

## Schools Finance - Monitoring and Intervention Policy

### Introduction

This document sets out the policy and procedures of the Council with respect to monitoring and intervention of maintained schools' finances. The policy is reviewed annually and the Strategic Finance Lead (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 Council and schools. The Scheme states that schools are not permitted to overspend without obtaining the Council's prior approval from either LCC's Strategic Finance Lead (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 Council's Schools Finance team's work in monitoring and intervention has evolved over time. It remains an important and integral part of the Council's overall approach to the monitoring and intervention process of maintained schools' finances.

It is through the Schools Finance team's monitoring and intervention process that the Council's responsibilities under the Scheme are discharged.

### The Council's approach to monitoring and intervention for finance

The Council 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 an 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.
- They have set a deficit budget for the current financial year.
- 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 relating to financial administration.
- They have not submitted the Schools Financial Value Standard (SFVS) in accordance with the timescales set by the Council 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 Council'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 31<sup>st</sup> May. Schools will be contacted and maybe asked to resubmit their MTFP and forecast 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 Provision Planning 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.

Any school that is identified as triggering the Monitoring and Intervention Policy, will receive a letter from the team informing them they have triggered the policy. This letter is sent to the H/Teacher of the school, the Chair of Governors of the school and the Locality Lead within the Education Team within Children's Services.

### **Monitoring and Intervention Review Meeting**

The Strategic Finance Manager for Schools Finance Team and the Finance Team Managers of Schools Finance Team will meet on a monthly basis to monitor those schools who have been identified as triggering the Monitoring and Intervention Policy, actions will be agreed and shared with the Responsible Officer within Schools Finance Team who has been assigned to each school.

A targeted / tailored approach is applied to each school, typically this will involve:

- Responsible Officer contacting the school in September to discuss if any red flags have been highlighted since the budget was set in the summer term.
- Updated Medium Term Finance Plan submitted to Schools Finance Team in the autumn and spring term.
- Forecast submitted to Schools Finance Team in the autumn and spring term.
- Feedback including constructive challenge is provided to the school based on revised information submitted so that this can be incorporated into financial planning. This maybe escalated to the Governing Body.
- Request to review Governor minutes where the financial position of the school is discussed.

## **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 M&I Review meeting (as detailed above). The Council will undertake a number of verification checks on a schools MTFP for accuracy purposes 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 Council will provide feedback confirming this position. The financial position will then be reviewed by the Council 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 Council'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.

## **Escalation procedures**

Maintained schools may be asked to meet with the Council's Strategic Finance Lead (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 Council's Strategic Finance Manager (Schools Finance Team) or Finance Team Manager (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 Council will consider annually whether schools that have overspent should be permitted to operate the prime account. Schools must satisfy the Council 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. An audit will also be required by LCC's Internal Audit Team to ensure a sound level of assurance is achieved before the school can proceed with prime account status.

The Council 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 Council will comply with DfE guidance in such circumstances.

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

### **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 MTFP's based on different options (e.g. differing pupil number projections) so that a number of scenarios can be prepared for.

Schools are required to submit a MTFP as per the Scheme for Financing Schools. For those schools who utilise BW, they are required to use the Council's MTFP software.

### **Budget Monitoring - Best Practice**

It is essential that schools undertake regular budget monitoring to support its financial health. Schools should reconcile their payroll and review income and expenditure on a monthly basis. It is recommended that schools calculate a forecast, for those schools using BW, schools should forward a forecast to Schools Finance Team on a monthly basis, however as a minimum, forecasts should be forwarded to Schools Finance Team in September, November and January. Due to the importance of submitting a forecast, the Council has introduced a schools alert process for forecasting to actively encourage schools to undertake this element of the budget monitoring process. Further advice is communicated to schools and is also available within the Finance Handbook.

It continues to remain important for schools to regularly monitor their spending against the budget (current and future years), to enable timely decisions to be

made by the school. Scenario planning by the school is encouraged to support this process.

### **Information requirements of schools**

If schools are requested to provide an up-to-date MTFP or forecast 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 Council can assess and advise on their suitability.

### **Notice of concern**

The Council 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 Perspective Lite and included in the Schools' Finance Handbook. It will also be copied to officers involved in the Council's monitoring and intervention process.

### **Review Mechanism**

This policy will be reviewed on an annual basis.

Mark Popplewell  
Strategic Finance Lead (Children's Services)

May 2025

### **Notice of Concern**

### **Appendix 1**

The Council may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Executive Director of Resources or the Executive 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 Council 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 Council;
- insisting on regular financial monitoring meetings at the school attended by Council officers;
- requiring a governing body to buy into the Council'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 forecasts 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 Council may take where the governing body does not comply with the notice.