

Budgets -Deficit budgets

Table of contents

Key Contacts.....	1
Introduction.....	1
Regulations	1

Key Contacts

Bursarial team BursarialServices@ealing.gov.uk

Schools accountancy SchoolsAccountancyServices@ealing.gov.uk

Introduction

This section should be read in conjunction with the Revenue Budget Document. Schools are not permitted to budget for a deficit unless prior approval of Ealing LA in consultation, where appropriate, with Schools Accountancy and Director of Children and Adults Services or his/her representatives has been obtained, however the expectation is that deficits should not arise.

Where approval is given, and in exceptional circumstances the deficit may be repaid over a maximum period of 5 years (subject to the Scheme for Financing Schools) though a 3-year limit will be the norm. Where a deficit is incurred the agreed amount will be the first charge against the Budget Share allocated to the School in the following financial year. These Financial Regulations explain the process and set out requirements.

Regulations

1.1 Immediately a potential overspend becomes apparent, i.e. where planned expenditure is likely to exceed the combined total of the School Budget Share and any accumulated balance, the Chair of Governors and the Headteacher shall ensure that Schools Accountancy is informed in writing.

Where the likely overspend arises as a result of unforeseen circumstances and is of sufficient magnitude that it cannot be fully corrected within the following financial year, the Governing Board (GB) shall submit a plan setting out how, and over what period, the deficit is to be recovered.

Ealing Council Maintained Schools-Financial Manual of Guidance

Deficit Budgets

A School cannot assume that approval will be automatically given. The plan shall be submitted to Schools Accountancy, who shall determine the matter in consultation with the Chief Finance Officer (CFO) or his/her representatives and Director of Children and Adults Services or his/her representatives.

1.2 Schools are expected to plan and submit a Balanced Budget. If a School can demonstrate in writing, that there are sound educational and/or financial reasons for the submission of a deficit budget, Schools Accountancy will consider the submitted deficit budget for approval. A deficit plan by itself does not constitute an action plan. The GB shall submit a written action plan setting out how, and over what period, the deficit is to be recovered.

1.3 The budget plan demonstrating the repayment of the deficit budget will normally not exceed 3 years. In exceptional circumstances (in cases of repairs and maintenance of replacement related expenditure) the deficit repayment period may be repaid over 5 years, the maximum period allowed. The deficit balance of any School will not be written off.

1.4 The amount of the agreed deficit in any year will not exceed 5% of the School's annual ISB budget share. Budget plans covering the deficit for structural repair and maintenance will not exceed 10% of the school's annual ISB budget share but will be dependent upon approval of Schools Accountancy. Schools with agreed deficits will not be permitted to increase the size of or duration of the repayment period during the agreed period of the deficit.

1.5 The aggregate amount of authorised School deficit budgets will not exceed 50% of the aggregated surplus balances held by Schools on the 31 March of the preceding year.

1.6 At the discretion of Ealing LA, approved deficit budgets will not incur interest. However, unapproved deficits will be charged interest at 3% above Base Rate, based on assumption overall deficit incurred evenly over the financial year.

1.7 Where a School has a deficit revenue budget plan agreed the GB as required, as a mandatory condition of agreement, to submit budget monitoring reports, as required in Budget Monitoring, on a monthly basis in accordance with the set timetable.