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SCHEME FOR FINANCING SCHOOLS

This scheme for financing schools sets out the financial relationship between the Local Authority and the schools it maintains

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The outline scheme

References throughout this statutory guidance to:

“the Act” are to the School Standards and Framework Act 1998;

“the Authority” means the City of Wolverhampton Council. The term Authority is used to reflect the language of the DfE model scheme; and

“the Regulations” are to the School and Early Years Finance (England) Regulations 2018 made under the Act.

The Regulations state that schemes must deal with the following matters:

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the Authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the Authority for schools maintained by them.
6. The payment of interest by or to the Authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
8. The virement between budget heads within the delegated budget.
9. Circumstances in which the Authority may delegate to the governing body the power to spend any part of the Authority’s non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act.
10. The use of delegated budgets and of sums made available to a governing body by the Authority which do not form part of delegated budgets.
11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.

13. A statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the 1998 Act.

14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the Authority for the purposes of section 519 of the 1996 Act.

15. The keeping of a register of any business interests of the governors and the head teacher. NB: - The Wolverhampton scheme is extended to include all employees as part of the Authority's policy to prevent bribery and corruption.

16. The provision of information by and to the governing body.

17. The maintenance of inventories of assets.

18. Plans of a governing body's expenditure.

19. A statement as to the taxation of sums paid or received by a governing body.

20. Insurance.

21. The use of delegated budgets by governing bodies so as to satisfy the Authority's duties imposed by or under the Health and Safety at Work etc Act 1974.

22. The provision of legal advice to a governing body.

23. Funding for child protection issues.

24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.

25. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.

Notes:

- **Reference to the job title of employees, departmental/service name or other body should be taken to mean that at the time this version of the scheme was produced or any subsequent revised titles resulting from re-organisation or restructure.**
- **Section 151 of the Local Government Act 1972, states that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The officer designated as having this statutory responsibility is the Authority's Director of Finance.**

Section 1: Introduction

1.1 The funding framework

The funding framework is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum the Authority must appropriate its entire Dedicated Schools Grant to its schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. The Authority may deduct funds from the schools budget for purposes specified in regulations made by the Secretary of State under section 45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the Authority, subject to any limits or conditions (including gaining the approval of Schools' Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

The Authority will distribute the ISB amongst its maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school and where appropriate the PVI sector. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Authority in accordance with section 48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools' Forum, though the Authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the Authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act.

The Authority may suspend a school's right to a delegated budget if the provisions of this financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A

* Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (section 50(3A) of the Act.

school's right to a delegated budget share may also be suspended for other reasons (schedule 17 of the Act).

The Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the Authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

Regulations also require the Authority to publish this scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The role of the scheme

This scheme sets out the financial relationship between the Authority and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the Authority and schools.

The scheme aims to promote the quality of teaching and learning in the Authority's schools through the application of formula funding and delegation of financial and managerial responsibilities to governing bodies. Such delegation is intended to enable governing bodies and head teachers of schools to plan their use of resources to best effect. Within the limits of the scheme, schools will be able to assess their own needs and priorities and develop appropriate strategies. The scheme will allow governing bodies and head teachers to respond speedily and effectively to the needs of their clients – parents, pupils, the local community and employers.

The term governing body applies equally to a PRU management committee and governor to a member of a PRU management committee.

1.2.1 Application of the scheme to the authority and maintained schools

This scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the Authority, whether they are situated in the area of the Authority or situated elsewhere. It does not apply to schools situated in the Authority's area which are maintained by another Authority. Nor does it apply to academies, free schools or university technical

colleges. The schools covered by this scheme are listed for information at [Annex A](#) to this scheme.

New maintained schools established within the Authority are covered by this scheme by virtue of section 48 of the Act.

1.3 Publication of the scheme

A copy of this scheme will be published on a website which is accessible to the general public and any revised version will be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date. The scheme will also be available electronically to the head teacher and to the governing body of each maintained school within the Authority and any approved revisions will be notified to each such school in accordance with regulations made by the Secretary of State.

1.4 Revision of the scheme

Any proposed revisions to this scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the Authority before they are submitted to Schools' Forum for approval.

All proposed revisions must be submitted to the Schools' Forum for approval by members of the forum representing maintained schools. Where the Schools' Forum does not approve them or approves them subject to modifications which are not acceptable to the Authority, the Authority has the power to apply to the Secretary of State for approval.

1.5 Delegation of powers to the head teacher

Each governing body of a school covered by this scheme must formally consider the extent to which it wishes to delegate its financial powers to the head teacher, and to record its decision (and any revisions) in the minutes of the governing body.

The delegation of financial powers to the head teacher and relevant committees should be reviewed at least annually. Where there is a change of head teacher, delegation to the head teacher must be reviewed at the earliest opportunity.

The Authority can provide further advice and guidance but the key points to consider are: -

- the framework of accountability and probity within the school
- the limits of delegated Authority
- roles and responsibilities of the governing body, its committees, the head teacher and other employees involved in the financial administration of the school.

The governing body, or committee of the governing body, must retain responsibility for approving the first formal budget plan of each financial year, and should ratify all in-year revisions to the budget plan (See also paragraph [2.3](#) of this scheme).

1.6 Maintenance of schools

The Authority is responsible for maintaining the schools covered by this scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary school where some of the expenses are, by statute, payable by the governing body). Part of the way the Authority maintains schools is through the funding system put in place under sections 45 to 53 of the Act.

Section 2: Financial controls

2.1 General procedures

2.1.1 Application of financial controls to schools

In managing their delegated and devolved budgets, all schools, including schools operating their own bank account, must abide by the Authority's financial and procurement rules and regulations in relation to maintained schools with delegated budgets.

This requirement is to ensure that public accountability and high standards of financial integrity are exercised over the control of public funds. In addition, they assist sound administration, reduce the risk of irregularities and support the delivery of effective, efficient and economical services.

These controls apply to all governors, head teachers and employees (teaching and non-teaching). It is the responsibility of governors and head teachers to ensure that all relevant employees within the school are aware of, understand and comply with these rules and regulations. Any employee failing to observe financial controls may be subject to disciplinary action.

Where there is an inconsistency between the scheme and any other rules or regulations relating to the funding or financial management of schools, the terms of this scheme will prevail.

2.1.2 Provision of financial information and reports

Schools are required to provide the Authority with details of anticipated and actual expenditure and income, in a form and at times determined by the Authority. This format will take account of the Consistent Financial Reporting (CFR) framework and wherever possible the Authority will request this information to be provided electronically.

The Authority will not require this information to be submitted more than once every three months except for those connected with tax or banking reconciliation - unless the Authority has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. The restriction to a minimum three-month interval does not apply to schools which are part of an on-line financial accounting system operated by the Authority.

This is different from the requirement for annual budget plans (see paragraph [2.3](#) of this scheme).

Please note that schools with a local cheque account must submit a monthly return to the Authority detailing their actual expenditure, income and bank account position. See section [3.10.2](#) of this scheme.

2.1.3 Challenge of school financial performance

The Authority has a duty to ensure the effective management of resources by schools. To this end, schools can be required to submit returns as specified by the Authority for this purpose. All submissions required by the Authority should be completed in a timely and accurate manner. The Authority has a duty to challenge schools' financial performance and will monitor and check financial returns as part of the challenge process.

Where the school's financial performance gives cause for concern, the school will be required to attend a financial review meeting with the Authority, to work in collaboration to review the reasons for concern and agree a way forward. This process will form the initial stage of any intention or requirement for the Authority to issue a notice of concern (see paragraph [2.15](#) of this scheme).

The following reasons are deemed to give an indication that the schools financial position looks fragile or there is evidence of weak management:

- having a deficit budget
- applying for consecutive licensed deficits
- receiving a poor internal audit review
- financial returns are either not returned or give cause for concern
- requiring a cash flow loan
- late payment of invoices
- the maintenance of a high level of uncommitted/unsupported surplus balance (see paragraph [4.2](#) of this scheme)

2.1.4 Consistent financial reporting

Section 44 of the Education Act 2002, places responsibility on schools to submit an annual financial return in a standard format which is referred to as Consistent Financial Reporting (CFR).

The Authority is responsible for setting the date on which schools should submit their returns for validation.

2.1.5 Payment of salaries; payment of bills

The procedure for paying invoices is set out in the Authority's financial procedure rules for maintained schools with delegated budgets. Once the works, goods or services to which the invoice relates have been satisfactorily carried out or received, the invoice must be immediately processed for payment. The school should ensure that the financial management system is updated with all relevant information.

Should the governing body decide to enter into a contract with an external agency/provider for payroll provision, then they must ensure that the agency/provider concerned can adequately carry out the functions required. Additionally, the governing body must ensure that the external agency/provider makes appropriate monthly deductions as indicated by HM Revenue and Customs/Superannuation Body and ensure the payment of these sums to HM Revenue and Customs and the Local Government Pension Scheme is in accordance with their agreed procedures and timescales. **Note:** The external agency/provider will not be able to pay Teachers' Pensions directly and as such total contributions (including any additional contributions) must be paid to the Authority on a monthly basis.

2.1.6 Teachers' pension information

To ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.

The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required.

A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

2.1.7 Control of assets

Every school must maintain an inventory of its moveable assets, in a form approved by the Authority. The approved procedures for retention of an inventory and the disposal of assets are set out in the Authority's financial procedure rules for maintained schools with delegated budgets.

2.1.8 Accounting policies (including year-end procedures)

Schools must abide to the Authority's accounting policies and procedures. In particular, guidance on action required to close a financial year will be provided by the Authority during each spring term. The governing body is responsible for ensuring that this guidance is followed.

2.1.9 Writing off debts

The governing body is responsible for ensuring that adequate arrangements exist for recovering sums due and that items cannot be overlooked or not recorded.

Governors must ensure that there is an effective follow up procedure to make sure that outstanding sums are reviewed regularly and that appropriate action to recover such sums is taken without delay.

The governing body is responsible for minimizing the risk in relation to income owing to the school. In particular, the governing body must:

- collect payments in advance of the service or goods being provided, where this is practical
- issue invoices and reminders promptly
- make full use of the Authority's debt recovery service. Where there is negligible prospect of recovery the amount outstanding can be charged back to the originating school's budget.

If write off is unavoidable, the procedures outlined in the Authority's financial procedure rules for maintained schools with delegated budgets must be followed.

2.2 Basis of accounting

Unless otherwise requested by the Authority, schools should present financial reports and accounts, to the Authority on an 'income and expenditure' basis with full provision being made for debtors and creditors at the end of the financial year, or other accounting period.

Schools are free to make their own internal accountancy arrangements and to use whatever financial software they wish, providing they meet any costs of modification to provide the Authority with reports and accounts in the specified format.

2.3 Submission of budget plans

Each school is to submit a plan in the format specified by the Authority by 31st May or within one month of the school's budget share being notified, whichever is later, showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The form determined for submission of budget plans will take account of the Consistent Financial Reporting framework as detailed in [Annex B](#) to this scheme.

All budget plans produced by schools must include a forecast of expenditure and income for a three-year period. Such forecasts will be used to support any balance control mechanism the Authority has in place and allow information and decision making by the Authority in relation to Licensed Deficit applications (see paragraph [4.10](#) of this scheme).

The establishment of a three-year financial forecast by schools is considered best practice and demonstrates sound financial management.

Such forecasts can be used as evidence to support the Authority's assessment of Schools Financial Value Standard (SFVS).

The governing body, or committee of the governing body, must retain responsibility for approving the first formal budget plan of each financial year and should ratify all in-year revisions to the budget plan (see also paragraph [1.5](#) of this scheme). Schools are required to submit revised plans by 31st October each year. An example showing the format of the plan is included within [Annex B](#) to this scheme. Where there are exceptional circumstances that, prior to the 31st May submission deadline, have been notified to and agreed by the Authority and it is not possible for a governing body to approve their budget by 31st May, the draft budget the school is working to should be submitted by 31st May along with:

- an indication of its status (e.g. prepared by head teacher); and
- the date that the governing body will consider and approve the school's budget

The Authority undertakes to supply schools with all school income and expenditure data, held centrally, which is necessary for efficient planning by schools and to supply schools with an annual statement showing when this information will be available at times through the year.

The school's financial management system should accurately reflect the approved budget plan at all times.

Schools must take full account of estimated deficits/surpluses at the previous 31st March in their budget plan.

Schools holding a local cheque account must submit a budget plan to the Authority's Director of Finance prior to 31st March each year in order for cash advances to be calculated. (see also section [3](#) of this scheme).

The Authority reserves the right to reject any budget plan submitted by a school.

2.4 Efficiency and value for money

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in paragraph [2.10](#) below.

It is for head teachers and governors to determine at school level how to secure better value for money. It should be noted however, that there are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

2.5 Virement

Governing bodies may vire between budget heads in the expenditure of their budget shares. Virement procedures must comply with the Authority's financial procedure rules for maintained schools with delegated budgets. The criteria for virements and financial limits should be agreed annually by the governing body (see paragraph [1.5](#) of this scheme).

Any virements Authorised by the head teacher or sub-committee under their delegated powers must be reported to and minuted by the governing body at the earliest opportunity. All virements are to be reflected in the school's financial management system.

Virements from schools Devolved Formula Capital are not permitted.

2.6 Audit: general

Schools are required by the Local Audit and Accountability Act 2014, to co-operate both with auditors employed by the Authority (internal audit) and auditors or other audit body appointed to audit the Authority itself (external audit). Access to school records must be provided to both internal and external auditors. All schools come within the audit regime determined by the Authority.

The accounts of the Authority's maintained schools with delegated budgets will be the subject of regular internal audit to review the management of the school's finances and stewardship of public money on behalf of the Authority.

Internal audit of schools will be subject to an audit plan. It is expected that each school will be subject to regular internal audit review.

Audit requirements are set out within the Authority's financial procedure rules for maintained schools with delegated budgets.

In relation to external audit, all schools come within the Authority's external audit regime and are subject to external audit as necessary by the Authority's external auditors. Schools are therefore required to comply with any external audit requirements.

2.7 Separate external audits

The Authority is accountable to the public for the money that it spends. Part of this accountability is achieved through scrutiny by external audit. External auditors have powers to review any aspect of school finances and as such are entitled to the same rights of access as internal audit. Any external audit commissioned by a school would have to take into account the status of a school as a spender of Authority funds.

A governing body may spend funds from its budget share to obtain external audit certification of its accounts, separate from any Authority internal or external audit process.

2.8 Audit of voluntary and private funds

All schools must provide the Authority's Director of Finance with audit certificates in respect of all voluntary and private funds which they hold and of the accounts of any trading organisations controlled by the school.

2.9 Register of business interests

All schools and their governing bodies are required to establish a Register of Business/Pecuniary Interests. This register must list any business or pecuniary interests relating to the following:

- i) each member of the governing body
- ii) the head teacher
- iii) all employees and
- iv) the immediate family of those referred to in i)-iii) above

For all of the above, the register must include details of:

- any business interests they or any member of their immediate family have;
- details of any other educational establishments that they govern;
- any relationships between school staff and members of the governing body.

A business or pecuniary interest in this context is any financial or personal relationship that could be perceived as an unfair influence on the decision-making process relating to official school purchases or other expenditure. An example of this would be a relative working for a local supplier.

Employees and governors who have a business or pecuniary interest must exclude themselves from any decision-making process relating to purchases or other expenditure in the relevant area of business.

This register must be reviewed and updated on an annual basis and made available for inspection by the Authority, governors, staff and parents. The register must be published on a publicly accessible website.

Schools must also maintain a register of gifts and hospitality received and provided. The maintenance of this register will allow transparency and protect the integrity of employees.

2.10 Purchasing, tendering and contracting requirements

Schools must abide by the Authority's financial and procurement rules and regulations in relation to maintained schools with delegated budgets in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures. However, this scheme also contains a provision which has the effect of disapplying from schools any provision of those rules which would otherwise require them:

- to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive
- to seek Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year
- to select suppliers only from an approved list
- or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions.

A range of contracts included in the Authority's contract register will be made available to schools should they choose to participate. Schools will need to agree access to these contracts with the Authority's corporate procurement service prior to their use. Schools are able to nominate suppliers for the Authority to consider for inclusion in tender processes.

The governing body does not have the automatic power to enter into any leasing or deferred payment arrangements with suppliers. In accordance with the Authority's financial and procurement procedures for maintained schools with delegated budgets, and in every case, the governing body must seek the prior written opinion of the Authority's Director of Finance before entering into any potential lease agreement. This written approval should be sought utilising the appropriate procedures as established by the Authority.

The governing body and head teacher must ensure that they consider quality, economy and efficiency when making agreements for the purchase of supplies, goods, equipment or services.

Under the provisions of the Education Act 2002 (sections 11 to 13) and the Schools Company Regulations 2002, groups of schools can form companies to purchase collectively their normal goods and services or sell their expertise to other schools. This power is optional and schools only need use it if they feel that a joint identity with other schools will facilitate collective activity. Further advice and guidance on school companies can be obtained from the Authority.

2.11 Application of contracts to schools

Schools covered by this scheme have the right to opt out of Authority arranged contracts.

Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.12 Central funds and earmarking

Under this scheme the Authority is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. These allocations are subject to the conditions stipulated by the relevant funding body. Schools must abide by these conditions.

Any earmarked sum to schools from centrally retained funds must be spent only in accordance with the purpose(s) for which it is given, or on other budget heads for which earmarked funding is given and cannot be vired into the budget share.

The right to carry forward surplus balances set out in paragraph [4.1](#) of this scheme does not apply to central or earmarked funds. Earmarked funding must be returned to the Authority if not spent in-year, or within the period over which the schools are allowed to use the funding if different.

The Authority will not make any deduction, in respect of interest costs to the Authority, from payments to schools of devolved specific or special grant.

2.13 Spending for the purposes of the school

Section 50(3) of the Act, allows governing bodies to spend budget shares for the purposes of the school, subject to regulations made by the Secretary of State and any provisions of this scheme. By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

This gives clarification to and updates the definition of eligible expenditure for the 'purposes of the school' to include pupils who are on the roll of other maintained schools or academies. It should be noted that, under section 50(3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur.

2.14 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises provided that where the expected capital expenditure from the budget share on any one project in any one year will exceed £15,000 the governing body first notify the Authority and take into account any advice as to the merits of the proposed expenditure. This does not apply to Devolved Formula Capital Funds as detailed in [Annex C](#) to this scheme.

Where the premises are owned by the Authority, or the school has voluntary controlled status, then the governing body must seek the prior consent of the Authority to the proposed works, irrespective of the amount if the expenditure is to be incurred, but such consent can only be withheld on health and safety grounds.

2.15 Notice of concern

The Authority has the power to issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Authority's Director of Finance and the Director of Education, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the Authority or the school. See also paragraph [2.1.3](#) above.

The notice of concern will set out the reasons and evidence for it being made and place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These will include:

- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body
- placing more stringent restrictions or conditions on the day to day financial management of the school than this scheme requires for all schools – such as the provision of monthly accounts to the Authority

And may include:

- insisting that relevant employees undertake appropriate training to address any identified weaknesses in the financial management of the school
- insisting on regular financial monitoring meetings at the school attended by employees of the Authority

- requiring a governing body to buy into an authority's financial management systems
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities and
- insisting the school engages appropriate financial management support to enhance, provide supplementary guidance and inform on financial management procedures and issues.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with for the notice to be withdrawn. It will also state the actions the Authority is able to take where the governing body does not comply with the notice which could include withdrawal of financial delegation.

A notice of concern will not be issued to a school converting to an Academy using the convertor route as this process does not impose a financial liability on the Authority's core budget. A notice of concern will be issued where a school is the subject of a conversion directed by the Secretary of State, or via the sponsored academy conversion route, to limit the potential cost to the Authority's core budget.

2.16 Schools financial value standard (SFVS)

All Authority maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. **Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.**

All maintained schools with a delegated budget must submit the form to the Authority before 31 March annually. Further guidance is contained within the Authority's financial procedure rules for maintained schools with delegated budgets.

2.17 Fraud

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must inform all employees of school policies and procedures related to fraud and theft, the controls in place to prevent them and

the consequences of breaching those controls. This information must also be included in the induction for new school employees and governors.

Section 3: Instalments of the budget share; banking arrangements

The Authority has adopted the CIPFA Code of Practice for Treasury Management.

For the purposes of this section, budget share includes any place-led funding for special schools or pupil referral units.

This section mainly relates to schools holding a local cheque facility.

3.1 Frequency of instalments

Where a school has a bank account separate from that of the Authority, its budget share will be paid over in instalments. Any devolved funding will also normally be paid in instalments. Schools without their own bank accounts may effectively draw on the whole of their budget share from the beginning of the financial year.

Schools which operate local bank accounts will receive their budget share for non-employee related costs (subject to payroll arrangements) in either termly or monthly instalments as agreed between the school and the Authority's Director of Finance. This facility and any subsequent amendments must be requested and agreed prior to the start of the financial year when it is first required.

This cash advance should be used for costs covered by the school's delegated budget except some items which for reasons of economy and efficiency are managed directly by the Authority.

Cash advances will be made based on the school's submitted budget plan (as per paragraph [2.3](#) of this scheme) and may be suspended if the governing body fails to comply with this requirement. If schools are late submitting their detailed budget plans for the financial year, the Authority's Director of Finance in consultation with the Authority's Director of Education, will determine the level of cash advances to be made in order to adhere to the approved instalment payment timetable. In making any such determination, due regard shall be paid to the pattern of the school's actual expenditure levels in the previous financial year, the size of the school's delegated budget in the current financial year and reference to the schools previously submitted future budgetary projections.

In year funding allocations which may result in a requirement by the school for a cash advance, will be subject to the submission of details about intended areas of expenditure.

Top up payments for pupils with high needs should be made in accordance with arrangements agreed with the provider.

3.2 Proportion of budget share payable at each instalment

Schools which are operating local bank accounts for non-employee costs and have arranged to receive termly instalments, will receive them as follows:

15th April	-	50% of	budget share
15th September	-	25% of	budget share
15th January	-	25% of	budget share

Where schools request monthly instalments, including where local payroll arrangements are in place, they will receive twelve equal monthly instalments. These payments and arrangements are subject to review at the discretion of the Authority.

3.3 General clauses

Advances to schools will be made directly into school bank accounts. Supplementary advances will also be made directly.

Advances may be increased to include provision for VAT costs. Such provision will be made in accordance with the Authority's financial procedure rules for maintained schools with delegated budgets.

Advances are calculated in such a way that the closing bank balances should be equivalent to the school's budget surplus. If, throughout the year, it becomes apparent that cash balances will significantly exceed the budget surplus then future advances can be reduced.

If, at the end of the year the schools budget share has been under, or over advanced, an adjustment will be made to the subsequent advance.

3.4 Interest clawback

For schools operating a bank account that is independent of the Authority's banking arrangements the Authority will deduct from budget share instalments an amount equal to the estimated interest lost by the Authority in making available the budget share in advance. The basis of the calculation of this deduction will be based on the average rate of interest earned by the Authority on its external investments. The instalments advanced will take the deduction into account.

Cash advances to schools operating local bank accounts will be made by BACS. Any applicable transaction charges will be deducted from each cash advance.

3.5 Interest on late budget share payments

The Authority is required to add interest to late payments of budget share instalments, where such late payment is the result of Authority error. The interest rate used will be the same as for the clawback calculation as per paragraph 3.4 above.

3.6 Budget shares for closing schools

Subject to the provisions of 3.7 below, the budget share of any school for which approval for closure/discontinuation has been secured will be made available until closure on a monthly basis net of estimated pay costs, even where some different basis was previously used.

3.7 Bank and building society accounts

All maintained schools are eligible to have local bank accounts (refer also to the Authority's financial procedure rules for maintained schools with delegated budgets) into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts, they may retain all interest payable on the account unless they choose to have an account within an Authority contract which makes other provision.

New local bank accounts will only be opened from the beginning of each financial year (i.e. 1st April). The request by a school to open or amend a local bank account must be provided in writing to the Authority's Director of Finance by the preceding 31st December. Any school requesting a local bank account will not be able to have one whilst the budget is in deficit or if future budget projections show the likelihood of a budget deficit within the next three years.

Where a school operating the local cheque facility falls into deficit the Authority reserves the right to require the school to surrender its local bank account.

If a school opens an external bank account, the Authority will, if the school desires, transfer immediately to the account an amount agreed by both school and Authority as the estimated surplus balance held by the Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when the financial accounts for the relevant year are closed.

The Authority's Director of Finance must be informed of all bank accounts opened and any change of bank together with all account details. Such notifications must be in writing and will enable the prompt transfer of funds to the school's accounts.

Where a school is closing or subject to change in status during the forthcoming financial year and the school has a local cheque account, the Authority has the right

to require the local cheque account to be closed at the end of the current financial year.

Schools not operating local bank accounts will normally have imprest accounts for minor transactions. Schools will not be able to operate both forms of account.

3.8 Restrictions on accounts

Schools must observe the Authority's treasury management policies and practices when placing funds with banks or building societies.

Details of the approved financial institutions for this purpose are available from the Authority's Director of Finance. This list is consistent with the Authority's treasury management policy and as such is subject to change.

Any school closing an account used to receive its budget share and opening another must select a new bank or building society from the approved list, even if the closed account was not with an institution on that list.

Schools can operate local bank accounts for budget share purposes, which are in the name of the school rather than the Authority. However, if a school has such an account the account mandate **must** provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements and; that it can take control of the account if the school's right to a delegated budget is suspended by the Authority or in other circumstances where the Authority's Director of Finance deems appropriate.

Under section 49(5) of the Act, monies paid by the Authority and held in school bank accounts remains the property of the Authority until spent.

3.9 Borrowing by schools

Governing bodies may **only** borrow money (which includes the use of finance leases) with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives. Schools are allowed to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the [Salix](#) scheme, which is designed to support energy saving.

Schools are barred from using credit cards and overdrafts, which are regarded as borrowing. However, schools may use procurement cards as these can be a useful means of facilitating electronic purchase which can result in reduced transaction costs and enable schools to benefit from significant discounts. Arrangements for the use of purchasing cards must be approved by the Authority's Director of Finance.

The restrictions do not apply to trustees and foundations, whose borrowing, as private bodies, makes no impact on government accounts. These debts must not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the trustees or foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Authority when repaying loans.

3.10 Other provisions

Schools covered by this scheme must not overdraw their account.

Funds can only be deposited in current or deposit accounts of the approved bank/building society which are clearly shown to present no risk to the capital sum. Investment must not be arranged through any intermediaries.

Schools must not, themselves, offer any security to the bank / building society.

The supply of cheque books and paying-in books is to be arranged by the school directly with the bank / building society.

Schools must not make arrangements for the use of cash point cards, or instruments for guaranteeing payment unless these arrangements have been approved by the Authority's Director of Finance.

Schools must comply with the provisions relating to banking arrangements as detailed in the Authority's financial procedure rules for maintained schools with delegated budgets.

A standing instruction to the bank/building society must be instigated for the school to receive bank statements immediately following the end of each month.

Schools operating local bank accounts must notify the Authority's Director of Finance in writing of the bank / building society used, the number of accounts opened and the names of all signatories to each account. Signatories to the account shall be restricted to the Authority and school employees. The Authority reserves the right to require a signatory to such accounts to be nominated by the Authority's Director of Finance.

Schools operating local bank accounts must submit monthly returns to the Authority for VAT recovery and financial control purposes.

Schools operating local bank accounts are responsible for meeting any requirements of HMRC and meeting the costs of any penalties that could be levied due to the school's non-compliance.

The Authority will allow schools operating local bank accounts to deposit balances with the Authority, subject to a minimum investment period of 12 months. The

Authority will pay interest on such deposits at a rate equal to that earned on the Authority's invested balances.

3.10.1 Closing a local bank account

A local bank account may be closed in the following circumstances:

- On the closure of the school (including academy conversion) – in this event arrangements must be made for the remaining cash balance in the local bank account to be transferred to the Authority by means, the time and date specified by the Authority. All transactions following this date will be handled by the Authority (see also paragraph 4.9 of this scheme).
- On the transfer of the account to another financial institution – this is to be agreed by the governing body and arrangements made for the balance to be transferred. The school will be required to follow the procedures for opening a local bank account as shown above.
- Where the Authority withdraws delegated powers from the governing body.
- On the school no longer requiring such an account. In this event local bank accounts can only be closed from the beginning of a financial year. The intention of a school to give up such accounts must be given to the Authority's Director of Finance, in writing by the preceding 31st December. Arrangements must be made for the remaining cash balance in the local bank account to be transferred to the Authority by means, time and date specified by the Authority. All transactions following this date will be handled by the Authority.
- Where a school operating a local bank account falls into deficit – in this event the Authority reserves the right to require the school to surrender its local bank account.

3.10.2 Reconciliation of accounts

At the end of each month and by a specified date, schools must submit a financial return to the Authority which includes the following: -

- expenditure coding
- income coding
- VAT claim (expenditure and income shown independently)
- petty cash imprest details, including payments, expenditure coding, and balance of cash-in-hand at end of month
- bank reconciliation of the balance shown on the bank statements with the school accounts as shown within the financial management system being utilized by the school
- audit trail showing any approved budget virements.

These returns will be in the format approved by the Authority and separate monthly returns must be made for each bank/building society account that is being used.

The head teacher should regularly review bank reconciliations to obtain assurance that this procedure is being carried out on a timely basis. The head teacher should sign the reconciliations to evidence this review.

Section 4: The treatment of surplus and deficit balances arising in relation to budget shares

4.1 Right to carry forward balances

Schools carry forward from one financial year to the next any surplus or deficit in net expenditure relative to the school's budget share for the year plus or minus any balance brought forward from the previous financial year.

4.2 Reporting on balances

The Authority will request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the following year's budget share for primary, special schools and PRUs and by 5% for secondary schools for two consecutive years or in other circumstances where, in the view of the Authority, the level of surplus balances is cause for concern.

The maintenance of a high level of uncommitted surplus balances unsupported by specific proposals for their use could be considered as evidence of weak management, justifying further action to be taken by the Authority e.g. a requirement for schools to submit multi-year financial forecasts, or to provide more frequent financial monitoring reports. See also paragraph [2.1.3](#) of this scheme.

The Authority, under arrangements approved by the Schools' Forum, will recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts recovered will be redistributed across the appropriate local area under arrangements approved by Schools' Forum.

Every head teacher should submit a written report during the Summer Term to his/her governing body, or delegated committee of the governing body, setting out the school's balance (surplus/deficit) as at the previous 31st March. This information should be taken from the school's financial management system and be presented in accordance with balances shown in the school's Consistent Financial Reporting submission.

The Section 251 (of the Apprenticeships, Skills, Children and Learning Act 2009) Outturn Statement provided to schools in the autumn term, should be received by the governing body and minuted accordingly, noting the school's budget position at the end of the previous financial year.

The Authority will require schools/governing bodies to provide additional information where budget plans suggest balances will be in excess of those percentages referred to above.

The Authority reserves the right to request further information from schools/governing bodies in relation to other balances suggested by the budget plan where it has reason to do so.

4.3 Amounts assigned for specific purposes

The following notes have been produced to assist schools in deciding whether balances are committed or uncommitted and provide examples of the type of evidence schools will be required to retain and produce as necessary.

1: Monies should only be classed as committed if:

- ★ the school can provide evidence to show that they: -
 - are for a specific purpose (this can include pupil premium and other grants)
 - will be spent within a defined timescale as detailed in this scheme
 - are included in the school improvement plan and/or have been properly approved by governors

2: Examples of specific purposes include:

- ★ Capital
 - schools are not expected to use revenue balances for capital projects but are able to do so. Revenue funding should not however be used for capital projects until all capital resources have been exhausted.
- ★ Planning for uncertainty over future rolls, employee numbers or funding
 - where forward planning on the school's part suggests there are uncertainties around pupil numbers and funding etc. the school could identify resources to support it through the transitions that would need to be made. This would again need supporting calculations around assumptions of pupil numbers funding the costs being supported for them to be classed as committed.
 - when schools send in their budget plan for the new financial year, they may plan to use some of their forecast year-end balance in supporting the following year's budget. This could be regarded as a committed use of balances provided that there are supporting calculations/evidence identifying one or a range of discreet projects or areas of work.
 - even if the balances are being used for one-off purposes, these should still be included in the school's budget plan.

Note: Balances should not be used to defer difficult decisions, but it is legitimate for them to cushion a temporary dip in pupil numbers or fund part year costs of not implementing employee reductions until the autumn term.

3: Specific purposes do not include:

- ✱ Monies held for other schools
 - Funding held on behalf of other schools should be accounted for separately within the host school accounts and be excluded from the calculation of the school's balance. There need to be clear lines of accountability to ensure these funds are monitored.
- ✱ Private school funds
 - Privately raised funds should not be included in the calculation of a school's revenue balance as these are separate from public funds. If private school funds are used to fund items through the school's main budget, the funds should only be paid in to the level of the expenditure which is to be incurred.
- ✱ Budget 'Cushioning'
 - Retaining significant funding to cushion the budget against future falls in pupil numbers, where balances would remain above the threshold at the end of the following financial year.
- ✱ Unclearly defined capital projects
 - Capital projects which have not been clearly defined and/or do not comply with asset management priorities.
- ✱ Unplanned additions to revenue budgets
 - Unplanned additions to revenue budgets where these arise from a higher than expected carry forward and do not comply with any of the categories detailed above.

4: Examples of evidence to be retained at school level

- ✱ school asset management plan
- ✱ school improvement plan
- ✱ minutes of governor's meetings
- ✱ calculations, plans or projections to show expected changes in pupil numbers or employee requirements
- ✱ invoices, orders, delivery notes, quotations, contracts and contract registers
- ✱ reported accruals or commitments
- ✱ calculations to support balances being held for uncertainties or contingencies

Evidence needs to be maintained by the school to support the split between committed and uncommitted balances.

CFR

Balances that are to be classified as committed are to be recorded as BO1 and uncommitted revenue balances are to be considered as BO2. Any revenue balances a school is holding at the year-end for community focused school activities should be recorded under BO6.

Where a CFR return is not analysed appropriately all balances will be treated as uncommitted on the schools return to the DfE.

Note:

Schools with an excess surplus balance must be able to justify their plans for the whole balance and not just the amount they are over the threshold.

4.4 Interest on surplus balances

The Authority will pay interest to those schools not operating local bank accounts on the average of the opening and closing surplus balance for any financial year. The rate of interest will be based on the average rate of interest the Authority has earned from investments for the financial year in question. There could however, be circumstances where schools collectively agree to forgo receipt of interest on balances to support locally agreed initiatives.

4.5 Obligation to carry forward deficit balances

Any deficit balance arising from an excess in expenditure for the year relative to a school's budget share will be deducted from the following year's budget share. See also paragraph 4.8 below.

4.6 Planning for deficit budgets

Schools covered by this scheme must not plan for a deficit in excess of £10,000 at the end of the financial year except with the prior agreement of the Authority in accordance with the conditions set out at paragraph 4.10 below.

Where a deficit budget plan is submitted for governing body approval, it should be minuted that this is subject to authorisation by the Authority's Director of Education and Director of Finance. The outcome of such approval or declining of approval to a deficit budget will be dependent on the school submitting a licensed deficit application in accordance with paragraph 4.10 below and should be reported to the schools' governing body.

Where a school's plan is showing a deficit of less than £10,000, the school will need to write to the Authority to acknowledge the deficit and undertake to recover the

deficit by the end of the following financial year. This will be reported on a quarterly basis as part of licensed deficit approval procedures in accordance with the Authority's Constitution. If the school does not expect to be able to recover the deficit in this period, the school will be required to make a formal licensed deficit application.

Schools/governing bodies must notify the Authority of any potential deficit, irrespective of the amount, as soon as it becomes apparent that such a position is forecast.

4.7 Charging of interest on deficit balances

Where a school is in deficit at the end of the financial year without notifying the Authority in advance, this will be reported in accordance with the Authority's Constitution and the school will be required to submit a deficit recovery plan/licensed deficit application. The Authority will charge interest at a minimum of 4% per annum.

4.8 Writing off deficits and provision of financial assistance

There is no authorisation within this scheme for the Authority to write off the deficit balance of any school.

If the Authority wishes to give assistance towards the elimination of a deficit balance this would be through the allocation of a cash sum from the Authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty, or in respect of mainstream maintained schools from a de-delegated contingency budget where this has been agreed by Schools' Forum).

4.9 Balances of closing and replacement schools

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the Authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

4.10 Licensed deficits

In certain circumstances a school covered by this scheme, will be allowed to plan for a budget deficit to assist in delivering its school improvement plan. This facility is funded by the collective surplus of school balances held by the Authority on behalf of schools.

The key parameters of the licensed deficit facility are as follows:

- (a) the maximum length over which schools should recover the deficit (i.e. reach at least a zero balance), is normally 3 years unless a longer period is agreed on an individual school application, by the Cabinet Member for Education and Skills, Director of Education and the Director of Finance in consultation with the Chair of the Schools' Forum.
- (b) the purposes for which the deficit arrangement may be agreed are:
 - (i) elimination of underlying budget deficit
 - (ii) investment or other service improvement
 - (iii) other development(s) as set out in the school improvement plan;
- (c) the maximum deficit which can be agreed, is 20% of a school's annual budget share;
- (d) the maximum proportion of the collective balances held by the Authority which will be used to back the arrangements will be 60%;
- (e) the Authority will not charge interest on licensed deficits up to the amount of the approval. Interest will be charged on amounts above the approval and subsequent renewals on the same basis as detailed in paragraph 4.7 above;
- (f) Governing bodies are required to apply in writing to the Authority by the 30th June. Where a potential deficit in excess of £10,000 is highlighted after this date the school must contact the Authority at the earliest opportunity and agree timescales for the completion and submission of a licensed deficit application;
- (g) All applications must be supported by the Authority's Director of Education and Director of Finance prior to submission for approval.
- (h) Schools will be required to submit half-termly written progress reports to the Authority. The format and timing of these reports will be as specified by the Authority. Failure to submit written progress reports could result in the school being issued with a notice of concern as detailed in paragraph [2.15](#) of this scheme;
- (i) The Authority will, during the period of the approval, conduct its own analysis of the school's progress using the information of the school's expenditure and income as recorded on the Authority's financial system;
- (j) Where a school does not recover the deficit within the timescale of the approval, this will result in the issue of a notice of concern as detailed in paragraph [2.15](#) of this scheme which could include the withdrawal of delegation;

- (k) Where it becomes apparent that a school will not recover the deficit within the timescale the school should contact the Authority to discuss remedial action as soon as an issue arises;
- (l) Where a school succeeds in achieving a balanced budget prior to the licensed deficit application's end date, it will be considered as having completed that application's term. Should a subsequent deficit budget then occur, a new application will be required.

Section 5: Income

Schools covered by this scheme are entitled to retain income except in certain specified circumstances.

5.1 Income from fees and charges

Schools are allowed to retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. Governing bodies may determine the level of fees and charges levied by the school but in doing so should be mindful of the fees and charges recommended by the Authority and are required to have regard to any policy statements on charging produced by the Authority. Income from boarding charges is collected on behalf of the Authority and should not exceed that needed to provide board and lodging for the pupils concerned.

5.2 Income from lettings

Schools retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. It is permissible for schools to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. However, schools should have regard to directions issued by the Authority as to the use of school premises, as permitted under the Act for various categories of schools.

Income from lettings of school premises should not be paid into voluntary or private funds held by the school.

5.3 Income from fund-raising activities

Schools covered by this scheme are entitled to retain income from fund-raising activities.

5.4 Income from the sale of assets

Schools covered by this scheme are entitled to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it will be for the Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

Where the school received a grant for the purpose of purchasing equipment the decisions regarding the proceeds of sale will be subject to any grant conditions attached to the award.

5.5 Administrative procedures for the collection of income

Schools should comply with the requirements and procedures as detailed in the Authority's financial procedure rules for maintained schools with delegated budgets in dealing with income, cash handling and issues relating to VAT.

In accordance with these procedures, schools must notify the Authority's Director of Finance in advance of applying for new sources of income e.g. grants or proposed changes in procedures and/or systems of income collection.

5.6 Purposes for which income may be used

Income from sale of assets purchased with delegated funds can only be spent for the purposes of the school.

Section 6: The charging of school budget shares

6.1 General provision

The budget share of a school may be charged by the Authority without the consent of the governing body only in circumstances expressly permitted by this scheme. The Authority will consult schools as to the intention to so charge and notify schools when it has been done.

For the avoidance of doubt, the Authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of Schools' Forum.

The Authority cannot act unreasonably in the exercise of any power given by the scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

6.1.1 Charging of salaries at actual cost

For all schools covered by this scheme, the Authority is required to charge salaries of school-based employees to school budget shares at actual cost.

6.2 Circumstances in which charges may be made

6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority). [Annex D](#) to this scheme sets out DfE guidance on responsibility for redundancy and early retirement costs. See also paragraphs [8.1](#) and [11.11](#) of this scheme.

6.2.2 Other expenditure incurred to secure resignations where the school had not followed Authority advice.

6.2.3 Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice.

Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the Authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking Authority advice, the charging of the budget share with the Authority expenditure protects the Authority's position.

6.2.4 Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.

6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status.

6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority. See also paragraph [10.1](#) of this scheme.

6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure and the result is that monies are owed by the school to the Authority.

6.2.8 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority.

6.2.9 Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.

6.2.10 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions).

Before applying any such provision, the Authority will consider whether it is reasonable to do so.

6.2.11 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, or failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.

6.2.12 Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also [section 11](#) of this scheme).

6.2.13 Costs of necessary health and safety training for employees employed by the Authority, where funding for training had been delegated but the necessary training has not been carried out.

6.2.14 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.15 Cost of work done in respect of teacher pension remittance and records for schools using Non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.

6.2.16 Costs incurred by the Authority in securing provision specified in an Education, Health and Care Plan (EHCP) where the governing body of a school fails

to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with high needs.

6.2.17 Costs incurred by the Authority due to submission by the school of incorrect data.

6.2.18 Recovery of amounts spent from specific grants on ineligible purposes.

6.2.19 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.

6.2.20 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded employees providing services across the cluster.

6.2.21 Costs incurred by the Authority in administering admissions appeals, where the Authority is the admissions Authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

6.2.22 Recovery of monies from a school for services provided to the school and for which the Authority raises an invoice. Such charges will be automatically recovered from schools by the Authority should the account remain unpaid after a period of 45 days and the school has not lodged a dispute concerning the charges with the Authority's debt management team.

6.2.23 Recovery of monies from a school for services provided to the school by the Authority for which there is no SLA provision and the school has requested or agreed to receive such service. This includes where the Authority requires the school to receive additional services or support to ensure effective financial management, control and reporting of the school's financial position.

6.2.24 Amounts charged in relation to the powers of the Authority in respect of a PFI/PPP agreement entered into by the governing body. See also [section 9](#) of this scheme.

6.2.25 Costs incurred by the Authority as a result of the governing body failing to comply with the provisions of the Authority's procurement procedures and requirements relating to maintained schools with delegated budgets, including, timely compliance with TUPE legislation or any requirement for a contract to be advertised in the Official Journal of the European Union (OJEU).

6.3 Disputes procedure

Where a dispute arises between a school and the Authority as a result of a direct charge to the school's budget share and agreement cannot be reached, the issue should be referred to Schools' Forum for an opinion on the disputed matter.

Section 7: Taxation

7.1 Value added tax

Schools should comply with the relevant requirements set out in the Authority's financial procedure rules for maintained schools with delegated budgets and, where appropriate, guidance for local banking and payment arrangements, in order to be able to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts so reclaimed will be passed back to the school.

HM Revenues and Customs have agreed that VAT incurred by schools when spending any funding made available to the Authority is treated as being incurred by the Authority and qualifies for reclaim by the Authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. See also [section 13](#) of this scheme on community facilities.

7.2 CIS (Construction Industry Taxation Scheme)

The Construction Industry Scheme is a set of HM Revenue & Customs (HMRC) rules for dealing with payments relating to construction work. Payments for construction work by the governing body or head teacher of a maintained school are considered to be made by them as agents of the Authority and are therefore outside the scope of CIS. However, if the work to be undertaken is commissioned by the Authority and is not funded from budget share then CIS rules will apply. This applies to all schools to which this scheme relates including those where a local bank account is operated. Schools are required to abide by procedures issued by the Authority in connection with CIS.

7.3 Self employed

Schools cannot make payments to individuals (non-employees) without considering their income tax status. There is a statutory duty to ensure PAYE is operated where applicable. Non-compliance would result in the school being liable to penalties imposed by HM Revenue and Customs. Further advice and guidance is available from the Authority's Director of Finance.

Section 8: The provision of services and facilities by the authority

8.1 Provision of services from centrally retained budgets

It is for the Authority to determine on what basis services from centrally retained funds will be provided to schools. The provision should be drawn in a way that clearly encompasses existing pre-retirement costs (PRC) and redundancy payments, which may not ordinarily be thought of as services.

The Authority must not discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties. See also paragraphs [6.2](#), [11.11](#) and [Annex D](#) to this scheme.

8.2 Provision of services bought back from the authority using delegated budgets

The term of any arrangement with a school to buy services or facilities from the Authority will not exceed three years from the date of the agreement and will not exceed five years for any subsequent agreement relating to the same services. However, in the case of contracts for the supply of catering services the maximum periods are five and seven years respectively.

When a service is provided by the Authority for which expenditure is not retainable centrally by the Authority under regulations made under section 45A of the Act, it should be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service should be met by the total income, even if schools are charged differentially.

8.2.1 Packaging

Where, under the terms of this scheme, the Authority is offering any services on a buyback basis, these will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available. Where practicable, this will include provision on a service-by-service basis as well as in packages of services.

The Authority may offer packages of services at a discount for schools taking up a wider range of services but will also offer the relevant services singly as well as in combination.

The above arrangements do not apply to centrally arranged premises and liability insurance.

8.3 Service level agreements

Service level agreements and the terms of those arrangements will be issued to schools at least one month before they are due to take effect. In order to be effective from 1 April, service level agreements must be in place and in the possession of schools by 1 February preceding at the latest.

Where services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of this scheme will be reviewed at least every three years if the agreement lasts longer than that.

Any service offered by the Authority under a service level agreement will also be available on a basis which is not related to an extended agreement.

Where services are provided on a 'pay as you buy' ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

This scheme specifically excludes centrally arranged premises and liability insurance.

Section 9: PFI/PPP

It may be necessary to vary the terms of this scheme in the event of contracts being let under the framework for Private Finance Initiatives (PFI)/Public Private Partnerships (PPP). In such cases the Authority will undertake prior consultation with the governing bodies concerned.

Amongst other issues, such agreements may include the basis of charges relating to specific schemes and the treatment of monies withheld from contractors due to poor performance.

Paragraph [6.2.24](#) of this scheme includes provision which formally sets out the power of the Authority to charge the schools budget share with amounts agreed under a PFI/PPP agreement entered into by the governing body of a school covered by this scheme.

Section 10: Insurance

10.1 Insurance cover

Given that funds for insurance are delegated to schools, the Authority requires any school to demonstrate that cover relevant to an Authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority under its own arrangements.

The Authority must have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools. See also paragraph [6.2.6](#) of this scheme.

Section 11: Miscellaneous

11.1 Right of access to information

Governing bodies covered by this scheme must supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school.

Under the terms of issuing a notice of concern to a school, the Authority reserves the right to require that access to the school's financial management system is provided.

11.2 Liability of governors

As the governing body is a corporate body, and because of the terms of s.50(7) of the Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of this scheme are not in themselves necessarily failures to act in good faith; neither is rejection of Authority advice as to financial management.

11.3 Governors' expenses

Under the terms of this scheme, the Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Governing bodies would not have discretion in the amounts of such allowances, which would be set by the Authority.

Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002, may be paid to governors from a school's delegated budget share. The payment of any other allowances is strictly forbidden by this scheme. Schools must also avoid the payment of any expenses duplicating those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

11.4 Responsibility for legal costs

Although legal costs incurred by the governing body are the responsibility of the Authority as part of the cost of maintaining the school, unless they relate to the statutory responsibility of voluntary aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority.

A school cannot expect to be reimbursed with the cost of legal action against the Authority itself (although the Authority can agree such reimbursement if it believes this to be desirable or necessary in the circumstances). See also [section 6](#) of this scheme.

The costs referred to are those of legal actions, including costs awarded against the Authority; not the cost of legal advice provided.

If, due to a conflict of interest between the Authority and the governing body, the governing body requires independent legal advice, the Authority's approved purchasing arrangements as detailed in paragraph [2.10](#) to this scheme must be followed. The Authority will make available a list of suitably experienced legal advisers.

11.5 Health and safety

In expending the school's budget share, the governing body must have due regard to duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

11.6 Right of attendance for the Director of Finance

The Authority's Director of Finance or nominee, must be allowed to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities. Prior notice of attendance will be given by the Authority unless it is impracticable to do so.

11.7 Special educational needs

This scheme requires schools to use their best endeavours in spending the budget share to secure the special educational needs of their pupils.

11.8 Interest on late payments

The terms of this scheme do not affect statutory requirements introduced on late payments.

11.9 'Whistleblowing'

The Authority is committed to the highest possible standards of openness, probity and accountability.

If employees or governors become aware of any activities that are non-compliant with the Authority's codes of conduct they must report these matters through the whistle blowing policy detailed in the Authority's approved Constitution.

11.10 Child protection

This scheme requires schools to release staff to attend child protection case conferences and other related events. The associated costs to be met from the school's own resources.

11.11 Redundancy / early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided at [Annex D](#) and paragraphs [6.2.1](#) and [8.1](#) to this scheme.

Section 12: Responsibility for repairs and maintenance

12.1 Responsibility for repairs and maintenance

Under this scheme the Authority has delegated funding for repairs and maintenance to schools. Only capital expenditure is retained by the Authority. The definition of capital expenditure is specified by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on local authority accounting.

Responsibility for the inspection and testing of premises for asbestos products will remain with the Authority. The Authority will be responsible for its removal and reinstatement work where appropriate. This will only apply if the works are at the instigation of the Authority. Where works are initiated by the school, any asbestos removed as a result of these works must be financed by the school and the governing body has a duty to inform the Authority of such works.

Schools may receive a devolved capital allocation. In consultation with the Authority, this funding must be spent in accordance with the Authority's financial procedure rules for maintained schools with delegated budgets and DfE conditions of grant including time limitations imposed on the period in which the grant must be spent.

12.2 De-minimis limit

The Authority sets a de-minimis level of £10,000 for equipment and £100,000 for land and buildings for the definition of capital and revenue expenditure in its annual Statement of Accounts. The de-minimis level for devolved capital is set at £1,500.

However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de-minimis limit applied by the DfE to categorise such work and **not** the de-minimis limit used by the Authority.

12.3 Voluntary aided schools

For voluntary aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de-minimis limit applied by the DfE to categorise such work, not the de-minimis limit used by the Authority. Further guidance on the division of responsibilities of voluntary aided schools can be obtained from the Authority or local diocese.

Section 13: Community facilities

13.1 Introduction

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its Authority and have regard to advice received. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the Authority's scheme for financing schools made under section 48 of the Act as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in this scheme for financing schools.

This part of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

Governing bodies should note that:

- the budget share of a school can be used to fund community facilities
- mis-management of community facilities funds can be grounds for suspension of the right to a delegated budget.

13.2 Consultation with the authority – financial aspects

Section 28(4) of the Education Act 2002, requires that before exercising the community facilities power, governing bodies must consult the Authority, and have regard to advice given to them.

Any governing body which has resolved in principle to exercise the community facilities power must provide the Authority's Director of Education with a written submission giving details of the proposal. This document must be provided at least three months before the date when the governing body first intends to exercise the community facilities power. The document should contain:

- the commencement date(s)
- details of all individuals or agencies with whom the school will be working
- evidence that there has been prior consultation with the employees of the school, the parents of registered pupils at the school and the governing bodies of all other maintained schools within 1 kilometre of the school (as the

crow flies) and that the outcome of consultation has been taken into account in framing the proposals

- confirmation that the proposals are compatible with the school's Instrument of Governance
- details of how the activities will be financed and administered.

The Authority will provide written advice on the proposal not later than five weeks after receipt of the school's written submission. A charge will not be levied for the provision of such advice.

13.3 Funding agreements – authority powers

The provision of community facilities may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.

Schools must comply with the following requirements in relation to funding agreements with third parties (as opposed to funding agreements with the Authority itself).

- Any such proposed agreement should be submitted in writing to the Authority for its comments, at least three months before the agreement is due to commence
- The agreement should specify if the third party requires Authority consent to the agreement for it to proceed
- The duration of the agreement should not be less than 12 months and notice of termination should be at least 3 months thereafter.

The Secretary of State does not consider it appropriate for the Authority to have a general power of veto for these agreements. However, if an agreement has been or is to be concluded against the wishes of the Authority, or has been concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

13.4 Other prohibitions, restrictions and limitations

Section 28 of the Act, provides that the exercise of the community facilities power is subject to the prohibitions, restrictions and limitations of this scheme. The Authority may propose other scheme provisions of that nature which are believed to be necessary to safeguard the financial position of the Authority or school, or to protect pupil welfare or education.

In exercising its community facilities powers the governing body must make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the

purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

13.5 Supply of financial information

Schools which exercise the community facilities power must provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, will require such financial statements to be supplied every three months and require the submission of a recovery plan for the activity in question.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) framework. However, the CFR timetable is such that the Authority may require supplementary information to ensure that schools are not at financial risk. (Schedule 15 of the Act provides that mismanagement of funds spent or received for community facilities is a basis for suspension of the right to delegation of the budget share).

These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and the Authority as to the financial reporting requirements arising from the funding in question.

13.6 Audit

Any school involved in the provision of community facilities must make available for scrutiny the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools must ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 Treatment of income and surpluses

Schools are allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person.

Schools are allowed to carry such retained net income over from one financial year to the next as a separate community facilities surplus.

13.8 Health and safety

All health and safety provisions of this scheme apply to the community facilities power.

Any governing body which exercises the community facilities power is responsible for the costs of securing the necessary criminal records checks and clearance for all adults involved in community activities taking place during the school day via the Disclosure and Barring Service (DBS). Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. A school must seek the Authority's advice before finalising any insurance arrangement for community facilities.

The Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

13.10 Taxation

Schools should seek the advice of the Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

If any person employed by the school or Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not) the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

Schools must follow Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power. See also [section 7](#) to this scheme.

13.11 Banking

Any school exercising the community facilities power must maintain a bank account with separate cost headings for budget share and community facilities. Alternatively, a school may utilise Authority banking arrangements for community activity, whether or not it has a local bank account for budget share. This is required to ensure adequate separation of such funds from the school budget share and other Authority funds.

The provisions contained elsewhere in this scheme in relation to the banks that may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates and similar matters apply equally to the activities covered by this section.

Schools must not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining authority.

January 2019

SCHEME FOR FINANCING SCHOOLS

Annexes

This scheme for financing schools sets out the financial relationship between the Local Authority and the schools it maintains

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ANNEX A: List of schools covered by this scheme

SCHOOL NAME	DfE No
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Secondary

Colton Hills Community School	4133
St Matthias School	4115
The King's Church of England	4731

Primary

Bantock Primary	2117
Bilston Church of England Primary	3024
Bushbury Hill Primary	2003
Castlecroft Primary	2043
Claregate Primary	2042
Dovecotes Primary	2111
Eastfield Primary	2103
Fallings Park Primary	2015
Graiseley Primary	2030
Holy Trinity Catholic Primary	3309
Lanesfield Primary	2071
Long Knowle Primary	2058
Loxdale Primary	2051
Merridale Primary	2089
Oak Meadow Primary	2102
Rakegate Primary	2034
Springdale Primary	2032
Spring Vale Primary	2074
Stow Heath Primary	2066
Stowlawn Primary	2053
St. Andrew's Church of England Primary	2118
St. Anthony's Catholic Primary	3303
St. Luke's Church of England (Aided) Primary	3301
St. Michael's Church of England (Aided) Primary	3316
St. Patrick's Catholic Primary	3312
St. Paul's Church of England (Aided) Primary	3314
Trinity Church of England Primary	3025
Warstones Primary	2105
West Park Primary	2116
Whitgreave Primary	2022
Wilkinson Primary	2069

SCHOOL NAME	DfE No
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Primary (Cont.)

Wodensfield Primary	2106
Wood End Primary	2065

Junior

Christchurch (Church of England) Junior	3019
Uplands Junior	2079

Infant

Christchurch (Church of England) Infant and Nursery (TW)	3012
Westacre Infant	2044

Special Schools

Green Park	7008
Penn Fields	7004
Penn Hall	7012
Tettenhall Wood	7007

Nursery Schools

Ashmore Park Nursery	1003
Bilston Nursery School Children's Centre	1010
Bushbury Nursery	1009
Eastfield Nursery	1004
Low Hill Nursery	1002
Phoenix Nursery	1005
Windsor Nursery	1007

Pupil Referral Units

Braybrook	1104
Midpoint	1103
Orchard Centre	1102

Annex B: CFR framework table

Income

I01	funds delegated by the local authority
I02	funding for sixth form students
I03	high needs top-up funding
I04	funding for minority ethnic pupils
I05	pupil premium
I06	other government grants
I07	other grants and payments received
I08	income from facilities and services
I09	income from catering
I10	receipts from supply teacher insurance claims
I11	receipts from other insurance claims
I12	income from contributions to visits etc.
I13	donations and/or voluntary funds
I15	pupil focused extended school funding and/or grants
I16	community focused school funding and/or grants
I17	community focused school facilities income
I18	additional grant for schools

Expenditure

E01	teaching staff
E02	supply teaching staff
E03	education support staff
E04	premises staff
E05	administrative and clerical staff
E06	catering staff
E07	cost of other staff
E08	indirect employee expenses
E09	staff development and training
E10	supply teacher insurance
E11	staff related insurance
E12	building maintenance and improvement
E13	grounds maintenance and improvement
E14	cleaning and caretaking
E15	water and sewerage
E16	energy
E17	rates
E18	other occupation costs
E19	learning resources
E20	ICT learning resources
E21	examination fees
E22	administrative supplies
E23	other insurance premiums
E24	special facilities
E25	catering supplies
E26	agency supply teaching staff
E27	bought in professional services - curriculum
E28a	bought in professional services – other (except PFI)
E28b	bought in professional services – other (PFI)

E29	loan interest
E30	direct revenue financing (revenue contributions to capital)
E31	community focused school staff
E32	community focused school costs

Capital Income

CI01	capital income
CI03	voluntary or private income
CI04	direct revenue financing

Capital Expenditure

CE01	acquisition of land and existing buildings – DO NOT USE
CE02	new construction, conversion and renovation
CE03	vehicles, plant, equipment and machinery
CE04	information and communication technology

Balances

B01	committed revenue balances
B02	uncommitted revenue balances
B03	devolved formula capital balance
B05	other capital balances
B06	community focused school revenue balances
OB01	opening pupil-focused revenue balance
OB02	opening community-focused revenue balance
OB03	opening capital balance

ANNEX B - BUDGET PLAN

Original Budget Plan 2018-19

School Name -

**CITY OF
WOLVERHAMPTON
COUNCIL**

CFR CODE	DETAILS	2018/19	2019/20	2020/21
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REVENUE				
INCOME				
I01	Funds Delegated by the LA	0	0	0
I02	Funding for Sixth Form Students	0	0	0
I03	High Needs Top Up Funding	0	0	0
I04	Funding for Minority Ethnic Pupils	0	0	0
I05	Pupil Premium	0	0	0
I06	Other Government Grants	0	0	0
I07	Other Grants and Payments Received	0	0	0
I08	Income from Facilities & Services	0	0	0
I09	Income from Catering	0	0	0
I10	Receipts from Supply Teacher Insurance claims	0	0	0
I11	Receipts from Other Insurance Claims	0	0	0
I12	Income from Contributions to Visits etc	0	0	0
I13	Donations and/or Voluntary Funds	0	0	0
I15	Pupil Focused Extended School funding and/or grants	0	0	0
I16	Community focused school funding and/or grants	0	0	0
I17	Community focused school facilities income	0	0	0
I18	Additional Grant for Schools	0	0	0
TOTAL REVENUE INCOME		0	0	0

POTENTIAL SAVINGS		
SAVINGS METHOD	2017/18	2018/19
I01		
I02		
I03		
I04		
I05		
I06		
I07		
I08		
I09		
I10		
I11		
I12		
I13		
I15		
I16		
I17		
I18		
TOTAL	0	0

EXPENDITURE				
E01	Teaching Staff	0	0	0
E02	Supply Staff	0	0	0
E03	Education Support Staff	0	0	0
E04	Premises Staff	0	0	0
E05	Administrative and Clerical Staff	0	0	0
E06	Catering Staff	0	0	0
E07	Cost of Other Staff	0	0	0
E08	Indirect Employee Expenses	0	0	0
E09	Staff Development and Training	0	0	0
E10	Supply Teacher Insurance	0	0	0
E11	Staff Related Insurance	0	0	0
E12	Building Maintenance and Improvement	0	0	0
E13	Grounds Maintenance and Improvement	0	0	0
E14	Cleaning & Caretaking	0	0	0
E15	Water & Sewerage	0	0	0
E16	Energy	0	0	0
E17	Rates	0	0	0
E18	Other Occupation Costs	0	0	0
E19	Learning Resources	0	0	0
E20	ICT Learning Resources	0	0	0
E21	Examination Fees	0	0	0
E22	Administrative Supplies	0	0	0
E23	Other Insurance Premiums	0	0	0
E24	Special Facilities	0	0	0
E25	Catering Supplies	0	0	0
E26	Agency Supply Teaching Staff	0	0	0
E27	Bought in Professional Services - Curriculum	0	0	0
E28	Bought in Professional Services - Other	0	0	0
E29	Loan Interest	0	0	0
E30	Direct Revenue Financing (Revenue Contributions to Capital)	0	0	0
E31	Community focused school staff	0	0	0
E32	Community focused school costs	0	0	0
TOTAL REVENUE EXPENDITURE		0	0	0

SAVINGS METHOD			2016/17	2017/18
E01				
E02				
E03				
E04				
E05				
E06				
E07				
E08				
E09				
E10				
E11				
E12				
E13				
E14				
E15				
E16				
E17				
E18				
E19				
E20				
E21				
E22				
E23				
E24				
E25				
E26				
E27				
E28				
E29				
E30				
E31				
E32				
TOTAL SAVINGS			0	0

IN YEAR SURPLUS/(DEFICIT)	0	0	0
SURPLUS/(DEFICIT) B/FWD	0	0	0
CUMULATIVE SURPLUS/(DEFICIT) C/FWD	0	0	0
Percentage of resources carried forward	#DIV/0!	#DIV/0!	#DIV/0!

IN YEAR SURPLUS (DEFICIT) AFTER SAVINGS	0	0
SURPLUS (DEFICIT) B/FWD	0	0
CUMULATIVE SURPLUS (DEFICIT) C/FWD	0	0
Percentage of resources carried forward	#DIV/0!	#DIV/0!

Headteacher Signature _____
 Date _____
 Chair of Governors Signature _____
 Date _____

THIS PLAN MUST BE APPROVED & SUBMITTED BY: 31/05/2018

CAPITAL

CFR CODE	DETAILS	2018-19	2019-20	2020-21
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INCOME				
C101	Capital Income	0	0	0
C103	Voluntary or Private Capital Income	0	0	0
C104	Direct Revenue Financing	0	0	0
TOTAL CAPITAL INCOME		0	0	0

SAVINGS METHOD			2017-18	2018-19
C101				
C103				
C104				
TOTAL SAVINGS			0	0

EXPENDITURE				
CE01	Acquisition of Land and Existing Buildings	0	0	0
CE02	New Construction, Conversion & Renovation	0	0	0
CE03	Vehicles, Plant, Equipment and Machinery	0	0	0
CE04	Information & Communication Technology	0	0	0
TOTAL CAPITAL EXPENDITURE		0	0	0

SAVINGS METHOD			2017-18	2018-19
CE01				
CE02				
CE03				
CE04				
TOTAL SAVINGS			0	0

IN YEAR SURPLUS/(DEFICIT)	0	0	0
SURPLUS/(DEFICIT) B/FWD	0	0	0
CUMULATIVE SURPLUS/(DEFICIT) C/FWD	0	0	0

IN YEAR SURPLUS (DEFICIT) AFTER SAVINGS	0	0
SURPLUS (DEFICIT) B/FWD	0	0
CUMULATIVE SURPLUS (DEFICIT) C/FWD	0	0

Annex C: Devolved formula capital (DFC)

This capital grant gives all maintained schools direct funding to invest in their buildings, grounds and ICT equipment.

Expenditure must be of a capital nature – The definition of capital expenditure is specified by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on local authority accounting. The main provision being that DFC cannot be used for expenditure where the amount falls below the Authority's minimum capital spend threshold. This threshold, below which any expenditure automatically counts as re-current, is set by local authorities and varies across England. In Wolverhampton the threshold has been set at £1,500.

Grant must not be used for general maintenance, redecoration or day-to-day repairs. Operating leases in respect of equipment or facilities are not eligible for capital grant. Similarly, formula capital should not be used for the hire of temporary accommodation unless it is part of a larger project, which has a short-term requirement to re-house classes. It cannot be used to meet any periodic PFI charge since that is a charge to revenue.

The Authority is required to verify the eligibility of all planned DFC expenditure and schools should therefore submit a DCF1 and DCF2 form to advise the Authority of work that will be taking place (this will also allow the Authority's asset management information to be updated).

It is essential that schools seek appropriate advice either from the Authority or other professional advisors before commencing with any capital works. Schools must pay due regard to financial framework requirements particularly in relation to tendering arrangements.

Schools must also comply with DfE conditions of grant including time limitations imposed for the period in which the grant must be spent.

VA Schools – DFC funding in respect of Voluntary Aided schools is allocated by the DfE and not the Authority.

Annex D: Responsibility for redundancy and early retirement costs

This guidance note, extracted from the DfE's model scheme, summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget. See also paragraphs [6.2.1](#), [8.1](#) and [11.11](#) of this scheme.

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

- if a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- if a school is otherwise acting outside the local authority's policy
- where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit

- where staffing reductions arise from a deficit caused by factors within the school's control
- where the school has excess surplus balances and no agreed plan to use these
- where a school has refused to engage with the local authority's redeployment policy

Charge of premature retirement costs to local authority non-schools budget:

- where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

Costs of early retirements or redundancies may only be charged to the central schools services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of decisions made before 1st April 2013.

Costs may not exceed the amount budgeted in the previous financial year.

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the Schools' Forum agree.

It is important that the local authority discusses its policy with its Schools' Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if Schools' Forum agree, to support individual schools where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share".

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs—

- (a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
- (b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.