



North Northamptonshire Schools Forum: 20 October 2022

Agenda Item 6

North Northamptonshire School's Deficit Budget Policy

1 Background

- 1.1 This report seeks to remind Schools Forum and all North Northamptonshire maintained schools of the NNC's School Deficit Budget Policy in wake of the current and increasing challenging economic climate schools must operate within.

2 Overview

- 2.1 North Northamptonshire Council's Scheme for Financing Schools sets out the terms and conditions that maintained schools are expected to comply and operate within. The scheme prohibits maintained schools from planning for a deficit when preparing their budget plans.

Paragraph 2.9 Submission of budget plans

- 2.2 Each maintained school is required to submit a budget plan every year, which takes account of the major categories of expenditure and income, on the NNC Budget Proposal Form. Schools should, when constructing their annual budget plan consider their estimated carry forward deficit/surplus balance as at the previous 31st March.
- 2.3 NNC will supply schools with all school income and expenditure data which it holds which is necessary for efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.
- 2.4 Schools are allowed to take full account of estimated deficits and surpluses at the previous 31 March in their budget plan.
- 2.5 The budget proposal form for submission of budget plans should take account of the consistent financial reporting framework and the desirability of compatibility with that.
- 2.6 The school's formal annual budget plan must be approved by the Governing Body or a committee of the governing body. Any changes to this i.e. virements of budget during the year should also be approved by the Governing Body or committee.
- 2.7 The date for the initial submission of the budget proposal plan is the 1st Friday in May.

Paragraph 4.4 Obligation to carry forward deficit balances

- 2.8 Schools must carry forward from one financial year to the next any shortfall in school budget share relative to their expenditure for the year plus/minus any balance brought forward from the previous year. This will be affected through a deduction from the following year's budget share.

Paragraph 4.5 Planning for deficit budgets

- 2.9 It is not permissible for schools to budget for a deficit, except in those circumstances set out below. School budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year.

2.10 Where schools have reason to anticipate a deficit the NNC Chief Finance Officer must be informed immediately.

Paragraph 4.6 Charging of interest on deficit balances

2.11 Schools will not be charged interest on any unplanned year end deficits as a matter of course. However, where an unplanned overdraft occurs on a school's local bank account, although NNC will underwrite such an overdraft, the school's budget will be charged any interest or other costs that arise.

Paragraph 4.7 Writing off deficits

2.12 NNC cannot write off the deficit balance of any school.

Paragraph 4.8 Balances of closing and replacement schools

2.13 When a school closes, any balances (whether surplus or deficit) revert to the LA; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where the school converts to academy status under section 4(1) (a) of the Academies Act 2010.

Paragraph 4.9 Licensed deficits

2.14 Schools must submit a recovery plan to NNC when their revenue deficit rises above 1% at 31 March of any year. A school may be allowed to plan for a deficit budget in exceptional circumstances with the agreement of the NNC Chief Finance Officer and subject to the following restrictions:

- (1) The maximum length over which a school may repay the deficit is normally three years from the beginning of the next financial year in which the deficit arises, and the financial position will be subject to ongoing monitoring and annual review.
- (2) A deficit arrangement will only be allowed where the continuing existence of a school is deemed viable.
- (3) The minimum size of an agreed deficit is 1% of the budget share, and the maximum level is 15% of the budget share.
- (4) The maximum proportion of the collective school balances held by NNC which will be used to back the total of deficit arrangements is 10%.
- (5) Arrangements for individual schools will be determined by the NNC Chief Finance Officer or their nominated officers, in agreement with the school Governing Body. The Governing Body must formally agree to abide by any requirements laid down as a pre-condition to accepting the deficit arrangement.

3 Recommendations for Schools Forum

3.1 Schools forums have a consultative and advisory role in school funding and financial matters. Local authorities have responsibility for establishing schools forums and the ongoing responsibility to provide appropriate support, information and guidance in carrying out their functions and responsibilities.

3.2 The schools forum good practice guide, published by the DfE in September 2019, highlights the effectiveness of schools forum is determined by the relationship between itself and its local authority. The DfE guide identifies several characteristics that are particularly important, including the partnership having a shared understanding of the priorities, issues and concerns of schools and academies and the local authority.

3.3 This paper recommends Schools Forum to adopt North Northamptonshire School Deficit Budget Policy to strengthen the shared understanding and oversight of the number of schools operating with deficit budgets as well as helping each other in addressing the issues faced by schools in financial difficulties.

4 Next steps

4.1 Feedback given by Schools Forum voting members at this meeting will determine the next steps which could include publishing it on the NNC website as the adopted policy.

5 Financial implications

5.1 Adopting this policy creates greater awareness in schools of the checks and controls required to preserve sustainability and longevity. Ignoring the policy could have severe financial consequence for North Northamptonshire schools in the longer term should the number of schools facing financial difficulty spiral out of control.

6 Legal implications

6.1 This policy is re-enforcing the requirements of NNC's Scheme for Financing Schools 2022/23 which is a statutory requirement for all local authority maintained schools.

7.1 Risks

7.1 If the policy is not re-iterated on NNC's website which is accessible to the public, there is the risk that schools are not meeting the minimum requirements of North Northamptonshire Scheme for Financing Schools.

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