

**Notice of Concern (2016-17)**

**School scheduled for closure, amalgamation or to become an Academy – where probability of deficit**

When a school closes, amalgamates or becomes an Academy it legally closes, even if a successor school opens on the same site.

In some instances there is a danger that schools may close with a deficit which could then fall on the local authority or the successor school dependent on the EFA rules on this applicable at the time.

If a deficit is projected/anticipated an urgent meeting will be arranged between Schools Finance, School Effectiveness, the Headteacher, School Business Manager and The Chair of Governors/Finance. The school must bring to this meeting their updated budget plan and actions that are already planned or could be taken before conversion in order to reduce or remove any anticipated deficit.

Subsequent to this meeting a notice of concern letter will be sent by Finance including actions agreed at the meeting and the relevant sections of the following. If required this would include dates of subsequent meetings.

An example of a notice of concern together with suggested actions is shown below

The notice of Concern will be sent by the Head of Finance or their representative to the school Headteacher and Chair of Governors, and copied to School Effectiveness.

**NOTICE OF CONCERN  
EXAMPLE - ABC SCHOOL**

This Notice of Concern is being issued to ABC School in order to safeguard the financial position of the school and the Local Authority.

The Notice has arisen as a result of the decision for the school to close/ amalgamate/ become an Academy and where there is the probability of a deficit on conversion. The Notice will remain in force until the school closes/ amalgamates/ becomes an Academy. This Notice is not as a result of any breach made by the school, but is enacted as a matter of course to those schools in this situation to protect the financial position of the Authority.

The following reflect good financial practice when resources are limited and budget pressures exist so the school should already have the majority of these arrangements in place.

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The following conditions and limitations are being placed on the management of funds delegated to the school.

1. The Governing Body will approve/produce a budget that does not increase/reduces any existing deficit and will operate to this to minimize any deficit on closure or conversion.
2. The Authority acknowledges that variations may arise in respect of the key risk items identified during the budget setting process, and that further review may give rise to additional costs not allowed for in the budget. Any variations which potentially increase the costs above the planned budget must be agreed by the Authority.
3. Where net costs are increasing the school should minimise any non essential expenditure.
4. A copy of the Authority's notice of concern letter should be made available by the school to all governors and members of the senior leadership team and should be adhered to at all times.

### **Staffing**

5. Any change to the staffing profile that has not been identified in the budget, must be agreed by the Governing Body.
6. Any change to the staffing profile that gives rise to additional costs not allowed for in the budget must be agreed by the Authority.
7. The staffing budget will be closely monitored by the school and virements actioned where appropriate.
8. The supply/agency budget will be closely monitored. Current and expected expenditure will be reported to Governors as part of the monitoring reports.

### **Non-Staffing**

9. A list of budgets will be drawn up. Each budget will have a named budget holder, an agreed spending plan and an allocation of funds. Virements are allowed between budget holders but the Authority must be advised of any item that cannot be contained within the overall budget.
10. The Governing Body will authorise all individual expenditure items greater than £5,000.

### **Budget Monitoring**

11. The Head teacher and School Business Manager will hold meetings on at least a monthly basis to review the budget position. Following these meetings the updated financial projections should be shared with Schools Finance and Governors.

### **Other**

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12. The Governing Body may not enter into lease agreements running beyond the conversion date without prior approval from Schools Finance.
13. The Authority will contact the Headteacher and Chair of Governors if it has any concerns about the direction of travel of the school's finances.
14. The Authority also reserves the right to apply to the Secretary of State to withdraw delegation and/or create an Interim Executive Board (IEB) if the agreed budget and these conditions are not adhered to.