

**Licenced Deficit Agreement**

**Application and Agreement Form**

**Introduction.**

Tower Hamlets’ Scheme for Financing Schools requires governing bodies to set balanced budgets. In cases where, despite the best efforts of the school, this is not possible, or to do so will jeopardise the education of its pupils, a governing body may apply for a ‘Licensed Deficit Agreement’ (LDA).

A LDA allows the governing body to incur a deficit for up to three years. In applying for an agreement the governing body must demonstrate that it can achieve a reduction in costs so that not only in-year income and expenditure balance but that sufficient savings can be made to eliminate the accumulated deficit. **Governing bodies should note that local authorities have no power to write off the deficit of a school.**

The decision to apply for a LDA must be a minuted decision of the governing body and the application, by the Chair of Governors, must be accompanied by an action plan in the approved format showing how the in-year budget will be brought into balance and the accumulated deficit eliminated. LDAs will in general not be approved when the deficit is less than 4% of the school’s budget share or £10,000 whichever is the greater. In these circumstances governing bodies will be asked to re-examine their budget plans so as to balance in year.

In drawing up an action plan, the governing body should review its spending profile and compare this with other schools. The resources supporting the School Financial Value Standard (SFVS) provide a framework for doing this and the SFVS Dashboard (introduced for 2019-20) should be completed and attached to the action plan. Guidance can be found at:

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs/2019-to-2020-dashboard-guidance>

Budget deficits will usually, but not always, require additional cash resources to prevent the school’s bank account being overdrawn. Additional cash advances should not be shown as income to the school and should not mask the remaining deficit, which must be reported at its true value. The Action Plan Template includes a table of payments and repayments of additional cash advances.

**Application for a Licensed Deficit Agreement (LDA).**

Name of School:

Name of Chair of Governors:

Deficit Agreement Requested:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Year 1a | Year 2a | Year 3a | Year 4a |
|  | £000 | £000 | £000 | £000 |
| Deficit (Surplus) at year end |  |  |  | ( ) |

Notea: Please enter actual financial years.

Action Plan Attached: Yes / No

Dashboard Included: Yes / No

Will a cash advance be required? Yes / No

(If yes, please complete relevant section on Action Plan Template).

Is a contribution to redundancy/early retirement costs requested? Yes / No

Date application agreed by governing body.

(Please attach copy of minutes).

Please include a ***brief*** explanation of how the need for a licensed deficit arose and an ***overview*** of the action proposed to rebalance the budget.

I hereby apply for a Licensed Deficit Agreement for the years and values set out above. I confirm that the application and the attached action plan have been agreed by the Governing Body. Measures will be put in place to monitor the plan and if necessary alternative measures will be implemented to achieve a surplus or balanced position by Year 4.

|  |  |
| --- | --- |
| Signed |  |
| Position |  |
| School |  |
| Date |  |

**Licensed Deficit Agreement.**

A Licensed Deficit Agreement has been approved for:

|  |  |
| --- | --- |
| School |  |

For the financial years and values:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Year 1a | Year 2a | Year 3a | Year 4a |
|  | £000 | £000 | £000 | £000 |
| Deficit (Surplus) at year end |  |  |  | ( ) |

Notea: Please enter actual financial years.

The Agreement is predicated on the savings, school monitoring and repayment arrangements set out in the appended approved Action Plan that forms an integral part of this Agreement.

The Agreement incorporates the following allocation of redundancy/early retirement costs:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Year 1a | Year 2a | Year 3a | Year 4a |
|  | £ or % | £ or % | £ or % | £ or % |
| School |  |  |  |  |
| Council |  |  |  |  |

Notea: Please enter actual financial years.

In addition to the school’s own monitoring arrangements there will be termly meetings between the Chair and Headteacher and members of the Schools Finance Team.

|  |  |
| --- | --- |
| Corporate Director of Children and Culture |  |
| Corporate Director of Resources |  |
| Chair of Governors |  |
| Date |  |