

Protocol for Schools Planning and Managing a Deficit Budget

Deficit Recovery Plan
Template

Deficit Recovery Plan Template

| | |
|-------------|--|
| School Name | |
|-------------|--|

| | Year 1 | Year 2 | Year 3 |
|--------------------------------------|--------|--------|--------|
| Number on Roll | | | |
| Number of Class Teachers | | | |
| Financial Year | | | |
| Expenditure | £ | £ | £ |
| Teaching Staff | | | |
| Supply Teachers | | | |
| Nursery Assistants | | | |
| SEN Ancillaries | | | |
| Education Support Staff | | | |
| Premises Staff | | | |
| Admin & Clerical Staff | | | |
| Catering Staff | | | |
| Supervisory Assistants | | | |
| Other Staff | | | |
| Indirect Employee Expenses | | | |
| Staff Development and Training | | | |
| Supply Teacher Insurance | | | |
| Staff Related Insurance | | | |
| Building Maintenance and Improvement | | | |
| Grounds Maintenance & Improvements | | | |
| Cleaning and Caretaking | | | |
| Water and Sewerage | | | |
| Energy | | | |
| Rates | | | |
| Other Occupation Costs | | | |

| | | | |
|---|---|---|---|
| Learning Resources (not ICT) | | | |
| ICT Learning Resources | | | |
| Exam Fees | | | |
| Administrative Supplies | | | |
| Other Insurance Premiums | | | |
| Catering Supplies | | | |
| Agency Supply Staff | | | |
| Bought in Professional Services – Curriculum | | | |
| Bought in Professional Services – Other | | | |
| Community Focused Extended School Staff and Other Costs | | | |
| Total Expenditure [A] | | | |
| Income | £ | £ | £ |
| Funds Delegated by the LA | | | |
| Sixth Form Funding | | | |
| SEN Funding | | | |
| Funding for Ethnic Minority Pupils | | | |
| Pupil Premium | | | |
| Other Government Grants | | | |
| Other Grants and Payments Received | | | |
| Income for Facilities and Services | | | |
| Income from Catering | | | |
| Receipts from Supply Teacher Insurance Claims | | | |
| Receipts from Other Insurance Claims | | | |

| | | | |
|---|--|--|--|
| Income from Contributions to Visits etc | | | |
| Donations and/or Private Funds | | | |
| Extended School Income | | | |
| Total Income [B] | | | |

| | | | |
|--|--|--|--|
| In-Year Surplus/(Deficit) | | | |
| Surplus/(Deficit) b/fwd (including investment) | | | |
| Total Surplus/(Deficit) c/fwd | | | |

Summary of Savings included in the above Deficit Recovery Plan

| | Year 1 | Year 2 | Year 3 |
|----------------|--------|--------|--------|
| Area of saving | £ | £ | £ |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Signed _____
(Headteacher of school)

Signed _____
(CEO)

Signed _____
(Chair of Trust)

Signed _____
(Chair of Governors)

Date _____.

Notes:

- Schools are to apply to the trust for additional funds in writing completing the above forms.
- All plans will be worked through by the trust in conjunction with the school.
- In normal circumstances interest will be charged on deficit balances. The trust may waive interest charges. Each case will be considered on its merits. Account will be taken of whether the deficit arose from factors outside of the schools' control. Finance will be interest free and will be planned to be cleared over a 3 year period, if agreed by trust.
- An upper limit will be agreed by the trust, after considering the business plan and business case.

Deficit budget planning (licensed deficits)

- The trust may permit schools to plan for a deficit budget in particular circumstances that are described below:
 - A school is unable to set a balanced budget in any one financial year due to:
 - A deficit arising from the previous financial year.
 - Increase / reduction in the number of pupils.
 - Changes in the formulae that have a negative financial impact on the school's budget.
 - Overall reduction in revenue funding compared to previous financial year.
 - Other reasons that has a negative financial impact on the school's budget.
- The detailed arrangements applying to this scheme are as set out below:

Period of Budget Planning

- A school may plan for a deficit budget for a period of up to five financial years. It is expected that most budget plans will be for two financial years and in extreme circumstances they will extend to between three to five years.

Formal Approval of Budget Plans

- Budget plans for a period of up to three financial years will be considered
- Budget Plans for a period greater than three years will be considered for approval by the trust in conjunction with the EFA.

Provision of Information for Budget Planning

- A school needs to provide the following information to the trust:
 - Reasons for planning a deficit budget.
 - Annual income and expenditure forecasts for the proposed period of the budget plan.
 - Details of the proposed action to reduce budget deficit over the period of the plan (inclusive of financial amounts)

Governing Body Approval

- A governing body is required to formally approve a deficit budget plan prior to it being submitted to the trust for consideration.

Deficit Budget Plan Review

- Once a deficit budget plan is approved the school is required to provide a termly financial report to the trust for monitoring purposes. The termly financial report should contain references to the progress made on the actions to reduce the financial deficit. This is in keeping with the normal requirement for schools to provide termly financial monitoring statements to the local authority.

Deficit Amount

- Deficit plans are not expected to exceed 5% of the schools total GAG budget amount. The 5% limit may be extended (to a maximum of 10%) where there are extreme circumstances and the school

has an action plan to repay the Authority during the agreed period.

Deficit budgets and Academy transfer

- The trust will adhere to statutory guidance and any supplementary guidance issued by the Department for Education (DfE), the Education Funding Agency (EFA) or any other appropriate body in determining the appropriate treatment of any school deficit at the point of transfer to an Academy.

Loan schemes

The trust shall provide a form of loan arrangement for schools which, may not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the trust in respect of a particular school on condition that a corresponding sum is repaid from the budget share. This scheme may be used in conjunction with the deficit budget planning processes with the approval of the trust.

The intention of the Scheme is to enable schools to use their resources effectively over a period of years to achieve long term strategies in line with development plans and as an aid to strategic financial management. The detailed arrangements applying to this scheme are set out below:

The trust will consider loan request from schools on the basis of individual merit of each case. The school must be able to clearly demonstrate that:

loan repayments are affordable

the school will benefit educationally from the additional expenditure through obtaining a loan

The trust may / will charge interest on loans taken out by schools. The rate of interest is 1% below the Banks PLC's base rate.

(iii) The maximum amount of loan outstanding or approved deficit must not exceed 10% of the school's annual revenue budget - GAG

Financial Handbook 2016:

Borrowing 3.4.1 In line with funding agreements, academy trusts must seek EFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, and regardless of the interest rate chargeable. Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues.

3.4.2 The Secretary of State's general position is that academy trusts will only be granted permission for borrowing in exceptional circumstances. From time to time,

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However, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. For example, the Department's Condition Improvement Fund for capital projects, and the Salix scheme designed to support energy saving, are available to trusts.

