



# **Protocol for Schools in Financial Difficulty**

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## Introduction

The Flintshire Scheme for Financing Schools prohibits schools from planning for a deficit when preparing their annual budget plans. Governors have no legal right to set a deficit budget without the consent of the Authority and must not presume that such consent will be granted.

In support of the Authority's monitoring and intervention role the scheme requires:

- The governing body of each school to submit a budget plan to the Chief Officer, Education and Youth by the 30th June in each financial year.
- To gain approval for a planned deficit, schools must submit a licensed deficit application in the format prescribed to the Chief Officer Education and Youth to accompany the budget plan by 30<sup>th</sup> June. This must be approved by the full Governing Body. Approval should be recorded in the minutes of the meeting at which the application is reviewed and approved.
- Schools submitting a licensed application must prepare a detailed three or five year budget plan to accompany the application.
- Any unplanned deficits that occur within the financial year due to unforeseen circumstances must be reported as soon as they become known to the school. Approval to carry forward that deficit to the new financial year must be sought through the submission of a licensed deficit application. This must be received within 30 days of the identification of the deficit.

**Schools should only apply for a licensed deficit in circumstances where they cannot set a balanced budget without seriously impacting on essential educational provision.**

Flintshire County Council has no power to write off the deficit balance of any school and all deficits will remain a liability of the Governing Body until paid back. This applies in all circumstances including during school re-organisation.

Schools must, where possible, avoid the need to apply for a licensed deficit by robustly managing their 3 year budget planning process and being proactive in responding to changes early enough to allow mitigating actions to be implemented.

Where it is found that deficits have occurred as a result of proven financial mismanagement at a school level then Flintshire County Council will consider the merits of enforcing its powers under the Schools Causing Concern statutory guidance (202/2016). The ultimate sanction will be suspension of delegated authority for the governing body to manage a school's budget as detailed in section 5 of that guidance. Flintshire is however committed to working with the Governing Body to ensure this can be avoided wherever possible.

## What is the purpose of the Framework?

This framework is intended to act as a mechanism for the Authority to provide schools with an appropriate level of challenge and support to help them set a balanced budget or if this is not achievable to prepare a recovery plan that sets out the action the school will take to achieve a sustainable financial position over an agreed period of time.

The framework will provide schools with an agreed timescale in which to take the action required to balance the budget. A school will normally be expected to deliver its recovery plan within a three year period. This may be extended in exceptional circumstances where a school

cannot deliver a recovery plan over three years without seriously affecting its educational provision or standards.

## **Support, Monitoring and Challenge**

The Authority will provide financial and operational management support and challenge through a network of advisors including Education Officers, Finance Officers and HR Officers.

This may include the provision of:

- Benchmarking data
- Financial analysis
- Audit information
- Regulatory Advice (Estyn, Wales Audit Office, legislation, Flintshire procedural advice)
- Contextual data – e.g. demographic changes
- Focused training sessions relevant to the situation

Any school failing to comply with this framework by taking actions to meet the requirements will be in breach of their financial management responsibilities. This will be challenged and can lead to intervention by the S151 Officer under that local authority statutory powers of intervention.

The process for challenging and supporting schools is defined below:

### **Step 1: Annual Budgets**

Schools must submit budget plans approved by the full Governing Body to the Chief Officer, Education & Youth by 30 June.

### **Step 2: Trigger/Action**

If a school submits a budget plan that shows a deficit budget a licensed deficit application must accompany the budget plan by 30 June. Schools must complete the standard template and detailed spreadsheet financial model. The recovery plan must indicate the actions that will be taken to bring the financial position back into balance. This may be through a combination of income generation and/or a reduction in expenditure and will in most cases result in staffing implications.

If the recovery plan is not deemed robust enough to deliver the savings needed the licensed deficit will be rejected.

Schools will be in breach of financial regulations if they set a deficit budget that has not been approved via the appropriate process

Schools are required to re-apply for a licensed deficit on an annual basis, even where a recovery plan has been agreed previously. This will allow the LA to ensure that the recovery plan is on track to being delivered and mitigates the risk of further changes at the detriment to the schools financial position

### **Step 3: Governor Approval**

In all cases schools must ensure that Governors are accountable for the financial position of the school and the budget plan and deficit must be formally approved by the full governing body. This approval must be recorded in the minutes of the Governing body meeting.

## Step 4: School Support and Challenge

Financial advice, information and training will be available to support schools in recovering from a deficit financial position. This will initially be via a financial recovery session that will be set up between the Head teacher, School Business Manager, Senior Manager – School Improvement, Finance Manager, and HR Manager. **Meetings will be held in September and October.**

Following the submission of a licensed deficit plan a number of validation checks will be completed by the Schools Finance Team to ensure that the plans are reasonable. This will be done by: -

- Comparing the current year's income and expenditure budgets with previous years' trends to identify any significant differences.
- Checking that the correct balances have been brought forward into the current year and all funding delegated by the Local Authority has been taken in to account.
- Actions included in the recovery plan are realistic and that by implementing them the required level of savings can be achieved.
- Any areas that are unclear or simply not achievable will be queried with the school and clarification sought.

There are 3 possible outcomes of this meeting:

1. Plans are deemed acceptable and achievable and a recommendation for approval will be made by the Schools Finance Manager and Senior Manager, School Improvement. Final approval will be given by the Chief Officer, Education & Youth and S151 Officer. Written confirmation will be sent to the school once the licensed deficit has been processed by **31 October**.
2. There may be recommendations made for further actions that the school should consider to reduce expenditure. In this instance schools will be required to respond to the recommendations and if appropriate resubmit a licensed deficit application. If a school fails to take account of the recommendations a referral will be made to the Financial Performance Monitoring Group (FPMG). **Schools will be required to respond by 30 November. If the resubmission is satisfactory approval will be given within 14 days.**
3. Where it is considered that a school is unable to achieve a recovery plan without seriously compromising the quality of education for the pupils in the school a referral will be made to the Financial Performance Monitoring Group (FPMG). **Notification of a referral to FPMG will be given to schools within 14 days.**

## Step 5: Financial Performance Monitoring Group (FPMG)

This step is for those schools who are unable to show a position of recovery following meetings with the LA. The Chair of Governors, Head Teacher and School Business Manager will be invited to attend a meeting of the FPMG. FPMG will consist of the Chief Executive, Leader of the Council, Chief Officer, Education and Youth, Section 151 Officer.

This will provide the school with an opportunity to explain to the senior leadership of the authority the reasons why they are unable to demonstrate recovery of the deficit.

**FPMG will be convened within 6 weeks of referral.**

## Step 6: Intervention

Intervention is proposed to escalate at three levels. It is envisaged that schools in deficit will engage with the Local Authority well before the need for intervention as these arrangements are the last resort, for the protection of public monies and to protect the overall resource for all schools. The levels of intervention are:

### 1. 'Notice of Concern' issued to School

A school that fails to take the necessary action will be given a formal 'Notice of Concern', stating the action the Local Authority recommends they should take to bring the budget back in to balance including any charging of interest on the deficit.

### 2. School given 1 month to respond to 'Notice of Concern'

An explanation will be required from the school about the action being taken to safeguard the school's financial position and why progress to date has not been satisfactory. The school will be subject to LA monitoring for a period of six months following the 'Notice of Concern'. If sufficient confidence is gained that the school is effectively managing the financial position the notice of concern will be removed.

### 3. Warning Notice

If subsequent to a 'Notice of Concern' being issued financial management at the school continues to be a cause for concern e.g. agreed actions are not undertaken, the LA will issue a formal 'Warning Notice' under the Schools Causing Concern statutory guidance (202/2016) and the LA will consider use of the statutory powers at its disposal. This may include:

- appointment of additional governors
- suspension of delegation
- appointment of an Interim Executive Board (IEB)

### 4. Suspension of delegated financial powers

Where the LA considers that insufficient progress or cooperation has been made a decision will be made by the Chief Education Officer, Education & Youth and S151 Officer to suspend delegation. Under suspension the authority would take control of the budget and take the necessary action before returning control to the Governing Body. During the suspension school staff would be responsible to the authority for the day-to-day financial administration in the school and all budgetary decisions will be removed from the school.

Removal of delegated powers will apply where:

- The school is persistently in breach of the Scheme for Financing Schools
- The school will not set a balanced budget
- The school will not engage in the licensed deficit process
- The deficit is worsening and no action is being taken by the school
- There is evidence of financial mismanagement by the school
- A school in special measures has not demonstrated commitment to making better use of resources or achieving value for money



# Flintshire County Council Licensed Deficit Application and Recovery Plan

School Name \_\_\_\_\_

**What level of deficit are you applying for:-**

<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
£	£	£	£	£
£0,000	£0,000	£0,000	£0,000	£0,000

There is an expectation that schools will recover deficit budgets within 3 years and in exceptional circumstances 5 years. Please document the reasons in the box below if the deficit application exceeds 3 years.

Schools must attach the detailed financial plan spreadsheet for the period of the deficit. Please support the financial plan with relevant staffing details.

**Reason for Deficit**

*Please include in this section the reasons for the deficit budget and the circumstances leading up to the current position*

**Recovery Plan**

*Please include in this section a detailed narration of the recovery plan including the action to be taken and detailed timescales which link in with your agreed projections as approved by your full governing body. (Please attach a copy of the minutes from your full governing body as evidence of approval)*

Action	Target Date	Value of Saving £


**Additional Information to support your request for an agreed deficit.**

**School**

**Signed** \_\_\_\_\_ **Headteacher** **Date** \_\_\_\_\_

**Signed** \_\_\_\_\_ **Chair of the Governing  
Body** **Date** \_\_\_\_\_

**Signed** \_\_\_\_\_ **Chair of the Finance  
Committee** **Date** \_\_\_\_\_

**Authority**

**Signed** \_\_\_\_\_ **Chief Education Officer** **Date** \_\_\_\_\_

**Signed** \_\_\_\_\_ **Chief Finance Officer** **Date** \_\_\_\_\_