



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:

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.

Scheme for Financing Schools – Section 4

- 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	Budget Monitoring reviewed by Governors date	Budget Monitoring to local authority Submission date
1	April 2023	12 May 2023	15 May 2023
2	May 2023	13 June 2023	15 June 2023
3	June 2023	14 July 2023	17 July 2023
4	July 2023	11 August 2023	15 August 2023
5	August 2023	13 September 2023	15 September 2023
6	September 2023	13 October 2023	16 October 2023
7	October 2023	13 November 2023	15 November 2023
8	November 2023	13 December 2023	15 December 2023
9	December 2023	19 January 2024	22 January 2024
10	January 2024	16 February 2024	19 February 2024
11	February 2024	13 March 2024	15 March 2024
12	March 2024	12 April 2024	15 April 2024

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

