



**Democratic Services**

**Location:** Phase II  
**DDI:** 01895 250185  
**CMD No:** 2026/1683

**To: COUNCILLOR SUSAN O'BRIEN  
CABINET MEMBER FOR CHILDREN, FAMILIES & EDUCATION**

**COUNCILLOR EDDIE LAVERY  
CABINET MEMBER FOR FINANCE & TRANSFORMATION**

c.c. All Members of the Children, Families & Education Select Committee  
c.c. Julie Kelly – Corporate Director, Children’s Services  
c.c. Steve Muldoon – Corporate Director, Finance  
c.c. Abi Preston / Luisa Hansen – Children’s Services

**Date:** 02 April 2026

**Non-Key Decision request Form D**

**Policy on Supporting Schools in Financial Difficulty**

Dear Cabinet Members,

Attached is a report requesting that a decision be made by you as an individual Cabinet Member. Democratic Services confirm that this is not a key decision, as such, the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 notice period does not apply.

You should take a decision **on or after Tuesday 14 April 2026** in order to meet Constitutional requirements about publication of decisions that are to be made. You may wish to discuss the report with the Corporate Director before it is made. Please indicate your decision on the duplicate memo supplied and return it to me when you have made your decision. I will then arrange for the formal notice of decision to be published.

Liz Penny  
Democratic Services

**Title of Report:** Policy on Supporting Schools in Financial Difficulty

**Decision made:**

**Reasons for your decision:** (e.g. as stated in report)

**Alternatives considered and rejected:** (e.g. as stated in report)

Signed ..... Date.....

*Cabinet Member for Children, Families & Education / Cabinet Member for Finance & Transformation*

# Policy on Supporting Schools in Financial Difficulty

<b>Cabinet Member &amp; Portfolio</b>	Cllr Susan O'Brien - Cabinet Member for Children, Families & Education Cllr Eddie Lavery – Cabinet Member for Finance & Transformation
<b>Responsible Officer</b>	Julie Kelly - Corporate Director of Children's Services Steve Muldoon - Corporate Director of Finance
<b>Report Author &amp; Directorate</b>	Abi Preston - Abi Preston - Director of Education & SEND Luisa Hansen - Head of Finance - Children's & SEND
<b>Papers with report</b>	Policy on Supporting Schools in Financial Difficulty

## HEADLINES

<b>Summary</b>	Updated Policy on Supporting Schools in Financial Difficulty. The previous version was approved by Cabinet Members in July 2024.
<b>Putting our Residents First</b> <b>Delivering on the Council Strategy 2022-2026</b>	This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents  This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council
<b>Financial Cost</b>	Not applicable
<b>Select Committee</b>	Children, Families and Education Select Committee
<b>Ward(s)</b>	Not applicable

## RECOMMENDATIONS

**That the Cabinet Members approve the new policy for Supporting Schools in Financial Difficulty to enable schools to be supported to be financially sustainable.**

### Reasons for recommendation(s)

Schools continue to face sustained financial pressures arising from falling pupil rolls, rising staffing costs and inflation, making it increasingly challenging to operate within delegated budgets. The Local Authority has statutory responsibilities for the financial oversight of maintained schools, including ensuring effective financial management and intervening where a school's financial position is at risk, as required by the School Standards and Framework Act 1998 and the statutory Scheme for Financing Schools.

The Education Improvement Team and the Schools Finance Team operate jointly within the strengthened 2026 policy and in accordance with the statutory requirements set out in the DfE's Schemes for Financing Local Authority Maintained Schools 2026 - 27 and the Hillingdon Scheme

for Financing Schools 2026 - 27. Together, these frameworks set clear expectations for financial planning, mandatory three-year budget forecasting, recovery planning where deficits emerge, and the circumstances in which the Local Authority must escalate intervention to safeguard the financial position of schools and the Council.

The 2026 policy provides a clearer and more robust framework for identifying and managing financial risk in maintained schools. It sets out the financial risk categories, strengthens requirements for regular monitoring, and formalises the conditions under which a licensed deficit may be agreed, including the statutory three-year repayment limit. The policy also clarifies the Local Authority's use of Notices of Concern, issued where action is required to safeguard the financial position of either the school or the Council, and distinguishes these from Warning Notices, which relate to wider governance and educational concerns, consistent with national statutory guidance.

### **Alternative options considered / risk management**

The other options are to:

#### **1. Do nothing (retain no policy or the outdated 2024 policy)**

This option is not viable. Without an up-to-date policy aligned to the statutory DfE Schemes for Financing Local Authority Maintained Schools 2026 - 27 and the Hillingdon Scheme for Financing Schools 2026 - 27, the Council would have significantly reduced oversight of schools' financial health and limited ability to intervene at an early stage. This would heighten financial risks to the Council, including further increases in both the number and scale of school deficits, and would not meet the statutory expectations placed on local authorities for financial monitoring, deficit recovery planning, and use of Notices of Concern.

#### **2. Adopt a different approach to supporting schools**

The Education Improvement Team and the Schools Finance Team are required to operate within the statutory framework set by:

- the School Standards and Framework Act 1998, which establishes the delegated funding and financial governance duties of the Local Authority
- the Education and Inspections Act 2006, which sets out the LA's intervention powers
- the DfE's statutory guidance Schemes for Financing Local Authority Maintained Schools 2026 - 27
- the Hillingdon Scheme for Financing Schools, which is binding on both the Local Authority and schools

The 2026 policy has been specifically designed to comply with these statutory requirements. Any alternative approach would risk non-compliance with the national framework and would weaken the Council's ability to maintain effective financial oversight of its maintained schools.

### **Select Committee comments**

None at this stage.

## SUPPORTING INFORMATION

### Current financial position of maintained schools

1. At the financial year ending 31 March 2025, 12 maintained schools were in deficit. Of these, eleven are infant/primary schools and 1 is a secondary school. This reflects sustained cost pressures, falling pupil numbers and reduced financial resilience across the sector, consistent with national trends in financial stress reported among local authority maintained schools.
2. The Schools Finance Team works closely with schools to review financial plans, provide challenge and support on budget setting, and assess financial risk through statutory three-year budget forecasting. The 2026 policy strengthens expectations for early intervention, requiring schools to produce recovery plans where deficits exceed the statutory 5% threshold at 31 March, and introduces enhanced monitoring arrangements, including monthly reporting for schools in financial difficulty. These requirements reflect the statutory framework set out in the DfE's Schemes for Financing Local Authority Maintained Schools 2026–27 and the Hillingdon Scheme for Financing Schools 2026 - 27.
3. Given the increasing number of schools at risk of moving into deficit, a strengthened and transparent policy is essential to ensure consistent application of financial controls, compliant financial management, and timely escalation where required. The 2026 policy provides a clear structure for monitoring, intervention, and recovery, enabling the Local Authority to discharge its statutory responsibilities and safeguard both school level and Council wide financial stability.

### Financial Implications

The 2026 policy forms a key part of the Local Authority's statutory financial governance framework for maintained schools. It supports the Authority to discharge its responsibilities under the School Standards and Framework Act 1998, the School and Early Years Finance (England) Regulations 2026, and the Hillingdon Scheme for Financing Schools 2026 - 27, which sets the legally binding financial controls and monitoring requirements for all maintained schools.

The policy incorporates a number of statutory and regulatory requirements, including:

- the submission of three-year budget forecasts by 31 May each year, as required by the DfE Schemes for Financing Schools
- the requirement for schools to produce deficit recovery plans where their revenue deficit exceeds 5% at 31 March, in line with national guidance
- the operation of licensed deficit agreements, which must be repaid within a maximum of three years and are subject to enhanced monitoring by the Authority
- the charging of interest on cash advances at the prevailing SONIA rate, in accordance with the Hillingdon Scheme for Financing Schools

These arrangements strengthen financial oversight across the maintained sector, promote earlier identification of financial risk, and help ensure that deficits are addressed promptly. By embedding

these statutory requirements within the 2026 policy, the Council is better able to safeguard both school level financial sustainability and the Authority's overall financial position.

The policy increases the level of financial oversight required from the Council but has no direct impact on the General Fund.

## **RESIDENT BENEFIT & CONSULTATION**

### **The benefit or impact upon Hillingdon residents, service users and communities**

A clear and up-to-date policy provides assurance to residents that maintained schools are being supported and monitored effectively, helping to ensure they remain financially sustainable and continue to deliver stable, high-quality education for local children. Strengthened expectations for early intervention, financial forecasting and deficit recovery - reflecting national statutory guidance and the 2026 policy - reduce the likelihood of sudden financial deterioration, minimise potential disruption for families, and support the efficient use of public funds.

### **Consultation & Engagement carried out (or required)**

The draft 2026 policy was presented to the Schools Forum on 25 March 2026 for consultation, in line with the statutory requirement for the Local Authority to consult maintained school representatives when revising policies and financial frameworks relating to school funding and oversight. Schools Forum considered and approved the policy at that meeting. This approach aligns with the consultation expectations set out in the DfE Schemes for Financing Local Authority Maintained Schools 2026 - 27 and the Hillingdon Scheme for Financing Schools 2026 - 27, both of which require local authorities to engage Schools Forum when revising school finance arrangements.

## **CORPORATE CONSIDERATIONS**

### **Corporate Finance**

Corporate Finance have reviewed this report and concur with the Financial Implications set out above, noting there are not direct financial implications associated with the recommendation contained in this report.

### **Legal**

There are no legal impediments to the recommendation set out within the report.

## BACKGROUND PAPERS

- [School Standards and Framework Act 1998](#)
- [Education & Inspection Act 2006](#)
- [Education Act 2002](#)
- [The School and Early Years Finance \(England\) Regulations 2026](#)
- [Schemes for financing local authority maintained schools 2025 to 2026 - GOV.UK](#)
- [Scheme-for-Financing-Schools-Policy-March-2026](#)

## TITLE OF ANY APPENDICES

Appendix 1 - Draft Policy on Supporting Schools in Financial Difficulty March 2026

# DRAFT

# Policy on Supporting Schools in Financial Difficulty

March 2026



**HILLINGDON**  
LONDON

[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

# Policy on Supporting Schools in Financial Difficulty

## 1. Purpose

- 1.1. The Policy is being implemented to provide greater clarity on the financial responsibility of the Governing Board and Headteachers of our maintained Schools. It is being introduced to address gaps in practice which have emerged in recent years and in a climate where schools are facing the combined challenge of spiraling costs and falling rolls.
- 1.2. The aim is to support schools to operate within a balanced budget on a sustainable basis. The priority for the Policy is, therefore, to establish a clear and effective framework for how we support those schools which are either in deficit or falling into deficit to recover.
- 1.3. The delegated budget responsibility of the authority and the schools is set out in the School Standards and Framework Act 1998 and Education & Inspection Act 2006.
- 1.4. This policy will be applied in a proportionate, transparent, and reasonable manner, having regard to the individual circumstances of each school, including educational outcomes, demographic pressures, sustainability considerations, and statutory duties.

## 2. Deficit

- 2.1. Schools are permitted to set a deficit budget if they meet certain conditions. This is termed as a licensed deficit. The conditions of a licensed deficit are set out in the Scheme for Financing Schools.
- 2.2. The conditions of a licensed deficit include a requirement to have a robust plan to repay it within three years. This will be closely monitored and reviewed by the Council during the period of the deficit.
- 2.3. Applications for a licensed deficit must be submitted to the Local Authority by 31 May each year (or the last working day in May where 31 May falls on a weekend), and schools will be informed of the outcome after July Cabinet. Under statute, the local authority is not permitted to write off the deficit balance of any maintained school (Scheme for Financing Schools, s.4.7).
- 2.4. If the conditions are not met by the school, the Council has the power to issue a Notice of Concern (under the [Schemes for financing local authority maintained schools 2025 to 2026 - GOV.UK](#)) and, where concerns relate to governance or management breakdown, a Warning Notice (under the [Support and Intervention in Schools](#) statutory guidance (DfE, November 2025)). These are distinct instruments and their use is explained in Appendix B. Either may ultimately lead to the removal of a school's delegation.
- 2.5. This policy applies to both in-year deficit positions (where a school is forecasting an overspend against its budget share within the current financial year) and cumulative carried-forward deficits

(where negative balances have been brought forward from previous years). Both require prompt engagement with the Schools Finance Team and appropriate recovery planning.

### 3. Risk Oversight, Monitoring & Management Framework:

3.1. The diagram below sets out the details of the arrangements for the Finance and Education Improvement Teams to support the Governing Board and Headteachers to jointly oversee, monitor and support with the preparation, management, and delivery of Deficit Recovery Plans. The framework arranges Schools by financial risk and the significance of any deficit, based on those with a:

1. **Green** – Surplus with no identified risk
2. **Amber** – Surplus reducing and trending towards deficit
3. **Blue** – Deficit reducing and trending towards surplus
4. **Red** – Significant and sustained deficit (persisting for more than one year)

3.2. The framework sets out eight risk scenarios providing the platform for how the authority will oversee, monitor, and support. Each scenario details proportionate steps, applied jointly with the school, to monitor the Budget and review where a school is in deficit or going into deficit. The details of how this will operate to reduce, remove, and prevent a deficit are set out in the next section.

### Reducing Surplus

#### 1 Went into Deficit in the previous financial year:

- (1) Review with Education Improvement and Finance teams
- (2) School to prepare a Recovery Plan, and the Education Improvement and Finance Teams to review it
- (3) Recovery Plan to be reviewed and signed off by Director of Education and Head of Finance for Children's
- (4) Review with Education Improvement and Finance Teams
- (5) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (6) Continue to provide standard quarterly financial returns to Schools Finance team

#### 2 Budget Plan for current financial year takes School into Deficit:

- (1) Notify the Schools Finance team
- (2) School to prepare a Recovery Plan, and the Education Improvement and Finance Teams to review it
- (3) Recovery Plan to be reviewed and signed off by Director of Education and Head of Finance for Children's
- (4) Submitted for approval by Cabinet
- (5) Review with Education Improvement and Finance Teams
- (6) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (7) Continue to provide standard quarterly financial returns to Schools Finance team

#### 3 School goes into Deficit during the current financial year:

- (1) Notify the Schools Finance team
- (2) School to prepare a Recovery Plan, and the Education Improvement and Finance Teams to review it
- (3) Recovery Plan to be reviewed and signed off by Director of Education and Head of Finance for Children's
- (4) Submitted for approval by Cabinet
- (5) Review with Education Improvement and Finance Teams
- (6) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (7) Continue to provide standard quarterly financial returns to Schools Finance team

### Deficit – High Scale and ongoing (Over 1 year)

#### 4 High level of Cumulative Deficit with:

- (1) Recovery Plan in place
- (2) Ongoing review with Education Improvement & Finance teams.
- (3) Require licensed deficit to be approved by Cabinet
- (4) Review with Education Improvement and Finance Teams
- (5) Monthly reporting to the Schools Finance Team to monitor deficit & progress on recovery
- (6) Continue to provide standard quarterly financial returns to the Schools Finance team

#### 5 Increasing level of Deficit in-year

- (1) Notify the Schools Finance team
- (2) Schools with a deficit should submit an SRMA application for a standard review
- (3) School to prepare an updated Recovery Plan, and the Education Improvement and Finance Teams to review it
- (4) Recovery Plan to be reviewed and signed off by Director of Education and Head of Finance for Children's
- (5) Submitted for approval by Cabinet
- (6) Review with Education Improvement and Finance Teams
- (7) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (8) Continue to provide standard quarterly financial returns to Schools Finance team

#### 6 Plan an Increased Deficit in the Budget for current financial year:

- (1) Notify the Schools Finance team
- (2) School to prepare an updated Recovery Plan, and the Education Improvement and Finance Teams to review it
- (3) Recovery Plan to be reviewed and signed off by Director of Education and Head of Finance for Children's
- (4) Submitted for approval by Cabinet
- (5) Review with Education Improvement and Finance Teams
- (6) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (7) Continue to provide standard quarterly financial returns to Schools Finance team

### Surplus (Primary – 5% and Secondary – 8%)

#### 7 School with Cumulative surplus:

- (1) Surplus b/f, with a Budget Plan showing surplus in current financial year and remaining in surplus in-year
- (2) Normal quarterly financial returns provided to the Schools Finance Team

#### 8 School with Cumulative surplus and In Year Deficit:

- (1) Surplus b/f, with a Budget Plan showing a deficit in current financial year and remaining in surplus at the end of year
- (2) If the in-year deficit is part of planned spend – nothing required
- (3) If the in-year deficit is due to an overspend on budget share due to normal business activity, review why the school is overspending to ensure issues are resolved before the school's surplus reduces and the school goes into deficit

### Reducing Deficit

#### 9 Low level of Deficit:

- (1) Recovery Plan in place and delivering year-on-year recovery, indicating a balanced budget within a 3-year plan cycle
- (2) School to prepare an updated Recovery Plan, and the Education Improvement and Finance Teams to review it
- (3) Review with Education Improvement & Finance teams.
- (4) Monthly reporting to the Schools Finance to monitor deficit & progress on recovery
- (5) Continue to provide standard quarterly financial returns to Schools Finance team

## **4. Strategy to Support Schools in Reducing / Eliminating or Avoiding a Deficit**

Support/requirements for schools setting a deficit budget:

4.1. As set out in the framework all schools planning to set a deficit must:

- 4.1.1. Notify the Schools Finance team of the deficit promptly and in writing.
- 4.1.2. Arrange a joint review with the Education Improvement and Finance team to examine the resources, costs and variance analysis, and benchmarking, and to identify the underlying drivers for any remaining deficit.
- 4.1.3. Where a deficit remains, the next stage will require the school to prepare a Recovery Plan, including clear milestones and timescale for returning to a balanced budget, for review by the Education Improvement and Finance Teams.
- 4.1.4. Schools submit their Recovery Plan to the Director of Education & SEND and Head of Finance for Children's Services for initial review and sign-off. The Recovery Plan then requires approval from the Corporate Director of Finance and the Corporate Director of Children's Services before being presented to Cabinet in the Summer.
- 4.1.5. Each school receives a formal letter after July Cabinet agreeing in principle their licensed deficit, setting out the conditions to adhere to whilst in deficit, and highlighting any concerns or further actions required.
- 4.1.6. The Recovery Plan must be formally revisited and resubmitted each year with the annual budget submission. Under no circumstances will the period of recovery be extended beyond three years; schools must therefore adjust their plans accordingly if their financial position worsens during this period (Scheme for Financing Schools, s.4.9).
- 4.1.7. For those schools in the High Scale & Ongoing Risk category (Red), the Finance Team and Education Improvement Team will arrange to undertake a review of the Recovery Plan. The purpose is to review, challenge, and advise on the deficit recovery plan and progress in closing the gap and restoring a balanced position as soon as possible.
- 4.1.8. To support delivery of the Recovery Plan, schools must provide monthly monitoring reports to the Schools Finance Team, highlighting progress against milestones and identifying any emerging issues or risks.

In addition, the school will continue to submit the standard quarterly finance returns to the Schools Finance team and will submit the 3-Year Budget Plan by the yearly stated deadline for budget submission.

4.2. Support for all schools:

- 4.2.1. Regular communication about school funding and school budgets will be provided to school leaders via briefings and from the Schools Forum.
- 4.2.2. Separate finance training courses for Governors, Headteachers, School Business Managers and school finance staff are run throughout the year.
- 4.2.3. All schools buying the accountancy service are provided with budget planning and monitoring tools. These are available to purchase for schools not buying back. As part of a viable recovery plan, any school with a deficit will be required to purchase this service as part of a comprehensive system of support.
- 4.2.4. Facilitate workshops for groups of schools on specific savings strategies, such as for alternative staffing structures.

## **5. Intervention for schools not meeting their deficit recovery plan.**

5.1. The trigger points for intervention are as follows:

- 5.1.1. A school's deficit has grown (either by the end of the financial year or the following year's budget), based on documented evidence.
- 5.1.2. The deficit repayment period increases beyond agreed timescales.
- 5.1.3. The monitoring meetings identify an unrealistic or high-risk deficit recovery plan without adequate contingency measures.
- 5.1.4. The monitoring process identifies that the school is not adhering to its recovery plan and the deficit is likely to increase.
- 5.1.5. The school fails to submit required monitoring returns or budget documentation by agreed deadlines.
- 5.1.6. An internal or external audit raises concerns about the adequacy of financial controls or gives a limited or minimal assurance opinion.
- 5.1.7. The school fails to comply with the Schools Financial Value Standard (SFVS) by the LA's stated deadline, or the SFVS submission identifies significant unresolved issues.
- 5.1.8. Significant changes to pupil numbers are forecast that will materially affect the school's funding and which have not been reflected in revised financial planning.
- 5.1.9. The school is subject to an Ofsted inspection judgement of Requires Improvement or Special Measures where there are concurrent financial concerns.

5.2. If a school does not follow the recommendations (or determine its own realistic alternative), the local authority will issue a formal warning letter. More details on the intervention process are provided in Appendix A. If a school does not engage with or follow the recommendations made through the monitoring and support process (or cannot demonstrate its own credible alternative), the local authority will issue a formal Notice of Concern. Where there is also evidence of broader governance or management breakdown, a Warning Notice may be issued concurrently or subsequently under the Support and Intervention in Schools statutory guidance (DfE, November 2025). The intervention process and the criteria for issuing a Notice of Concern are set out in detail in Appendix A. The distinction between a Notice of Concern and a Warning Notice is explained in Appendix B.

## **6. Management of the Strategy**

6.1. The Director of Education & SEND and the Head of Finance for Children's will review the financial position of maintained schools across the Borough termly to discuss latest projections, measures to lower deficits and wider financial positions of schools.

## **7. Appendices**

7.1 Appendix A – Process for Intervention

7.2 Appendix B – Distinction: Notice of Concern and Warning Notice



# Process for Intervention

## Background

The aim of the strategy is to reduce the number of schools in, or at risk of, deficit and to support sustainable financial management. Over time, the cost of intervention should reduce as schools strengthen efficiency and value-for-money practices to maintain a balanced budget.

In the event that a school does not put in place and implement a robust deficit recovery plan, or does not engage with recommendations made through the monitoring and support process, the strategy sets out trigger points for intervention. The appropriate intervention tool (Notice of Concern or Warning Notice) will be determined having regard to the circumstances and the statutory framework applicable to each case.

This note sets out the legal position and sets out in more detail the process for this element of the strategy.

## Delegation and Charging Schools

Part 2 of the School Standards and Framework Act 1998 requires local authorities to provide maintained schools with a delegated budget share and gives the governing body of each school delegated responsibility in managing their school's budget share.

The Act requires local authorities to produce a Scheme for Financing Schools which sets out all matters connected to financial delegation, and which complies with current school finance regulations.

The strategy identifies clear trigger points when intervention by the authority becomes necessary to support schools in deficit or at risk of deficit to establish a remedial action plan that will deliver a balanced budget. Where a school in financial difficulty refuses to engage, fails to deliver the recovery plan, or plans to overspend or remain in deficit, the authority may issue a Notice of Concern and, if applicable, escalate to a Warning Notice under sections 60–66 of the Education and Inspections Act 2006. Ultimately, the authority may withdraw delegated budget responsibility and directly manage the school's budget, in accordance with Section 66 of the Education and Inspections Act 2006 and the financial delegation framework set out in the School Standards and Framework Act 1998.

The direct costs of any additional intervention support may, and in most cases will be charged to the school where this is appropriate and proportionate, following discussion and agreement with the school. Where a school delays engagement or defers taking necessary remedial

action, resulting in further deterioration of its financial position, the authority may recover the associated costs.

The process for intervention and removal of delegated responsibility is set out below.

## **The Route to Removing Delegation**

A Local Authority may issue a warning notice to Governors if there is a breakdown in the way a maintained school is managed or governed, and this is likely to adversely affect standards of pupils' performance. This includes a failure to oversee the financial performance of the school and ensure money is well spent – one of the core strategic roles of a Governing Body. The notice must set out:

1. The matters on which the concerns are based.
2. The action which the Governing Body is required to take to address the concerns raised.
3. The period within which the Governing Body must comply or secure compliance with that action.
4. The action which the LA is considering under one or more of sections 63 to 69 of the Education and Inspections Act 2006 or otherwise if the Governing Body does not take the required action.
5. A copy of the warning notice is to be sent to the headteacher and if applicable the diocese or foundation, and a copy to the relevant Regional Director (formerly RSC) and to Ofsted. The local authority is expected to work with their RSC to discuss where they judge that a warning notice is necessary.

The powers of intervention where a school does not comply with a warning notice are set out in sections 63 to 66 of the Education and Inspections Act 2006, as follows:

- Section 63 – requires the Governing Body to enter a particular arrangement. e.g., to enter into a contract for specified services of an advisory nature with a specified person.
- Section 64 – power to appoint additional Governors.
- Section 65 – power to appoint Interim Executive Board
- Section 66 – enables a local authority to suspend the governing body's right to a delegated budget.

Schedule 15 to the School Standards and Framework Act 1998 provides another route for removal of financial delegation. The local authority may suspend a school's right to a delegated budget where a school's governing body has persistently or substantially breached a requirement or restriction relating to its delegated budget, has not managed its budget share satisfactorily or has not managed satisfactorily its expenditure or sums received in the exercise of its power to provide community facilities and services under section 27 of the Education Act 2002. The notice must specify the grounds for the suspension; and the local authority must give the notice to the governing body and provide the headteacher a copy of the notice at the same time. The local authority is required to review the suspension within a specified period (and may do so earlier if it wishes).

## **Strategy for Schools in Deficit - Intervention Process**

Where a school does not engage with recovery of its deficit (following the initial review and support meeting) and meets one of the trigger points set out in the strategy, the process in the flow chart below will be followed, which complies with the latest regulations.

The timescale at each stage will be considered case by case to ensure the school has reasonable time to implement actions, while avoiding unnecessary delay in recovering the deficit. As a guide, stage timelines should ordinarily be no more than two months.

The intervention powers used at the final stage will be determined with respect to the school's circumstances and in line with the Education and Inspections Act 2006, and may follow discussion with the Department for Education (DfE). These powers may include the removal of delegation where warranted.



### **Notice of Concern and Warning Notice: Key Distinctions and When They Apply**

1. The London Borough of Hillingdon may use two legally distinct tools when escalating its response to schools in financial difficulty. It is important that both schools and the Council understand the difference between these tools, their legal basis, and how they interact.
2. **Notice of Concern (financial)**
  - A Notice of Concern is a financial governance tool issued by the local authority under the Scheme for Financing Schools (pursuant to Section 48 of the School Standards and Framework Act 1998). It is issued where, in the opinion of the Chief Finance Officer and the Director Education & SEND, a school has failed to comply with any provisions of the Scheme, or where action is needed to safeguard the financial position of the local authority or the school. The Notice sets out the reasons and evidence for its issue and may place restrictions, limitations, or prohibitions on the governing body in relation to the management of its delegated funds. These may include: requirements for additional financial monitoring and reporting; restrictions on certain categories of expenditure; mandatory training for finance staff and governors; insisting that an appropriately trained/qualified person chairs the Finance Committee of the governing body; requirements to purchase specific support services; and restrictions on procurement and leasing activity.
  - A Notice of Concern will clearly state the requirements and the timeframe within which they must be met for the notice to be withdrawn. It will also state the actions the local authority may take where the governing body does not comply. Copies will be sent to the Headteacher and, where applicable, to the Regional Director and Ofsted.
  - Circumstances that may give rise to a Notice of Concern include: a revenue deficit with no credible recovery plan; overspending above an approved Licensed Deficit agreement; failure to meet timescales set out in a Licensed Deficit agreement; an internal audit opinion of limited or minimal assurance; failure to submit the Schools Financial Value Standard (SFVS) by the LA's deadline or significant unresolved SFVS issues; breach of procurement rules; or the school being subject to an Ofsted judgement of Requires Improvement or Special Measures where there are concurrent financial concerns.
3. **Warning Notice (school improvement and governance)**
  - A Warning Notice is a formal school improvement intervention issued under Sections 60–66 of the Education and Inspections Act 2006. It is issued by the local authority (or by the Regional Group in certain circumstances) where there are serious concerns about governance, management, educational standards, or safeguarding. Unlike a Notice of Concern, a Warning Notice triggers formal statutory intervention powers if the school does not comply within the specified

period. The statutory grounds for issuing a Warning Notice to a maintained school are: unacceptably low standards of performance; a breakdown in management or governance; risks to the safety of pupils or staff; and failure to comply with teachers' pay and conditions. Source: DfE, Support and Intervention in Schools (statutory guidance, November 2025).

- If the governing body does not comply with a Warning Notice within the specified period, the local authority may use its intervention powers under the Education and Inspections Act 2006. These include: requiring the governing body to enter a particular arrangement (Section 63); appointing additional governors (Section 64); appointing an Interim Executive Board (Section 65); and suspending the governing body's right to a delegated budget (Section 66).

#### **4. How the two tools relate**

- A Notice of Concern is about protecting public funds. A Warning Notice is about protecting the quality of children's education and the safety of pupils and staff. They are legally and functionally distinct and are not interchangeable. However, they are complementary. A school in persistent financial difficulty combined with weak governance may be subject to both a Notice of Concern (to address the financial position) and a Warning Notice (to address the governance failure). In such cases, both the Finance and Education Improvement teams will co-ordinate their approaches.
- The decision to issue either notice rests with the appropriate senior officers (see the intervention process in Appendix A). Where the Regional Group has already issued a Warning Notice to a maintained school, the local authority may not issue a further such notice without Regional Group agreement (DfE, Support and Intervention in Schools, November 2025).