

**Report To:** Corporate Governance Committee

**Date of Meeting:** 29<sup>th</sup> November 2017

**Lead Members / Officers:** Councillors Huw Hilditch-Roberts & Julian Thompson-Hill / Karen Evans, Head of Education & Children's Services / Richard Weigh, Head of Finance

**Report Author:** Richard Weigh & Karen Evans

**Title:** **Challenge & Intervention Framework for Schools in Financial Difficulty (SIFD)**

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1. **What is the report about?**  
The council's process for working with schools in financial difficulty.
2. **What is the reason for making this report?**  
To explain the council's policy and approach to working with schools in financial difficulty. The policy follows a number of escalation steps, one of which is for individual schools and governors to report to the council's corporate governance committee.
3. **What are the Recommendations?**  
To note and comment upon the council's SIFD framework (detailed in Appendix 1), which includes an escalation step for schools to report to the corporate governance committee.
4. **Report details**  
The management and responsibility for school budgets is delegated to individual school governing bodies. The legislative provisions are within the School Standards and Framework Act, 1998 and the School Funding (Wales) Regulations 2010. Both sets of legislation underpin the council's Scheme for Financing Schools (Appendix 2). The council determines the total amount of school budget - before external grants - annually and then delegates most of this (approximately 85%) to schools through an agreed formula. The remainder is managed centrally on behalf of schools to fund items such as school transport and other central costs.  
  
The financial management support for schools is delegated to the schools through dedicated the business and finance managers. Under the above Scheme, each school is required to submit a three year budget plan to the council annually. Budget plans must show the school's intentions for expenditure in the following three financial years and the assumptions underpinning that budget plan. Schools are responsible for the management of surpluses or deficits over the period.  
  
The Scheme also makes provision to license a deficit position for and in support of this, the council has develop a more detailed challenge and intervention framework. The framework is attached as Appendix 1 and is best summarised in the flow chart on Page 3 of the appendix.

Escalating steps are clearly set out, culminating in the eighth step which includes referral to the Corporate Governance Committee. The ultimate step would be for the council to exercise powers to remove the powers delegated to the school.

By way of context, from 2011/12 to the end of 2016/17, councils were directed by the Welsh Government to protect school budgets financially by an amount 1% above the level of financial grant from the UK government to the Welsh government. Denbighshire elected to provide more funding to schools over this period, providing 70% more in total to schools than would have been the case by simply applying the mechanism required by Welsh Government. The financial value of Welsh Government protection to Denbighshire schools was £4.422m over 6 years from 2011/12 to 2016/17 whereas Denbighshire school budgets increased by £7.519m over same period.

School balances were at a high of £3.9m in 2013-14 before falling steadily since. Even with the additional funding provided locally (above the amount required), it hasn't been enough to keep up with all of the financial pressures placed upon schools. The pay rises and increases to National Insurance and pension costs during this period have been especially difficult for the sector to deal with, most notably in 2016/17. The pressures were reflected in the medium term budget assumptions issued to schools.

**5. How does the decision contribute to the Corporate Priorities?**

The annual external audit process underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

**6. What will it cost and how will it affect other services?**

There are no additional cost implications as a result of this report.

**7. What are the main conclusions of the Well-being Impact Assessment?**

It is the professional judgement of the Head of Education and Section 151 Officer that a Well-being Impact Assessment is not required for this report as it is merely reporting an existing framework to the council's audit committee.

**8. What consultations have been carried out with Scrutiny and others?**

Schools have been consulted on both the Scheme for Financing Schools and the SIFD framework. The School Budget Forum keeps both under review.

**9. Chief Finance Officer Statement**

The nature and rate of delegation to schools comes with responsibility to manage the financial position. It is accepted that within this framework, there will be surpluses and deficits. It is the responsibility of the schools to ensure surpluses are managed responsibly and that deficits are addressed over a reasonable period. The SIFD framework is the council's mechanism to ensure this happens and includes appropriate sanctions if it does not.

**10. What risks are there and is there anything we can do to reduce them?**

The Scheme for Financing Schools and the SIFD framework set out the council's approach and controls to ensure that delegated school budgets are properly managed.

**11. Power to make the Decision**

School Standards and Framework Act, 1998 and the School Funding (Wales) Regulations 2010.

Section 151 of the Local Government Finance Act 1972.