



## **Schools Forum**

Date: 17 September 2015

Time: 8:30 a.m.

Venue: Shrewsbury  
Training and Development  
Centre

Paper

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Public

## **Schools in Deficit Protocol Update**

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### **Summary**

The local authority, fully supported by Schools Forum, has in place a Schools in Deficit Protocol. The protocol lays out the requirements for schools planning and managing a deficit budget and the consequences if a school does not adhere to the protocol.

At a meeting of Schools Forum held on the 18 June 2015 it was agreed that the protocol should be updated to include more clarity for schools on the consequences of not adhering to the protocol.

This report details the subsequent proposed updates.

### **Recommendation**

Schools Forum is asked to comment on the proposed updates to the Schools in Deficit Protocol as detailed in paragraphs 3 and 4 of this report.

## **REPORT**

1. Previous work of the Schools Forum has supported the local authority in drawing up a protocol for schools planning and managing a deficit budget. This protocol was last updated in November 2014 in light of the publication of the Academy Conversions (Transfer of School Surpluses) Regulations 2013.
2. The protocol includes a section on the local authority's power to issue a Notice of Concern to a school not adhering to the protocol and further powers if the governing body fails to address the issues in the Notice of Concern. At its meeting held on 18 June 2015 Schools Forum requested the local authority provide greater clarity within the protocol on the consequences to schools of not adhering to it.

3. The proposed redrafting of this section within the protocol is as follows, with the additional wording in italics.

## Notice of Concern

Under section 2.15 of the Scheme for the Financing of Schools, the local authority has the power to issue a financial Notice of Concern to a school.

Circumstances in which a Notice of Concern may be issued include:

- Where a governing body has not complied with the requirements of the deficit budget protocol
- Where a school ends the financial year with an unplanned deficit
- Where the school does not manage their budget in line with the agreed deficit recovery plan and/or the requirements of the licensed deficit approval
- **Where a school is placed in special measures by Ofsted (see Annex C).**

The Notice of Concern will set out the reason for it being made and will place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

If the governing body fails to address the issues in the Notice of Concern the local authority may exercise its powers to *withdraw financial delegation from the school. In these instances the governing body remains in place but the local authority takes control over staffing and spending decisions.*

*Where there is evidence of very poor financial management the local authority may issue a Warning Notice in respect of schools causing concern. Where a school does not comply with the Warning Notice the local authority may exercise its powers under Part 4 of the Education and Inspections Act 2006 to:*

- a) *Appoint additional governors – the local authority appoints additional governors to the governing body to provide additional expertise;*
  - b) *Suspend the delegated budget of the school – the local authority takes control over staffing and spending decisions;*
  - c) *Appoint an Interim Executive Board – the governing body is removed and replaced with an Interim Executive Board constituted by the local authority.*
4. In addition to the above it is also proposed that the wording within the protocol that requires only those schools with a deficit greater than 5% of their annual budget share attend termly meetings with the local authority's School Funding Policy Officer be removed. Experience suggests that relatively small deficits have the potential to become large deficits in future years if controls are not put in place early. It is therefore proposed that the protocol is updated to require any maintained school with any level of deficit to attend termly meetings with the local authority.