



**SCHEME FOR THE FINANCING  
OF SCHOOLS**

(Revised April 2016)

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## MAIN FEATURES OF THE SCHEME

### 1.1 Introduction

The funding framework which replaces Local Management of Schools is set out in 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 non-schools budget – although at a minimum the local authority must appropriate its entire Dedicated Schools Grant to their 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. Local authorities may deduct funds from their schools budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School 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 centrally retained funds 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).

Local authorities must distribute the ISB amongst their 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. 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 s.51 of the Act. The financial controls within which delegation works are set out in this scheme made by South Gloucestershire Council in accordance with s.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 local 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 provisions made by or under the scheme, governing bodies of schools may spend their budget shares for the purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (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 (s50(3A) of the Act).

The authority may suspend a school's right to a delegated budget if the provisions of the authority's 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 school's right to a delegated budget share may also be suspended for other reasons (s17 of the SSAF Act 1998).

Each 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 local authority to publish their 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 and Scope of the Scheme**

This scheme sets out the financial relationship between the Authority and the schools maintained by the Authority. The scheme contains requirements relating to financial management and associated issues which are binding on both the LA and the Governing Bodies of schools.

### **1.2.1 Application of the scheme to the authority and maintained schools**

The 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.

Annexe A gives a list of all maintained schools in South Gloucestershire on 1<sup>st</sup> April 2016

## **1.3 Publication of the Scheme**

A copy of the scheme will be available on the South Gloucestershire Council website, including the dates the revisions come into force. A hard copy will be available on request and without charge,

### **1.4. Revision of the Scheme**

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 may apply to the Secretary of State for approval.

### **1.5 Delegation of Powers to the Headteacher**

The Governing Body may delegate to the Headteacher their financial powers in relation to delegated budgets. The level of delegation is for the Governing Body to determine. The Governing Body should consider the extent to which it wishes to delegate its powers and functions to the Headteacher, and record its decision in the minutes of the Governing Body. Any subsequent revisions should be similarly

recorded. The ultimate responsibility still remains with the Governing Body. The first formal budget plan of each year must be considered and approved by the Governing Body.

## **1.6 Maintenance of Schools**

South Gloucestershire LA is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided 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 Schools Standards and Framework Act 1998.

## **2.0 FINANCIAL REQUIREMENTS**

### **2.1.1 Application of Financial Controls to Schools**

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring as set out in the scheme and in detailed publications outside of the scheme but referred to in the scheme.

### **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. The Authority may not require submission of such details more often than once every three months, except for those reports connected with tax or banking reconciliations. The exception to this is if the Authority has notified the Governing Body in writing that in its view the school's financial position requires more frequent submission or that the school is in its first year of operation. This restriction does not apply to schools which are part of the on-line financial accounting system operated by the Authority

### **2.1.3 Payment of Salaries; Payment of Bills**

Schools are required to comply with the administrative procedures for payment of salaries and invoices published separately by the Authority. Where payments are not from central systems, schools will need to provide such additional information as is needed for statutory returns and appropriate monitoring.

### **2.1.4 Control of Assets**

Each school must maintain an inventory of its movable non-capital assets in accordance with arrangements determined by the Authority. Schools are free to determine their own arrangements for assets worth less than £1,000 and a register must be kept in some form. Schools must ensure that all inventories are reviewed at least once a year and discrepancies reported to the governing body. The register of assets/inventory may be held in an electronic form. If electronically held, a paper copy needs to be verified and signed, as being correct, on an annual basis.

The basic procedure for the disposal of assets is that the asset should be offered to other South Gloucestershire schools, then to other services within the Council prior to disposal outside the Council. Schools should endeavour to sell the asset at market value. Schools need to operate their own discretion as to whether the disposal of an asset that has a nominal or nil value should be offered to other South Gloucestershire schools or other Council Services.

### **2.1.5 Accounting Policies (including Year End Procedures)**

Schools must abide by the Authority's accounting policies and procedures, including year-end procedures which will be issued annually to schools.

### **2.1.6 Writing Off of Debts**

Governing Bodies can only write off debts up to £2,000 which are related to their own income generation, e.g. lettings income. In order to write off other debts, the school should seek the approval of the Chief Financial Officer. The detailed

procedures are contained within the document “Financial Regulations for Schools”. Before seeking to do this, schools must take all reasonable measures to recover the debt.

## **2.2 Basis of Accounting**

All reports and accounts provided to the Authority by a Governing Body must be on an accrual basis. Adherence to prudence also requires that all known commitments for the financial period are included. Schools are able to choose their financial software provided the Governing Body meets, in full, the costs involved in providing the LA with all the reports and accounts requested in the format prescribed by the LA.

## **2.3 Submission of Budget Plans**

Each school is required to submit their budget plan approved by the full Governing Body by the 31 May of each year in a format to be determined by the authority which will, as far as possible, take into account Consistent Financial Reporting. In submitting their budget plan, the governing body should also include their assumptions underpinning their plan.

Revised plans approved by the Governing Body must be completed and forwarded as soon as practical after 31 October but no later than 30 November in the financial year to which it relates.

When considering their budget plans, the Governing Body are able to take full account of the estimated deficit/surplus at the previous 31<sup>st</sup> March.

The authority will supply schools, on a monthly basis, with income and expenditure data which it holds. Schools can then use this data to help them in planning their budget.

### **2.3.1 Submission of Financial Forecasts**

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year e.g. a school with a deficit budget situation.

## **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 section 2.10.

It is for heads and governors to determine at school level how to secure better value for money.

## **2.5 Virement**

A Governing Body may transfer funds between budget heads in their delegated budget shares. This is known as virement.

A Governing Body may also delegate this power under paragraph 1.5 of the Scheme.

## **2.6 Audit: General**

Schools with delegated budgets will be subject to regular internal audit. The school's records and accounts will be available for inspection, as necessary, by South Gloucestershire's internal and external auditors. The Council's external audit regime is determined by the Audit Commission. Governing Bodies are required to co-operate with both Internal and External Auditors. Schools must provide a right of access to records for both internal and external auditors.

## **2.7 Separate External Audits**

A Governing Body may spend funds from its school budget share to obtain external audit certification of its accounts, separate from any South Gloucestershire Council internal or external audit process.

## **2.8 Audit of Voluntary and Private Funds**

Schools must provide audit certificates for all voluntary and private funds held and for the accounts of any trading organisations controlled by the school. Audit certificates (and any accompanying reports) must be reported to the governing body and sent to the Chief Finance Officer not later than six months after the end of the accounting period to which they relate.

## **2.9 Register of Business Interests**

The Governing Body of each school must maintain a register which lists for each member of the Governing Body and the Headteacher:

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

This register must be kept up to date by notification of changes and through an annual review of entries. The register is to be made available for inspection by governors, staff, parents and the Authority and published on a publicly accessible website.

## **2.10 Purchasing, Tendering and Contracting Requirements**

The Governing Body of each school is required to abide by the Council's financial regulations and standing orders relating to schools. This includes a requirement to assess, where relevant, the health and safety competence of contractors, taking into account the Authority's policies and procedures. Schools can disapply any section of those regulations and standing orders which would require them:

- a). to do anything incompatible with any of the provisions of this Scheme or any statutory provision, or any EU Procurement Directive
- b) to seek a council officer's counter-signature for any contracts for goods or services for a value below £60,000 in any one year

- c) to select suppliers only from an approved list
- d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

If schools do select suppliers that are not on an approved list, then the school must satisfy themselves as to the suitability of the purchase/supply from this supplier. Any future potential claim arising from this purchase/supply will remain with the school.

### **2.11 Application of Contracts to Schools**

Schools are able to opt out of Authority contract. Once the governing body has signed a contract, it is bound for its length. If the Governing Body opt out, it may have to pay penalties.

Schools are empowered under paragraph 3 of Schedule 10 to the Schools Standards and Framework Act 1998, to enter into contracts, but 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.

Where a Governing Body has clear statutory obligations it is free to enter into contracts solely on behalf of the Governing Body for example contracts made by aided or foundation schools in respect of the employment of staff.

### **2.12 Central Funds and Earmarking**

The Authority may make resources available to schools from centrally retained funds in the form of allocations which are additional to and separate from the schools budget share. In the case of grants this may be a requirement specified by the Secretary of State or other grant making body.

These allocations will be subject to terms and conditions setting out the purpose or purposes for which they may be used and the accounting requirements which must be followed. Any such allocation must be spent only on the purposes for which it was given, and within the period over which schools are allowed to use the funds. Where earmarked funds are not spent in the period for which they were given, the balance must be returned to the Authority. The Authority will, when necessary, return the funds to the grant making body.

### **2.13 Spending for the Purposes of the School**

Section 50(3) of the School Standards and Framework Act 1998 allows Governing Bodies to spend budget shares for the purposes of the school, subject to the regulations made by the Secretary of State and any provisions of the scheme.

By virtue of section 50(3A), amounts spent by governing bodies of all schools on community facilities or services under s27 of the Education Act 2002 will be treated as spent for the purposes of the school.

Under section 50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. Such purposes are prescribed in the Schools Budget Shares (Prescribed Purposes) (England) Regulations 2010 (SI 2002/378) and the School Budget Shares (Prescribed Purposes) (England) Amendment Regulations 2010(SI 2010/190). These allow schools to spend their budget shares on pupils registered at other maintained schools or academies.

## 2.14 Capital spending from budget shares

Governing bodies are permitted to use their budget share to meet the cost of capital expenditure on school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

Any capital spending proposed by a governing body from their budget share shall be notified to the Authority.

If a governing body decides to spend more than £15,000 on capital expenditure from its budget share in any one year, it must take into account any advice from the Director of Children, Adults and Health as to the merits of such expenditure.

If the premises are owned by the Authority, or the school has voluntary controlled status, then the governing body should seek consent from the council to the proposed works. Consent will only be withheld on health and safety grounds.

## 2.15 Notice of Concern

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Chief Education Officer/Director of Children's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the Authority or the school.

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

These may include but are not limited to:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body, or (if no finance committee exists) leads the governing body on finance matters;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the Authority;
- insisting on regular financial monitoring meetings at the school attended by officers of the Authority;
- requiring a governing body to buy into a local authority's financial management systems, or other services provided by the Authority which are relevant to financial management difficulties at the school; and
- 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.

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 in order for the notice to be withdrawn. It will also state the actions that the Authority may take where the governing body does not comply with the notice.

## 2.16 Schools Financial Value Standard (SFVS)

All local 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 local authority before 31 March each year.

## 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 staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

### **3.0. INSTALMENTS OF THE BUDGET SHARE: BANKING ARRANGEMENTS**

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

#### **3.1 Frequency of Instalments**

For schools which do not have their own bank accounts, the budget share will be made available to Governing Bodies at the start of the financial year to which it relates. Where schools have bank accounts, they will receive three a budget share instalments.

Where a school with a bank account requests it, the Authority will make available budget share cash instalments on a monthly basis. The request must be made prior to the start of the relevant financial year.

Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

#### **3.2 Proportion of Budget Share Payable at Each Cash Instalment**

For schools with their own bank accounts, funds will be paid into their bank account in three instalments as follows:-

- 1). 50% on April 1st
- 2). 30% on September 1st
- 3). 20% on January 2nd

If a school has requested its funds on a monthly basis, then this will be paid in 1/12th equal instalments. This request must be made prior to the start of the relevant financial year.

The funds will be their full budget share.

A final cash adjustment is made, either on 1st July if there has been an underpayment to the school, or it is deducted from the instalment due on 1st September. This adjustment compares actual cash paid out during the year to how much should have been paid out based on the final expenditure figures for the year.

For non cheque book managed schools, there are no termly instalments of their budget allocation. In effect, a non cheque book managed school may draw its entire budget share from the start of the year (although in practice this would not happen).

#### **3.3 Interest Clawback**

The Authority will deduct from the budget share instalments for those schools with bank accounts an amount equal to the estimated interest lost by the Authority in making available to the school the budget share in advance of its expenditure, this is known as foregone interest. The foregone interest is calculated as follows:-

$$\text{Cash instalment} \times \frac{1}{2} \times \text{number of days in the period the instalment covers} \\ \div 365 \times \text{Interest Rate}$$

The interest rate is calculated as the Bank of England base rate less ½% at the time of the advance.

### **3.3.1 Interest on Late Budget Share Payments**

For schools with bank accounts, the Authority will add interest to late payments of budget share instalments where such late payment is the result of an Authority error. The interest to be paid is calculated as follows:-

$$\text{Amount of late payment due} \times \text{number of days the payment is late} \div 365 \times \text{Interest Rate}$$

The interest rate is calculated as the Bank of England base rate less ½% at the time of the advance.

### **3.4 Budget Shares for Closing Schools**

For schools which are closing during the financial year, the budget share will be calculated as if no closure was taking place. This calculated figure will then be abated to reflect the date of closure. For schools with bank accounts, the budget share instalments will be based on the non abated figure so long as the total of the budget share instalment does not exceed the abated figure. The balance on the bank account at the date of closure of the school is returned to the Authority. The abatement will be calculated on a calendar basis, i.e. closure on 31 August will give an abatement of 5/12ths.

### **3.5 Bank and Building Society Accounts – Cheque Book Schools**

All South Gloucestershire schools have the option of maintaining their own bank accounts into which their budget shares cash instalments are paid, i.e. become a cheque book school. This option is reviewed annually and schools may choose to enter or leave the scheme.

New bank account arrangements may only be made with effect from the beginning of each financial year. The request from a school to either enter or leave the scheme must be made at least three months prior to the start of the next financial year.

Schools will be able to retain all interest payable on these accounts.

Schools that have a deficit balance will not be allowed a bank account until that deficit is cleared.

When a school opens an external bank account, it may immediately have transferred to it the estimated total of its surplus balance. This will be adjusted if the year-end carry forward is different.

The Council's Internal Audit Service must be informed of all new bank account arrangements when made, together with their specific details.

All references to bank accounts do not include imprest accounts, i.e. petty cash accounts.

### **3.5.1 Restriction on Accounts**

Schools must only use permitted banking institutions. Schools should check that an institution they propose to use for banking purposes is currently permitted by the Authority before opening a dialogue with that institution.

Schools having bank accounts with other banks prior to 1st April 2001 will be able to retain these accounts. Any school closing an account used to receive its budget share and opening another must check with the Authority before opening dialogue with that institution.

Budget share funds paid by the Authority and held in school accounts remains Authority property until spent (s.49(5) of the Act).

Schools can have 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, then the account mandate must provide that the Authority is the owner of the funds in the account and that the Authority is entitled to receive statements and that the Authority can take control of the account if the school's right to a delegated budget is suspended by the Authority.

### **3.6 Borrowing by Schools**

Governing Bodies of schools may only borrow money (which includes the use of finance leases) with written permission of the Secretary of State. This provision does not apply to loan schemes run by the Authority or the use of purchase cards authorised by the Authority. The definition of borrowing predominantly covers cash loans from financial institutions but also includes finance leases which are equivalent to committing the school to a loan, which is a form of borrowing. Some equipment leases, including photocopier and IT equipment leases, may be finance leases, and therefore it is important that schools refer terms and conditions of proposed leases to the Authority for checking.

### **3.7 Other Provisions**

Separate detailed rules and guidance are given in the document "Cheque Book Management Scheme" in respect of schools wishing to have separate banking arrangements.

## **4.0. THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **4.1 The Right to Carry Forward Surplus Balances**

Schools carry forward from one financial year to the next any under-spend relative to the schools budget share for the year plus/minus any balance brought forward from the previous year.

The Authority shall calculate by 31<sup>st</sup> May each year the surplus balance, if any, held by each school as at the preceding 31<sup>st</sup> March.

A school's surplus balance in the new financial year is equal to that at close of the old financial year.

Where a school is opening a bank account the Authority will transfer the estimated carry forwards based on the projected balance. The sum will be adjusted to reflect the actual position on 1<sup>st</sup> September. This will not apply to schools in deficit.

#### **4.2.1 Reporting on Control and Use of Surplus Balances**

The Schools Forum will annually consider the balances held by schools and take appropriate action.

### **4.3 Interest on Surplus Balances**

Schools will receive interest on unspent balances calculated at the year end. The rate of interest to be paid and the calculation of the average balance to which interest is to be applied will be determined by South Gloucestershire Council. This does not apply to schools that operate a cheque book management scheme. The 2016/17 rate of interest will be 0.1%. The basis of the calculation will be as follows:

- a) balances as at 1<sup>st</sup> April plus balance as at 31<sup>st</sup> March divided by 2 = average for year
- b) Average balance for year less imprest account x rate of interest for year

### **4.4 Obligation to Carry Forward Deficit Balances**

Schools are required to stay within their budget limits, including any approved supplementary allocation from contingency funds and any accumulated unspent balances from previous years. If for whatever reason a school has a deficit balance at the end of the financial year, the deficit should be treated as a charge against the schools budget share for the following year.

### **4.5 Planning for Deficit Budgets**

Schools are not permitted to plan for a deficit, unless they have the agreement of the Director for Children, Adults and Health and the Chief Financial Officer (see 4.9 below).

#### **4.6 Charging of Interest on Deficit Balances**

Schools will not be charged interest on deficit balances calculated at the end of the year.

#### **4.7 Writing Off of Deficits**

The Authority is not permitted to write off the deficit balance of any school.

#### **4.8 Balances of Closing and Replacement Schools**

When a school closes, any balance (whether surplus or deficit) reverts to the LA. The balance cannot be transferred to any other school even where the school is a successor to the closing school except that a surplus transfers to an academy where a school converts to academy status under s4(1)(a) of the Academies Act 2010.

However, the allocation regulations (s46 of the School Standards and Framework Act 1998) the authority will have power to make an allocation to a successor school which is equal to the balance of the relevant closing school(s). There is also a provision for the abatement of extra funding for the successor school to recognise the deficit of a closing school

#### **4.9 Licensed Deficits**

Where a school has experienced a large unexpected expenditure or reduction in budget share, they may, with agreement of the Director for Children, Adults and Health and the Chief Financial Officer, plan for a deficit budget

The deficit may not be longer than a period of three years and once a deficit has been agreed, it is not possible for a school to either extend the deficit period or apply for a further agreed deficit within the time period of the agreement in place.

This arrangement will only be agreed in order to allow the school to readjust to its financial position and to avoid unnecessary redundancies or staff reductions. It does not cater for falling budget allocations due to either continuing falling pupil numbers or overall budget reductions of the Authority.

Schools will need to demonstrate a viable recovery plan which will see them with surplus balances within the permitted timescale of the deficit. The deficit will be no more than 10% of the school's annual budget share.

This arrangement will be funded by the collective surplus of school balances held by the Authority on behalf of schools. The total of all schools deficits will not exceed 25% of the school balances.

If a school has a licensed deficit, the school can spend amounts received by it in respect Specific Grants on purposes as they think fit and providing it meets grant conditions, unless the proposed expenditure is unreasonable in the school's financial circumstances.

#### **4.10 Loan Scheme**

Schools may incur expenditure of a capital nature on an approved project in a financial year and fund it over a period not exceeding four years, including the year in which the expenditure is initially incurred.

Maintained secondary schools may apply for loans to cover Severance Costs.

Further details and guidance are given in Annexe B.

## **5.0. INCOME**

### **5.1 Income from Lettings**

Schools are allowed to retain income from lettings of the school premises subject to other provisions contained within the scheme relating to any joint use or PFI/PPP agreements.

Schools are allowed 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

Schools are required to have regard to directives issued by the Authority as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools.

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

### **5.2 Income from Fees and Charges**

Schools are allowed to retain income from fees and charges except where a service is provided by centrally retained funds.

Schools are required to have a policy statement on income charges and give due regard to any policy statement on charging produced by the Authority.

### **5.3 Income from Fund-raising Activities**

Schools are allowed to retain income from fund-raising activities.

### **5.4 Income from the Sale of Assets**

Schools are allowed to retain income from the proceeds of sale of assets except in cases where the asset was purchased with non delegated funds.

Schools are not allowed to sell an assets concerning land or buildings that form part of the school premises and is owned by the Authority.

### **5.5 Administrative Procedures for the Collection of Income**

The procedures schools have to follow in the collection of income are detailed in the document "Financial Regulations for Schools". These procedures relate only for income which accrues to the Authority.

### **5.6 Purposes for Which Income May Be Used**

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

## **6.0 THE CHARGING OF SCHOOL BUDGET SHARES**

### **6.1 General Provision**

The budget share of a school may have charges allocated against it by the Authority, without the consent of the Governing Body, only in circumstances detailed in the scheme.

Before charging an item to the budget share of a school, the Authority must notify the school of its intention to do so. The Authority must also notify the school when this has been done. This is in order that the Authority can protect its financial position from liabilities caused by the action or inaction of Governing Bodies.

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

The position on charging will vary between categories of school because no charging is possible where the Authority cannot incur a liability because the statutory responsibility rests elsewhere.

#### **6.1.1 Charging of salaries at actual cost**

The Authority will charge salaries of school-based staff 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 prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).

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 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.

In framing its advice the Authority will ensure that it has taken proper account of the role of aided school governing bodies.

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. The Authority itself needs to consider whether it has an insurable interest in any particular case.
- 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 set out in a service level agreement, and the result is that monies are owed by the school to the Authority.
- 6.2.8 Recovery of penalties and charges imposed on the Authority by HM Customs and Excise, Contributions Agency, Teachers Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- 6.2.9 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions). If the error dates back several years, consideration would need to be taken by the Authority as to whether such charging is reasonable.
- 6.2.10 Additional transport costs incurred by the Authority arising from decisions made by the Governing Body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the Authority because the Governing Body did not accept the advice of the Authority.
- 6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.
- 6.2.13 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.
- 6.2.14 Costs of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors. The charge will reflect the minimum needed to meet the full costs incurred by the Authority's in complying with statutory obligations.
- 6.2.15 Costs incurred by the LA in securing provision specified in a statement of SEN 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.
- 6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.

6.2.18 Cost incurred by the Authority as a result of the Governing Body being in breach of the terms of a contract.

6.2.19 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 staff providing services across the cluster.

## **7.0. TAXATION**

### **7.1. Value Added Tax**

Those schools with bank accounts are required to submit to the Authority each month such details of VAT incurred by the school as the Authority needs in order to complete its monthly VAT return to HM Revenue & Customs. Schools are required to submit this information in accordance with the format and timing set out in the Finance Regulations. VAT re-claimed by the Authority on schools expenditure will be passed back to the relevant school. Re-claimed VAT will be passed back to the school one month in arrears.

For those schools without bank accounts and that use the Authority's accounting system, VAT is automatically included in the Authority's monthly VAT return.

### **7.2. CIS (Construction Industry Taxation Scheme)**

Schools covered by the provisions of the Scheme must comply with the provisions on CIS contained in the Financial Regulations.

## **8.0. THE PROVISION OF SERVICES AND FACILITIES BY THE LOCAL AUTHORITY**

### **8.1. Provision of Services from Centrally Retained Budgets**

The Authority will determine the services and the level that can and will be provided to schools from the centrally retained funds. These services encompass existing premature retirement costs and redundancy payments, which may not ordinarily be thought of as a service.

The Authority will 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

### **8.2. Provision of Services Bought Back from the Authority Using Delegated Budgets**

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Authority is limited to a maximum of three years (five years in respect of catering) from 1 April 1999 or the date of the agreement, whichever is the later, and periods not exceeding five years (seven years in respect of catering) for any subsequent agreement relating to the same services. These services may exclude centrally funded premises and liability insurance.

The Authority is required to offer these services at prices which are intended to generate income which is no less than the cost of providing these services. The total cost of the service must be met by the total income, even if schools are charged differentially. This only relates to services where the Authority is not allowed to hold funding centrally.

#### **8.2.1. Packaging**

Subject to financial feasibility, the Authority will offer services, for which funding has been delegated, on a buy back basis. The basis used will not unreasonably restrict schools freedom of choice among the services available and where practicable, will include provision on a service by service basis as well as in package of services.

### **8.3. Service Level Agreements**

Service Level Agreements must be in place at least one month prior to the start of the financial year to which they relate. Schools must have at least one month to consider the terms of agreements.

8.3.1 If services or facilities are provided, whether free or on a buy-back basis under a Service Level Agreement, lasting more than 3 years, the terms of the agreement will stipulate that it will be reviewed at intervals of not more than 3 years (five years in relation to school meals).

8.3.2 Where services are provided by the Authority they will be made available on a basis which is not related to an extended agreement as well as on the basis of such an agreement. Where services are provided on an ad hoc basis it is permissible for the Authority to charge for these services at a different rate than if provided on the basis of an extended agreement.

Centrally arranged premises and liability insurance are excluded from the above requirements for service supply, as the limitations envisaged may be impracticable for insurance purposes.

#### **8.4. Teachers Pensions**

In order 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.

## **9.0. PFI/PPP - PRIVATE FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIPS**

The completion of any PFI/PPP project will be subject to the reaching of agreement between the Authority and the schools concerned as to the basis of allocation of charges and the treatment of monies withheld from contractors due to poor performance.

This agreement should include the power of the Authority to charge to the schools budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school. Specifically, this includes an agreed element or percentage of the annual running costs of the buildings used by the school.

## **10. INSURANCE**

### **10.1. Insurance Cover**

If funds for insurance are delegated to any school, the Authority will require that school to demonstrate that cover relevant to the Authority's insurable interest, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority if the Authority makes such arrangement either paid for from central funds or from contributions from schools delegated budgets.

A statement describing the minimum level of insurance cover that each school must provide is available on request. This statement has regard to the actual risks which might be expected to arise at the school in question which has requested this statement. This statement does not just apply an arbitrary minimum level of cover for all schools

## **11.0. MISCELLANEOUS**

### **11.1. Right of Access to Information**

Governing Bodies are required to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the schools management of its delegated budget share, or the use made of any central expenditure by the Authority on the school.

### **11.2. Liability of Governors**

The Governing Body of a school is a corporate body and because of the terms of S50(7) of the School Standards and Framework 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.

### **11.3. Governors Expenses**

Where a school is yet to receive a delegated budget but has governing body in place, the Authority may delegate to the governing body of a school funds to meet governors' expenses.

Under section 50(5) of the School Standards and Framework 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 budget share. Payment of any other allowances are forbidden.

Schools will not be permitted to duplicate payments made by the Secretary of State to additional governors appointed by him/her under special measures.

### **11.4. Responsibility for Legal Costs**

The costs of legal action incurred by the Governing Body are the responsibility of the Authority as part of the cost of maintaining the schools (unless they relate to the statutory responsibilities of voluntary aided school governors for buildings). These may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Authority. This includes any costs awarded against an Authority, but not the cost of any legal advice provided. (See also Section 6)

Where there is a conflict of interest between the Authority and the Governing Body, the Governing Body should seek independent advice rather than advice from the Council's legal advisers. The cost of obtaining this independent advice will be a charge against the schools budget share.

### **11.5. Health and Safety**

In spending the schools budget share, governing bodies are required to have due regard to the 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 schools budget share.

Under section 39(3) of the School Standards and Framework Act, the Authority may issue directions to the Governing Body and Headteacher of a voluntary controlled community, foundation, community special or foundation special school on health and safety matters. These directions are enforceable so far as Governing Bodies are concerned via S. 497 of the Education Act 1996 if not complied with.

#### **11.6. Right of Attendance for Chief Finance officer**

Governing Bodies are required to permit the attendance of the Chief Finance Officer or their nominated substitute at meetings of the Governing Body at which any agenda items are relevant to the exercise of the Chief Finance Officers responsibilities. That right of attendance is however limited to relevant agenda items only. The Authority should give prior notice of such attendance unless it is impracticable to do so.

#### **11.7 Special Educational Needs**

Schools are required to use their best endeavours in spending their budget shares to secure appropriate provision to meet their pupils' special educational needs.

#### **11.8. Interest on Late Payments**

Interest on late payment of invoices will be charged to the schools budget if the charge made relates to the inaction of the school.

#### **11.9 Whistleblowing**

Should an irregularity be suspected concerning financial management or financial propriety at a school, the normal sequence of events will be as follows:-

- An individual member of staff suspecting that an irregularity has occurred or is likely to occur, must normally report his/her concern to his/her line manager (unless the concerns relate to that person, in which case the concerns should be addressed to the Headteacher or Governing Body as appropriate). An individual Governor suspecting an irregularity should report the concerns to the Chair of Governors.
- The Headteacher or Chair of Governors should undertake preliminary investigations.
- Should preliminary investigations suggest that there are reasonable grounds for suspicion, the Chief Financial Officer, via the Head of Internal Audit Services, must be informed without delay.
- Where further investigations indicate an offence may have occurred, the Chief Financial Officer will normally handle the matter according to the Council's disciplinary procedures and will normally involve the Police.
- Where financial impropriety is suspected, the Police will be informed
- Should an irregularity be suspected concerning financial management or financial propriety of an Officer of the Authority, then this concern must normally be reported to the Officer's section line manager, unless the concerns also relate

to the line manager, in which case their concerns should be addressed to the Director for Children, Adults and Health. The matter will then be dealt with under the Council's corporate procedures, which are similar to the procedures identified above.

At all times, the Council will seek to:-

- Protect the Whistle Blower
- Ensure confidentiality wherever possible
- Investigate all allegations

#### **11.10 Child Protection**

Schools are required to release staff to attend child protection case conferences and other related events. With prior written agreement, the Authority will reimburse expenditure in connection with supply cover and associated attendance costs.

#### **11.11 Redundancy and Premature Retirement Costs**

The charging of any costs of early retirements or redundancies will be considered on a case by case basis.

#### **11.12. Delegation to New Schools**

The Authority is empowered to delegate selectively and optionally to the Governing Bodies of schools which have yet to receive delegated budgets. A new school must receive a delegated budget not later than the date on which it opens (that is to say, the date on which it first admits pupils), unless the Authority has obtained the Secretary of State's approval to a postponement beyond that date (which will only be given in exceptional circumstances). The Authority is able to give a delegated budget to a new school in advance of its opening date.

## 12.0. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

### 12.1 Community Schools

Schools are responsible in the first instance for all repair & maintenance (R&M), including day-to-day revenue work and capital work. If a capital scheme is in excess of one year's Devolved Formula Capital and is a high priority, it may be considered for inclusion in the Local Authority's Capital Programme. If the local authority is considering funding a priority R & M project from the Capital Programme, Corporate Finance will contact the school concerned to discuss details including a possible contribution from the school's Devolved Formula Capital (DFC).

If the school wish to undertake capital works, they need to refer to the "Guide for Schools Managing Capital Projects" and complete in the first instance the Pre-notification Approval form.

The Authority's de minimis limit for the definition of capital and revenue is £2,000.

### 12.2 VA 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, and no separate list of responsibilities is necessary for such 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 DfE to categorise such work, not the *de minimis* limit used by the authority

### 12.3 Local Authority Responsibilities

The Authority will delegate all funding for repairs and maintenance to schools.

Only capital expenditure is to be retained by the LA. For these purposes, expenditure may be treated as capital only if it fits the definitive of capital used by the Council for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting for capital expenditure; any expenditure under £10,000 is counted as de minimis.

Voluntary Aided Governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition, they will have responsibility for other repairs and maintenance items on the same basis as Community and Foundation schools.

## **13. COMMUNITY FACILITIES**

### **13.1. Introduction**

Section 27 (1) of the Education Act 2002, extends governing bodies powers to provide community facilities or services in furtherance of charitable purposes for the benefit of pupils, their families and other people who live and work locally. The section also gives flexibility to governing bodies in providing family and community facilities, enabling them to enter into agreements with other bodies and to charge for certain services.

Schools which choose to exercise the Community Facilities Power will be subject to a range of controls. First, under section 28(2) the activities that may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with the exercise of the power, and the 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 maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 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 the scheme for financing schools

This section 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.

The budget share of a school may be used to fund community facilities – either start-up costs or ongoing expenditure - or to meet deficits arising from such activities.

Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### **13.2 Consultation with the Local Authority – financial aspects**

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, and have regard to advice given to them by their Authority. The procedures stated below should be followed to achieve this:-

- Schools are required to seek Authority advice via a predetermined format giving reasonable notice to the Authority.
- The Authority must provide advice within a reasonable time
- Schools must inform the Authority of action taken following Authority advice
- The Authority may not levy a charge for this advice

### **13.3 Funding agreements – Local Authority powers**

The provision of community facilities in a school 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 on the provision. A very wide range of bodies and organisations are potentially involved.

Proposed funding agreements with third parties (as opposed to funding agreements with the Authority itself) should be submitted to the Authority allowing adequate time for the Authority to provide its comments. The Authority does not have the right to veto such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Authority consent to the agreement for it to proceed, such a requirement and the method by which Authority consent is to be signified is a matter for that third party. 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 school or the Authority, that may constitute grounds for the suspension of the right to a delegated budget.

### **13.4 Other prohibitions, restrictions and limitations**

The Authority may require in a specific instance of use of the community facilities power by a governing body, for the governing body concerned to 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. The Authority will only impose this provision where it has good reason to believe that the proposed project carries significant financial risks.

Section 28 of the Education Act provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

Schools should not enter into an agreement that would not comply with the Authority's standing orders or financial regulations, or jeopardise the financial position of the Authority or school, or pupil welfare or education.

### **13.5 Supply of financial information**

The Authority can require schools that exercise the community facilities power to provide the Authority with an annual budget approved by the governing body. Copies of the approved budget should be forwarded as soon as practicable, but no later than 31 May in the financial year to which it relates, in an approved format. The form must detail the Governing Body's intention for expenditure and income in the current year and the assumptions underpinning the budget plan. Revised plans, approved by the Governing Body, must be completed, and forwarded as soon as practicable after 31 October but no later than 30 November in the financial year to which it relates in an approved format. 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, can require financial statements to be supplied every three months in an approved format and, if the Authority sees fit, can require the submission of a recovery plan for the activity in question in an approved format. Financial information relating to community facilities

should be included in any returns made under the Consistent Financial Reporting (CFR) Framework.

### **13.6 Audit**

The school will be required to grant access to 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.

Schools are required to include in funding agreements with other persons pursuant to the exercise of the community facilities power, 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**

The school retains all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Authority or some other person.

The school can carry forward retained net income from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.

If the school is a community or community special school, and the Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider.

### **13.8 Health and safety matters**

Schools and Partners exercising community facilities powers are subject to the health and safety provisions covered in paragraph 11.5 of this scheme.

The governing body has responsibility for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies can pass on these 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. Such insurance should not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

The Authority can 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. Such costs cannot be charged to the school's budget share.

### **13.10 Taxation**

Schools should seek the advice of the Authority 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 member of staff 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 bank account is used for community facilities or not – see paragraph 13.11), the school is likely to be held liable for payment of income tax and national insurance in line with Inland Revenue rules. These employees should be paid via the schools payroll service.

Schools should follow Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power (see paragraph 7.2).

### **13.11 Banking**

The school should either maintain separate bank accounts for budget share and community facilities, or have one account but with adequate internal accounting controls to maintain separation of funds. Alternatively schools that do not have their own bank accounts can utilise the Authority's banking arrangements, which would permit adequate separation of such funds from the school budget share and other Authority funds.

Provisions relating to the operation of bank accounts are set out in paragraphs 3.5 and 3.5.1 with the exception that the bank account mandate showing the Authority as the owner of the funds in the account does not apply.

Schools may not borrow money (except from the Authority) without the written consent of the Secretary of State.

**SCHOOLS MAINTAINED BY SOUTH GLOUCESTERSHIRE COUNCIL ON  
1 APRIL 2016**

<b>DfE REFERENCE NO</b>
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**Primary Schools**

Abbotswood		P	2008
Alexander Hosea		P	2185
Almondsbury	VC	P	3042
Bailey's Court		P	2341
Barley Close		P	2216
Barrs Court		P	2333
Beacon Rise		P	2329
Blackhorse		P	2317
Bowsland Green		P	2340
Broadway		I	2231
Bromley Heath Infants		I	2192
Bromley Heath Juniors		J	2191
Cadbury Heath		P	2180
Cherry Garden		P	2308
Christ the King	VA	P	3436
Christchurch Infants, Downend	VC	I	3051
Christchurch Junior, Downend	VC	J	3050
Christchurch, Hanham	VC	P	3048
Coniston		P	2002
Courtney		P	2227
Crossways Infants		I	2220
Crossways Juniors		J	2208
Elm Park		P	2313
Emersons Green		P	2007
Filton Hill		P	2171
Frampton Cotterell	VC	P	3045
Frenchay	VC	P	3067
Gillingstool		P	2322
Hambrook		P	2186
Hanham Abbot's		J	2174
Hawkesbury	VC	P	3046
Holy Family	VA	P	3435
Holy Trinity	VA	P	3410
Horton	VA	P	3431
Iron Acton	VC	P	3047
Kings Forest		P	3440
Little Stoke		P	2003
Longwell Green		P	2194
Mangotsfield	VC	P	3049
Manor, The	VC	P	3064
Manorbrook		I	2339
Marshfield	VC	P	3053
Meadows, The		P	2167
North Road		P	2187

<b>DfE REFERENCE NO</b>
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Old Sodbury	VC	P	3061
Oldbury-on-Severn	VC	P	3054
Olveston	VC	P	3055
Our Lady of Lourdes Park, The	VA	P	3434
Parkwall		P	2176
Pucklechurch	VC	P	2181
Rangeworthy	VC	P	3056
Raysfield Infants		I	3057
Raysfield Junior		J	2225
Redfield Edge		P	2224
Ridge, The		J	2168
Samuel White's Shield Road		I	2188
St. Andrew's, Cromhall	VC	P	2199
St. Anne's, Oldland	VC	P	2172
St. Augustine's	VA	P	3072
St. Barnabas	VC	P	3044
St Chad's, Patchway	VC	P	3437
St. Helen's, Alveston	VC	P	3059
St. John's Mead	VC	P	3070
St Mary's, Bradley Stoke	VA	P	3043
St. Mary's, Thornbury	VA	P	3127
St. Mary's, Yate	VA	P	3300
St. Michael's, Stoke Gifford	VC	P	3432
St. Michael's, Winterbourne	VC	P	3433
St. Paul's, Yate	VA	P	3126
St Peters	VC	P	3123
St. Stephen's Infants, Kingswood		I	3438
St. Stephen's Juniors, Kingswood	VC	J	3441
Stanbridge		P	2215
Staple Hill		P	3052
Tortworth	VC	P	2331
Trinity	VC	P	2179
Tyndale		P	3071
Tynings The		P	3073
Watermore		P	3442
Wellesley		P	2200
Wheatfield		P	2011
Wick	VC	P	2306
			2005
			3065

<b>DfE REFERENCE NO</b>
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**Secondary Schools**

Brimsham Green		S	4146
Chipping Sodbury	VC	S	4502
The Grange School & Sports College		S	4149

**Special Schools and Alternative Provision**

Culverhill			7000
New Siblands			7031
Warmley Park			7028
New Horizons			7032
Pathways Learning Centre			1100

**MULTI YEAR PROJECT FUNDING (LOAN FACILITY)****1. General**

The Scheme, as described below, has been set up to enable schools to take out loans set against the aggregated balances of schools. The terms and conditions surrounding the scheme are described in the following paragraphs.

**2. Availability of Loans**

The extent to which schools applications for loans can be supported will be dependent upon the aggregate level of school balances as at the end of the previous financial year. The Chief Financial Officer has advised that 25% of the previous year's balances can be used to finance these loans.

No school will have an absolute right to receive a loan, but all schools with delegated budgets (Infant, Junior, Primary, Secondary and Special) are eligible to have their applications considered.

**3. Purpose of the Loan**

Loans will be available for capital purchases where the life expectancy of the purchase is greater than the period of the loan. Loans will not be available to support day to day expenditure within the schools revenue budget with the exception of maintained secondary schools where they may apply for a loan to cover severance costs.

Consideration will be given to all requests received, though those bids which incorporate a guaranteed saving which covers or contributes significantly to the repayments and all projects with an environmental aspect, e.g. expenditure resulting in energy savings which will contribute to actually repay the debt will be encouraged.

Information Technology equipment may be considered, but the life expectancy of the equipment must exceed the length of the loan.

The Loan Scheme includes a provision for locally maintained Secondary Schools to apply for loans to cover severance costs. The criterion agreed is listed below:

- i. The impact of making severance costs can be split over 3 years;
- ii. The school to meet a third of the cost at the time of the decision;
- iii. The loan to be repaid in equal instalments on the following two April dates;
- iv. The maximum loan being for £100,000.

A loan can only be used for the purpose for which it has been granted. Loans granted to schools may be used as matched funding in seeking grants from outside bodies.

**4. The Amount of the Loan**

The size of the loan will not normally exceed 10% of the school's delegated budget share. The higher the amount of the loan, the greater the degree of confidence required by the Director for Children, Adults and Health and the Chief Financial

Officer so that the repayments will not place in jeopardy the school's ability to deliver the National Curriculum.

## **5. Interest Charged on Loan**

The interest to be charged on the loan will be at the Public Works Loan Board (PWLB) 5 year loan rate and will be fixed at the time the loan is granted. The loan should not exceed 4 years; this includes the year in which the expenditure is originally incurred.

## **6. Loan Application Requirement**

A Governing Body may apply to the Director for Children, Adults and Health for a loan at any time during the year. All loan requests will need to be agreed by the Director for Children, Adults and Health and the Chief Financial Officer. The request will be judged against the number of financial criteria to assess the school's ability to repay the loan by making annual repayments. These will include:-

- i). Projected future years formula allocations and budgeted expenditure
- ii). Evidence of sound budgeting management based on previous 3 years experience
- iii). Record of balances

## **7. Repayment Terms**

The expenditure will be incurred by the LA and then recovered by annual instalments charged against the schools budget share and costed against the relevant expenditure code.

Schools that convert to Academy status will be required to commit to the repayment of any outstanding balance at the date of conversion.

Where a school decides to repay the loan early, then this can be done at any time. Early repayment will only be permitted if the school has sufficient funds to meet the outstanding amount of the loan without incurring an overspend.

## **8. Acceptance of Application**

When an application has been accepted, a letter of reply will be sent to the Governing Body which will include the following:

The amount of the advance  
The period of the advance  
The interest rate  
The repayment schedule including:-

Financial Year (no repayments made in the financial year in which the advance is made)

Principal repayment (the amount of loan divided equally between the number of repayment years excluding the year of advance)

Interest (calculated on the outstanding loan value at the start of the financial year)

The letter will also explain that the school will receive an invoice from the Authority each year for the principal repayment and the interest due for that financial year.

**9. Procedure for Payment of the Invoice Associated with the Loan**

The invoice associated with the capital purchase should be forwarded to the Education Finance Manager. The authorisation slip should be completed except for the certified for payment box.

**10. Application Form**

Attached is a proforma application form.



**LOANS TO SCHOOLS APPLICATION FORM**

**SCHOOL NAME:**

**AMOUNT OF LOAN (£)**

**PERIOD OF LOAN (YEARS):**

**SUMMARY OF APPLICATION:**

**Please use continuation page if necessary/attach further details**

I agree to the terms and conditions set out in the loans to schools scheme and that the loan will be used for the benefit of the school as described above. I confirm that this application has been discussed and subsequently agreed at a meeting of the full Governing Body of the school.

**Signed:** ..... **Date:** .....

**Chair of Governing Body**

Please return the completed application form to South Gloucestershire Council, Chief Executive & Corporate Resources Department, PO Box 300, CYP Finance, Corporate Finance, Civic Centre, High Street, Kingswood, South Gloucestershire, BS15 0DS

## EXAMPLE

The amount of the advance: £30,000  
The period of the advance: 4 years  
The interest rate: 6¼% per annum (Example rate only)  
Date of advance: 1st June 2016

### Repayment Schedule

	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Principle Sum	-	10,000	10,000	10,000
Interest	-	1,875	1,250	625
<b>Due</b>	<b>-</b>	<b>11,875</b>	<b>11,250</b>	<b>10,625</b>