



South Gloucestershire
Council

**SCHEME FOR THE FINANCING
OF SCHOOLS**

FINANCIAL YEAR 2010/2011



2004-2005
Supporting Social Care Workers



2007-2008
Healthy Schools



2007-2008
School Improvement



2008-2009
Care Matters:
Improving the Outcome:
for Children in Care



INVESTOR IN PEOPLE

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MAIN FEATURES OF THE SCHEME

1.1. Introduction

This Scheme for the Financing of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework (SSAF) Act 1998 as amended by sections 41-45 of the Education Act 2002.

Under this legislation, local authorities determine for themselves the size of their Schools Budget and Centrally Retained 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 centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally 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).

The main items which fall within the centrally retained Budget are:

- School specific contingencies
- Insurance (school related).
- Licence fees/subscriptions.
- Other Local Authority and Independent Special School placements for pupils with special educational needs.
- Children's Support Services including Pupil Referral Unit, Behaviour Support, Inclusion Support and Education out of School.
- School meals (primary and special).
- Schools Admissions.
- Early Years and Childcare (excluding nursery classes which are delegated to schools).
- Severance Costs

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 a scheme made by the authority in accordance with s.48 of the Act and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one.

Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50.

An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998) but in that case there is no right of appeal.

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and LEA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. 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 regulations, 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.

Each school will also receive a copy of this scheme and any future amendments.

1.2. The Role and Scope of the Scheme

This scheme sets out the financial relationship between the Department for Children & Young People and the maintained schools in South Gloucestershire. The scheme contains requirements relating to financial management and associated issues. These requirements are binding, both on the Department for Children & Young People and the Governing Bodies of schools.

This scheme applies to all Community, Nursery, Voluntary, Foundation Community, Special and Foundation Special Schools. Annex A gives a list of all maintained schools in South Gloucestershire on 1st April 2004.

1.3. Publication of the Scheme

A copy of the scheme will be supplied to the Headteacher and to the Governing Body of each school covered by the scheme. Any approved revisions will also be notified to each school.

Copies of the scheme are also available at main Education Offices, Libraries of the Council.

1.4. Revision of the Scheme

Any proposed revisions to the scheme will be the subject of consultation with schools and will require approval by the Secretary of State.

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 Department for Children & Young People 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

Governing Bodies must abide in the management of their delegated budgets by the Department for Children & Young People requirements on financial controls contained in the scheme and those contained in documents referred to in the scheme which are published outside it, but only in so far as the rules set out in those documents are compatible with the terms of the scheme.

2.1.2. Provision of Financial Information and Reports

Governing Bodies are required to provide the Department for Children & Young People with details of anticipated and actual expenditure and income, in a form and at times determined by the Department for Children & Young People. The Department for Children & Young People 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 Department for Children & Young People 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 LA.

The Governing Body is responsible for the monitoring of the schools expenditure and must tackle any problems arising. The monitoring role of the Department for Children & Young People is secondary (fall back) to the Governing Body's role and is not a substitute for it. The aim is for the Governing Body and Department for Children & Young People to identify and tackle any problems before they become serious.

In the wider sense, education performance and financial performance will have to be assessed together, by the Department for Children & Young People, to ensure that value for money is being achieved and that schools are being effective.

2.1.3. Payment of Salaries; Payment of Bills

The Chief Financial Officer acts as financial adviser and paymaster for all the departments of the Council. The details of the administrative procedures and application of these procedures are set out in the document entitled "Financial Regulations for Schools". Schools are required to abide by these procedures. The procedures will vary according to the position on delegation of funds and any buy back of services which are in place.

2.1.4. Control of Assets

Each Governing Body must maintain an inventory of its removable non capital assets. The format of the inventory and the procedures for the disposal of assets must be as prescribed by the Internal Audit Service of South Gloucestershire Council in the financial regulations for schools. Schools can determine their own arrangements for keeping a register of assets worth less than £1,000. 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)

Governing Bodies must abide by the accounting policies and year end procedures as set out in the Closing of Accounts document.

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 furnished to the Department for Children & Young People 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 Department for Children & Young People with all the reports and accounts requested in the format prescribed by the Department for Children & Young People.

2.3. Submission of Budget Plans

Each Governing Body must approve an annual budget. Copies of the approved budget, should be forwarded as soon as practical, 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 intentions for expenditure 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 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 31st March.

The Department for Children & Young People 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. The source document for the format of the budget plan will be provided by the Department for Children & Young People.

The format of the plan will be approved by the Department for Children & Young People.

2.3.1. Submission of Financial Forecasts

The LA 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.

2.4. Best Value

When submitting the annual budget plan, the Governing Body of each school will also submit a statement setting out the steps they have undertaken and will be undertaking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime. Annex B gives as a listing the principles relating to best value.

2.5. Virement

Governing Bodies can vire freely between budget headings in the expenditure of their school budget shares.

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 in order to obtain external audit certification of its accounts, separate from any Council internal or external audit process.

2.8. Audit of Voluntary and Private Funds

The Governing Body of each school must provide, to the Council's Internal Audit Service, audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school. These audit certificates must be forwarded 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 have a register which lists for each member of the Governing Body and the Headteacher, any business interests they or any member of their immediate family have. 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 Department for Children & Young People.

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 consider in advance, where relevant, the health and safety competence of contractors, taking into account the LA'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 the scheme or any statutory provision, or any EU Procurement Directive
- b). to seek LA Officer 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 have the right to opt out of Department for Children & Young People arranged contracts, except for contracts where schools have already agreed to be covered by in respect of services for which funding was delegated by the Department for Children & Young People prior to 1 April 1999, as well as contracts which schools agree to be covered by in respect of services which funding is delegated by the Department for Children & Young People after 1 April 1999. The Governing Body of the school is bound to the contract for its length, even though the contract might contain clauses allowing for variances of its terms and conditions.

This means that schools will be bound into contracts which schools have already agreed to be covered by in respect of services for which funding was delegated by the LA prior to 1 April 1999 as well as contracts which schools agree to be covered by in respect of services for which funding is delegated by the LA after 1 April 1999.

The above includes work awarded through competition to the Council's own Direct Service Organisation.

Although Governing Bodies are empowered to enter into contracts, in most cases, they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. The exception to this is where the Governing Body has clear, statutory obligations, for example, contracts made by aided schools for the employment of staff.

2.12. Central Funds and Earmarking

The Department for Children & Young People is authorised to make sums available to the Governing Bodies of schools from centrally retained funds in the form of allocations which are additional to and separate from the schools budget share. The

Standards Fund and other specific grants require the Department for Children & Young People to do this with some of the allocations to South Gloucestershire Department for Children & Young People from the DCSF.

These allocations to Governing Bodies will be subject to conditions setting out the purpose or purposes for which they may be used and may contain restrictions on the timing of expenditure, e.g. before the end of the financial year. It will not be possible to vire these allocations into the schools budget share unless the specific conditions of these allocations permit schools to vire earmarked funds between categories.

This means that such allocations are treated as earmarked funding from centrally retained funds. These allocations can only be spent on the purposes for which it is given. Earmarked funds must be returned to the LA if they are not spent within the required time period. Governing Bodies via a suitable accounting mechanism will need to be able to demonstrate that this requirement has been complied with. The Department for Children & Young People cannot deduct interest clawbacks on sums advanced for devolved specific or special grants. Where a school receives full budget share payments into a bank account (i.e. including pay costs), then devolved grant payments are also paid into that account.

2.13. Spending for the Purposes of the School

Subject to any provision made by or under the scheme, the Governing Body may spend such amounts as they think fit:

- a) for any purposes of the school; or
- b) for such purposes as may be prescribed by the Secretary of State

The Governing Body and Headteacher of a school can be held accountable for how they have spent public funds, especially if private benefits could be perceived.

2.14. Financial Management Standard in Schools

All maintained schools must demonstrate compliance with the DCSF' Financial Management Standard in Schools in line with the timetable determined by the authority, and at any time thereafter.

The authority may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment. External assessment must be carried out by the authority or by a third party that has been approved to carry out such assessment by either the DCSF or the local authority.

2.15. Notice of Concern

The LA 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 local 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:

- 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;
- 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 local authority;
- insisting on regular financial monitoring meetings at the school attended by local authority officers;
- requiring a governing body to buy into a local authority's financial management systems; 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.

3.0. INSTALMENTS OF THE BUDGET SHARE: BANKING ARRANGEMENTS

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. With regard to cheque book management schools, although the budget share is made available, funds will be paid into their bank accounts in three instalments. Schools may request their funds on a monthly basis. The request must be made prior to the start of the relevant financial year.

Further details are given within the document entitled "Cheque Book Management Scheme".

3.2. Proportion of Budget Share Payable at Each Instalment – Cheque Book Schools

For cheque book managed schools, funds will be paid into their bank account in three instalments as follows:-

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

If a school has requested its fund on a monthly basis, then this will be paid in 1/12 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 1 July if there has been an underpayment to the school, or it is deducted from the instalment due on 1 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

For cheque book managed schools, the Department for Children & Young People will deduct from the instalment an amount equal to the estimated interest lost by South Gloucestershire 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:-

Cash advance x ½ x number of days in the period the Cash Advance covers
÷ 365 x 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 cheque book managed schools, the Department for Children & Young People will add interest to late payments of budget share instalments where such late payment is the result of LA error. The interest to be paid is calculated as follows:-

Amount of late payment due x number of days the payment is late
÷365 x 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 cheque book managed schools, the cash advances will be based on the non abated figure so long as the total of the cash advances does not exceed the abated figure. The balance on the bank account at the date of closure of the school is returned to the Local 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 schools have the option of maintaining their own bank accounts into which their budget shares 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 Council's Internal Audit Service must be informed of all new bank account arrangements when made, together with their specific details.

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

Any school requesting a bank account will have its carry forward balance transferred, if in deficit balance, this deficit must be cleared prior to having a bank account. The request from the school to either enter or leave the scheme must be made at last three months prior to the start of the next financial year.

When a cheque book school opens an external bank account, it may immediately have transferred to it the estimated total of its surplus balance, with corrections effected later if necessary.

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 LA before opening a dialogue with that institution.

Schools having bank accounts with other banks prior to 1 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 LA before opening dialogue with that institution.

Budget share funds paid by the LA and held in school accounts remains LA property until spent.

Schools can have accounts for budget share purposes which are in the name of the school, rather than the LA. However, if a school has such an account, then the account mandate must provide that the LA is the owner of the funds in the account and that the LA is entitled to receive statements and that the LA can take control of the account if the school's right to a delegated budget is suspended by the LA.

Schools will be allowed to retain all interest payable on the account.

3.6. Borrowing by Schools

Governing Bodies of schools may only borrow money with written permission of the Secretary of State. This provision does not apply to loan schemes run by the Department for Children & Young People. The definition of borrowing predominantly covers cash loans from financial institutions and excludes "everyday" equipment leases, such as photocopiers.

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 are permitted to carry forward any unspent balances, after the end of year procedures to adjust for the retrospective adjustment, within their budget from one financial year to the next. This is equal to any shortfall in expenditure relative to the schools' budget share for the year plus/minus any balance brought forward from the previous year.

For a school having a new bank account from the start of the financial year, the amount of the balance brought forward, both plus and minus, will be calculated on a provisional basis and transferred into the new bank account on 31st May. A reconciliation will take place between the final and provisional balance brought forward with an adjustment into/from the new bank account on 1st September.

A school's surplus balance at 1 April 2004 is equal to that at 31 March 2004.

4.2. Reporting on Control and Use of Surplus Balances

- a). The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b). The Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;
- c). The Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned;
- d). If the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

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. For

2004/2005, the rate of interest will be 0.1%. The average balance is determined by adding the balance brought forward to the balance carried forward and dividing by 2.

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 allowed to plan for any deficit, unless they have the agreement of the Director for Children & Young People 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 Deficits

South Gloucestershire Department for Children & Young People cannot 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 Department for Children & Young People. The balance cannot be transferred to any other school even where the school is a successor to the closing school.

However, the allocation regulations provide scope for the provision of additional sums to the successor school which are equal to the balances of the relevant closing schools. 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 formula allocation, they may, with agreement of the Director for Children & Young People 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 of School Standards or Specific Grant on purposes as they think fit, unless the proposed expenditure is unreasonable in the schools 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. Further details and guidance are given in Annexe C.

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 agreements. Schools are allowed to cross subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. Schools are required to have regard to directives issued by the LA 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 the Department for Children & Young People from centrally retained funds. Schools are required to have regard to the Policy Statement on charging produced by the Department for Children & Young People. Schools need to have a policy statement with regard to income charges.

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 by the Department for Children & Young People with non delegated funds.

Schools are not allowed to sell an asset concerned with land or buildings which form part of the school premises and is owned by the Council

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 LA (e.g. for centrally provided meals).

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 Department for Children & Young People, 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 Department for Children & Young People must notify the school of its intention to do so. The Department for Children & Young People must also notify the school when this has been done.

This is in order that the Department for Children & Young People can protect its financial position from liabilities caused by the action or inaction of Governing Bodies.

The position on charging will vary between categories of school because no charging is possible where the Department for Children & Young People cannot incur a liability because the statutory responsibility rests elsewhere.

Schools are reminded that the Authority is required to 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 LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA).

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

6.2.3. Awards by courts and industrial tribunals against the LA or out of court settlements arising from action or inaction by the Governing Body contrary to the LA's advice.

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

6.2.4. Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA 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 LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status.

- 6.2.6. Expenditure incurred by the LA 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 LA.
- 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 LA.
- 6.2.8. Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions or regulatory authorities as a result of school negligence.
- 6.2.9. Correction of LA 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 LA as to whether such charging is reasonable.
- 6.2.10. Additional transport costs incurred by the LA arising from decisions made by the Governing Body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.2.11. Legal costs which are incurred by the LA because the Governing Body did not accept the advice of the LA.
- 6.2.12. Costs of necessary health and safety training for staff employed by the LA, 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 necessary work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its 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 that statement.
- 6.2.16. Costs incurred by the LA 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 LA as a result of the Governing Body being in breach of the terms of a contract.

6.3. General Teaching Council

Fees to be deducted from teachers' salaries and remitted to the General Teaching Council for England

The General Teaching Council for England (Deduction of Fees) Regulations 2001 ("the Regulations", S.I. 2001 No. 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England ("the GTC") or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No.1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have indicated to the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not indicated how they wish to pay the fee.

In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations 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.

- (1) By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (S.I. 2001 No.475, Part II and Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.
- (2) A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:-
 - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;
 - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and

- (c) where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.
- (3) A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, a governing body shall:-
- (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the Authority to the GTC on the governing body's behalf. The Authority shall agree to any such amendment. The governing body shall meet any consequential costs from the school's budget share;
 - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
 - (c) where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.
- (4) All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share instalments which have been held by the school in an independent bank account, or the salary costs are directly charged by the Authority to the school's budget share account.

7.0. TAXATION

7.1. Value Added Tax

In order for cheque book schools to be able to utilise the Council's ability to reclaim VAT on their expenditure, schools must submit to the Council details of VAT incurred on a monthly basis. The information required and the appropriate format for submission is set out in the financial regulations. VAT re-claimed on schools expenditure will be returned to the relevant school. These amounts so re-claimed, will be passed back to the school one month in arrears. For non-cheque book schools, the claiming of VAT by the school is done at the same time as processing the invoice on the Councils financial management system.

7.2. Identifying Employment Status for Taxation Purposes

Schools are required to abide by the procedures issued by the Council in connection with indentifying Employment Status (whether a person is employed or self employed. This is applicable when appointing **Consultants, Advisors, Trainers, Instructors** or **other Individuals** who supply services to the School/Council, schools must establish the Employment Status of their appointment before commissioning work.

8.0. THE PROVISION OF SERVICES AND FACILITIES BY THE EDUCATION SERVICE

8.1. Provision of Services from Centrally Retained Budgets

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

The Department for Children & Young People will not discriminate in its provision of services on the basis of categories of schools except where:-

- a) funding has been delegated to some schools only; or
- b) such discrimination is justified by differences in statutory duties

8.2. Timescales for the Provision of Services Bought Back from the Department for Children & Young People 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 Department for Children & Young People 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 Department for Children & Young People 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 Department for Children & Young People is not allowed to hold funding centrally.

8.2.1. Packaging

Subject to financial feasibility, the Department for Children & Young People will provide any 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 packages of service.

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.

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).

Services, if offered by the Department for Children & Young People, will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. Where services are provided on an ad hoc basis, they may be charged for at a different rate than if provided on the basis of an extended agreement.

Specifically excluded from the above are centrally arranged premises and liability insurance 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 Department for Children & Young People 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 LA 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, then the Department for Children & Young People requires the school to demonstrate that cover relevant to an Department for Children & Young People insurable interest, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council; whether this arrangement is paid either 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 Department for Children & Young People to satisfy itself as to the schools management of its delegated budget share, or the use made of any central expenditure by the Department for Children & Young People (e.g. earmarked funds) 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 Finance 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

The Department for Children & Young People may delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Under Schedule 11 the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school budget share. Payment of any other allowances are forbidden. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by the Secretary of State to schools under special measures.

11.4. Responsibility for Legal Costs

Legal costs incurred by the Governing Body, although the responsibility of the Department for Children & Young People as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the schools budget share unless the Governing Body acts in accordance with the advice of the Department for Children & Young People.

The costs referred to above are those of legal actions, including costs awarded against an LA, not the cost of legal advice provided.

Where there is a conflict of interest between the LA 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

Governing Bodies need to have due regard to the duties placed on the Department for Children & Young People in relation to health and safety and the Department for Children & Young Peoples policy on health and safety matters in the expenditure of the schools budget share.

The LA may issue directions to the Governing Body and Headteacher of a community, community special or voluntary controlled school on health and safety matters. These directions are enforceable so far as Governing Bodies are concerned.

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 LA should give prior notice of such attendance unless it is impracticable to do so.

11.7. Delegation to New Schools

The Department for Children & Young People is empowered to delegate selectively and optionally to the Governing Bodies of schools which have yet to receive delegated budgets.

11.8. Optional Delegated Funding

Where a school exercises an option to receive delegated or devolved funding for an item, i.e. insurance or meals funding, that option may only be exercised once a year. Schools are requested to let the Department for Children & Young People know if they are considering taking up this option at least 3 months before the start of the financial year in question. However, the formal deadline for all schools will be one month before the start of the financial year in question.

11.9. Special Educational Needs

Schools are required to use their best endeavours in spending the budget share, to secure appropriate special educational needs provision for pupils.

11.10. 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.

11.11. 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 Department for Children & Young People, 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 & Young People. 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

11.12. Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. With prior written agreement, the Department for Children & Young People will fund centrally the expenditure in connection with supply cover and associated attendance costs.

11.13. School Meals

Governing Bodies are required to have regard to the Department for Children & Young People's policy document on school meals in discharging their duties in relation to school meals. This applies where the funding for school meal provision has been delegated to schools.

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 Department for Children and Young People (C &YP) Capital Programme. If the local authority is considering funding a priority R & M project from the CYP Capital Programme, the Asset Management & Capital Planning section 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.

12.2 VA Schools

Responsibility for work to VA school premises is shared between the school's governing body and the local authority (LA). The principles we apply to split this responsibility are as follows:

Voluntary Aided school governing bodies are liable for:

- The existing buildings (internal and external), including those buildings previously known as 'excepted' (kitchens, dining areas, medical/dental rooms, swimming pools, caretakers' dwelling houses)
- Perimeter walls and fences, even if they are around the playing fields
- Playgrounds
- Furniture, fixtures and fittings – including ICT infrastructure and equipment
- Other capital items (which can include capital work to boilers or other services)

The Local Authority is liable for:

- Playing fields (including sports pitches and hard surfaced games areas)
- Buildings on those fields and related to their use

Even if the Local Authority owns any of the 'excepted' buildings referred to above, the Voluntary Aided School governing body is responsible for any capital work to them. To protect any investment (in case of a future sale), the school needs to notify the Local Authority of any related capital expenditure within 12 months. If it is proposed to dispose of the building at a later date, an independent valuation is required. If agreement about sharing the sale proceeds cannot be reached the Secretary of State does have the power to intervene.

Teachers' dwelling houses are the liability of the trustees. We cannot pay capital grant for work to these buildings, as they are not the responsibility of the Voluntary Aided School governing body or the Local Authority.

All revenue work to the premises is Local Authority liability, but the funding is delegated to schools. There is no statutory governing body contribution to revenue work.

12.3 Kitchens – School Meals

Whilst all building work associated with the above is the responsibility of schools, Traded Services do carry out the repair and maintenance of the fabric of the kitchen, EHO improvement notices, and refurbishment within resources available. In addition, the following items are the responsibility of Traded Services:

Refurbishments

Equipment

Repair and replacement of fixed cooking equipment, ovens, ranges, fryers, boilers, boiling pans, steamers, roasting ovens, grilles and mixers.

Portable heated trolleys complete. Refrigerators, freezers, walk-in cold rooms complete. Fixed water boilers, sterilising sink heaters and controls.

Dishwashers

Repair and replacement of equipment including shelving, racks,

Building Elements

Ventilation equipment and ductwork, where appropriate, all associated internal controls, heating elements, pumps and motors etc.

Annexe E details the categories of work, which Governing Bodies are expected to finance from their budget.

12.4 Department for Children & Young People Responsibilities

The Department for Children & Young People will delegate all funding for repairs and maintenance to schools. The only exception to this being funds retained centrally for the repair and maintenance of kitchens and kitchen equipment which have not had school meals delegated.

Only capital expenditure is to be retained by the Department for Children & Young People. 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 DCSF 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. Voluntary Aided Governor responsibilities are included in Annexe E, but full details are set out in the DCSF document "How to apply for funding for Capital and Repair Projects – Changes Introduced on 1 April 2000". The listing in this document will be used to formally establish the responsibilities for payment of liabilities.

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 that 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 section 28(1), the main limitations and restrictions on the power will be:

- a) contained in schools' own instruments of government, if any;
- b) in this scheme for the financing of 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 not 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 LA – 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 LA. The procedures stated below should be followed to achieve this:-

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

13.3 Funding agreements – LA powers

The provision of community facilities in many schools 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 LA allowing adequate time for the LA to provide its comments. The LA 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 LA consent to the agreement for it to proceed, such a requirement and the method by which LA 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 LA or has been concluded without informing the LA, 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 LA. The authority will only impose this provision where it has good reason to believe that the proposed project carries significant financial risks.

Section 28 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 LA 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 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 LA 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 LA 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 LA 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 LA 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 LA 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 LA banking arrangements, which would permit adequate separation of such funds from the school budget share and other LA 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 LA as the owner of the funds in the account does not apply.

Schools may 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 LA.

**SCHOOLS MAINTAINED BY SOUTH GLOUCESTERSHIRE COUNCIL ON
1 APRIL 2010**

DCSF REFERENCE NO

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
Brockridge		I	2173
Bromley Heath		I	2192
Bromley Heath		J	2191
Cadbury Heath		P	2180
Callicroft		P	2166
Charborough Road		P	2170
Charfield		P	2232
Cherry Garden		P	2308
Christ the King	VA	P	3436
Christchurch, Downend	VC	I	3051
Christchurch, Downend	VC	J	3050
Christchurch, Hanham	VC	P	3048
Coniston		P	2002
Courtney		P	2227
Crossways		I	2220
Crossways		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
Highcroft		J	2201
Holy Family	VA	P	3435
Holy Trinity	VA	P	3410
Horton	VA	P	3431
Iron Acton	VC	P	3047
Kingscourt		P	2006
Kings Forest		P	3440
Little Stoke		P	2003
Longwell Green		P	2194
Mangotsfield	VC	P	3049

DCSF REFERENCE NO

Manor, The	VC	P	3064
Manorbrook		I	2339
Marshfield	VC	P	3053
Meadowbrook		P	2010
Meadows, The		P	2167
North Road		P	2187
Old Sodbury	VC	P	3061
Oldbury-on-Severn	VC	P	3054
Olveston	VC	P	3055
Our Lady of Lourdes	VA	P	3434
Park, The		P	2176
Parkwall		P	2181
Pucklechurch	VC	P	3056
Rangeworthy	VC	P	3057
Raysfield		I	2225
Raysfield		J	2224
Redfield Edge		P	2168
Ridge, The		J	2188
Rodford		P	2004
Samuel White's		I	2199
Severn Beach		P	2213
Shield Road		P	2172
St. Andrew's, Cromhall	VC	P	3072
St. Anne's, Oldland	VC	P	3044
St. Augustine's	VA	P	3437
St. Barnabas	VC	P	3059
St Chad's, Patchway	VC	P	3070
St. Helen's, Alveston	VC	P	3043
St. John's Mead	VC	P	3127
St Mary's, Bradley Stoke	VA	P	3300
St. Mary's, Thornbury	VA	P	3432
St. Mary's, Yate	VA	P	3433
St. Michael's, Stoke Gifford	VC	P	3126
St. Michael's, Winterbourne	VC	P	3123
St. Paul's, Yate	VA	P	3438
St Peters	VC	P	3441
St. Stephen's, Kingswood		I	2215
St. Stephen's, Kingswood	VC	J	3052
Stanbridge		P	2331
Staple Hill		P	2179
Stoke Lodge		P	3439
Tortworth	VC	P	3071
Trinity	VC	P	3073
Tyndale		P	3442
Tynings The		P	2200
Wellesley		P	2306
Wheatfield		P	2005
Wick	VC	P	3065

Secondary Schools

Bradley Stoke Community		S	4104
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DCSF REFERENCE NO

Brimsham Green		S	4146
The Castle		S	4120
Chipping Sodbury	VC	S	4502
Downend		S	4148
Filton High		S	4113
The Grange School & Sports College		S	4149
Hanham High		S	4145
Kingsfield		S	4112
Mangotsfield		S	4147
Marlwood	VC	S	4511
Patchway Community College		S	4117
Sir Bernard Lovell		S	4124

Special Schools

Culverhill			7000
New Siblands			7031
Warmley Park			7028

BEST VALUE AND SCHOOLS

1. This statement is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share. When submitting annual budget plans, schools are required to say how best value principles are being followed.

2. Best value is a statutory duty to deliver services to clear standards, concerning both cost and quality, the most effective, economic and efficient means available. Legislation places a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions which are exercised by the Governing Bodies of LA maintained schools. However, schools will be encouraged to adopt the best value performance management framework.

3. In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the Governing Body of a school to ensure:-
 - a). the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:-
 - challenging how and why a service is provided (including consideration of alternative providers);
 - comparison of performance against other schools taking into account the views of parents and pupils;
 - mechanisms to consult stakeholders, especially parents and pupils;
 - embracing competition as a means of securing efficient and effective services

 - b). the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;

 - c). that the following are included in school development plans:-
 - a summary of objectives and strategy for the future;
 - forward targets on an annual and longer term basis
 - description of the means by which performance targets will be achieved
 - a report on current performance

- d). that internal and external audit takes place ensuring that performance information is scrutinised. LA oversight of school finances provides external review.
4. The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a Governing Body of adherence to best value principles.

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.

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.

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 & Young People 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 (approximately 6%) 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 & Young People for a loan at any time during the year. All loan requests will need to be agreed by the Director for Children & Young People 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.

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 the Finance Section, Department for Children & Young People, Bowling Hill, Chipping Sodbury, South Gloucestershire, BS37 6JX

EXAMPLE

The amount of the advance: £30,000
The period of the advance: 4 years
The interest rate: 6¼% per annum
Date of advance: 1st June 2001

Repayment Schedule

	2001/2002	2002/2003	2003/2004	2004/2005
Principle Sum	-	10,000	10,000	10,000
Interest	-	1,875	1,250	625
Due	-	11,875	11,250	10,625