

Denbighshire County Council

Schools Reporting Timetable and Challenge & Intervention Framework for Schools in Financial Difficulty



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Introduction

The Denbighshire Scheme for Financing Schools prohibits schools from planning for a deficit when preparing their annual budget plans. In support of the Authority's monitoring and intervention role the scheme requires schools:

- To return a draft 3 year budget to the LA and if applicable, submit notification that they are unable to set a balanced budget by the 1st April each year
- To gain approval, where applicable, for a planned deficit, by the 1st May of each year including submission of the proposed recovery plan intended to support the reduction/removal of that deficit. 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.
- To submit a final Governor approved budget (surplus or deficit) by the 31st May each year to include a financial recovery plan for those schools who have been granted a licensed deficit

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

Denbighshire 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 financial mismanagement at a school level then Denbighshire County Council will consider the merits of enforcing its powers under S51 of the Schools Standards and Framework Act to remove financial delegation from the school. Denbighshire is however committed to working with the Governing Body to ensure this can be avoided where possible.

What is the purpose of the Framework?

The challenge and intervention 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:

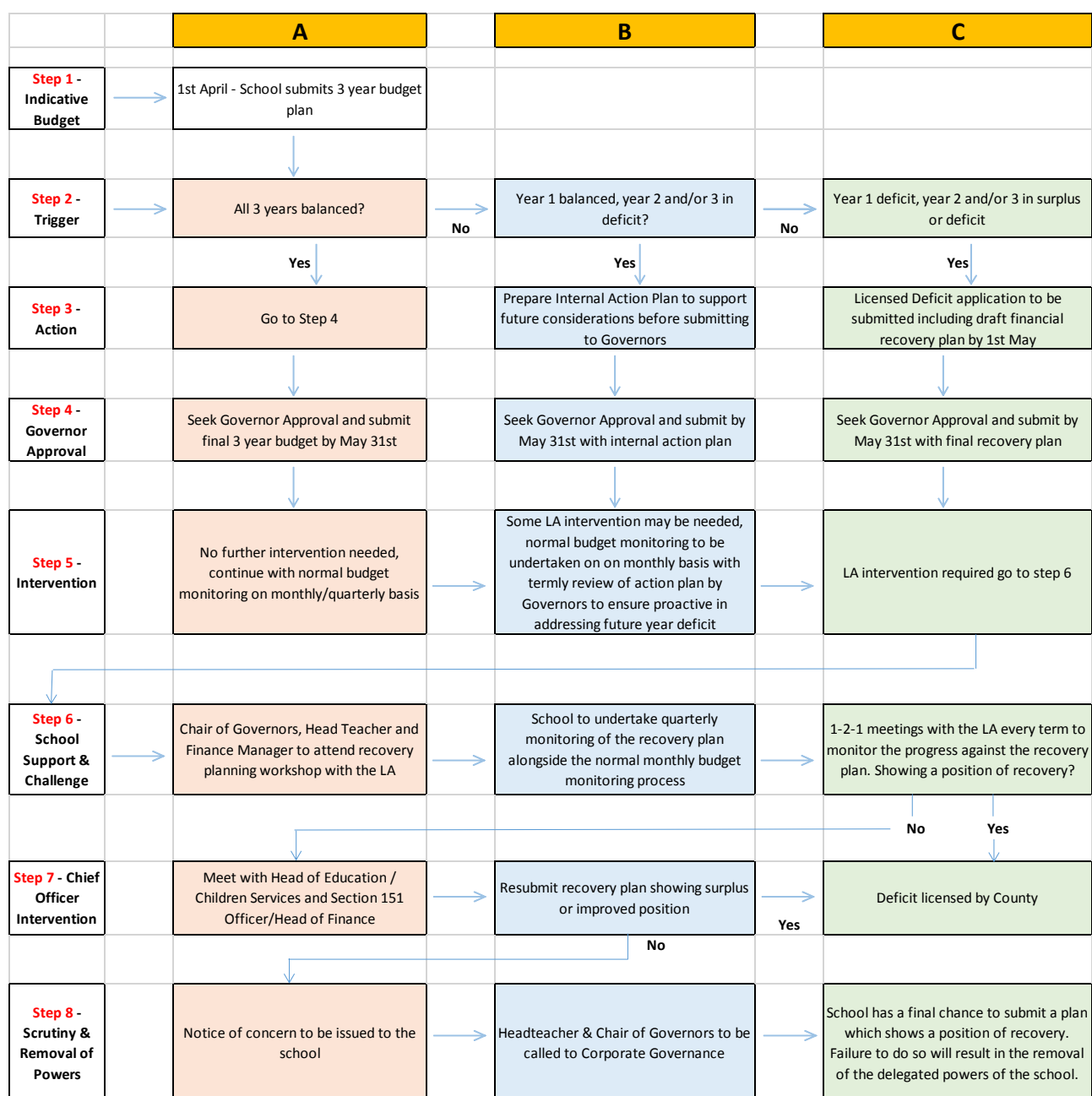
- **An agreed timescale in which to take the action required to balance the budget**
A school will normally be expected to deliver its recovery plan within a three year period. This may be extended in exceptional circumstances where a school cannot deliver a recovery plan over three years without seriously affecting its educational provision or standards. Any extension beyond a two year period must be agreed by Denbighshire's Head of Education and Section 151 Officer.
- **Support, Monitoring and Challenge**
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
- 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 and potential removal of the delegated powers of the school

The process for challenging and supporting schools is defined in the diagram below:



Each of the steps in the diagram is explained below.

Step 1: Indicative Budgets

The school will submit their DRAFT 3 year budgets to the School Funding Team by the 1st April of each year. These will be based on the final budget released to schools within the annual school budget formulation cycle.

Step 2 & 3: Trigger/Action

If a school submits a 3 year budget plan that shows a surplus position in each of the 3 years no intervention will be required and they will only be required to seek Governor Approval and continue to monitor as part of the normal budget monitoring process for schools.

If a school submits a 3 year budget plan that shows a surplus position in year 1 but a potential deficit in year 2 and/or year 3 then there will be no direct requirement for intervention however the schools will be required to prepare an internal action plan that outlines their commitment to address future year's deficits. They will then only be required to seek Governor Approval and monitor as part of the normal budget monitoring process for schools with the action plan being reviewed on a termly basis.

If a school submits a 3 year budget plan that shows a year 1 deficit and/or surplus/deficit in years 2 & 3 then direct intervention will be required. The school must initially apply for a licensed deficit by 1st May with a draft financial recovery plan as supporting documentation. 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 4: Governor Approval

In all cases schools must ensure that Governors are accountable for the financial position of the school. The 3 year Governor Approved budget plan must be submitted by 31st May of each year to include a recovery Plan for those in deficit.

Step 5: Intervention

Those schools that are in surplus over the 3 year period will not require any direct intervention and will simply be required to monitor their position within the normal monthly monitoring process. Those schools who may be facing a year 2 and/or year 3 deficit may require intervention dependent upon the severity of the forecast position. This will be provided at the request of the school and if deemed appropriate.

Those schools that are in deficit in the current year will require intervention under step 6 of the above process.

Step 6: 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 workshop that will be set up between the Head teacher, Chair of Governors and Finance Manager. Schools will then be required to continue to monitor the plan, as a minimum on a termly basis and re-submit as necessary.

1-2-1 meetings will be held between the school and LA Officers to ensure the recovery plan is continually validated and appropriately monitored. Paperwork for this meeting must be received by the Schools Support Team at least 3 working days prior to it taking place, or the meeting will be cancelled and the position escalated. Full spreadsheets including the 3 year plan, recovery plan and staffing list are required.

Following the submission of a recovery plan a number of validation checks will be completed by the School Funding 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.

Where the plans are deemed to be suitable then they will be accepted by the Local Authority and reviewed throughout the year in the termly 1-2-1 meetings.

The licensed deficit will be approved by the Head of Education & S151 Officer and written confirmation will be sent to the school once the licensed deficit has been processed.

Step 7: Chief Officer Intervention

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 Finance Manager will be called to meet with the Head of Education plus the Section 151 Officer to discuss the financial recovery plan submitted.

The School will have another opportunity to re-submit a recovery plan showing a surplus position.

If the plans are deemed to be suitable they will be accepted by the Local Authority and reviewed throughout the year in the termly 1-2-1 meetings.

Step 8: Corporate Governance Committee & Removal of Delegated Powers

Intervention is proposed to escalate at three levels. It is envisaged that deficit schools 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 not 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 also be requested to discuss the deficit at the Council's Corporate Governance committee.

3. Suspension of delegated financial powers

Where the LA considers that insufficient progress or cooperation has been made decision will be made by the Head of Education 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

Appendix 1

Recovery Plan Proforma



Draft Financial Recovery Plan

***** School

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Status from latest 3 year projection if no further action taken:

Surplus/(Deficit) Carried Forward

0

0

Budget/Forecast Budget

Forecast Expenditure

Annual Surplus/(Deficit)

0

0

0

0

Cumulative Surplus/(Deficit) if no further action taken

0

0

0

0

Mitigating Actions:

EVR's / Retirement

Total

0

0

0

0

In-year Surplus/(Deficit)

0

0

0

0

Revised Cumulative Surplus/(Deficit)

0

0

0

0

Notes

Appendix 2

Licensed Deficit Proforma



Application for a Licensed Deficit for Schools

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

Name of School:

Date:

Financial Year: 2017/2018

Value of deficit (predicted deficit by 31/03/2018):

We will:

- Confirm we will implement the savings in the timescales agreed, and inform the School Funding Section of any deviation from the recovery plan (attached).
- Provide any other information as and when required by the Local Authority.
- Enclose a 3 Year Budget Recovery Plan.

Signed (Headteacher):

Print Name:

Date:

Signed (Chair of Governors):

Print Name:

Date:

Please either scan and return this form to catherine.howatson@denbighshire.gov.uk or send it to the School Funding Team, Finance, County Hall, Wynnstay Road, Ruthin, LL15 1YN.