

North West SILC Conversion Deficit Balance

Date: November 2021

Report of: Chief Officer (Resources & Strategy) Childrens and Families

Report to: Director of Children and Families

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- In May 2016 the North West Specialist Inclusive Learning Centre (NW SILC) received an Inadequate OFSTED rating which subsequently resulted in an Academy Order and a review of leadership.
- The SILC converted into an Academy on 1st May 2021 with an accumulated deficit of £1.1m.
- Funding the NW SILC deficit through the High needs block is a fair and transparent approach which will ensure that Council funding is aligned with corporate priorities. This ensures that general funding remains available to support the Best Council Plan priority of being a Child Friendly City specifically in the area of educational attainment.

Recommendations

- a) To approve that the estimated North West SILC accumulated deficit of £1.1m is to be funded from the High needs block of the Dedicated Schools Grant. This transfer of funding will be undertaken by finance upon final confirmation of the NW SILC conversion deficit balance.

Why is the proposal being put forward?

- 1 In May 2016 the North West SILC received an Inadequate OFSTED rating, this resulted in both an Academy Order and review of leadership. The conversion of the school was delayed whilst the DfE secured a sponsor and this contributed to additional expenditure being incurred.
- 2 The SILC finally secured an academy sponsor and converted on 1st May 2021. The accumulated deficit balance of the SILC is estimated to be £1.1m, the final deficit balance will be confirmed when all outstanding financial transactions have been verified and processed.

- 3 DfE regulations are vague with regards to the conversion of SILCs and deficit budgets, however if it can be demonstrated that the SILC has been historically underfunded or exceptional costs have been incurred as a result on the conversion process then we can justifiably fund the deficit from the High needs block rather than the general fund.
- 4 The accumulated deficit of the SILC is currently estimated to be £1.1m. A breakdown of the accumulated deficit can be seen in the table below:

| | In year (surplus)/deficit | Cumulative Balance |
|---------------------|---------------------------|--------------------|
| | £s | £s |
| 2014/15 | 154,244 | 87,145 |
| 2015/16 | 220,556 | 307,701 |
| 2016/17 | 282,917 | 590,618 |
| 2017/18 | 764,763 | 1,355,382 |
| 2018/19 | 248,536 | 1,603,917 |
| 2019/20 | (253,506) | 1,350,411 |
| 2020/21 (estimated) | (243,681) | 1,106,730 |

- 5 Subsequent to the OFSTED rating and Academy order there have been a number of factors which have resulted in the significant NW SILC accumulated deficit as demonstrated in the table above. The main factors to consider include the level of pupil funding, and additional supply costs which were incurred as the DfE found a sponsor.
- 6 Prior to 2018/19 the level of per pupil funding obtained by the NW SILC was considerably lower than the city average and contributed to the escalating deficit position. This position has improved as a result of greater collaborative working between the local authority and the SILC's senior leadership team.
- 7 The table below demonstrates the average per pupil funding received by the NW SILC in comparison to the city average:

| | Funding average per pupil | | Funding variance against City average | |
|---------|---------------------------|--------|---------------------------------------|-----------|
| | NW SILC | CITY | Per pupil | SILC |
| | £s | £s | £s | £s |
| 2014/15 | 13,636 | 14,771 | 1,135 | 199,465 |
| 2015/16 | 13,642 | 14,864 | 1,222 | 209,247 |
| 2016/17 | 13,667 | 15,617 | 1,950 | 327,576 |
| 2017/18 | 14,951 | 15,599 | 648 | 105,786 |
| 2018/19 | 17,851 | 16,384 | (1,467) | (288,067) |
| 2019/20 | 18,939 | 18,592 | (347) | (76,049) |

- 8 The table above illustrates that prior to 2018/19 the NW SILC was securing funding below the city average. Between 2014/15 and 2017/18 the impact of this funding gap contributed £842,074 to the accumulated deficit position. With the establishment of the improved ways of working within the SILC and greater challenge, the SILC has secured funding on excess of the City average since 2018/19 which has been pivotal in the SILC generating an in year surplus.
- 9 One other main factor to consider with regards to the NW SILC deficit was the high level of exceptional staff supply costs which were incurred following the 2016 Ofsted outcome and the pending conversion. These supply costs can be attributed mainly to the appointment of Senior Leadership consultants, high levels of staff sickness and vacant posts held on the structure due to recruitment difficulties.
- 10 The table below illustrates the benchmarking of the NW SILC supply costs per pupil against the city average supply costs per pupil.

| | NW SILC per pupil | City Average per pupil | Variance per pupil | Total Impact on NW SILC |
|---------|-------------------|------------------------|--------------------|-------------------------|
| | £s | £s | £s | £s |
| 2014/15 | 862 | 798 | 64 | 11,266 |
| 2015/16 | 994 | 989 | 5 | 870 |
| 2016/17 | 2,114 | 1,204 | 910 | 152,921 |
| 2017/18 | 4,768 | 1,592 | 3,176 | 518,300 |
| 2018/19 | 4,921 | 1,761 | 3,160 | 620,758 |
| 2019/20 | 2,846 | 1,538 | 1,309 | 286,717 |

- 11 As demonstrated above the supply costs incurred by the NW SILC were significantly higher than the city average further adding pressure to the NW SILC deficit position. As these supply costs were driven by the OFSTED result and pending conversion we consider that these are exceptional costs to the NW SILC.
- 12 Regulations state that the local authority is liable for the NW SILC deficit on conversion and if this was a mainstream maintained school then it would be funded through the de-delegated contingency fund from within the schools block funding. However this is not an option for the NW SILC deficit. We therefore propose that the NW SILC deficit of £1.1m is funded from the High needs block of the DSG, which is the primary source of funding for SILCs within the City.
- 13 This proposal is supported by the evidence of historic under funding of pupils attending the SILC, and the significant exceptional supply costs incurred at the SILC during the prolonged conversion process.

What impact will this proposal have?

Wards Affected:

Have ward members been consulted? Yes No

What consultation and engagement has taken place?

- 14 The proposal to fund the NW SILC deficit balance has been discussed agreed by the members of the DSG Board, in addition Schools Forum have previously been made aware of the intention to fund the deficit balance through the High needs block.
- 15 The Executive Member for Learning and Skills, Councillor Pryor has been briefed and supports this proposal.

What are the resource implications?

- 16 The charging of the £1.1m NW SILC deficit conversion balance against the High needs block will further increase the cumulative deficit on the DSG, as at the 31st March 2021 the DSG deficit balance was £2.0m.

What are the legal implications?

- 17 Legal services have reviewed this proposal and confirmed that the risk of any legal challenge on this proposal is low.

What are the key risks and how are they being managed?

- 18 The funding of the NW SILC deficit from the high needs block will add further pressure onto the existing DSG deficit balance. The risks associated with the DSG deficit balance will be addressed and considered through the DSG Management Plan which the authority is required to submit to the DfE to identify measures that will be taken to effectively manage the DSG deficit position.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

Options, timescales and measuring success

a) What other options were considered?

- 19 As the local authority is obliged to cover the NW SILC deficit the alternative option considered was to fund this through the General Fund Childrens and Families revenue budget 2021/22.
- 20 The Childrens and Families budget 2021/22 already includes a challenging savings target of £13m to achieve a balance budget. To fund the NW SILC deficit against this budget would add further pressures on the service to identify and deliver further savings within the directorate to cover the NW SILC deficit.
- 21 The primary source of funding for the NW SILC is through the DSG High needs block and had they secured the correct level of funding as outlined in para 6 then this funding would have been derived from the DSG High needs block, as such this is the most appropriate source to fund the deficit balance.

b) How will success be measured?

- 22 The funding of the NW SILC deficit from the High needs block will close the NW SILC budget account.

c) What is the timetable for implementation?

23 This transfer of funding needs to be completed with the 2021/22 financial year following the confirmed final deficit balance.

Appendices

24 None

Background papers

25 None