Policy on Supporting Schools in Financial Difficulty

2024- 2025

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Policy on Supporting Schools in Financial Difficulty

1. Purpose

1.1. The Policy is being implemented to provide greater clarity on the financial responsibility of the Board of Governors and Heads of our maintained Schools. It is being introduced to address gaps in practice which have emerged in recent years and in a climate where schools are facing the combined challenge of spiraling costs and falling rolls.

1.2. The aim is to support schools to operate within a balanced budget on a sustainable basis. The priority for the Policy is therefore to establish a clear and effective framework for how we support those schools which are either in deficit or falling into deficit to recover.

1.3. The delegated Budget responsibility of the authority and the schools is set out in the School Standards and Framework Act 1998 and Education & Inspection Act 2006.

2. Deficit

2.1. Schools are permitted to set a deficit budget if they meet certain conditions. This is termed a licensed deficit. The conditions of a licensed deficit are set out in the Scheme for Financing Schools (the legal contract the Council has with schools).

2.2. The conditions of a licensed deficit include a requirement to have a robust plan to repay it within three years. This will be closely monitored and reviewed by the Council during the period of the deficit.

2.3. If the conditions are not met by the school, the Council has the power to issue a Notice of Concern, which could lead to the removal of a school's delegation.

3. Risk Oversight, Monitoring & Management Framework:

3.1. The diagram below sets out the detail of the arrangements for the Finance and Education Improvement Teams to support the Governing Board and Headteachers to jointly oversee, monitor and support with the preparation, management, and delivery of Deficit Recovery Plans. The framework arranges Schools by risk and significance of deficit based on those with a:

1. Surplus (**Green**) and no risk
2. Reducing surplus trend to deficit (**Amber**)
3. Reducing deficit and trend to surplus (**Blue**)
4. Deficit which is significant and on-going over more than 1 year (**Red**)

3.2. The framework sets out nine risk scenarios providing the platform for how the authority will oversee, monitor, and support. Each scenario details the steps which are required working jointly to monitor the Budget and review where a school is in deficit or going into deficit. The details of how this will operate to reduce, remove, and prevent a deficit are set out in the next section.

4 Went into Deficit in 2023/24:

(1) Review with School Improvement and Finance team
(2) Jointly prepare a recovery plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval by Cabinet in Autumn term
(5) Termly review with Schools Improvement and Schools Finance team
(6) Monthly reporting to Schools Finance to monitor deficit & progress on recovery
(7) Continue to provide standard Quarterly financial returns to Schools. Finance team

5 Budget Plan for 2024/25 takes School into Deficit:

(1) Notify the Schools Finance team
(2) Review with School Improvement & Finance teams & jointly prepare. Recovery Plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval by Cabinet in Autumn term
(5) Termly review with Schools Improvement and Schools Finance team
(6) Monthly reporting to Schools Finance to monitor deficit and progress. on recovery
(7) Continue to provide standard Quarterly financial returns to Schools Finance team

6 School goes into Deficit during 2024/25:

(1) Notify the Schools Finance team
(2) Review with School Improvement & Finance teams & jointly prepare. Recovery Plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval by Cabinet in Autumn term
(5) Monthly reporting to Schools Finance to monitor deficit and progress on recovery
(6) Continue to provide standard Quarterly financial returns to Schools. Finance team

1 High level of Deficit with:

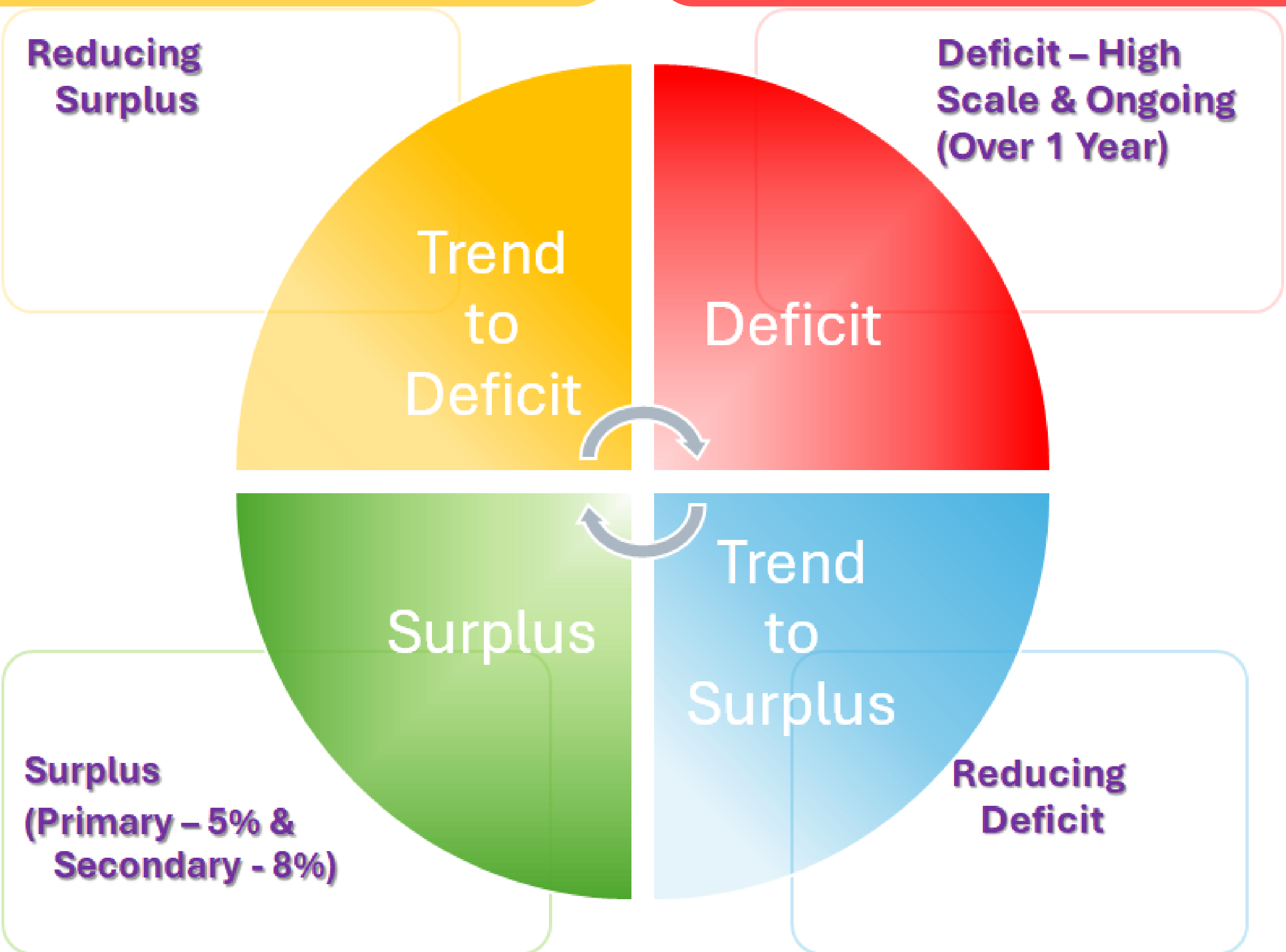
(1) Recovery Plan in place and delivering substantial year-on-year recovery.
(2) Ongoing review with School Improvement & Finance teams.
(3) Require licensed deficit to be approved by Cabinet in Autumn term
(4) Termly review with Head of Schools Improvement and Head of Finance
(5) Monthly reporting to Schools Finance to monitor deficit & progress on recovery
(6) Continue to provide standard Quarterly financial returns to Schools. Finance team

2 Increasing level of Deficit in-year

(1) Notify Schools Finance team
(2) Review with School Improvement & Finance teams & jointly prepare. Recovery Plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval by Cabinet in Autumn term
(5) Termly review with Head of Schools Improvement and Head of Finance
(6) Monthly reporting to Schools Finance to monitor deficit & progress. on recovery
(7) Continue to provide standard Quarterly financial returns to Schools Finance team

3 Plan an Increased Deficit in the Budget for 2024/25:

(1) Notify the Schools Finance team
(2) Review with School Improvement & Finance teams & jointly prepare. Recovery Plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval by Cabinet in Autumn term
(5) Termly review with Head of Schools Improvement and Head of Finance
(6) Monthly reporting to Schools Finance to monitor deficit & progress on recovery
(7) Continue to provide standard Quarterly financial returns to Schools. Finance team



7 School with surplus:

(1) Surplus b/f, Budget Plan for surplus in 24/25 and remains in surplus in -year
(2) Normal quarterly financial returns provided to Schools Finance team

8 Low level of Deficit or one-off Historic / Legacy Deficit with:

(1) Recovery Plan in place and delivering year-on-year recovery indicating balanced Budget within 3 year Plan cycle
(2) One-off Legacy Deficit kept on monitor and in consideration for any one-off funding for Schools in Financial Difficulty
(3) Ongoing review with School Improvement & Finance teams.
(4) Require licensed deficit to be approved by Cabinet in Autumn term
(5) Monthly reporting to Schools Finance to monitor deficit & progress on recovery
(6) Continue to provide standard Quarterly financial returns to Schools Finance team

9 Budget Plan for 2024/25 shows a year-end surplus -

(1) Notify Schools Finance team
(2) Review with School Improvement & Finance teams & jointly prepare Recovery Plan
(3) Recovery Plan to be reviewed and signed-off by Director of Education
(4) Submitted for approval of licenced deficit by Cabinet in Autumn term
(6) Monthly reporting to Schools Finance to monitor deficit & progress on recovery
(7) Continue to provide standard Quarterly financial returns to Schools Finance team

4. Strategy to Support Schools in Reducing / Eliminating or Avoiding a Deficit

Support/requirements for schools setting a deficit budget:

4.1. As set out in the framework all schools planning to set a deficit must:

1. Notify the Schools Finance team of the deficit.
2. Arrange to undertake a joint review with the Schools Improvement and Finance team to undertake a line-by-line check of resources, costs and variance analysis, benchmarking comparison and highlight the underlying drivers for any remaining deficit.
3. Where a deficit remains, the review will move on to prepare a joint Recovery Plan and timescale to restore a balanced budget.
4. Schools to submit the Recovery Plan to the Director of Education for review and sign-off in readiness to present to Cabinet during the Autumn term for approval of a licensed deficit.
5. Each school receives a letter from the Head of Education and Head of Finance by the end of the summer term agreeing in principle their licensed deficit, setting out the conditions to adhere to whilst in deficit, and highlighting any concerns or further work required.
6. For those schools in the High Scale & Ongoing Risk category (**Red**) the Heads of Finance and Education Improvement will arrange to undertake a face-to-face review of the Recovery Plan with the Headteacher and Governing Board on a termly basis. The purpose is to review, challenge, and advise on the deficit recovery plan and progress in closing the gap and restoring a balanced position as soon as possible. The first termly meeting will be arranged before the end of October.
7. For those schools falling into the Reducing Surplus risk category with a ‘Trend to Deficit (**Amber**) the Finance Business Partner and Education Improvement team will arrange to meet on a termly basis and undertake a similar support, review, and challenge approach as outlined in item 6 above.
8. In support of the Recovery Plan provide monthly monitoring reports to the Schools Finance team highlighting progress together with any issues or challenges.
9. In addition, the school will continue to submit the standard Quarterly Finance returns to the Schools Finance team and submit the 3-Year Budget Plan by 31 May.

4.2. Support for all schools:

- Regular communication about school funding and school budgets will be provided to school leaders via weekly briefings and from the Schools Forum.
- Regular separate finance training courses for Governors, Headteachers, and school finance staff are run throughout the year.
- All schools buying the accountancy service are provided with budget planning and monitoring tools. These are available to purchase for schools not buying back. As part of a viable recovery plan, any school with a deficit will be required to purchase this service as part of a comprehensive system of support.
- Facilitate workshops for groups of schools on specific savings strategies, such as for alternative staffing structures.
- Support the reorganizing of small and/or unviable schools. For example, help set up Multi Academy Trusts, amalgamation (where appropriate), review admission numbers in schools and support schools with discussing options.

5. Intervention for schools not meeting their deficit recovery plan.

5.1. The trigger points for intervention are as follows:

- A school's deficit has grown (either by the end of the financial year or the following year's budget).
- The deficit repayment period increases.
- The monitoring meetings identify an unrealistic or high-risk deficit recovery plan without any contingency plans.
- The monitoring process identifies that the school is not adhering to its recovery plan and the deficit will potentially grow.

5.2. A "task force" will review the school's budget and staffing structure and determine options to repay the deficit and make recommendations. The task force will consist of Heads of Finance & School Improvement, Place Planning, Finance Business Partnering and education teams together with DfE / ESFA recommended School Resource Management Advisers (SRMAs) where appropriate. SMRAs are accredited sector experts who will complement and supplement the School, Finance and Education Improvement teams providing peer-to-peer advice on using revenue and capital resources to deliver the best possible educational outcomes for pupils.

5.3. If a school does not follow the recommendations made by the task force (or determine their own realistic alternative), the "notice of concern" route will be followed. More details on the process of intervention are in Appendix A. The organization and set-up of the Task Force approach, the Governance, Operation and Resources are set out in the chart presented in Appendix B.

6. Management of the Strategy

6.1. The Director of Education & SEND and the Head of Finance will review the financial position of maintained schools across the Borough termly to discuss latest projections, measures to lower deficits and wider financial positions of schools.

6.2. School budgets will form part of the quarterly financial reporting to Cabinet.

7. Appendices

7.1 Appendix A – Process for Intervention

Appendix A

Process for Intervention

Background

The aim of the strategy to support schools in financial difficulty is to reduce the number of schools in or at risk of being in deficit, and the cost of this activity should reduce in future years, as and when schools become more effective in identifying efficiency, better value savings opportunities to ensure a sustainable and balanced budget.

In the event that a school does not put in place and implement a robust deficit recovery plan or take on recommendations made in the support meetings, the strategy sets out trigger points for intervention and what this intervention will consist of – namely a task force to work on the school's deficit recovery. As this would be in addition to the previous support meetings, this cost should not be borne by the local authority but by the respective school.

This note sets out the legal position and sets out in more detail the process for this element of the strategy.

Delegation and Charging Schools

Part 2 of the School Standards and Framework Act 1998 requires local authorities to provide maintained schools with a delegated budget share and gives the governing body of each school delegated responsibility in managing their school's budget share.

The Act requires local authorities to produce a Scheme for Financing Schools which deals with all matters connected to financial delegation, and which complies with current school finance regulations.

The strategy identifies clear trigger points when intervention by the authority becomes necessary to support schools in deficit or going into deficit to establish a remedial action plan that will deliver a balanced budget. This will require a task force to collaborate with the school to achieve the recovery. Where a school in financial difficulty refuses to engage, fails to deliver the recovery plan, or plans to overspend or remain in deficit, the authority may take the decision to withdraw the delegated responsibility and implement arrangements to directly manage the school budget through a task force.

The direct costs of the intervention support will be charged to the school particularly where schools delay engagement and/or defer taking remedial action which puts the school further into deficit. The plan of work and the costs will be agreed with the school where it continues to have delegated responsibility for their budget.

The process for intervention and removal of delegated responsibility are set out below.

The Route to Removing Delegation

A Local Authority may issue a warning notice to Governors if there is a breakdown in the way a maintained school is managed or governed and is likely to adversely affect standards of pupils' performance. This includes a failure to oversee the financial performance of the school and make sure money is well spent – one of the core strategic roles of a Governing Body. The notice must set out:

1. The matters on which the concerns are based.
2. The action which the Governing Body is required to take to address the concerns raised.
3. The period within which the Governing Body must comply or secure compliance with that action.
4. The action which the LA is considering under one or more of Sections 63 to 69 of the Education and Inspection Act 2006 or otherwise if the Governing Body does not take the required action.
5. A copy of the warning notice is to be sent to the head teacher and if applicable the diocese or foundation, and a copy to the relevant RSC and to Ofsted. The local authority is expected to work with their RSC to discuss where they judge that a warning notice is necessary.

The powers of intervention if the school does not comply with the warning notice are set out in Sections 63 to 66 of the 2006 Function as follows:

- Section 63 – requires the Governing Body to enter a particular arrangement. e.g., to enter into a contract for specified services of an advisory nature with a specified person.
- Section 64 – power to appoint additional Governors.
- Section 65 – power to appoint Interim Executive Board
- Section 66 – enables a local authority to suspend the governing body's right to a delegated budget.

Schedule 15 to the SSFA provides another route for removal of financial delegation. The LA may suspend a school's right to a delegated budget where a school's governing body has persistently or substantially breached a requirement or restriction relating to its delegated budget, has not managed its budget share satisfactorily or has not managed satisfactorily its expenditure or sums received in the exercise of its power to provide community facilities and services under section 27 of the Education Act 2002. The notice must specify the grounds for the suspension and the LA must give the notice to the governing body and give the head teacher a copy of the notice at the same time. The LA is required to review the suspension within a certain period (or may do so earlier if it wishes).

Strategy for Schools in Deficit - Intervention Process

In the unlikely event that a school does not engage with recovery of their deficit (following the initial review and support meeting) and meets one of the trigger points set out in the strategy, the process set out in the flow chart below is to be followed, which complies with the latest regulations.

The timescale given at each stage will need to be carefully considered in each case, to ensure the school has reasonable time to put in place the actions, but that no time is lost in being able to recover the deficit before it spirals out of control. It is suggested that this should be no more than two months.

The power(s) used if the final stage is reached will be determined with respect to the circumstances at the school, and after discussion with the DfE – which may include removal of delegation.

Issue informal notice to Governors
Advise the school to engage with the task force at the school's expense. The school is to work with and implement recommendations of the task force, or the school is to determine alternative robust measures which will bring the school out of deficit.

School complies by timescale given – no further action.

School refuses task force and / or doesn't determine changes to their budget plan to bring it out of deficit, by timescale given.

Issue warning notice to Governors (financial notice of concern)
This sets out formally the concerns regarding the deficit and lack of a robust deficit recovery plan. The notice will detail what is required by the Governors, and the timescale. Task force can be offered at schools expense.

School complies by timescale given – no further action.

School does not comply with the warning notice.

The Local Authority intervenes as per the action set out in the warning

The action will depend on the specific circumstances at the School, but would most likely be a combination of section 63 and section 64 of the 2006 Act. Removal of delegation (section 66) would only be considered if there was a complete breakdown in management and governance.

Appendix B: Task Force – Governance,Operation & Resource

Legend:

1 **Governance** 2 **Operation** 3 **Resource**