



North Tyneside Council

Framework for support and challenge to schools in financial difficulty

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Author: Finance Service

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Introduction

- 1.1 This document forms an appendix to the North Tyneside Scheme for Financing Schools which is statutory guidance and contains directions prescribed by the DfE.
- 1.2 This framework outlines the practical approach that North Tyneside local authority (LA) takes to support schools in financial difficulty to help them improve their finances and return to a sustainable position. A key principle underpinning this publication is to ensure that all schools and stakeholders are clear about the framework and procedures the LA follows for supporting and challenging schools which are in deficit or approaching deficit.

Support and challenge

Context

- 2.1 Under the legislative provisions within the Schools Standards and Framework Act 1998, schools have a legal right to a delegated budget and governing bodies of schools may spend such amounts of their budget shares as they see fit for any purpose of their school. However this right comes with responsibilities to ensure that the school has effective controls for managing within available resources and ensuring regularity, propriety and value for money.
- 2.2 An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act).
- 2.3 The LA recognises that school budgets are under increasing pressure with rising costs relating to pay awards including the implications of the Nation Living Wage and North Tyneside Living Wage, pension contributions, apprenticeship levy and inflationary pressures on premises and equipment and materials costs. As a consequence the LA is introducing this additional support and challenge process to help schools to deliver excellent outcomes for pupils within available resources.
- 2.4 The Support and Challenge Framework is aimed at helping schools currently in deficit recover financial sustainability as quickly as possible but it is also intended to introduce earlier intervention and prevention measures for schools showing signs of future financial difficulties.

Current SLA Support from Finance

- 3.1 Schools can choose to purchase Finance support from the LA under one of four levels. A breakdown of the service elements included within each level is shown at Annex 1.
- 3.2 Schools should ensure that they make the most of the support available under the SLA arrangements. Schools can increase their SLA level during the year if they require additional support for example if a key member of staff is absent for any reason.

3.3 Schools in deficit for the current year (RAG red) are required to buy in at level 3 or above as a condition of deficit approval. Schools rated amber are recommended to buy in at level 3.

Categorisation of schools and the protocol for additional support and challenge

4.1 The LA will allocate an annual RAG rating to each school based on the three year budget plan produced by 31 May each year. Additional support will then be offered appropriate to the RAG rating of the individual school.

4.2 The RAG ratings will be defined as follows:-

Rating	Definition
Red (R)	A school which is forecasting a year 1 (current year) deficit greater than £5000 and will be requesting deficit approval.
Amber 1 (A1)	A school which has a forecasted deficit under £5000 or a forecasted surplus in the year 1 (current year) but is forecasting a deficit of greater than £5000 in year 2 of the three year plan.
Amber 2 (A2)	A school which has a forecasted deficit less than £5000 or a surplus in years 1 and 2 of the 3 year plan but has a forecasted deficit of greater than £5000 in year 3
Green (G)	A school which has a forecasted deficit of less than £5000 or a surplus in each of the three years of the budget plan.

4.3 The purpose of categorisation and this protocol is to help schools and the LA work together to address identified areas of concern promptly and effectively. The overriding priority is the support of the school to be financially sustainable and ensure resources are being used effectively to enable children and young people maximise their potential and make the progress they are capable of.

Additional Support Framework

5.1 Additional support will be available to schools in line with the categorisation of each school and it is expected that schools will take advantage of this as part of their work to identify ways to bring the school back to a financially sustainable position.

Categorisation of school (RAG)	Amber 2	Amber 1	Red
Descriptors	Support visit in the autumn term (Sept to Dec)	Support visit in the summer term (June or July) with the potential for additional 121 support through the year as recovery	Red schools will be schools requiring deficit approval and the full process is laid out below

		plans progress	
	Review during each monitoring of progress made against milestones in Recovery Plan	Review during each monitoring of progress made against milestones in Recovery Plan	Review during each monitoring of progress made against milestones in Recovery Plan

SUPPORT AND CHALLENGE LEVEL AMBER 2

6.1 Where a school is projecting a deficit in year 3 of the three year Budget Plan, a visit will be arranged with the school to take place in the term commencing in September of the current Budget Plan year. This will involve a senior member of the Finance Team and HR Team and may also include a School Improvement officer. The purpose of the visit will be to examine current information with the Head and School Business Manager to identify potential options for action to bring the school back into a balanced position in year three. The options identified will be take account of actions identified within the School Improvement Plan.

6.2 This could include a review of;

- Overall numbers on roll and expected changes
- Applications for free school meals/pupil premium
- Levels of SEN in the school
- Class sizes
- Curriculum planning
- Teacher/Support Staff utilisation levels
- Teacher pupil ratios and adult/pupil ratios
- Any proposed or expected staffing changes
- Benchmarking comparisons with similar schools
- Size leadership team
- Opportunities to generate additional income

As highlighted in section 2.1, a school has a responsibility to ensure effective controls are in place for managing within available resources and ensuring regularity, propriety and value for money. The LA requires schools with forecasted future deficits to fully engage in the process of reviewing its current and planned structures and operating arrangements to identify options to maintain financial sustainability.

The LA will provide additional support to Governors to enhance skills to ensure appropriate financial governance arrangements are in place and the LA expects Governing Bodies to engage with this support.

6.3 A Financial Improvement Plan will be produced by the school with an agreed action plan which may include specific agreed actions to reduce costs or generate additional income or may outline areas for further investigation work with agreed milestones and accountability. Progress against this plan will be reviewed at each budget monitoring visit.

SUPPORT AND CHALLENGE LEVEL AMBER 1

- 7.1 Where a school is projecting a deficit in year two of the three year budget Plan, a visit will be arranged with the school to take place in the current summer term after submission of the Plan (required by 31 May each year). This will involve a senior member of the Finance Team and HR Team and may also include a School Improvement officer. The purpose of the visit will be to examine current information with the Head and School Business Manager to identify potential options for action to bring the school back into a balanced position in the following year. The options identified will be take account of actions identified within the School Improvement Plan.
- 7.2 This could include a review of;
- Overall numbers on roll and expected changes
 - Applications for free school meals/pupil premium
 - Levels of SEN in the school
 - Class sizes
 - Curriculum planning
 - Teacher/Support Staff utilisation levels
 - Teacher pupil ratios and adult/pupil ratios
 - Any proposed or expected staffing changes
 - Benchmarking comparisons with similar schools
 - Size leadership team
 - Opportunities to generate additional income

As highlighted in section 2.1, a school has a responsibility to ensure effective controls are in place for managing within available resources and ensuring regularity, propriety and value for money. The LA requires schools with forecasted future deficits to fully engage in the process of reviewing its current and planned structures and operating arrangements to identify options to maintain financial sustainability.

The LA will provide additional support to Governors to enhance skills to ensure appropriate financial governance arrangements are in place and the LA expects Governing Bodies to engage with this support.

- 7.3 A Financial Improvement Plan will be produced by the school with an agreed action plan which may include specific agreed actions to reduce costs or generate additional income or may outline areas for further investigation work with agreed milestones and accountability. Progress against this plan will be reviewed at each budget monitoring visit or more regularly as appropriate.

SUPPORT AND CHALLENGE LEVEL RED

- 8.1 Support and challenge at this level is conducted through a deficit management process.
- 8.2 The process that all schools requiring a deficit approval (where the school is forecasting a cumulative deficit balance of £5000 or greater for the current year in which the 3 year budget plan is produced) is shown below as a flowchart.

- 8.3 The school will produce its three year Budget Plan and will present the Plan, approved by Governors to the LA by 31 May each year. Support is available throughout the process of producing a Budget Plan from your Finance Team link officer (assuming the school has an SLA for Schools Finance). This support is available at all levels of the SLA.
- 8.4 On receipt of a deficit Budget Plan, the Schools Team will perform final checks and then will request that you complete a Licensed Deficit Application Form and Supporting Information. The school will then be asked to prepare a Recovery Plan (template shown at Annex 3). For deficits from 2019/20, the Recovery Plan will be expected to return the school to a balanced or surplus position within three years as outlined in the Scheme For Financing Schools. Schools with an existing structural deficit at 2019/20 will be expected to develop a plan to bring the in year position into balance within a three year period.
- 8.5 The LA may ask a suitably qualified person to conduct a peer review of the supplied information with a view to identifying areas for further investigation and challenge.
- 8.6 A challenge meeting will then be held between the school normally represented by the Head, Chair of Governors/ Lead Governor for Finance and School Business Manager and the LA represented by the Head of Health, Education, Care and Safeguarding and the Head of Resources or their nominated officers.
- 8.7 At the challenge meeting the LA will have the opportunity to clarify and question the information submitted by the school and the school will have the opportunity to explain the challenges they are facing and to seek support from the LA.
- 8.9 The type of issues which may be discussed are:-
- Overall numbers on roll and expected changes
 - Applications for free school meals/pupil premium
 - Levels of SEN in the school
 - Class sizes
 - Curriculum planning
 - Teacher/Support Staff utilisation levels
 - Teacher pupil ratios and adult/pupil ratios
 - Any proposed or expected staffing changes
 - Benchmarking comparisons with similar schools
 - Size leadership team
 - Opportunities to generate additional income

As highlighted in section 2.1, a school has a responsibility to ensure effective controls are in place for managing within available resources and ensuring regularity, propriety and value for money. The LA requires schools with current year deficits to fully engage in the process of reviewing its current and planned structures and operating arrangements to identify options to maintain financial sustainability.

The LA will provide additional support to Governors to enhance skills to ensure appropriate financial governance arrangements are in place and the LA requires Governing Bodies to engage with this support.

- 8.10 During the course of the challenge meeting, the need for further work may be identified e.g. a review of curriculum planning and timetabling and arrangement for this to progress will be agreed and put in place.
- 8.11 Any agreed new actions agreed at the challenge meeting or after subsequent additional work will be fed into a revised Recovery Plan.
- 8.11 Notes will be taken as part of the challenge meeting and these will form part of the Deficit Letter issued by the LA to the school. The Deficit Letter may contain conditions which the school must agree to as part of receiving deficit approval. The Deficit Letter will contain a Deficit Agreement (example at Annex 4) which must be signed by the Head and Chair of Governors as their acceptance of any conditions imposed. The Deficit Letter will be issued by the close of the summer term and the signed Deficit Agreement must be completed and returned to the LA by 30th September.
- 8.12 Review meetings will take place to an agreed schedule outlined in the deficit approval agreement. Where possible, deficit review meetings will be combined with Raising Achievement Group meetings where a school is within this process. Review meetings will focus on examining progress against the agreed Recovery Plan including any new issues which have arisen. Minutes of review meetings will be taken and agreed. Additional support will be provided as necessary.

31st May – Governor Approved Budget Plan Submitted

Licensed Deficit Application Form (Annex 2) with any supporting information requested by LA

Yes

No

School/PRU asked to resubmit balanced budget or apply for a licensed deficit

Financial Recovery Plan Submitted (Annex 3)

Yes

No

School/PRU provided with one-to-one support

Recovery Plan submitted

Recovery Plans checked and validated, challenge meeting held to examine Budget Plan, Recovery Plan and Supporting Information – additional work may be requested at this stage e.g. a review of curriculum

Licensed Deficit Arrangements agreed – beginning of autumn term (example annex 4)

Step 3 School/PRU Recovery Plan Monitored

Step 4 Reporting & Review

Monitoring required

LA Intervention required

Notice of Concern

- 9.1 If a school is receiving support under this Framework and for any reason is unwilling to engage in the process or is not delivering actions in line with an agreed Improvement Plan, the Head of Resources will inform the Chair of Governors and the Head Teacher of the intention to issue a formal warning notice in line with published DFE guidance if improvement is not made within a specified period. If subsequently the school continued to refuse to engage in the process or does not carry out agreed actions, a formal Notice of Concern will be issued.
- 9.2 Such a notice will set out the reasons and evidence for it being made and may place conditions on the governing body in relation to the management of funds delegated to it.

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses 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 local authority;
 - insisting on regular financial monitoring meetings at the school attended by local authority officers;
 - requiring a governing body to buy into a local authority'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.
- 9.3 The notice will clearly state what these requirements are and 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 authority may take where the governing body does not comply with the notice.

Removal of Delegated Budget

- 10.1 If, after the issuing of a formal Notice of Concern, no improvement is made or the governing body fails to follow conditions placed on it by the Notice of Concern, at this stage the LA may seek to invoke statutory powers as defined by current guidance to remove budget delegation from the school. The LA would then take over responsibility for the financial management of the school.
- 10.2 The process would proceed as follows;
- Where a Governing Body is responsible for a substantial or persistent failure to comply with any requirements applicable under the Scheme for delegated budgets, or is considered not to be managing the budget share at their disposal in a satisfactory manner, the local authority, may suspend the Governing Body's right to a delegated budget, giving at least one month's notice of the intention to

do so, or, if by reason of gross incompetence or mismanagement, at such earlier date as the Head of Health, Education Care and Safeguarding may determine. The Head of Health, Education Care and Safeguarding will notify the Secretary of State without delay, giving reasons for the action taken.

- The Head of Health, Education Care and Safeguarding will, in giving such notice to the Governing Body, specify the grounds for the suspension and provide a copy to the Head Teacher. Thereafter, the Head of Health, Education Care and Safeguarding shall review, before the commencement of each subsequent financial year, the suspension and shall provide an opportunity for the Governing Body and the Head Teacher to make representations, which the Head of Health, Education Care and Safeguarding will consider.
- The Head of Health, Education Care and Safeguarding shall, after such annual reviews, give written notification to the Governing Body and Head Teacher regarding the decision reached either to continue or to remove the suspension, giving their reasons to the Governing Body for the decision. In the event of a decision to readmit the school to the Scheme, revocation of the suspension shall take effect from the beginning of the next financial year.

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Annex 1 – Breakdown of service levels within the Schools Finance SLA for 2019/20

Description	Level 1	Level 2	Level 3	Level 4
A designated finance officer who can investigate and resolve financial queries	✓	✓	✓	✓
On site visits and remote access support – including shadowing staff	✓	✓	✓	✓
Unlimited access to a direct telephone advice and support service	✓	✓	✓	✓
Provision of monthly financial reports and electronic SIMS reconciliation files	✓	✓	✓	✓
Support with the administration of your Local Bank Account & VAT returns	✓	✓	✓	✓
Training and support with new banking procedures e.g. the introduction of BACS payments & on-line banking	✓	✓	✓	✓
Provision of annual budget guidance and support with Budget Planning including our 3 year Budget Modelling Tool which complies with Schools Financial Value Standard (SFVS) requirements	✓	✓	✓	✓
Advice and guidance in constructing budget modelling reports	✓	✓	✓	✓
Comprehensive training and support at year end, including advice on statutory returns e.g. Consistent Financial Reporting (CFR) and year end reconciliations	✓	✓	✓	✓
Advice and guidance relating to grants	✓	✓	✓	✓
Assistance in creating an income register	✓	✓	✓	✓
Access to training courses specifically tailored to North Tyneside schools throughout the year	✓	✓	✓	✓
Meeting with Headteacher to discuss school budgetary issues	✓	✓	✓	✓
Up to two further visits per annum from your support team	✓	✓	✓	✓
Verification of your budget plan and all supporting documentation		✓	✓	✓
An annual hands-on workshop on the 3 year Budget Modelling Tool		✓	✓	✓
Production of a mid-point monitoring statement and report for governors		✓	✓	✓
Support in completing your CFR report		✓	✓	✓
Pre audit health check		✓	✓	✓
On site financial induction for any new support staff		✓	✓	✓
Hands on support preparing your school's budget – including 3 year budget projections and modelling for your school			✓	✓
Production of a second budget monitoring statement and a full outturn statement and report for governors			✓	✓
CFR health check			✓	✓
Further discounts on the training workshops administered by the Financial Services team				
Support with ensuring service terms and financial sub groups are correctly mapped and all staff contracts are recorded correctly in the SIMS system			✓	✓
Access to additional on-site support from your Finance Officer up to maximum of six visits - (which could include attendance at a Governors meeting)			✓	✓
Guidance and assistance in preparation of information for deficit meetings			✓	✓
Head teacher induction workshop			✓	✓
Business Managers induction workshop			✓	✓
It also covers some of the more practical monthly financial routines that would otherwise be conducted by your school staff, including:-				✓
Run the monthly bank account reports & rectify any errors in the bank account				✓
Reconcile local bank account ready for signature by the Headteacher				✓
Submit the reconciliation and VAT reports				✓
Run your SIMS reconciliation file & analyse and clear the suspense account				✓
Clear staff commitments				✓
Reconciliation between SIMS and Oracle information				✓

Annex 2

Licensed Deficit Application Form

The governing body of _____

Wish to apply for a licensed deficit for financial year _____

We understand that in applying for a licensed deficit we will:

- Undertake to provide a recovery plan outlining actions to return to balance within three years
- Provide the local authority (LA) with any supporting information it requires to understand our position
- Engage in a peer review process to challenge our assumptions
- Work with the LA to explore all options to bring the budget back into balance
- Submit a business case for any staff changes which results in additional costs and not make any such appointments until approval is received from the LA

Value of Licensed deficit sought	£
Date approved by Full Governing Body	

Please return this form by 31 May to

**Schools Finance Team
Quadrant
Cobalt Business Park
Siverlink North
NE27 0BY**

Fax 0191 643 2427

Email mandy.cappleman@northtyneside.gov.uk

Annex 3

School Budget Deficit Recovery Plan

SCHOOL NAME		Year 1	Year 2	Year 3
Submitted Budget Plan	Annual Budget (current)	Projected Budget	Projected Budget	Projected Budget
Projected Cumulative Outturn				
In Year Outturn				
Pupil Numbers - EY				
Pupil Numbers - R - Y11				
Pupil Numbers - P16				
FTE Teachers				
Recovery Plan				
Year 1				
Year 2				
Year 3				
Total savings per year		0	0	0
Submitted Budget Plan	Annual Budget (current)	Projected Budget	Projected Budget	Projected Budget
Projected Cumulative Outturn	0	0	0	0
In Year Outturn	0	0	0	0

* Please note these figures should be taken from submitted NTC 3 Year Budget Planning Tool

Deficit Approval Conditions example

This document will outline the conditions and agreed actions for approval of the deficit and will be updated at each review meeting.

School:			
Date of Issue:			
Head teacher and Nominated Governor Lead (Finance)	Insert names (Budget Holders/Accountable persons)		
Year that School entered into deficit and the deficit amount approved for the current financial year.	Date School entered into deficit:		
Deficit History:	Financial Year	Value	Year

Conditions for deficit approval	<p>Possible examples only – content could be tailored to each school's circumstances</p> <p>In addition to the school working within the current financial regulations, standing orders and all appropriate policy and procedures school must also ensure that it specially notes and adheres to the following:</p> <ol style="list-style-type: none"> 1. This deficit approval is for the xxxx year only. The school must continue to consider and take further action this year in order to prevent the longer term forecast from arising. 2. The school will continue to manage its financial position proactively and take management decisions that seek to secure its financial future including proposals for the repayment of licensed deficits. 3. The school will monitor its budget on a <u>half-termly</u> basis and report the updated position <u>at least half-termly</u> to the Governors and the Head teacher using the proforma monitoring report. A copy of this report and any agreed decisions resulting from it should be sent to your nominated Finance Officer within 10 working days of the meeting. Colleagues within the local authority (LA) will then review your report and determine if there is any further actions/ updates that the LA requires, you will then be given an update that this desktop review has been undertaken and if necessary, in accordance with note 8 below, be asked to provide additional clarity/ explanation and/ or attend/ be part
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of a further discussion.

4. The school will meet with the LA (or their designated representatives) as required to discuss spend to date/ monitoring position, schools action to date, future plans/ projections, issues/ concerns, etc. will be discussed to ensure that school are able to demonstrate that they are actively managing and taking all steps to address its deficit budget position, implementing agreed actions to the required standard and that school are able to predict a return to balance within an agreed/ reasonable time frame.
5. Additionally, to support the LA in its monitoring role, the school will provide the LA with information as requested periodically to support it to gain assurance that the school is taking all reasonable steps and applying the conditions stated in this agreement.
6. With the exception of Tier 1 (as outlined in the deficit letter issued) school will submit a business case for staffing changes in accordance with Tier 2 and 3 and will work with the officer/ partner teams to this effect. The school are aware that the LA may choose to prevent the school from changing/ varying staffing compliments, agency spend, etc. if it deems that the school are not able to clearly explain why said resources continue to be needed/ revised and/ or justify the impact of their actions on teaching and learning and outcomes for students.
7. On behalf of the LA Claire Emmerson, Senior Manager - Financial Strategy and Planning, must be notified immediately of any changes that may materially affect your school's financial position. This information will be shared with the Head of Resources who may request that the school attend to further explain these changes.
8. Any potential income or savings that can be realised within the current financial year must be used to reduce the school's deficit in year.
9. The approval and level of the deficit will to be reviewed on an annual basis and in accordance with Scheme for Financing Schools and the School Financial Regulations/ Standing Order the local authority confirm that it will advise the school with appropriate notice where it will no longer support a deficit.
10. Where it has been agreed that a defined deficit reduction will be achieved in year (or a repayment against a previous year(s) deficit remains, this target will become a condition of the deficit approval arrangements. School will be clear on that the reduction target is, what the time frame will be and what any failure to achieve this may entail.
11. Failure to work within your deficit approval in accordance with these terms, working within the premise that the deficit must reduce in-year and the residual deficit must be repaid within

	the set time frame, may result in the school's delegated budget being considered for withdrawal.
Agreed Actions:	Agreed action will be recorded and reviewed at follow up meetings

Dates for Review:

Date:	
In attendance:	
Update:	
Agreed Actions:	

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