**Procedures for schools seeking a license to set a deficit budget**

***Updated for 2017/18 Financial Year***

This procedure was first agreed by the Schools Forum on the 3 May 2011. It took effect from that date. The procedure and this document is reviewed annually and agreed by the Schools Forum.

This is the guidance and form for the 2017/18 financial year and includes a new section asking schools to show what further measures they would need to put in place to avoid a bottom line deficit in the current financial year.

**Background**

School governing bodies are responsible for using their allocated funding together with other income and any balances brought forward to set a balanced budget. This should be communicated to the Local Authority (LA) by the 31st March for the following financial year concerned.

If the governing body is unable to set a balanced budget then they are required to request the agreement of the LA to set a licensed deficit

**The process for schools seeking to set a deficit budget is as follows :-**

1. **For a School submitting a proposed deficit budget at the beginning of the financial year**

**The following processes must be followed :-**

* 1. A recovery plan using the prescribed pro-forma below should be completed and agreed with the Executive Director - People.
		1. Once agreed by the assigned representative from the People Department this should be submitted to the Head of Finance, People
	2. The Head of Finance - People will review and co-ordinate the approval as detailed below:-
		1. Deficits under £100k to be approved by the Head of Finance - People
		2. Deficits over £100k up to £500k to the Director of Finance Investment and Risk,
		3. Deficits over £500k to the Executive Director Resources
	3. The School will be required to provide a monthly return to the same standard as the quarterly returns demonstrating action and progress to recover the deficit position until the deficit is resolved.
	4. Schools seeking permission to set a Licensed Deficit Budget can purchase their financial support from a provider of their choice but must seek approval from the Local Authority to use that provider.
1. **A School’s projected carry forward enters a deficit position****during the financial year**
	1. The Chair of Governors contacts the Local Authority Finance Department as soon as the School enters a deficit position to discuss the position.
	2. If the projected deficit is less than £10k and the school anticipates that they will have a balanced budget within 3 months a licensed deficit Proforma is not required but monthly financial returns are required.
	3. If the amount increases above £10k or the time in deficit increases to greater than 3 months then a licensed deficit Proforma must be submitted, and points (**d)** to (**e**) below will apply.
	4. A recovery plan using the prescribed pro-forma below should be completed and agreed with the Executive Director for People.
		1. Once agreed this should be submitted to the Head of Finance, Finance Investment and Risk
	5. The Head of Finance, Finance Investment and Risk will review and co-ordinate the approval as detailed below:-
		1. Deficits under £100k to be approved by the Head of Finance, - People
		2. Deficits over £100k and up to £500k to the Director of Finance Investment and Risk,
		3. Deficits over £500k to the Executive Director Resources
	6. The School will provide a monthly return to the same standard as the quarterly returns demonstrating action and progress to recover the deficit position and until the deficit is resolved.
	7. The School must agree with the LA an acceptable level of support for the preparation of the monthly returns.
2. **A school which finds itself in a deficit position without firstly notifying the Local Authority will have a delegated budget review and face the prospect of losing the delegated budget status.**
3. **A School that is unable to present a recovery plan that leads to a balanced budget over a two year period may lose its right to a delegated budget.**

**Application proforma for a licensed deficit for financial year 2017/18**

A school seeking to set a licensed deficit will need to:

a) complete the following proforma which provides overview information, this should be done electronically.

b) submit a budget plan for each of the next 3 years. This budget plan should be submitted electronically using the Croydon version of the Financial Planning software from HCSS or something similar.

Electronic versions of both completed documents should be emailed to schools.finance@croydon.gov.uk with the subject as “Licence Deficit”. In addition a signed copy of the licensed deficit proforma should be scanned and emailed to the same address. If a scanned copy is not possible then paper copy should be sent to the Finance Department, Floor 5 Zone B, Bernard Weatherill House, 8 Mint Walk, Croydon CR0 1EA.

Any queries should be directed to the finance team schools.finance@croydon.gov.uk

|  |  |  |  |
| --- | --- | --- | --- |
| School name |  | DfE number |  |
|  | Contact names | Email |
| Headteacher |  |  |
| Governor |  |  |
| Finance officer |  |  |
| Finance Support provided by :- |  |  |

**Prior Year Actuals & Future Budget Details - Table 1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Financial years to be covered by the license | **2016/17****Prior yr actual****£** | **2017/18****Current Yr Deficit** **£** | **2018/19****Forecast deficit with prior yr c/f****£** | **2019/20****Forecast deficit with prior yr c/f** **£** |
| Please indicate with an **X** the years a licenced deficit is required |  |  |  |  |
| Balance c/fwd from previous year |  |  |  |  |
| In year surplus/deficit |  |  |  |  |
| Projected deficit at year end |  |  |  |  |

Note this license will need to be updated at the start of **each** year so that it reflects the new situation.

**Provide details as to why the school is requesting a licensed deficit and why it has not been possible to set a balanced budget in 2017/18 and beyond**

Note the detail should explain the reasons the school has reached the situation that it needs to seek a licensed deficit.

|  |
| --- |
|  |

**Provide an overview how the deficit will be addressed in 2017/18 and beyond**

Note the amounts should be included in the budget plan table below this table should provide a narrative of how any savings/growth will be made.

|  |
| --- |
|  |

**Key Actions to be achieved to deliver the recovery outlined above**

Please give an outline of the major actions that will be required, the date that this needs to be achieved and the risk level of this being achieved.

|  |  |  |
| --- | --- | --- |
| Action reference | Brief description of the action required | Date to be achieved |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| 5 |  |  |
| 6 |  |  |

**What are the risks in not being able to achieve these changes and what is being put in place to reduce these risks?**

(use the action reference to link to table above)

|  |
| --- |
|  |

**Budget Plan overview savings**

Please use the below table to set out the details of the savings outlined above. Please give a net total for each of the major changes that need to take place and add further major changes as appropriate. In the current year, these would be emergency measures that would be required to reach a balanced position if the need arose.

Please show increased income as a positive figure and reduced expenditure as a minus figure.

**Change in income or expenditure - Table 2**

|  |  |
| --- | --- |
|  | **Enter the change in income or expenditure** |
| **Major changes** | **2017/18** | **2018/19** | **2019/20** |
| Existing Pupil Numbers  |  |  |  |
| Change in Pupil numbers |  |  |  |
|  | **£** | **£** | **£** |
| Other income changes |  |  |  |
| Teachers (saving)  |  |  |  |
| Other staff (saving) |  |  |  |
| Bought in professional services (saving) |  |  |  |
| Energy |  |  |  |
| Consumables- admin costs |  |  |  |
| Supply teaching |  |  |  |
| Other  |  |  |  |
| Total |  |  |  |

**Impact of above savings – Table 3**

Please restate the position from Table 1 above (into row 2b & 3b) with the impact of the proposed savings from Table 2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial years restated with savings** | **2017/18****Current Yr** **£** | **2018/19****(include the prior yr c/f deficit)****£** | **2019/20****(include the prior yr c/f deficit)****£** | **2020/21****(include the prior yr c/f deficit)** **£** |
| Original balance  | 2b |  |  |  |
| In year surplus/deficit | 3b |  |  |  |
| Savings growth (Table 2) |  |  |  |  |
| Projected deficit at year end |  |  |  |  |

Any other factors that should be considered

|  |
| --- |
|  |
|  |
|  |

Level of Financial Support that your School currently receives from your Schools Financial Advisor (if Other than Croydon Council Service Level Agreement). Please tick the boxes where you are currently being supported and additional comments if necessary.

Service Package Comments

Preparation of Annual Budget

Quarterly Monitoring Reports

 Statutory Year End Returns

 3 Year Budget Plans

Strategic Work

Additional Services Comments

Monthly Transactions

Additional Attendance at

Governing Body meetings

Weekly/Monthly Financial

Administration

Childrens’ Centres

Recruitment Assistance

Budgeting Software

Training on FMS6

Company Name of your

Financial Support provider

**Financial Monitoring Requirements**

1. Monthly financial monitoring reports must be submitted to the LA by the 14th day of the month following the end of each accounting period.
2. The monthly return must be provided in the template formate (see Finance Matters website) and provide the latest information on income, expenditure, balances etc including commitments. It is important that explanatory notes are included to support the Financial Monitoring Report identifying reasons for variances against budget.

ii) Other reports and information as requested such as a detailed monthly cash flow where the school requires funding to be advanced.

This will be required for the full term of your licensed deficit position.

|  |  |  |
| --- | --- | --- |
|  | Signature | Date |
| Headteacher |  |  |
| Chair of Governor |  |  |
| LA Officer sign off  |  |  |
| LA Officer title  |  |  |

Electronic versions of both completed documents should be emailed to schools.finance@croydon.gov.uk with the subject as “Licence Deficit”. In addition a signed copy of the proforma should be scanned and emailed to the same address. If a scanned copy is not possible then a paper copy should be sent to the finance department, Floor 5 Zone B Bernard Weatherill House, 8 Mint Walk, Croydon CR0 1EA.