

17 June 2020

Financial Intervention Panel, Schools - Annual Report 2019/20

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

Financial Intervention Panel, Schools (FIPS) provides support for schools in financial difficulty. This 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. If the call on it is greater than the funds available, the overspend 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:

- 1) Taking any remedial actions required to secure an in-year balanced budget.
- 2) Having a 3 to 5-year strategic plan to secure high quality educational provision for children within a balanced budget.
- 3) Taking timely remedial action when the three-year budget plan does not balance.
- 4) Implementing appropriate action wherever possible to prevent redundancy and retain employment.
- 5) Ensure that plans submitted to FIPS are correct, robust and deliverable.
- 6) Implementation of agreed actions following FIPS decisions.
- 7) Ensuring the school participates in the Active Redeployment Programme when future budget difficulties are identified. This includes working pro-actively with the HR ONE 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)

- 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:

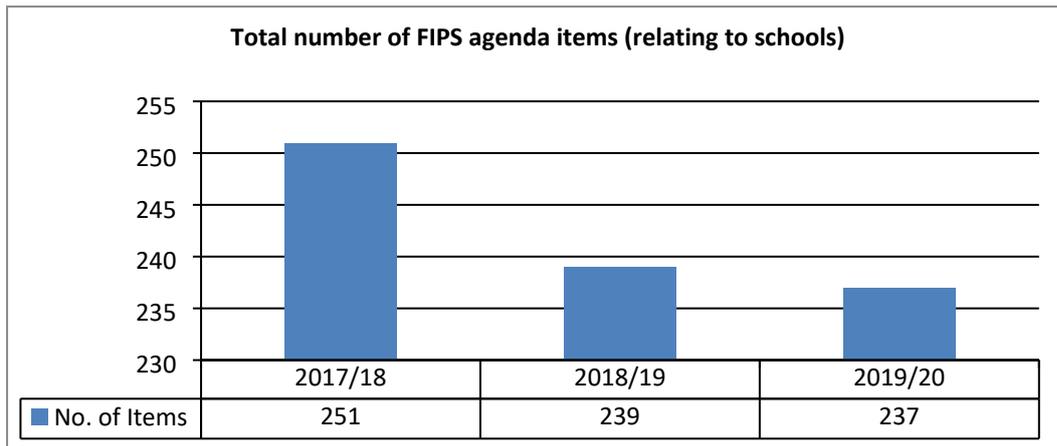
- 1) Place a school on monthly monitoring or period review.
- 2) Advise Devon County Council to issue a Notice of Concern or a School Financial Warning Notice (SFWN) or to withdraw delegation.
- 3) Instigate an Individual School Review (ISR) regarding future sustainability of a school and its status e.g. Federation/ Closure.
- 4) Advise the that the school be placed on the Keys to Success Programme (Excellence for All).
- 5) Instigate a formal audit of the school's financial processes and/or a financial review.
- 6) 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.
- 7) 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 Items on the agenda

A number of items, other than FIPS submissions, form part of the FIPS agenda. This usually centres on the early detection of schools that would benefit from some form of support, but have not necessarily reached the stage where a full FIPS submission is warranted. The number of items on the FIPS agenda has stayed virtually the same despite a reduction in the number of individual schools on the agenda. This is due to an increase in the amount of times individual schools are included as agenda items.

	2017/18	2018/19	2019/20
Number of individual schools on the agenda	87	83	72
Number of items on the agenda	251	239	237



4.2 Analysis of cases

There have been 22 submissions during 2019/20 which is a decrease of 45% from 2018/19. Submissions for Primary schools has halved from 2018/19. The Education Finance Team has continued working with schools to identify potential financial issues early, enabling proactive budget management.

The table below shows the breakdown by school type:

	2017/18		2018/19		2019/20	
	No.	%	No.	%	No.	%
Primary Schools	9	43%	27	68%	14	64%
Secondary Schools	9	43%	7	18%	5	23%
Special Schools	3	14%	5	13%	2	9%
Nurseries/ Children's Centres	0	0%	1	3%	1	5%
Total	21	100%	40	100%	22	100%

The table below shows the breakdown by type of submission. The main reason for submissions in 2019/20 has again been split equally between redundancy and licensed deficit requests.

	2017/18	2018/19	2019/20
Redundancy (Stage 1 & 2)	17	22	8
Contingency	1	8	6
Licensed Deficit	3	17	8
Other	0	1	1
Total	21	48	23

The 8 redundancy submissions came from: 7 Primary and 1 Secondary Schools. The 8 licensed deficit requests came from: 3 Primary, 3 Secondary and 2 special schools. One stage 2 submission related to previously agreed redundancies in 2018/19.

The breakdown below shows what actions have been undertaken to resolve the submissions across the year.

	2017/18	2018/19	2019/20
No. of schools on monthly monitor	13	11	14
No. of letters sent from FIPS *	112	39	30
No. of pre-notice of concern/warnings/serious concern letters	0	0	0
No. of FIPS meetings held	16	18	15
Workshops with schools	1	3	2
FRS reports analysed & queried	52	52	39
Budget Plans Analysed & queried **	155	155	40

* Up to 2017/18 the count included reminders for budget plans and FRS reports which are not related to FIPS submissions.

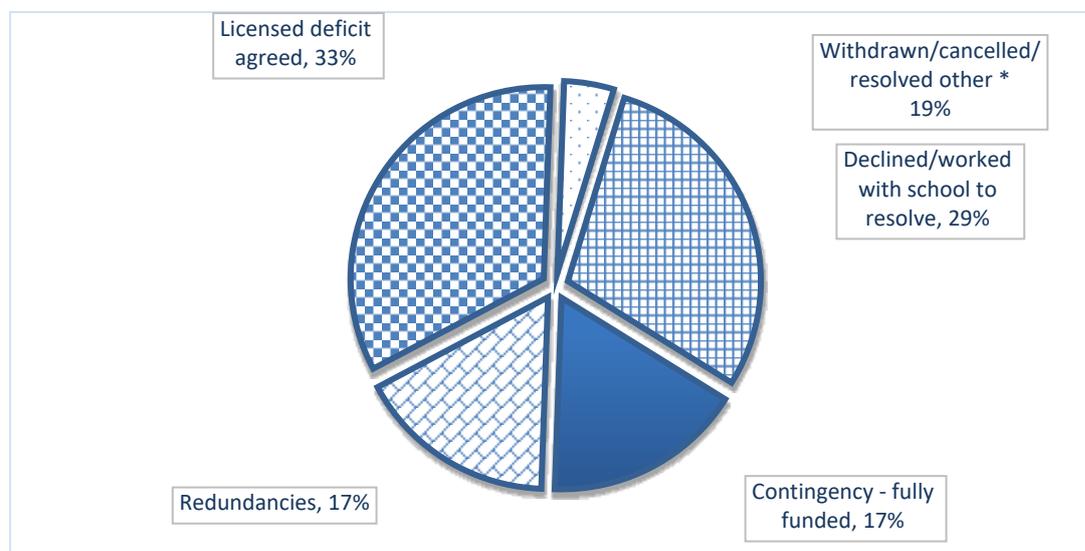
** In 2019/20, budget plans for schools focused only on initial year deficits.

4.3 Outcome from cases submitted

The following table shows the decisions made by the panel. In some cases, the decision has resulted in more than one outcome for a particular submission. For example, there may be both an agreement to fund redundancies and have a licenced deficit in the first year. As part of the agreements in 2018/19 there were 9 licenced deficits for 17/18, 10 for 18/19, 3 for 2019/20 and 1 for 2020/21. As part of the agreements in 2019/20 there are 6 licenced deficits for 18/19 and 2 for 19/20.

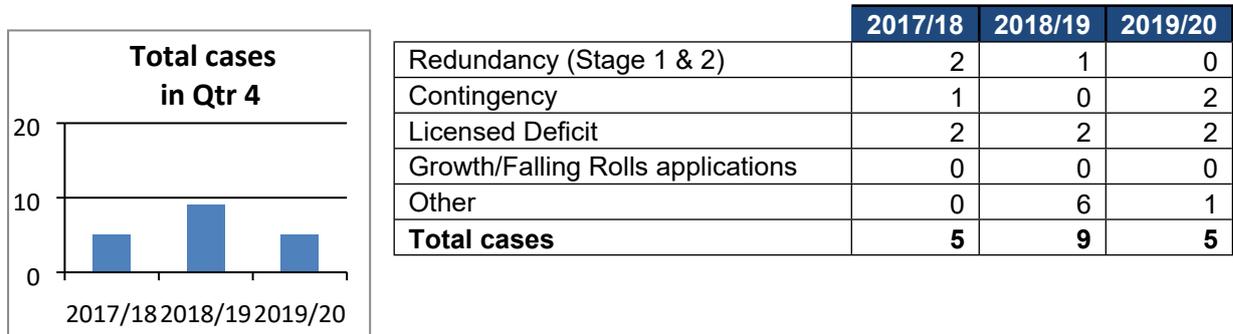
	2017/18	2018/19	2019/20
Withdrawn/cancelled/resolved other *	1	4	1
Declined/worked with school to resolve	6	7	7
Contingency - part funded	1	4	0
Contingency - fully funded	1	2	4
Redundancies	9	13	4
Unknown w/o further investigation	1	0	0
Other funding e.g. falling rolls or Exceptional events	0	1	0
Licensed deficit agreed	6	16	8
Total	25	47	24

* includes subsequent academisation



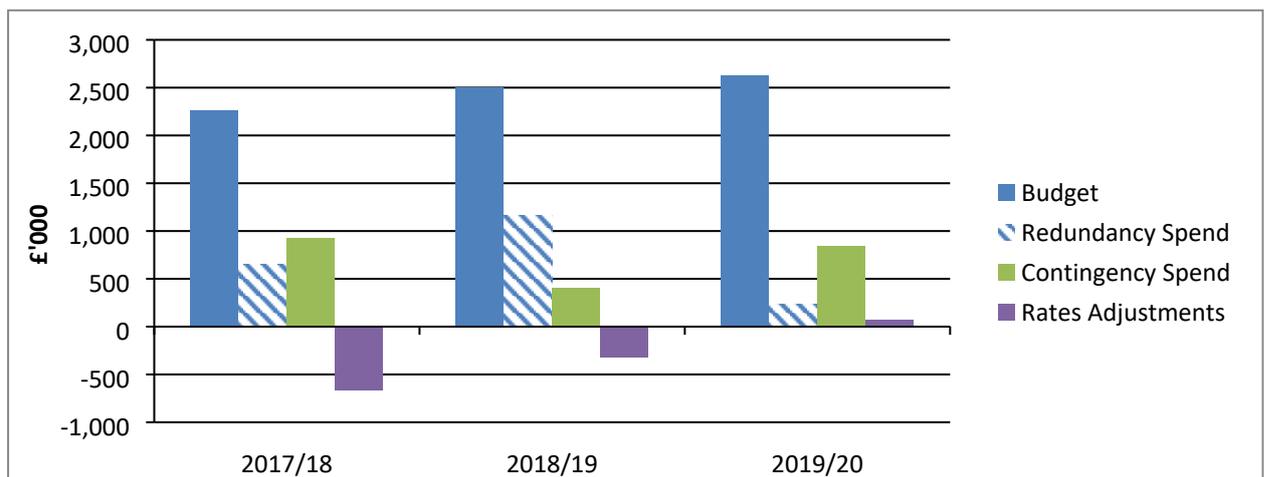
4.4 Comparison of 4th Quarter Submissions

The number of submissions in the 4th quarter has decreased in line with the overall decrease in FIPS submissions for the year.



4.5 Budget vs Spend

Despite a significant decrease in the number of FIPS submissions, the total spend has increased from the previous year. This is due to a payment of £553k to clear the deficit of a single sponsored Academy.



The FIPS budget includes a carry forward of £1.66 million from 2018/19 and of the surplus in 2019/20, £1.4 million will be carry forward to 2020/21. There are already redundancy/contingency costs up to £42,000 committed as a result of submissions during 2018/19.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Budget	2,262	2,495	2,626
Redundancy Spend	655	1,166	237
Contingency Spend	921	406	843
Rates Adjustments	(661)	(323)	68

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.

The DfE have now confirmed £7.1 billion additional funding over the 3-year period starting 2020/21. However, there remains an element of uncertainty around the continued challenging fiscal environment and the role of FIPS continues to be proactive in identifying and engaging with schools with vulnerable budgets at an early stage.

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