

Birmingham City Council

Maintained Schools Deficit Procedure

Deficit recovery plans

Updated December 2024

When a school ends the financial year in deficit, the procedures are:

- That the school must submit a robust recovery plan to clear the deficit within no more than three full financial years from deficit the position.
- That the school will be required to complete monthly deficit monitoring returns.

The deficit recovery plan must be submitted using the official deficit recovery plan template. School must ensure they are report and monitoring using the required consistent financial reporting (CFR) framework.

If the deficit has been realised at year end, the deficit recovery plan must be submitted by 31 May the following year as part of their normal budget submission. If a school goes into deficit during the financial year, a deficit recovery plan must be submitted by end of the following term. The deficit recovery plan must be submitted to Birmingham City Council (BCC) Schools Financial Services (SFS) and must incorporate the key actions and assumptions that have been included in the plan. The deficit recovery plan must be agreed by the full governing body, and signed by both the Chair of Governors and Headteacher.

BCC will review the deficit recovery plan and the financial plan, undertaking validation checks to ensure the plans are reasonable. These checks may include:

- Compare the current year's budget v forecast report with the previous year's trend analysis report to identify any significant differences.
- Review the deficit recovery plan to check its reasonableness and the required level of savings can be achieved within the timescale specified.
- Check the correct brought forward balance has been included in the current year's plan and that all delegated funding has been accounted for.
- Check the future pupil numbers are realistic. The school may be required to provide evidence to support the forecast and changes in pupil numbers. Should there be a

shortfall in pupil numbers, the school will be required to fund this from existing resources.

- Areas detailed in the deficit recovery plan that are unclear or not considered achievable will be queried with the school and further clarification sought.

Once the plan has been submitted, reviewed, and agreed as a robust recovery plan it will be approved by BCC and will become the school's licenced approved deficit recovery plan. The licence will last for 3 years from the 1 April in the year of approval.

Where a school's financial position considerably deteriorates further and deviates from the approved deficit recovery plan, this will be escalated to the Director of Children Services to decide whether to approve a revised deficit recovery plan or whether further intervention may be required.

Deficit Monitoring Returns

The school will be required to submit monthly deficit monitoring returns to Birmingham SFS by the 10th working day of every month approved by the Headteacher. Exact dates will be included in the SFS annual timetable.

In addition to the monthly deficit monitoring return, the school will need to submit an updated deficit recovery plan termly.

The returns must show an accurate reflection of the school's current financial position and must include a commentary detailing the reasons for any movements from the previous plan, as well as stating any further action that will be taken.

Birmingham SFS will monitor the receipt of these returns to check for accuracy and reasonableness, compare them with previous returns and the school's approved deficit recovery plan. Any returns completed incorrectly will be returned to the school and will need to be resubmitted.

Schools should use the budgeting tool to draft financial plans. If the school does not have access to the budgeting tool or a similar alternative, then the school should provide the plan in a suitable format to be agreed with BCC.

All returns must be submitted using the official BCC templates and have the appropriate sign off.

Schools who require assistance with completing the deficit monitoring process should contact SFS@birmingham.gov.uk for further advice.

Birmingham City Council Intervention

BCC intervention will apply where either:

- the school has not engaged in the deficit recovery process
- the school has failed to submit a deficit recovery plan
- the deficit recovery plan fails to provide sufficient assurance
- the deficit worsens and no action is being taken by the school
- the school has failed to submit deficit monitoring returns.

Intervention is proposed to escalate as follows:

Warning letter

A warning letter will be sent to a school where it is considered that BCC intervention is required. The letter will express concerns regarding the financial health of the school and actions that school may be required to undertake.

Where a school has received a warning letter and a level of intervention has already been given but there is insufficient assurance from the actions taken that the deficit balance will recover, the school will be referred to members of the Children & Families Delivery Board (CFDB).

CFDB will decide the appropriate action to be taken, which may include requesting a formal meeting with the schools governing body, or to issue a formal notice of concern to the school.

Notice of concern

Should the school be issued with a formal notice of concern this will set out in writing the detailed concerns and actions the school will need to take within the stated period. The notice will also state the actions that BCC will take where the governing body does not comply with the notice.

The governing body will receive an intervention visit and a robust deficit recovery plan will need to be provided by the deadline provided. If this is not provided or the deficit recovery plan is judged to be deficient then further intervention will be implemented through the notice of concern including the creation of an Interim Executive Board (IEB). The IEB will commission a review into the financial management of the school and set/review the Headteacher's finance performance target.

Suspension of Delegated Financial Powers

Where a school refuses to take action identified by BCC the ultimate sanction will be the suspension of delegated financial management.