

Schools Finance - Monitoring and Intervention Policy

Introduction

This document sets out the policy and procedures of the Local Authority (LA) with respect to monitoring and intervention of maintained schools' finances. The policy is reviewed annually and the Head of Finance (Children's Services) is responsible for ensuring that the policy is implemented.

Background

Lincolnshire's Scheme for Financing Schools governs the financial relationship between the LA and schools. The Scheme states that schools are not permitted to overspend without obtaining the LA's prior approval from either LCC's Head of Finance (Children's Services) or LCC's Strategic Finance Manager (Schools Finance Team) and where schools do overspend, the law prohibits the writing off of such sums.

The LA's finance team's work in monitoring and intervention has evolved over time. It remains an important and integral part of the LA's overall approach to the monitoring and intervention process of maintained schools' finances.

It is through the finance team's monitoring and intervention process that the LA's responsibilities under the Scheme are discharged.

The LA's approach to monitoring and intervention for finance

The LA has a pro-active approach to monitoring and intervention. The aim is to identify schools with financial problems before they overspend, so that appropriate action can be taken. History has shown that the vast majority of schools with financial problems can be identified through this process, and the Council's Schools Finance Team visits. Concerns are occasionally highlighted by schools themselves, the School Improvement Service or Internal Audit.

Maintained schools will be identified through the monitoring and intervention process where any of the below situations occur:

- They have a significant overspend on Budget Share at the end of the last financial year, i.e. all surplus balances have been fully utilised and school now has a deficit. A significant overspend shall be determined as a Nursery, Primary or Special School whose overspend is greater than £10,000 or a Secondary School whose overspend is greater than £50,000.
- Information indicates they are likely to carry forward a significant overspend at the end of the current financial year. A significant overspend shall be determined as a Nursery, Primary or Special School whose overspend is greater than £10,000 or a Secondary School whose overspend is greater than £50,000.

- Information indicates that there will be a significant reduction in the number on roll (nor) in the following financial year. A significant reduction shall be determined as:
 - Primary School nor <100 whose number on roll reduce by 5 pupils.
 - Primary School nor 101<200 whose number on roll reduce by 8 pupils or 5% whichever is greater.
 - Primary School nor >201 whose number on roll reduce by 15 pupils or 7% whichever is greater.
 - Secondary School whose number on roll reduce by 15 pupils or 3% whichever is greater.
 - Nursery School whose levels of participation fall by 10%.
 - Special School whose place numbers fall by 5 or 5% whichever is greater.
- They have a significant reduction in carry forward from one year to the next, or future years carry forward projection. A significant reduction shall be determined as a Nursery, Primary or Special School whose carry forward has reduced by £35,000 or a Secondary School whose carry forward has reduced by £50,000.
- Serious concerns have been raised by Internal Audit, following their latest inspection.
- Serious concerns have been raised by the Council's Schools Finance Team regarding financial administration.
- Serious concerns have been raised by Ofsted through their inspection of schools or the School Improvement Service.
- They have not submitted the Schools Financial Value Standard (SFVS) in accordance with the timescales set by the LA or the information included within the return is a cause for concern.
- They have carried forward significant underspends at the end of the previous financial year. This will be dealt with in conjunction with the LA's School Carry Forward Policy.
- Suspected fraud or misappropriate use of funds.
- A school alert form has been raised within the Council.

Identification process

Maintained schools that are likely to overspend are identified by reviewing the Medium Term Finance Plan (MTFP) after the submission date of 31st May.

Schools will be contacted and maybe asked to resubmit their MTFP due to any of the following scenarios:

- The school predict an overspend at the end of the current financial year.
- The school predict an overspend within the next three financial years.
- Schools Finance Team are concerned about future pupil numbers after analysing data (including forecasts and trends) this will include liaison with the Council's Planning and Asset Management Team.
- Schools Finance Team are concerned about the future financial position of the school following analysis of the school's funding streams – including forecasts and trends.
- Schools Finance Team are concerned about the school's projected carry Forward – i.e. the scale of the under or overspend for the previous financial year.
- Schools Finance Team have identified that grant funding has not been fully utilised.

School Budget Monitoring Group (SBMG)

Reports are issued to the SBMG prior to the meetings in June, October and January. The SBMG membership comprises:

- LCC's Head of Finance (Children's Services)
- LCC's Strategic Finance Manager (Schools Finance Team)
- LCC's Finance Team Manager (Schools Finance Team).

A targeted approach will be adopted at each meeting. In June all maintained schools who have overspent their Budget Share at the end of the previous financial year will be reviewed, (to agree and determine measures for the school to repay the deficit). In October all maintained schools who the SBMG anticipate may overspend (based on a high-level forecast) will be discussed before considering a course of action. In January all schools whose number on roll has significantly reduced based on the October census (see criteria above) will be discussed before determining a course of action.

At the conclusion of each SBMG meeting:

- The Headteacher and Chair of Governors for schools that are identified will be sent a letter within two weeks of the SBMG meeting, highlighting the areas of concern. Either a copy of the up to date MTFP or forecast projection will be required together with any explanations necessary regarding the action the school is taking. Further advice and guidance will be offered by the LA to schools that indicate that they require assistance.

Following the SBMG's meeting in January, information will be sent to HR representatives to highlight those schools that the SBMG might expect to reduce staffing levels at 31 August of the following year. HR Advisers will be advised accordingly and subsequently may then contact those schools in January or February that have not already initiated contact with them.

Schools that have overspent will have been contacted by the LA previously. Appropriate monitoring procedures will therefore be in place for those schools please see below.

Schools with overspends

For those maintained schools that have overspent their Budget Share, the MTFP that is submitted in May will need to demonstrate its ability to repay the deficit within a reasonable period of time, (usually between one to four years depending on the size of the overspend).

For all maintained schools whose Budget Share has overspent, the MTFP that is submitted in May will be reviewed as per the identification process and by the SBMG (as detailed above). The LA will aim to review school's finance plans within three weeks of receipt and make further enquiries of the school, where necessary (this may include submitting a revised MTFP). Once officers are satisfied that the financial plan is complete, accurate, realistic and deliverable, the LA will write to confirm both acceptance of the plan and the repayment targets. The financial position will then be reviewed by the LA on a quarterly or six-monthly basis until such time as the deficit is cleared, schools may be asked to attend meetings with a member of the LA's Schools Finance Team to review the school's financial position.

If a school has overspent its Budget Share but has a surplus of grant funding (overall financial position is a surplus), they will be contacted to discuss best practice in terms of budget monitoring, and will be asked to submit a forecast position in October.

Analysis of Grant Funding

For schools who receive grant funding based on the academic year, the LA's Schools Finance Team will review the balance on each grant and if there is either a significant overspend or underspend, schools will be contacted to discuss any appropriate action required.

Schools Finance Team will undertake a high level review of the balance on each maintained school's Budget Share and grant funding in January of each year. Those schools who may overspend Budget Share but underspend grant funding, will be asked to review their budgets and take any appropriate action in order to prevent an overspend on Budget Share.

Escalation procedures

Maintained schools may be asked to meet with the LA's Head of Finance (Children's Services) or Strategic Finance Manager (Schools Finance Team)

to review the schools financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:

- A primary school's total overspend (including grant funding) at the end of the last financial year exceeded £50,000.
- A secondary school's total overspend (including grant funding) at the end of the last financial year exceeded £100,000.
- A school has failed to reduce the overspend by at least 80% of the agreed target in the previous financial year.

Maintained schools may be asked to meet with the LA's Finance Team Manager (Schools Finance Team) or Senior Finance Officer (Schools Finance Team) to review the school's financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:

- A primary school's overspend at the end of the last financial year exceeded £20,000 but was less than £50,000.

The Headteacher and Chair of Governors will be invited to attend these meetings, although other governors or school representatives may also attend if the school wishes.

In accordance with the Scheme for Financing Schools, the LA will consider annually whether schools that have overspent should be permitted to operate the prime account. Schools must satisfy the LA that sound financial management and accounting systems are in place before they regain the right to hold prime accounts. This is likely to take a minimum of two years.

The LA will consider withdrawing delegation where schools continue to give significant cause for concern regarding their financial management. This might occur, for example, where a school has a very significant overspend and has failed to meet repayment targets in two consecutive years. Schools will be expected to meet the costs associated with withdrawal of delegation. The LA will comply with DfE guidance in such circumstances.

Throughout each year, the LA will provide a fully comprehensive training programme aimed at raising the standards of financial management in schools:

<https://www.lincolnshire.gov.uk/parents/schools/for-schools/secure-area/finance/training/117442.article>

Budget Setting – Best Practice

The MTFP allows schools to identify potential financial problems in future years to enable them to take preventative action now to avoid overspending. In periods of growth, it also allows schools to plan and make full and appropriate use of any additional funds available to the school in conjunction with the School Development Plan.

It is advisable to produce several plans based on different options (e.g. differing pupil number projections) so that a number of scenarios can be prepared for.

The Schools Finance Team produces a template each year for schools to complete which includes detailed notes on how to complete the document. Further guidance is also provided through MTFP training.

Budget Monitoring - Best Practice

It is essential that schools monitor their budgets on a regular basis. Schools are actively encouraged to calculate an accurate forecast for the current financial year (Budget Share and grant funding) in June, October and January. Outturn projections should be entered and updated in Agresso or the relevant accounting system for Prime Account schools. Further advice will be communicated to schools on a termly basis and is also available within the Finance Handbook.

Information requirements of schools

If schools are requested to provide an up to date MTFP or outturn projection then it is essential that these documents are provided to the level of detail set out in the Schools Finance Handbook. They must include detailed costs for individual members of staff.

Secondary schools are likely to be asked for much more detailed information including management structures and costs, class sizes (including sixth forms), teachers' non-contact time, etc.

Schools may be asked to supply copies of previous financial reports to their Governing Body so that the LA can assess and advise on their suitability.

Notice of concern

The LA can issue a notice of concern to schools. Details are set out in the Scheme for Financing Schools and are attached at Appendix 1 of this policy.

Communication

This policy will be issued to schools via LCC Connect Schools Secure Area Finance/Handbooks and included in the Schools' Finance Handbook. It will also be copied to officers involved in the LA's monitoring and intervention process.

Review Mechanism

This policy will be reviewed on an annual basis.

Mark Popplewell
Head of Finance (Children's Services)

December 2017

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Notice of Concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Executive Director of Finance and Public Protection or the Director of Children's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the LA or the school.

Such a notice will set out the reasons and evidence for it being made and may place upon the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- insisting that the relevant staff undertake appropriate training to address any identified weakness in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the Scheme requires for all schools – such as the provision of monthly accounts to the LA;
- insisting on regular financial monitoring meetings at the school attended by LA officers;
- requiring a governing body to buy into a LA's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated Budget Share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are, the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the LA may take where the governing body does not comply with the notice.