



**North
Northamptonshire
Council**

North Northamptonshire Schools Forum: 2nd November 2023

Agenda Item 5

North Northamptonshire School's Deficit Budget Policy 2024/25

Appendices

Appendix A – Deficit Budgets Policy 2024/25

Appendix B – Licensed Deficit Business Case Template

Appendix C – Accelerated Cash Advance Application

1 Background

- 1.1 This report is to remind Schools Forum and all maintained schools in North Northamptonshire about NNC's School Deficit Budget Policy. It underscores the significance of this reminder considering the current and progressively challenging economic climate that schools are navigating.
- 1.2 There are no amendments that have been made to the policy since 2022/23. Enclosed within this report pack are the requisite templates that must be completed when seeking approval for a licensed deficit.
- 1.3 Application for a licensed deficit must be submitted prior to the start of the financial year.

2 Overview

- 2.1 At the start of the financial year 2023/24, six schools were operating with a deficit. Subsequently, one school underwent amalgamation, and another successfully achieved a balanced budget during the year, resulting in four schools remaining in deficit. One school has submitted a request for licensed deficit, we are still awaiting the request for the other three schools.
- 2.2 A formal request has been issued to schools currently facing deficits, requesting them to complete the required templates for the licensed deficit application. The Schools Support Team is actively collaborating with these schools, providing assistance and support throughout the application process.

Table 1 School's in deficit

DFE Number	School Name	Status	Request for Licensed deficit	Closing Revenue Balance 2022/23	Year end outturn forecast based on P5	Cumulative Revenue Balance Forecast 2023/24
2082	Alfred Street Junior	Deficit	Application sent to school	-£101,611	-£50,000	-£151,611
1001	Croyland Nursery	Deficit	Application sent to school	-£75,357	-£31,000	-£106,357
1003	Highfield Nursery	Deficit	Application sent to school	-£3,432	-£15,000	-£18,432
2144	Meadowside Primary	Deficit	Application received from school	-£99,489	-£82,738	-£182,227
2087	Tennyson Road Infant	Deficit	Amalgamated as of 01/10/23	£29,527	-£80,000	-£50,473
Total				-£250,361	-£258,738	-£509,099

2.3 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, for ease of reference, extracts from the Scheme for Financing Schools are as follows:

Paragraph 4.9 Licensed deficits

2.4 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.

2.5 In 2023/24 we encouraged schools to start the process as soon as a school recognises that its deficit balance will be 1% or higher. During the budget planning phase, the school is expected to submit a business case and recovery plan for a

licensed deficit authorisation to NNC Schools Finance. The submission should be made by the Chair of Governors in an agreed-upon format.

- 2.6 NNC Schools Finance will review the business case and recovery plan, collaborating with the school and the School's Improvement Manager within Children Services as necessary. This process aims to address any queries or concerns regarding the information provided.
- 2.7 Upon the successful completion of the scrutiny process, the business case and recovery plan will be submitted for consideration to NNC's Assistant Director of Children's Services, the Children's Strategic Finance Business Partner and the Assistant Director of Finance & Strategy. Formal authorisation for the licensed deficit will be granted by these authorities.
- 2.8 The school will receive written notification of the decision, encompassing any terms and conditions associated with the authorisation.
- 2.9 All schools operating with a licensed deficit or managed budget are obligated to submit a monthly deficit monitoring report to the School Support team. This report must be submitted by the 15th of the month, covering the period governed by the licensed deficit, and should illustrate both current and projected expenditures.

4 Recommendations

- 4.1 Maintained Schools Forum voting members at this meeting are asked to continue to adopt the policy.

5 Financial implications

- 5.1 Adopting this policy creates financial control in Schools and sets out NNC's requirements for those Schools who are operating in a deficit position.

6 Legal implications

- 6.1 This policy re-enforces the requirements of NNC's Scheme for Financing Schools 2024/25 which is a statutory requirement for all local authority maintained schools.

7.1 Risks

- 7.1 If the policy is not re-iterated at Schools Forum the agenda item and minutes 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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