



## **Schools Forum**

Date: 27 November 2014

Time: 8:30 a.m.

Venue: Shrewsbury  
Training and Development  
Centre

Paper

Public

## **Schools in Deficit Protocol Update**

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### **Summary**

Schools Forum supported, in June 2013, a Schools in Deficit Protocol for schools planning and managing a deficit budget following work undertaken by a Schools Forum Task & Finish Group.

In September 2014, Schools Forum agreed to a review of the protocol in light of the publication of the Academy Conversions (Transfer of School Surpluses) Regulations 2013 and the required treatment of deficits of sponsored academies on conversion.

It was agreed the Schools in Deficit Task & Finish Group should review and update the deficit protocol and report back to Schools Forum.

### **Recommendation**

That Schools Forum note the approach the local authority is taking in relation to identifying schools at risk of becoming sponsored academies and support the updated deficit protocol for schools planning and managing a deficit budget as recommended by the Task & Finish Group.

### **REPORT**

1. In June 2013, Schools Forum supported the work of a Schools Forum Task & Finish Group on the development of a Schools in Deficit Protocol for schools planning and managing a deficit budget in Shropshire.
2. School balances data presented to Schools Forum in June 2014 demonstrated a reduction in the number of schools in a deficit position, from 20 at March 2013 to 14 at March 2014, and a reduction in the total level of deficit balances, from £2.1m at March 2013 to £1.8m at March 2014.

3. The Academy Conversions (Transfer of School Surpluses) Regulations 2013 state that where a school with a deficit is to join the academy trust of an external sponsor and open as a sponsored academy, the deficit remains with the local authority. Local authorities will wish to work closely with converting schools to ensure that they manage the risk of an increasing deficit before conversion, and if a school is not managing its expenditure in a satisfactory manner, the local authority may withdraw delegation of the converting school's budget share in order to limit the potential cost to the local authority's budget.
4. In light of this regulation, the Schools in Deficit Task & Finish Group has reviewed and updated the Schools in Deficit Protocol for Schools Forum's consideration and support. Minutes of this meeting are attached at Appendix A to this report. The revised Schools in Deficit Protocol, with recommended updates shown in bold print, is attached at Appendix B to this report along with the required deficit recovery plan template and updated timeline. Appendix C details a recommended addition to the current protocol addressing the requirements for schools judged by Ofsted to be requiring special measures.
5. The local authority has introduced procedures to limit the financial impact on the local authority. Local authority officers meet on a regular (3 weekly) basis to identify vulnerable schools in terms of Ofsted and budget information. Letters are sent to headteachers and chairs of governors at the point their school is identified by Ofsted as requiring special measures or are identified by the local authority through its school performance monitoring as being vulnerable. The letter details the requirement for the school to provide the local authority with financial monitoring information on a monthly basis. The financial information must demonstrate a surplus balance position as at the date of conversion (or as at the end of each term if a conversion date is not known). The letter also reminds the school that if at any point they cannot demonstrate a surplus position at the point of transfer to academy status the local authority will exercise its right to withdraw financial delegation from the governing body.
6. Due to the tighter controls implemented it is fully expected that the number of maintained schools in deficit, and the total value of these deficits, will reduce further at March 2015 and in future years.