in the form of leadership support or licenced deficit.

There remains an element of uncertainty since the introduction of the National Funding Formula; continued challenging fiscal environment and a cash flat DSG settlement, the role of FIPS continues to be pro-active in identifying and engaging with schools with vulnerable budgets at an early stage.

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