

A41. Deficit Budget Approval Process

Preamble

This section should be read in conjunction with section A4 Revenue Budget. Schools are not permitted to budget for a deficit unless prior approval of the FBP CEF in consultation, where appropriate, with the CFO and Director of Childrens' Services has been obtained, however the expectation is that deficits should not arise. Where approval is given, and in exceptional circumstances the deficit may be repaid over a maximum period of 5 years¹ though a 3-year limit will be the norm. Where a deficit is incurred the agreed amount will be the first charge against the budget share allocated to the school in the following financial year. These Financial Regulations explain the process and set out requirements.

Regulations

- 41.1. Immediately a potential overspend becomes apparent, i.e. where planned expenditure is likely to exceed the combined total of the school budget share and any accumulated balance, the Chair of Governors and the Headteacher shall ensure that the FBP CEF is informed in writing. Where the likely overspend arises as a result of unforeseen circumstances and is of sufficient magnitude that it cannot be fully corrected within the following financial year, the Governing Body shall submit a plan setting out how, and over what period, the deficit is to be recovered.² The plan shall be submitted to the FBP CEF, who shall determine the matter in consultation with the CFO and Director of Childrens Services.
- 41.2. Schools are expected to plan and submit a balanced budget. If a school can demonstrate in writing, that there are sound educational and/or financial reasons for the submission of a deficit budget³, the FBP CEF will consider the submitted deficit budget for approval. The Governing Body shall submit a written action plan setting out how, and over what period, the deficit is to be recovered.
- 41.3. The budget plan demonstrating the repayment of the deficit budget will normally not exceed 3 years. In exceptional circumstances (in cases of repairs and maintenance of replacement related expenditure) the deficit repayment period may be repaid over 5 years, the maximum period allowed. The deficit balance of any school will not be written off.

See also:

Scheme for Financing Schools – Section 4

¹ Subject to Section 4 of Scheme for Financing Schools.

² School cannot assume that approval will be automatically given.

³ A deficit budget plan by itself does not constitute an action plan.

- 41.4. The amount of the agreed deficit in any year will not exceed 5% of the school's annual ISB budget share. Budget plans covering the deficit for structural repair and maintenance will not exceed 10% of the school's annual ISB budget share, but will be dependent upon approval of the FBP CEF. Schools with agreed deficits will not be permitted to increase the size of or duration of the repayment period during the agreed period of the deficit.
- 41.5. The aggregate amount of authorised school deficit budgets will not exceed 50% of the aggregated surplus balances held by schools on the 31 March of the preceding year.
- 41.6. At the discretion of the local authority, approved deficit budgets will not incur interest. However, unapproved deficits will be charged interest at 3% above Base Rate⁴.
- 41.7 Where a school has a deficit revenue budget plan agreed the governing body is required, as a mandatory condition of agreement, to submit budget monitoring reports, as required in A8 Budget Monitoring, on a monthly basis in accordance with the following timetable.

Financial Period Month	Month end	Payroll information available date (provisional dates)	Budget Monitoring reviewed by Governors date	Budget Monitoring to local authority Submission date
1	April 2020	24 April 2020	11 May 2020	13 May 2020
2	May 2020	22 May 2020	8 June 2020	10 June 2020
3	June 2020	25 June 2020	8 July 2020	10 July 2020
4	July 2020	24 July 2020	7 August 2020	11 August 2020
5	August 2020	25 August 2020	7 September 2020	9 September 2020
6	September 2020	23 September 2020	5 October 2020	7 October 2020
7	October 2020	23 October 2020	9 November 2020	11 November 2020
8	November 2020	23 November 2020	7 December 2020	9 December 2020
9	December 2020	22 December 2020	8 January 2021	11 January 2021
10	January 2021	25 January 2021	8 February 2021	11 February 2021
11	February 2021	22 February 2021	8 March 2021	10 March 2021
12	March 2021	25 March 2021	9 April 2021	12 April 2021

⁴ Based on assumption overall deficit incurred evenly over financial year.

