

# Financial High Risk Policy for Maintained Schools

## Identification, Supporting and Reporting Process

Finance Team – April 2026



**This document sets out the Milton Keynes City Council (MKCC) approach to identifying, supporting and reporting requirements of those schools that have been deemed as high risk in terms of their financial position.**

## **1 Background**

- 1.1. The Local Authority (LA) has a duty to ensure that all maintained schools remain in good financial health. This is defined under the [Education Act 1996](#) and outlined in the [Scheme for Financing Schools](#), which sets out the financial relationship between the authority and the schools which it maintains.
- 1.2. To ensure that schools remain in good financial health, the finance team request information from schools on their financial position and require this to be submitted on a quarterly basis. This information is analysed together with the annual budget and from time to time, additional information may be requested to seek assurance that schools are managing their finances well, therefore full open bookkeeping will be required.
- 1.3. The following guidance is intended to give schools information on how school finances are reviewed and when additional information will be required. If a school is identified as being high risk, then the finance team will provide support by way of a traded service until such time as assurance is confirmed on the financial sustainability of the school. This will be in line with chargeable services previously provided by MKCC's schools finance traded services that was ceased from 1st April 2022.
- 1.4. This guidance does not replace or supersede any other policies; it is designed to identify at an early stage any schools that will potentially have current or longer-term difficulty in balancing their budget.

## **2 Identification**

- 2.1. The initial source of information used to review the financial position of a school is the annual budget plan which is submitted to the finance team by 1 May. During the financial year other further reviews will take place by reviewing monitoring forecasts, revised budget plans and three-year budget plans.
- 2.2. All schools predicting a year-end deficit balance will be identified as high risk and informed of the process and reporting requirements.
- 2.3. All schools converting to a sponsored academy will be identified as high risk and informed of the process and reporting requirements.
- 2.4. Schools that are predicting an in-year deficit will not automatically be identified as high risk however additional information will be requested. It is therefore essential that schools predicting an in-year deficit provide the additional commentary on their budget plan to avoid the need for providing further clarification at a later date. An in-year deficit may be as a result

of a one-off issue or unexpected costs, and it is expected that the school already have a plan in place to recover this in future years.

2.5. Other situations where a school **may** be identified as being a high financial risk includes:

- An in-year deficit with no clear plan for reducing expenditure or increasing income in future years. The size of the in-year deficit relative to the size of the school budget will be considered
- Schools ending the year with a revenue deficit
- Schools undergoing significant organisational change
- Schools with significant reductions in pupil numbers
- Schools who have had concerns raised through an internal audit review
- Non-compliance with reporting deadlines
- Concerns raised from school improvement colleagues
- Schools which have a Performance Board in place

### **3 Additional Reporting**

3.1. If you are identified as a high risk school the finance team will inform the Head Teacher, Chair of Governors, School Business Manager, Assistant Director of Learning and Inclusion, Head of Finance and the Improvement Partner outlining the reasons for the decision. This will include a request for any further information required and may include the finance recovery plan, benchmarking comparisons, structure charts, transactions reports, etc.

3.2. A meeting will be arranged between the school and the finance support and will take place within ten working days of the high risk notification being issued. The Chair of Governors will be invited to attend the meeting but is not required to do so. This meeting will allow for introductions, the role of finance, the role of the school and a fact finding opportunity.

3.3. The frequency of future review meetings will be determined once the facts have been established. The follow up meetings will review the progress being made against the action plan, agreeing new actions (if required) and a review of the financial position based on the latest returns.

3.4. This support will continue until such a point where the school is no longer deemed high risk, at which point they will return to the normal monitoring timescales. This will be confirmed to the Head Teacher, Chair of Governors, School Business Manager, Assistant Director of Learning and Inclusion, Head of Finance and the Improvement Partner. It is our aim to identify schools, seek assurance and remove them from the high risk list as quickly as possible.

### **4 Non Compliance**

- 4.1. This guidance clearly sets out the responsibilities of schools to engage with the authority if there are concerns about the financial position of their school. If a school does not engage with this process (including submitting information within agreed timescales or deemed not to be implementing changes to address the financial position within a timely manner) they will be escalated to the Head of Finance and Assistant Director of Learning and Inclusion.
- 4.2. As outlined in the [Scheme for Financing Schools and the Maintained Schools Protocol](#), the authority has a responsibility to ensure effective financial management in maintained schools and failure to engage could result in additional steps being taken. This could include escalation to the Director for Children's Services and Section 151 Officer, issuing a notice of concern or withdrawal of delegation.
- 4.3. In the event that a school is issued with a Notice of Concern a Schools Finance Board will be implemented to ensure there is clear and robust governance in place and report to the Director of Children's Services and the Section 151 Officer. The board will consist of MKCC officers, Head Teacher and Chair of Governors with the aim being to support the school with a recovery plan to ensure future sustainability. Any school who is classified as high risk or issued with a notice of concern will be classified as 'Grade F' as per the Milton Keynes School Improvement Framework due to the significant level of financial risk.

