

**FLINTSHIRE COUNTY COUNCIL  
SCHEME FOR FINANCING SCHOOLS**

**FINANCIAL MANAGEMENT PROCEDURES**

**APPLYING FOR A LICENSED DEFICIT**

**GUIDANCE NOTES**

Stages in the process

1. Notifying the Schools Finance Team
2. Supporting Documentation
3. Informal meeting
4. Applying for a Licensed Deficit
5. LEA Approval of a Licensed Deficit
6. Monitoring a Deficit Budget

## **Introduction**

These guidance notes have been produced to assist you in applying for a licensed deficit for your school in accordance with requirements set out in the Scheme for Financing Schools Section 4. They aim to set out in simple terms the stages in the process.

At any time in the process, you may seek further clarification from the Schools' Accounting Team.

For all advice on possible staffing structures and the redundancy process please contact HR Manager (Kim Brookes).

## **Stage 1 – Notifying the LA Finance Team**

As soon as a potential deficit is identified in any year you should contact the Schools Finance Team who will notify the Director of Lifelong Learning. Past experience has shown that delays in the planning process have often resulted in more significant budget cuts being necessary.

At this point your assigned Finance Officer in the Schools Finance Team will contact the school to arrange for submission of the latest budget plan, they may also arrange for an informal meeting (see Stage 3).

## **Stage 2 – Supporting Documentation**

Depending on the time in the financial year or the extent of the deficit, you may be asked to provide the following:-

- Staffing structure for the school and costs (both Teaching and Support Staff).
- A breakdown of other specific areas of income or expenditure as required.

The Schools Finance Team will undertake a full review of the documentation provided by the school. They may contact you for further information or to ask you to consider different options and/or provide revised documentation.

## **Stage 3- Informal Meeting**

If the school's budget remains in deficit or an application for a Licensed Deficit looks likely your assigned Finance Officer will arrange a visit with the Headteacher to provide an overview of the procedures and initial guidance as appropriate. We recommend that the school invites the Chair of Governors/Finance Committee members to this meeting.

The school should action any recommendations and update relevant documentation and submit the revised budget plan to the Monitoring team for further review.

*Licensed Deficits will only be approved where a robust recovery plan is evident.*

*The Headteacher should ensure that Governors are kept informed at all stages of the process.*

## **Stage 4 – Applying For A Licensed Deficit**

The budget plan and any contingency planning should be ‘approved in principle’ by the Governing Body and signed by the Chair of Governors.

The Chair should then apply formally in writing to the LA for a Licensed Deficit – the following information should be included in the body of the letter:

- an explanation of the circumstances which have led to the deficit situation
- details of how the school expect to recover
- the amount of deficit being applied for
- a Plan which shows recovery within 3 years
- a signed/approved copy of any contingency planning – where appropriate or requested.

The application for a licensed deficit must be received by the Finance Team within 30 days from the date of the informal meeting.

## **STAGE 5 - LA APPROVAL OF THE LICENCED DEFICIT**

Licence Deficits will only be approved if a robust recovery plan has been produced by the school.

Once the Schools Finance Team is satisfied that the documentation provided fulfils the requirements, it will be forwarded to the Director of Lifelong Learning and the Finance Manager for final approval.

Once the application has been approved a confirmation letter will be sent to the school. At this point your deficit budget will be loaded on to General Ledger (Masterpiece).

## **STAGE 6 - MONITORING A DEFICIT BUDGET**

During the period of the Licensed Deficit, schools will not be permitted to recruit any staff or undertake any virements without the prior discussion and agreement with the Schools Finance Team.

The confirmation letter will outline the procedures to be followed during the period of the licensed deficit as follows:

- (i) Income and Expenditure reports will be produced at the end of each calendar month by the Schools Accounting Team, showing actual spending against the budget. This will be copied to the Chair of Finance Committee.
- (ii) the Finance Committee should meet and receive a report on the budget position at least twice per term. The current finance report should be

accompanied by a written report explaining any significant variances and a prediction of the outturn. Any adverse variances will require comment on the corrective action to be taken. Favourable variances would in the first instance be expected to be offset against the deficit. However schools must apply to the Assigned Finance Officer to utilise such monies for School Improvement items that have been deferred in light of the schools financial position. Any reports and accompanying notes should be copied to the Finance Officer. Details of these meetings and discussions should also be noted in the Finance Committee meeting minutes with a copy forwarded to the school's Assigned Finance Officer.

- (iii) at least once per term the Finance Committee must report in full to the Governing Body on the progress against the licensed deficit recovery plan.
- (iv) School to seek clearance from the Assigned Finance Officer prior to any recruitment or unexpected planned spending.

The Assigned Finance Officer will review the paperwork provided by the school on a monthly basis or when required and agreed and will perform the following checks:

- Actual monthly expenditures for staff appear in line with the staffing spreadsheets and agreed budget assumptions provided by the school
- Actual expenditure/income appear in line with planned/agreed budgets and corrective action are being taken where necessary.

If there are any aspects of the finance reports which appear to give cause for concern your Assigned Finance Officer will contact the school to discuss/ seek clarification.

On a termly basis the assigned Finance Officer will consider the need for a meeting with the school to review the schools progress. The frequency of these visits will be reviewed on an on going basis throughout the duration of the Licensed Deficit.

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