

Appendix 2: Licensed Deficits - Flintshire Scheme for Financing Schools (Extract)

Section 4.5

Governors have no legal right to set a deficit budget without the consent of the Authority and must not presume that such consent will be granted. However, the Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in-year. This will be funded from the collective surplus of school balances held by the Authority on behalf of schools. A deficit is considered to exist where a school has a negative balance which exceeds £5,000 or 1% of the delegated budget.

The detailed arrangements applying to this scheme are set out below:

- (a) the maximum length of time over which a school may repay a deficit is three years. In exceptional circumstances and with the support of the Chief Education Officer and the Corporate Finance Manager this period may be extended to a maximum of five years.
- (b) deficit arrangements may be agreed in the following circumstances
 - Falling pupil numbers for one year which is expected to be followed by rising pupil numbers in future years
 - Spreading the cost of cyclical maintenance works over two or more years
 - Other circumstances agreed by the Authority to be reasonable;
- (c) the maximum level of deficit which may be agreed is 10% of a school's Budget Share. In exceptional cases this may be increased with the approval of Chief Education Officer and the Corporate Finance Manager.
- (d) school's wishing to apply to the Local Authority to set a deficit budget must consult the Schools Accountant in the first instance and must have regard to the advice given if they subsequently choose to apply for a deficit. A higher level of budget monitoring will be required by the school and Authority for the period of the deficit and until such a time afterwards as the Authority is satisfied that the school is maintaining a balanced budget.
- (e) Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years. Schools have a duty to identify potential deficits and to plan recovery action early. The Local Authority expects the Recovery Plan to be submitted by 1 June. The format of the Recovery Plan, and arrangements for its submission, will be specified by the Authority in the Finance Manual.

- (g) Where a licensed deficit application exceeds 5% of budget, where in the opinion of officers repayment is likely to prove particularly challenging, or where it has been identified through the monitoring process that the school is unlikely to meet its repayment targets, the Authority may impose additional restrictions on a school during the term of the license, as part of the license, eg the right of approval of specified staffing appointments or of contracts over a specified value. The need for such restrictions would be assessed on a school by school basis.