LMS Document
No. 2023/05






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Dear Colleagues

**Strategic Financial Planning in schools**

The local authority appreciates the detail that you included in the one year and three year strategic budget plans you have submitted to the School’s Accountancy Team. This allows the local authority to have a greater understanding of the financial position of schools and the financial challenges you may be facing.

School leaders will recognise the need to review their budgets strategically over the next few months to make proactive strategic decisions to ensure that the budgets remain balanced in coming years.

The Schools Accountancy Team will be contacting schools where there are concerns about future budget and strategic plans and to have discussions about how the situation can be supported and managed to ensure long term financial viability.

The local authority no longer holds central funding, which used to be top sliced from school budgets, to support schools financially. The local authority stopped this top slice, through de delegation, when it became a requirement from government for council’s to de delegate funding from all maintained schools to cover the loss of the Local Authority Monitoring and Broking Grant in April 2023. This means that finances will need to be managed locally by schools. The scheme for financing maintained schools also states that the local authority is not permitted to write off deficit balances in schools. The scheme for financing schools also states that schools must submit a recovery plan to the local authority if a deficit rises above 5% of income at the end of any financial year, however local authorities can set lower thresholds or criteria. Suffolk County Council would expect schools to submit a recovery plan if they have any level of deficit budget, especially in these uncertain times around funding and cost of living.

If you find yourself in a situation where you have to restructure your school to reduce staffing levels it cannot be assumed that the local authority will meet the redundancy costs. Again, the scheme for financing schools states that the default position is that premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the local authority’s budget except where:

**Redundancy**

* if a school has decided to offer more generous terms than the local authority’s policy, then it would be reasonable to charge the excess to the school.
* if a school is otherwise acting outside the local authority’s policy
* where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
* where staffing reductions arise from a deficit caused by factors within the school’s control
* where a school has refused to engage with the local authority’s redeployment policy

**Premature retirement**

Charge of premature retirement costs to local authority non-schools budget or central schools budget

* where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
* where a school is closing, does not have sufficient balances to cover the costs and where the central schools budget does not have capacity to absorb the deficit.
* where charging such costs to the school’s budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
* where a school is in special measures, does not have excess balances, and employment of the relevant staff is being or has been terminated as a result of local authority or government intervention to improve standards.

If you are concerned about your budgetary position then please contact Michael Quinton, Senior Accountant, Schools Accountancy Team, Suffolk County Council. His email address is [Michael.Quinton@suffolk.gov.uk](mailto:Michael.Quinton@suffolk.gov.uk)

Kind regards



**Emma Laflin**

**Head of Organisational Support**

**Education, Skills and Learning**

**Children & Young People Services**