

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date 29 SEPTEMBER 2011

Originating Service Group(s) EDUCATION AND ENTERPRISE

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Title **SCHEME FOR FINANCING SCHOOLS**

RECOMMENDATION

That Members of Audit Committee are asked to note the contents of this report.

1. PURPOSE

- 1.1 To inform Audit Committee of the requirement for the Local Authority to have a 'Scheme for Financing Schools'.

2. BACKGROUND

- 1.2 The funding framework for schools is based on the legislative provisions of the Schools Standards and Framework Act 1998, and in accordance with these requirements every local authority has to have in place a 'Scheme for Financing Schools'.
- 1.3 The Scheme for Financing Schools sets out the relationship between the Local Authority and the maintained schools which it funds. Requirements relating to financial management and associated issues are binding on both the Authority and schools.
- 1.4 The Scheme applies in respect of all community, nursery, voluntary, foundation, community special or foundation special schools maintained by the Authority. The Scheme does not apply to academies and presently Pupil Referral Units (PRUs), although in the case of PRUs this may change as the result of the Education Bill currently before Parliament.
- 1.5 The Department for Education (DfE) provides local authorities with a model scheme which they must adopt. However, local authorities can amend or add to their Scheme to reflect local policies or change. Sometimes a local authority has to make revisions to its Scheme as directed by the DfE.
- 1.6 Any amendments which the Local Authority wishes to make to the Scheme must be consulted on with all maintained schools and be approved by Schools Forum in accordance with regulations. The publication of the Scheme following such approval is also subject to regulation.
- 1.7 It is a statutory requirement for local authorities to establish a Schools Forum. The powers and responsibilities of the Forum are governed by The Schools Forums (England) Regulations 2010. Wolverhampton's Forum is fully compliant with current constitutional requirements.

3. WOLVERHAMPTON SCHEME

- 3.1 The current Wolverhampton Scheme came into effect on Thursday, 1 September 2011 following a full consultation process and approval by Schools Forum on Thursday, 14 July 2011 and supersedes all previous versions.
- 3.2 In accordance with the requirements of the Secretary of State a copy of the Scheme has been published on the council's website¹ and is accessible to the general public together with the required statement regarding when it came into force and that it replaces all previous versions. Also, and as required by regulation, the Scheme is available electronically to the headteacher and governing body of each maintained school in the city. A copy of the Scheme is attached at Appendix A.

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4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from this report.

[Ref Code: TL06092011/L]

5. LEGAL IMPLICATIONS

5.1 The legal implications are contained in the body of this report.

[Ref Code: JH/06092011/Z]

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no such direct implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

7.1 Wolverhampton's Scheme for Financing Schools – September 2011.



THE WOLVERHAMPTON SCHEME FOR FINANCING SCHOOLS

September 2011

Education and Enterprise
Schools, Skills and Learning Service

The Scheme for Financing Schools sets out the relationship between the Local Authority and the schools it maintains

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THE OUTLINE SCHEME

References throughout this statutory guidance to “the Act” are to the School Standards and Framework Act 1998.

“the Authority” means the Local Authority; and

“the Regulations” are to the School Finance (England) Regulations 2011 made under the Act.

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

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the Authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the Authority for schools maintained by them.
6. The payment of interest by or to the Authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
8. The virement between budget heads within the delegated budget.
9. Circumstances in which a Local Authority may delegate to the governing body the power to spend any part of the Authority’s non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act.
10. The use of delegated budgets and of sums made available to a governing body by the Local Authority which do not form part of delegated budgets.
11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.
13. A statement as to the personal liability of governors in respect of schools’ budget shares having regard to section 50(7) of the 1998 Act.

14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the Authority for the purposes of section 519 of the 1996 Act.
15. The keeping of a register of any business interests of the governors and the head teacher.
16. The provision of information by and to the governing body.
17. The maintenance of inventories of assets.
18. Plans of a governing body's expenditure.
19. A statement as to the taxation of sums paid or received by a governing body.
20. Insurance.
21. The use of delegated budgets by governing bodies so as to satisfy the Authority's duties imposed by or under the Health and Safety at Work etc Act 1974.
22. The provision of legal advice to a governing body.
23. Funding for child protection issues.
24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.
25. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.

SECTION 1: INTRODUCTION

1.1 The Funding Framework: Main Features

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

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget - although at a minimum an 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 Section 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). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Under the provisions of the Apprenticeships, Skills, Children and Learning Act 2009, private, voluntary and independent (PVI) Early Years providers as well as maintained providers will be funded from the individual schools budget and be subject to the school funding regulations.

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

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

An Authority may suspend a school's right to a delegated budget if the provisions of the financial 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 (section 17 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, 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. Regulations also require a 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 of the Scheme

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

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

1.2.1 Application of the Scheme to the Authority & Maintained Schools

The scheme applies in respect of all community, nursery, voluntary, foundation, community special or foundation special schools maintained by the Authority. The schools covered by this scheme are listed for information at [Annex A](#). The scheme does not apply to academies or Pupil Referral Units (PRU's).

New maintained schools established within the city are covered by the Scheme by virtue of Section 48 of the Act.

The Wolverhampton School Improvement Partnership operates alongside the scheme to promote school self-improvement and effective resource management across the city. Further information regarding the School Improvement Partnership is available in a separate document detailing its role, responsibilities, membership and terms of reference.

1.3 Publication of the Scheme

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

1.4 Revision of the Scheme

Any proposed revisions to the scheme will be subject of consultation with the governing body and the head teacher of every school maintained by the Authority, before they are submitted to the schools forum for their approval and will be subject to regulations made by the Secretary of State.

1.5 Delegation of Powers to the Head Teacher

Each governing body of a school covered by this scheme must consider formally the extent to which it wishes to delegate its financial powers to the head teacher and to record its decision (and any revisions) in the minutes of the governing body. The delegation of financial powers to the head teacher and relevant committees should be reviewed at least annually. Where there is a change in head teacher, delegation to the head teacher must be reviewed at the earliest opportunity. Detailed guidance is available in "Delegation of Functions and Establishment of Committees Guidance".

The key points covered by the document are as follows:-

- The framework of accountability and financial probity within the school;
- The limits of delegated authority;
- Roles and responsibilities of the governing body, its committees, the head teacher and other staff involved in the financial administration of the school;

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

1.6 Maintenance of Schools

The Local Authority 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 school where some of the expenses are, by statute, payable by the governing body). Part of the way an Authority maintains schools is through the funding system put in place under Sections 45 to 53 of the School Standards and Framework Act 1998.

SECTION 2: FINANCIAL REQUIREMENTS

2.1.1 Application of Financial Controls to Schools

In managing their delegated and devolved budgets, all schools, including schools with their own bank account, must abide by the Authority's Financial Regulations for Maintained Schools with Delegated Budgets and Standing Orders Relating to Contracts for Maintained Schools with Delegated Budgets.

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

The regulations apply to all governors, head teachers and staff (teaching and non-teaching). It is the responsibility of the governors and head teachers to ensure that all relevant staff within the school is aware of, understand and comply with financial regulations. Any staff who fail to observe financial regulations may be subject to disciplinary action.

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

Note:- The Authority's Financial Regulations and Standing Orders Relating to Contracts for Maintained Schools with Delegated Budgets are due to be revised and may be renamed 'Financial Procedure Rules' and 'Contracts Procedure Rules' to be consistent with how they are described in the Authority's Constitution.

2.1.2 Provision of Financial Information & 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 form determined by the Authority will be the Consistent Financial Reporting framework (See [Annex F](#) and Financial Regulations for Maintained Schools with Delegated Budgets) and wherever possible the Authority will request this information to be provided electronically. The Authority will not require this information to be submitted more than once every three months except:

- Where the information is connected with tax or banking information
- Where the Authority has given written notification to a school that its financial position requires more frequent submission
- Where the school is in its first year of operation
- Where a school is part of an on-line financial accountancy system operated by the Authority

Please note that schools with a local cheque account must submit a monthly return to the Authority detailing their actual expenditure, income and bank account position as specified (see paragraph [3.10.2](#)).

2.1.3 Challenge of School Financial Performance

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

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

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

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

2.1.4 Consistent Financial Reporting

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

Local authorities are responsible for setting the date on which schools should submit their returns for validation.

2.1.5 Payment of Salaries; Payment of Bills

The procedure for paying invoices is set out in Financial Regulations for Maintained Schools with Delegated Budgets. Once the works, goods or services to which the invoice relates have been satisfactorily carried out or received, the invoice must be immediately processed for payment. The school should ensure that the financial management system is updated with all relevant information.

Should the governing body decide to enter into contract with an external agency for payroll provision, then they must ensure that the agency concerned can adequately carry out the functions required. Additionally, the governing body shall make appropriate monthly deductions as indicated by HM Revenue and Customs/Superannuation body and ensure the payment of these sums to HM Revenue and Customs and the appropriate pension bodies in accordance with their agreed procedures and timescales.

2.1.6 Fees to be Deducted from Teachers' Salaries & Remitted to the General Teaching Council for England

Note:- Ministers are minded to abolish the General Teaching Council, but this would require primary legislation, so this provision needs to remain while current arrangements continue.

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.1226). 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. 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.

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.

3. 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 the 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; and
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.

2.1.7 Teachers' Pension Information

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 which 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 (AVC's) 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 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 (AVC's) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the School's budget share.

2.1.8 Control of Assets

Every school must maintain an inventory of its moveable non-capital assets, in a form approved by the Authority. The approved procedures for retention of an inventory and the disposal of assets are set out in Financial Regulations for Maintained Schools with Delegated Budgets.

2.1.9 Accounting Policies (Including Year-End Procedures)

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

2.1.10 Writing Off of Debts

The governing body is responsible for ensuring that adequate arrangements exist for recovering sums due and that items cannot be overlooked or not recorded. Governors should ensure that there is an effective follow up procedure to make sure that outstanding sums are reviewed regularly and that appropriate action to recover such sums is taken without delay.

The governing body is responsible for minimizing the risk that income owing to the school has to be written off. In particular, the governing body must:

Collect payments in advance of the service or goods being provided, where this is practical;

Issue invoices and reminders promptly;

Make full use of the city council's debt recovery service.

If the write off of the debt is unavoidable, the procedure for writing off debts as outlined in Financial Regulations for Maintained Schools with Delegated Budgets must be followed.

2.2 Basis of Accounting

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

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

2.3 Submission of Budget Plans & Financial Forecasting

Each school is to submit a plan in the format specified by the Authority by 1st May or within one month of the schools budget share being notified, whichever is later, showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The form determined for submission of budget plans will take account of the Consistent Financial Reporting framework.

All budget plans produced by schools must include a forecast of expenditure and income for a three year period. Such forecasts will be used to support any balance control mechanism the Authority has in place and allow information and decision making by the Authority in relation to Licensed Deficit applications.

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

The governing body must retain responsibility for approving the first formal budget plan of each financial year and should ratify all in-year revisions to the budget plan (see also section [1.5](#)). This first budget plan and the Autumn Term plan can be initially approved by a committee of the governing body. Schools are required to submit revised plans by 31st October each year. The format of the plan is set out in [Annex E](#).

Where there are exceptional circumstances that, prior to the 1st May submission deadline, have been notified to and agreed by the Authority and it is not possible for a governing body to approve their budget by 1st May, the draft budget the school is working to should be submitted by 1st May along with:

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

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

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

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

Schools holding a local cheque account must submit a budget plan to the Chief Financial Officer prior to 31st March each year in order that cash advances may be calculated. See also para. [3.1](#).

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

2.4 Best Value

Given the very high proportion of Authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure. Schools should seek to achieve value for money and efficiencies, taking into account the purchasing, tendering and contracting requirements outlined in section [2.10](#) of this Scheme.

2.5 Virement

Governing bodies may vire between budget heads in the expenditure of their budget shares. Virement procedures should comply with Financial Regulations for Maintained Schools with Delegated Budgets and criteria for virements and financial limits should be agreed annually by the governing body, (see “Delegation of Functions and Establishment of Committees Guidance” – para [1.5](#)).

Any virements authorised by the head teacher or sub-committee under their delegated powers must be reported to and minuted by the governing body at the earliest opportunity. All virements should be reflected in the school’s financial management system. Virements from schools Devolved Formula Capital are not permitted.

2.6 Audit: General

Schools are required to co-operate both with auditors employed by the Authority (**Internal Audit – through Audit Services**) and auditors or other audit body appointed to audit the Authority itself (**External Audit**). Access to the schools records must be provided to both internal and external auditors. In regard to **Internal Audit** all schools come within the **Audit Services** regime determined by the Authority.

Audit Arrangements

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

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

Audit requirements are set out in Financial Regulations for Maintained Schools with Delegated Budgets. In relation to External Audit, all schools come within the Local Authority external audit regime and may be subject to external audit as necessary by the Authority’s external auditors. Schools may also be required to comply with external audit requirements.

2.7 Separate External Audits

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

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

2.8 Audit of Voluntary & Private Funds

Schools must provide the Chief Financial Officer with audit certificates in respect of all voluntary and private funds which they hold and of the accounts of any trading organisations, which they control.

2.9 Register of Business/Pecuniary Interests & Gifts & Hospitality

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

- i) each member of the governing body;
- ii) the head teacher;
- iii) all staff;
- iv) the immediate family of people referred to in i) to iii) above

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

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

The Register of Business / Pecuniary Interests must be reviewed and updated on an annual basis and must be made available for inspection by city council officers, governors, staff and parents.

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

2.10 Purchasing, Tendering & Contracting Requirements

Schools must abide by Financial Regulations for Maintained Schools with Delegated Budgets and Standing Orders Relating to Contracts for Schools with Delegated Budgets in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

However, schools may disregard any provision of these regulations, which would otherwise 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 Authority officer countersignature 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;

or would permit them:

- (d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year;

The Authority's list of approved suppliers will be made available to the schools covered by this scheme and schools may nominate suppliers for inclusion on lists of approved suppliers.

The governing body does not have the automatic power to enter into any leasing or deferred payment arrangements. In accordance with Financial Regulations for Maintained Schools with Delegated Budgets and in each and every case the governing body must seek the prior written opinion of the Chief Financial Officer **before** entering into any potential lease agreement. This written approval should be sought utilising the appropriate procedures as established by the Authority.

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

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

2.11 Application of Contracts to Schools

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

Although governing bodies are empowered under paragraph 3 of schedule 10 of the Schools Standards and Framework Act 1998 (and paragraph 3 of schedule 1 of the Education Act 2002), to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

Further guidance is contained within Standing Orders Relating to Contracts for Maintained Schools with Delegated Budgets and Financial Regulations for Maintained Schools with Delegated Budgets.

2.12 Central Funds & Earmarking

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

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

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

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

2.13 Spending for the Purposes of the School

Section 50(3) of the SSAF Act 1998, allows governing bodies to spend budget shares for the purposes of the school, subject to regulations made by the Secretary for State and any provisions of this scheme. By virtue of Section 50 (3A) (effective from 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

This gives clarification to and updates the definition of eligible expenditure for the 'purposes of the school' to include pupils at other maintained schools and community facilities. It should be noted that, under Section 50(3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur.

2.14 Capital Spending from Budget Shares

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

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

2.15 Notice of Concern

The Authority may issue a Notice of Concern to the governing body of any school it maintains where, in the opinion of the Chief Financial Officer and the Strategic Director Education and Enterprise 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. (Refer to para [2.1.3](#)).

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 will include:

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

and may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
- requiring a governing body to buy into a Local Authority's financial management systems;
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities; and
- insisting that the school engages appropriate financial management support to enhance, provide supplementary guidance and inform on financial management procedures and issues.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with 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 which could include withdrawal of financial delegation.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS (applicable only to schools holding a Local Cheque facility)

3.1 Frequency of Instalments

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

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

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

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

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

3.2 Proportion of Budget Share Payable at Each Instalment

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

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

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

3.3 General Clauses

The advances to schools will be made directly into school bank accounts in order to avoid delays in raising and posting cheques. Supplementary advances will also be made directly.

Advances may be enhanced to include provision for VAT costs. Such provision will be made in accordance with the guidance contained within Financial Regulations for Maintained Schools with Delegated Budgets.

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

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

3.4 Interest Clawback

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

Cash advances to schools operating local bank accounts will be made by BACS.

Any applicable transaction charges will also be deducted from each cash advance.

3.5 Interest on Late Budget Share Payments

The Authority is required to add interest to late payments of budget share instalments, where such late payment is the result of Authority error. The interest rate used will be the same as for the clawback calculation (Paragraph [3.4](#)).

3.6 Budget Shares for Closing Schools

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

3.7 Bank & Building Society Accounts

All maintained schools are eligible to have local bank accounts (also refer to Financial Regulations for Maintained Schools with Delegated Budgets) into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they may retain all interest payable on the account unless they choose to have an account within an Authority contract which makes other provision.

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

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

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

The Chief Financial Officer must be informed of all bank accounts opened and any change of bank together with all account details. This will enable a prompt transfer of funds to schools accounts.

Where a school is closing or subject to change in status during the forthcoming financial year and the school has a local cheque account, the Authority has the right to require the local cheque account to be closed at the end of the previous financial year.

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

3.8 Restrictions on Accounts

Schools must observe the Authority's treasury management policies and practices when placing funds with banks or building societies. A copy of these is available from the Chief Financial Officer. The current authorised financial institutions which schools may use in operating local bank accounts are listed at [Annex C](#).

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

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

Under Section 49(5) of the School Standards and Framework Act 1998, monies paid by the Authority and held in school bank accounts remains the property of the Authority until spent.

3.9 Borrowing by Schools

Governing bodies of maintained schools may borrow money only with the written permission of the Secretary of State.

This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on government accounts. These debts may not be serviced directly from schools delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Authority when repaying loans. This provision does not apply to loan schemes run by the Authority (see section [4.10](#)).

Schools are prevented by the scheme from using credit cards as these are regarded as borrowing. However, the scheme does allow the use of procurement cards by schools, as these cards can be a useful means of facilitating electronic purchase which can result in reduced transaction costs and can enable schools to benefit from significant discounts. Arrangements for the use of purchasing cards must be approved by the Authority, namely the Chief Financial Officer.

3.10 Other Provisions

Schools covered by the Scheme may not overdraw their account.

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

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

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

Schools shall not make arrangements for the use of cash point cards, or instruments for guaranteeing payment unless these arrangements have previously been approved by the Authority, namely the Chief Financial Officer.

Schools are reminded that they must comply with the provisions relating to banking arrangements contained within Financial Regulations for Maintained Schools with Delegated Budgets.

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

Schools operating local bank accounts must notify the Chief Financial Officer in writing of the bank used, the number of all accounts opened and the names of all signatories to each account. Signatories to the account shall be restricted to Authority and school employees. The Authority reserves the right to require a signatory to such accounts to be nominated by the Chief Financial Officer.

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

Schools operating local bank accounts are responsible for meeting any requirements of HMRC.

The Authority will allow schools operating local bank accounts to deposit balances with the Authority, subject to a minimum investment period of 12 months. The Authority will pay interest on such deposit at a rate equal to that earned on the Authority's invested balances.

3.10.1 Closing a Local Bank Account

A Local Bank Account may be closed in the following circumstances:

- (i) **On the closure of the school** – in this event arrangements must be made for the remaining cash balance in the local bank account to be transferred to the Authority by means, the time and date specified by the Authority. All transactions following this date will be handled by the Chief Financial Officer (refer to [4.9](#)).
- (ii) **On the transfer of the account to another financial institution** – this is to be agreed by the governing body and arrangements made for the balance to be transferred. The school will be required to follow the procedures for opening a Local Bank Account as shown above.
- (iii) **Where the Authority withdraws delegated powers from the governing body.**
- (iv) **On the school no longer requiring such an account** – in this event local bank accounts may only be closed from the beginning of a financial year. The intention of a school to give up such accounts must be given to the Authority, namely the Chief Financial Officer, in writing by the preceding 31st December. Arrangements must be made for the remaining cash balance in the local bank account to be transferred to the Authority by means, time and date specified by the Authority. All transactions following this date will be handled by the Chief Financial Officer.
- (v) **Where a school operating a local bank account falls into deficit** – in this event the Authority reserves the right to require the school to surrender its local bank account.

3.10.2 Reconciliation of Accounts

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

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

These returns will be in a format approved by the Chief Financial Officer. Separate monthly returns must be made for each bank account that is being used.

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

SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1 The Right to Carry Forward Surplus Balances

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. A school's surplus balances as shown at 1st April **must** be equal to that shown at the preceding 31st March.

4.2 Reporting on Balances

- 4.2.1** The Authority is entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the following year's budget share for primary and special schools and by 5% for secondary schools for two consecutive years or in other circumstances where, in the view of the Authority, the level of surplus balances may be cause for concern. In certain circumstances, the Authority may consider the maintenance of a high level of uncommitted surplus balances, unsupported by specific proposals for their use, as evidence of weak management, justifying further action (e.g. a requirement to submit multi year financial forecasts, or to provide more frequent financial monitoring reports). See also para [2.1.3](#).
- 4.2.2** The Authority reserves the right to recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts will be redistributed across the appropriate local area. Such decisions will be made as part of an arbitration process including a panel comprising a governor nominated by the Schools Forum and a head teacher nominated by the School Improvement Partnership Board (SIPB) together with the Strategic Director Education and Enterprise and Chief Financial Officer or his/her nominated representatives.
- 4.2.3** Every head teacher should submit a written report during the Summer Term to his/her governing body, or an authorized sub-committee of the governing body, setting out the school's intended balance (surplus or deficit) at the previous 31st March. This information should be taken from the school's financial management system and be presented in accordance with balances shown in the school's Consistent Financial Reporting submission.
- 4.2.4** The Section 251 (of the Apprenticeships, Skills, Children and Learning Act 2009) Outturn Statement provided to schools in the Autumn Term, should be received by the governing body and minuted accordingly, noting the school's budget position at the end of the previous financial year.
- 4.2.5** The Authority has the power to require a governing body to report to parents on the use the school intends to make of surplus balances where this exceeds the relevant % as per [4.2.1](#).

4.3 Amounts Assigned for Specific Purposes

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

1: Monies should only be classed as committed if:

- * If the school can provide evidence to show that they:-
 - are for a specific purpose
 - will be spent within a defined timescale as detailed in this Scheme for Financing Schools
 - are included in the School Development Plan and/or have been properly approved by governors

2: Examples of specific purposes include:

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

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

- * Contingencies
 - It is prudent to keep some money aside for contingencies but this amount should be reasonable as it may be scrutinized by the Authority.
 - * Prior year payments, accruals and committed orders (Year end procedures)
 - Where schools are awaiting charges (invoices etc.) for goods and services received they must comply with Financial Regulations for Schools with Delegated Budgets and the Authority's annual instructions on the closure of accounts.
 - * Single Status
 - Where single status agreements have resulted (or are likely to result), in the backdating of new pay scales or one-off compensation payments, it may be legitimate for schools to hold balances for these purposes. Again, they will need to maintain supporting information. Schools will need to demonstrate that they can fund the ongoing costs on a sustainable basis – and not from balances.
- 3: Specific purposes do not include:-
- * Monies held for other schools
 - Funding held on behalf of other schools should be accounted for separately within the host school accounts and be excluded from the calculation of the school's balance. There need to be clear lines of accountability to ensure these funds are monitored.
 - * Private school funds
 - Privately raised funds should not be included in the calculation of a school's revenue balance as these are separate from public funds. If private school funds are used to fund items through the school's main budget, the funds should only be paid in to the level of the expenditure which is to be incurred.
 - * Budget 'Cushioning'
 - Retaining significant funding to cushion the budget against future falls in pupil numbers, where balances would remain above the threshold at the end of the following financial year.
 - * Unclearly defined capital projects
 - Capital projects which have not been clearly defined and/or do not comply with asset management priorities.
-

- * Unplanned additions to revenue budgets
 - Unplanned additions to revenue budgets where these arise from a higher than expected carry forward and do not comply with any of the categories detailed above.
4. Examples of evidence to be retained at school level
- * Schools Asset Management Plan
 - * School Development Plan
 - * Minutes of governors meetings
 - * Calculations, plans or projections to show expected changes in pupil numbers or staffing requirements
 - * Invoices, orders, delivery notes, quotations, contracts and contract registers
 - * Reported accruals or commitments
 - * Calculations to support balances being held for uncertainties or contingencies

CFR

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

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

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

4.4 Interest on Surplus Balances

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

4.5 Obligation to Carry Forward Deficit Balances

Any deficit balance arising from an excess in expenditure for the year relative to a school's budget share will be deducted from the following year's budget share (see also section [4.8](#)).

4.6 Planning for Deficit Budgets

Schools covered by this scheme may not plan for a deficit in excess of £10,000 at the end of a financial year except with the prior agreement of the Authority in accordance with the conditions set out in section [4.10](#).

Where a deficit budget plan is submitted for governing body approval, it should be minuted that this is subject to authorisation by the Strategic Director Education and Enterprise and the Chief Financial Officer. The outcome of such approval or declining of approval to a deficit budget will be dependent on the school submitting a licensed deficit application as per [4.10](#) and should be reported to the schools' governing body.

Where a schools plan is showing a deficit of less than £10,000, the school will need to write to the Authority to acknowledge the deficit and undertake to recover the deficit by the end of the following financial year outlining plans to recover the deficit. This will be reported to members of the Cabinet Resources Panel on a quarterly basis as part of licensed deficit approval procedures. If the school does not expect to be able to recover the deficit in this period the school will be required to make a formal licensed deficit application.

4.7 Charging of Interest on Deficit Balances

The Authority will charge interest on deficit balances on the same basis as is applied to surplus balances in section [4.4](#).

4.8 Writing Off Deficits

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

4.9 Balances of Closing & Replacement Schools

When a school closes, any balance (whether surplus or deficit) will revert to the Authority, it cannot be transferred as a balance 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 Section 4 (1)(a) of the Academies Act 2010. If approval for conversion is given to a school in deficit the DfE will pay the Local Authority an equivalent amount and recoup this through a reduction in the recurrent funding paid to the academy.

Any adjustments to the budget share of a successor school will be in accordance with regulations under Section 47 of the SSAF Act 1998, which provides for authorities to make an allocation to a new school which is equal to or less than the balance(s) of the closing school(s).

4.10 Licensed Deficit

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

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

- (a) the maximum length over which schools may repay the deficit (i.e. reach at least a zero balance), is normally 3 years unless a longer period is agreed by the Cabinet Member for Schools, the Strategic Director Education and Enterprise and the Chief Financial Officer in consultation with the Chair of the School's Forum;

- (b) the purposes for which the deficit arrangement may be agreed are:
 - (i) Elimination of underlying budget deficit
 - (ii) Investment or other service improvement
 - (iii) Other development(s) as set out in the School Development Plan
- (c) the maximum deficit, which may be agreed, is 20% of a school's annual budget share;
- (d) the maximum proportion of the collective balances held by the Authority which will be used to back the arrangement will be 60%;
- (e) The Authority will not charge interest on licensed deficits up to the amount of the approval. Interest will be charged on subsequent renewals on the same basis as is applied to surplus balances in paragraphs [4.4](#) and [4.7](#) above.
- (f) Governing bodies will be required to apply in writing to the Authority by 30th June and their application must be supported by the Strategic Director Education and Enterprise and the Chief Financial Officer. Where a potential deficit in excess of £10,000 is highlighted after this date the school must contact the Authority at the earliest opportunity and agree timescales for completion and submission with the designated officer. The application will then be submitted for the approval of the Cabinet (Resources) Panel at the earliest opportunity. Where a school is in deficit at the end of the financial year without notifying the Authority in advance, this will be reported to the Cabinet (Resources) Panel and the school will be required to make a formal application. The Authority will charge interest at a minimum of 4% per annum.
- (g) The governing body will be required to submit written progress reports with the initial budget plan and the Autumn Term plan as per [2.3](#). The submission required will be in a format specified by the Strategic Director Education and Enterprise and Chief Financial Officer. Failure to submit written progress could result in the issuing of a Notice of Concern as per [2.15](#).
- (h) The Authority will during the period of the approval conduct its own analysis of the school's progress using the information of the school's expenditure and income as recorded on the Authority's financial system.
- (i) Where a school does not recover the deficit within the timescale of the approval, this will result in the issue of a Notice of Concern and Authority action which may include withdrawal of delegation. (See also para [2.15](#)).
- (j) Where it becomes apparent that a school will not recover the deficit within the timescale the school should contact the Authority to discuss remedial action as soon as an issue arises.
- (k) Where a school succeeds in achieving a balanced budget prior to the licensed deficit application's end date, it will be considered as having completed that application's term. Should a subsequent deficit budget then occur, a new application will be required.

SECTION 5: INCOME

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

5.1 Income From Fees And Charges

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

5.2 Income From Lettings

Schools may retain income from lettings of the school premises, which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or agreements covered by the Private Finance Initiative or the framework for Public Private Partnerships. It is permissible for schools to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools should have regard to directions issued by the Authority as to the use of school premises as permitted under the School Standards and Framework Act for various categories of schools. Income from lettings should not normally be paid into voluntary or private funds held by the school.

5.3 Income From Fund-Raising Activities

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

5.4 Income From The Sale Of Assets

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

5.5 Administrative Procedures for the Collection Of Income

Schools should comply with the requirements and procedures set out in Financial Regulations for Maintained Schools with Delegated Budgets in dealing with income, cash handling and issues relating to VAT.

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.

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

- 6.1.1** The budget share of a school may be charged by the Authority without the consent of the governing body only in circumstances expressly permitted by this scheme. The Authority will consult schools as to the intention to so charge, and notify schools when it has been done.
- 6.1.2** For all schools covered by this scheme the Authority is required to charge salaries of school based staff to school budget shares at actual costs.
- 6.1.3** It should be noted that the Authority cannot act unreasonably in the exercise of any power given by the scheme, or it may be the subject of a direction under Section 496 of the Education Act 1996.

6.2 Circumstances In Which Charges May Be Made

- 6.2.1** Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority). By way of background [Annex H](#) sets out current DfE guidance on responsibility for premature retirement and redundancy costs;
- 6.2.2** Other expenditure incurred to secure staff dismissals or resignations where the school has not followed Authority advice;
- 6.2.3** Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice.

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

- 6.2.4** Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
- 6.2.5** Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- 6.2.6** Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority (see also section [10.1](#) below);

- 6.2.7** Recovery of monies due from a school for services provided to the school, where this is in accordance with the terms of a service level agreement.
- 6.2.8** Where a dispute over monies due from a school for services provided by the Authority has been referred to an agreed disputes procedure and the result is that monies are owed by the school to the Authority;
- 6.2.9** Recovery of penalties imposed on the Authority by the Board of Inland Revenue, Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- 6.2.10** Correction of Authority errors in calculating charges to a budget share (e.g. pensions deductions);
- 6.2.11** Additional transport costs incurred by the Authority arising from decisions 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.
- 6.2.12** Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also [Section 11](#) below).
- 6.2.13** Costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training has not been carried out.
- 6.2.14** Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.15** Cost of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;
- 6.2.16** Costs incurred by the Authority in securing provision specified in 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.
- 6.2.17** Costs incurred by the Authority due to the submission by the school of incorrect data;
- 6.2.18** Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.19** Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.20** Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

- 6.2.21** Recovery of monies from a school for services provided to the school and for which the Authority raises an invoice. Such charges will be automatically recovered from schools by the Authority should the account remain unpaid after a period of 45 days and the school has not lodged a dispute concerning the charges with the Authority's Debt Management Team.
- 6.2.22** Recovery of monies from a school for services provided to the school by the Authority for which there is no SLA provision and the school has requested or agreed to receive such service.
- 6.2.23** There may also be a provision which formally sets out the powers of the Authority to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school (see also [Section 9](#) below).

6.3 Disputes Procedure

Where a dispute arises between a school and the Authority as a result of a direct charge to the school's budget share, the matter may be referred, with the agreement of the school, to an arbitration panel comprising the Chief Legal Officer of another Local Authority, or his/her representative, a governor nominated by the Schools Forum and a head teacher nominated by the School Improvement Partnership Board.

SECTION 7: TAXATION

7.1 Value Added Tax

Schools should comply with the relevant requirements set out in Financial Regulations for Maintained Schools with Delegated Budgets and, where appropriate, guidance for local banking and payment arrangements, in order to be able to utilise the Authority's ability to reclaim VAT on expenditure relating to non business activity. Amounts so reclaimed will be passed back to the school.

However, in the case of voluntary aided schools the governing body retains statutory responsibility for certain capital expenditure, including when made from the school's delegated budget. Therefore, in respect of any supplies which fall within the prescribed definition of such expenditure, the supply will be made to the governing body, even where the expenditure is met from the school's delegated budget, and VAT incurred may not be recovered by the Authority.

7.2 CIS (Construction Industry Scheme)

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

7.3 Self Employed

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

SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of Services From Centrally Retained Budgets

It is for the Authority to determine on what basis services from centrally retained funds will be provided to schools. The provision should be drawn in a way that clearly encompasses pre retirement costs and redundancy payments, which may not ordinarily be thought of as services. The Authority must not discriminate in its provision of services on the basis of categories of schools except where:

- (a) funding has been delegated to some schools only, or
- (b) 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 to buy services or facilities from the Authority will not exceed three years from the date of the agreement, and will not exceed five years for any subsequent agreement relating to the same services. However, in the case of the contracts for the supply of catering services the maximum periods are five and seven years respectively.

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

8.2.1 Packaging

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

The Authority may offer packages of services at a discount for schools prepared to take up a wider range of services, but will also offer the relevant services singularly as well as in combination.

The above requirements do not apply to centrally funded premises and liability insurance.

8.3 Service Level Agreements

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

- 8.3.2** If services or facilities are provided under a service level agreement – whether free or on a buy back basis – the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.
- 8.3.3** Any service offered by the Authority under a service level agreement will also be available on a basis which is not related to an extended agreement. Where services are provided on a ‘pay as you buy’ basis they will be offered at a charge determined by the provider, and may be charged for at a higher rate than if provided on the basis of an extended agreement.

The above requirements do not apply to centrally funded premises and liability insurance.

SECTION 9: PRIVATE FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIPS

9.1 Private Finance Initiative/Public Private Partnerships

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

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

There may also be a provision which formally sets out the power of the Authority to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school. (See also [Section 6.2.23](#) above).

In such cases prior consultation will be undertaken with the governing bodies of schools concerned.

SECTION 10: INSURANCE

10.1 Insurance Cover

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

The Authority must have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

See also section [6.2.6](#) above.

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

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

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

11.2 Liability of Governors

As the governing body is a corporate body and because of the terms of Section 50(7) of the SSAF 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.

It should be noted that breaches of this scheme are not in themselves necessarily failures to act in good faith; neither is rejection of Authority advice as to financial management.

11.3 Governors' Expenses

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

Under section 50(5) of the SSAF Act, Section 19 of the Education Act 2002, and the Education (Governors Allowances)(England) Regulations 2003, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. The payment of any other allowances is strictly forbidden. Schools must also avoid the payment of any expenses which duplicate those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

11.4 Responsibility for Legal Costs

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

It should be noted that a school cannot expect to be reimbursed with the cost of legal action against the Authority itself (although the Authority may agree such reimbursement if it believes this to be desirable or necessary in the circumstances). (See also [Section 6](#) above).

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

If, due to a conflict of interest between the Authority and the governing body, the governing body requires independent legal advice, the purchasing, tendering and contracting procedures referred to in Section [2.10](#) should be followed. The Strategic Director, Delivery will make available a list of suitably experienced legal advisers.

11.5 Health & Safety

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

Under Section 39(3) of the Schools Standards and Framework Act, the Authority may issue directions to the governing body and head teacher of a community, community special or voluntary controlled school on health and safety matters. These directions are enforceable via Section 497 of the Education Act 1996 if not complied with.

11.6 Right of Attendance for the Chief Financial Officer

The Chief Financial Officer, or any officer of the Authority nominated by him/her, must be allowed to attend any meetings of a governing body at which there will be consideration of agenda items that are relevant to the exercise of his/her responsibilities. Prior notice of such attendance will be given unless it is impracticable to do so.

11.7 Delegation to New Schools

This scheme allows the Authority to delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets.

11.8 Optional Delegation

Where a school opts to receive delegated or devolved funding for an item, in accordance with this scheme, this option may only be exercised once a year, at a stipulated date prior to the financial year in question.

11.9 Special Educational Needs (SEN)

The scheme includes a calculation to enable schools to provide for children and young people with special educational needs. Funding is allocated to schools taking into account children and young people who may be at School Action, School Action Plus or with a Statement and schools must be able to demonstrate that they are spending their allocations in accordance with the needs of their pupils with SEN. Schools may choose to spend more than the allocation if the needs of the children dictate this. The Authority will offer support to head teachers and governing bodies as necessary to enable schools to understand what resources they have to meet the needs of these children and young people and how those resources are being spent by the school using the dedicated tools available, e.g. the SEN Value for Money Toolkit. Pupils with Statements of Special Educational Need will attract support from the Authority, additional to that which the school is expected to provide.

11.10 Whistleblowing

The procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school and how such complaints will be dealt with are set out in the document referred to at [Annex B](#).

11.11 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events which will include leading on or contributing to Common Assessment Framework processes. The associated costs will be met from the school's own resources.

11.12 Interest on Late Payments

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

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 Responsibility for Repairs & Maintenance

Details of the categories of repairs and maintenance work which governing bodies must expect to finance from their delegated budget share are given at [Annex D](#).

12.2 Voluntary Aided Schools

The DfE “Determination of Financial Liability” list should continue to be used to establish the responsibility of Voluntary Aided (VA) governors for the payment of liabilities.

VA governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities for capital and in addition they will have responsibility for other repair and maintenance items on the same basis as community and foundation schools.

12.3 De-Minimus Limit

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

SECTION 13: COMMUNITY FACILITIES POWER

13.1 Introduction

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

However, under s.28 (1), the main limitations and restrictions on the power will be those contained in the 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 this scheme as set out below.

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.

Governing bodies should also note that:

- With effect from 1 April 2011, the budget share of a school may be used to fund community facilities
- Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

13.2 Consultation with the Authority – Financial Aspects

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

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

- (a) The commencement date(s)
- (b) Details of all individuals or agencies with whom the school will be working

- (c) Evidence that there has been prior consultation with the staff of the school, the parents of registered pupils at the schools and the governing bodies of all other maintained schools within 1 kilometre of the school (as the crow flies) and that the outcome of consultation has been taken into account in framing the proposals.
- (d) Confirmation that the proposals are compatible with the school's Instrument of Government.
- (e) Details of how the activities will be financed and administered.

The Authority will provide written advice (by letter, fax or e-mail) on the proposal not later than five weeks after receipt of the school's written submission.

13.3 Funding Agreements

This section applies if the provision of community facilities is dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision. A range of bodies and organisations may need to be involved in funding agreements with the school.

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

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

If an agreement is concluded against the wishes of the Authority, or has been concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, this may constitute grounds for suspension of the right to a delegated budget.

13.4 Other Prohibitions, Restrictions & Limitations

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The Authority may propose other scheme provisions of that nature which they believe necessary. The restrictions should only be in existence if they are necessary to safeguard the financial position of the Authority or school, or to protect pupil welfare or education.

In exercising its community facilities power, the governing body must make arrangements to protect the financial interests of the Authority by obtaining indemnity insurance for risks associated with the project in question or through the vehicle of a limited company formed for the purpose, as specified by the Authority.

13.5 Supply of Financial Information

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

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

13.6 Audit

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

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

13.7 Treatment of Income & Surpluses

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

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

13.8 Health & Safety Matters

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

Any governing body which exercises the community facilities power is responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

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

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

13.10 Taxation

Schools should seek the advice of the Authority on any issues relating to the possible imposition of VAT 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 account is used for community facilities or not – see section [13.11](#)), the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

Schools must follow Authority advice in relation to the Construction Industry Scheme (CIS) where this is relevant to the exercise of the community facilities power.

13.11 Banking

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

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

Schools 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 Local Authority.



THE WOLVERHAMPTON SCHEME FOR FINANCING SCHOOLS

ANNEXES

September 2011

Education and Enterprise
Schools, Skills and Learning Service

ANNEX A - LIST OF SCHOOLS COVERED BY THE SCHEME

SCHOOL NAME	DfE No
SECONDARY	
Aldersley High	5402
Colton Hills Community A Specialist Language College	4133
Coppice Performing Arts	4128
Deansfield Community, Specialists In Media Arts	4115
Heath Park Business & Enterprise College	4134
Highfields Science Specialist	4113
Moreton Community	4139
Moseley Park & Technology College	5401
Our Lady & St Chad Catholic Sports College	4606
Smestow School, A Specialist Sports College	4117
St. Edmund's Catholic, A Specialist Mathematics & Computing College	4605
St. Peter's Collegiate Church of England	4601
The King's Church of England	4731
Wednesfield High, A Specialist Engineering College	4130
Wolverhampton Girls' High	5400
PRIMARY	
Bantock Primary	2117
Berrybrook Primary	2107
Bilston Church of England Primary	3024
Bushbury Hill Primary	2003
Castlecroft Primary	2043
Claregate Primary	2042
Corpus Christi Catholic Primary	3310
D'Eyncourt Primary	2057
Dovecotes Primary	2111
Dunstall Hill Primary	2090
Eastfield Primary	2103
East Park Primary	2039
Edward The Elder Primary	3318
Elston Hall Primary	2112
Fallings Park Primary	2015
Field View Primary	2049
Goldthorn Park Primary	2075

SCHOOL NAME	DfE No
PRIMARY (Continued)	
Graiseley Primary	2030
Grove Primary	2113
Hill Avenue Primary	2070
Holy Rosary Catholic Primary	3302
Holy Trinity Catholic Primary	3309
Lanesfield Primary	2071
Long Knowle Primary	2058
Loxdale Primary	2051
Manor Primary	2072
Merridale Primary	2089
Northwood Park Primary	3317
Oak Meadow Primary	2102
Oxley Primary	2016
Palmer's Cross Primary	2041
Parkfield Primary	2073
Perry Hall Primary	2109
Rakegate Primary	2034
Spring Vale Primary	2074
SS. Mary & John's Catholic Primary	3305
Stowlawn Primary	2053
St. Alban's Church of England Primary	3017
St. Andrew's Church of England Primary	2118
St. Anthony's Catholic Primary	3303
St. Bartholomew's Church of England Primary	3008
St. Jude's Church of England Primary	3020
St. Luke's Church of England (Aided) Primary	3301
St. Martin's Church of England Primary	3022
St. Mary's Catholic Primary	3304
St. Michael's Catholic Primary	3307
St. Michael's Church of England (Aided) Primary	3316
St. Patrick's Catholic Primary	3312
St. Paul's Church of England (Aided) Primary	3314
St. Stephen's Church of England Primary	3010
St. Teresa's Catholic Primary	3311
St. Thomas' Church of England Primary	3016
The Giffard Catholic Primary	3315
Trinity Church of England Primary	3025
Villiers Primary	2054
Warstones Primary	2105

SCHOOL NAME	DfE No
PRIMARY (Continued)	
West Park Primary	2116
Wilkinson Primary	2069
Woden Primary	2114
Wodensfield Primary	2106
Wood End Primary	2065
Woodthorne Primary	2115
JUNIOR	
Christchurch (Church of England) Junior	3019
Springdale Junior	2032
Stow Heath Junior	2067
Uplands Junior	2079
Whitgreave Junior	2022
Woodfield Junior	2026
INFANT	
Christchurch (Church of England) Infant And Nursery (TW)	3012
Springdale Infant	2038
Stow Heath Infants, Nursery & Resource Areas	2066
Westacre Infant	2044
Whitgreave Infant	2023
Woodfield Infant	2027
SPECIAL SCHOOLS	
Broadmeadow Nursery	7011
Green Park	7008
New Park	7015
Penn Fields	7004
Penn Hall	7012
Tettenhall Wood	7007
Westcroft Sports & Applied Learning College	7005

SCHOOL NAME	DfE No
NURSERY SCHOOLS	
Ashmore Park Nursery	1003
Bilston Nursery School Children's Centre	1010
Bushbury Nursery	1009
Eastfield Nursery	1004
Low Hill Nursery	1002
Phoenix Nursery	1005
Windsor Nursery	1007

**ANNEX B - SCHEDULE OF REGULATIONS,
CODES OF PRACTICE AND GUIDELINES WHICH
APPLY TO MAINTAINED SCHOOLS WITH
DELEGATED BUDGETS**

1. Regulations

- 1.1. Financial Regulations for Maintained Schools with Delegated Budgets.
- 1.2. Standing Orders Relating to Contracts for Maintained Schools with Delegated Budgets.
- 1.3. Local Banking and Payment Arrangements (applies only to schools with local bank accounts as defined by Section 3 of the Scheme).
- 1.4. Delegation of Functions and Establishment of Committees Guidance.
- 1.5. Schools Forum Constitution.

2. Codes of Practice and Guidelines (See note below)

- 2.1. Wolverhampton School Improvement Partnership Board Constitution.
- 2.2. School Closures, Amalgamations and Mergers protocol.
- 2.3. School Foreign Visits protocol.
- 2.4. Officers Code of Conduct.
- 2.5. Protocol for Member/Officer Relationships.
- 2.6. Council's Anti – Fraud and Corruption Policy.
- 2.7. Council's Anti – Money Laundering Policy.
- 2.8. Code of Practice for Officers on travel, subsistence and provision of hospitality (applies only to staff covered by NJC conditions of Service).
- 2.9. Guidance Manual for Maintained Schools with Delegated Budgets.
- 2.10. ICT Security Policy (including internet and email).
- 2.11. Corporate Guidance on Liability of Officers.
- 2.12. 'Whistle blowing' policy.
- 2.13. Data protection.
- 2.14. Freedom of Information.
- 2.15. Complaints and Compliments Policy.
- 2.16. Health & Safety requirements.
- 2.17. Equalities / Diversity.
- 2.18. Grey Book – Local Conditions of Service for Teachers.

Note

- Some of the above documents have been produced primarily for Council Departments and their staff. Their application at school level will be subject to local interpretation and particular circumstances.

ANNEX C - LIST OF AUTHORISED FINANCIAL INSTITUTIONS FOR LOCAL BANK ACCOUNTS

BANKS & WHOLLY OWNED SUBSIDIARIES

Barclays Bank plc
The Co-operative Bank plc
Clydesdale Bank plc
Lloyds TSB Bank plc
HSBC Bank plc
National Westminster Bank plc
The Royal Bank of Scotland plc
Yorkshire Bank plc (Trading name of Clydesdale Bank plc)
Santander UK plc
Bank of Scotland plc

This list may be revised by the Authority from time to time in response to market conditions and needs.

Schools must observe the Authority's treasury management policies and practices when placing funds with banks or building societies. A copy of these is available from the Chief Financial Officer.

ANNEX D - RESPONSIBILITY FOR REPAIRS AND MAINTENANCE CAPITAL/REVENUE SPLIT

Under this scheme, the Local Authority has delegated in full to schools responsibility for repairs and maintenance. Responsibility for capital expenditure remains with the Local Authority. The definition of capital expenditure is specified by the Chartered Institute of Public Finance and Accountancy in its Code of Practice on Local Authority Accounting (CIPFA).

Attached is an appendix that outlines the division of responsibility between schools and the Authority for capital/revenue expenditure. It is hoped that this will be helpful to schools in planning their budgets and managing the use of their resources. Schools now receive a devolved capital allocation. This can be used to finance capital projects on the school site in accordance with the Asset Management Plan criteria. The funding must be spent in accordance with the appropriate financial regulations and standing orders for maintained schools with delegated budgets and in consultation with the Authority.

The only variation in the attached schedule to the CIPFA guidelines is that the responsibility for inspection and testing of premises for asbestos products will remain with the Authority. The Authority will be responsible for its removal and reinstatement where appropriate. This will only apply if the works are at the instigation of the Authority. Where works are initiated by the school any asbestos removed as a result of these works must be financed by the school.

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

New legislation regarding the division of responsibilities for Voluntary Aided Schools was introduced in 2002. The revised responsibilities have been shared with the Voluntary Aided Schools and defined in a publication issued by the DfE entitled "Funding for premises-related work at Voluntary Aided (VA) Schools in England". More guidance is available from the Site Development & Support Team or your local diocese.

Asset Management/School Building Improvement Plans

The Local Authority in partnership with schools has a process of agreeing 3 year building improvement plans for 25% of schools annually. This process targets Local Authority capital funding to address the schools and Authority's most urgent and priority investment needs. This links the Capital Investment available to the Schools Improvement Plan and the standards agenda.

DIVISION OF RESPONSIBILITY BETWEEN SCHOOLS AND THE LA**ILLUSTRATIVE EXAMPLES IN LINE WITH DfE INTERPRETATION OF THE CIPFA CODE OF PRACTICE**

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
<u>Roofs</u>		
<u>Flat</u>	<p>Structure, New (Not replacement) structure.</p> <p>Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.</p> <p>Screed/insulation in a new building/extension.</p> <p>Screed/insulation.</p> <p>Replacement/repair of substantially all. Improve effectiveness of insulation.</p> <p>Finish on new build.</p> <p>Replacement of all/substantially all on existing roof.</p> <p>Edge Trim/Fascia on new build.</p> <p>Edge Trim/Fascia, Replacement of all/substantially all on existing roof.</p> <p>Drainage on new build.</p> <p>Other e.g. Flashings, Rooflights on new build.</p> <p>Replacement of all/substantially all on existing roof.</p>	<p>Repair/Replacement of small parts of an existing structure</p> <p>Replace small areas of rotten or defective timber; make good minor areas of spalling concrete where reinforcing bars exposed.</p> <p>Repair/replacement of screed/insulation, where defective.</p> <p>Work to improve insulation standards, during work to repair/replace small areas of roof.</p> <p>Replacement of roof finish on existing building.</p> <p>Recoating chippings to improve life expectancy.</p> <p>Repairs/replacement. (uPVC) Repainting.</p> <p>Repairs/replacement. (uPVC) Repainting.</p> <p>Clearing out gutters and downpipes.</p> <p>Replacement/repair/repainting of individual gutters/pipes.</p> <p>Repair/Replacement/cleaning of individual items.</p>
<u>Pitched</u>	Structure. New (not replacement) structure.	Repair/replacement of small parts of an existing structure.
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Repair/Replacement of small areas of rotten/defective joists, rafters, purlins etc. Not complete trusses.
	Insulation in a new	Repair/replacement/increasing

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
	building/extension. Replacement/repair of substantially all. Improve insulation to current standards.	thickness of insulation in an existing roof.
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof.	Replace missing damaged small parts.
	Bargeboards/Fascias in a new building/extension, replacement of all/substantially all on existing roof.	Repairs/replacement/repainting.
	Drainage in a new building/extension. Replacement of all/substantially all on existing roof.	Clearing out gutters and downpipes. Replacement/repair of individual pipes/gutters.
	Other e.g. Flashings, roof windows in a new building/extension, replacement of all/substantially all on existing roof.	Repair/replacement/cleaning.
<u>Other</u>	Provide new covered link etc., between existing buildings.	Minor repairs, maintenance to existing structure
	Rebuild or substantially repair structure of existing covered link. Add porch etc., to existing building. Rebuild or substantially repair structure of existing porch.	Minor repairs, maintenance to existing structure.
<u>Floors</u>		
<u>Ground Floor</u>	Structure and DPC in new building. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Repair/replacement of small parts of an existing structure.
	Screed and finish in new build, replacement of all/substantially all of an existing floor – e.g. replacement of most carpets/tiles in a room.	Replacement and repair of screed and finishes. Replacement of mats/matwells. Maintenance e.g. re-varnishing wooden floors.
<u>Upper Floor</u>	Structure – as ground floor	As ground floor.
	Screed and Finish – as ground floor.	Repairs of finishes/Replacement as ground floor.

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
<u>Ceilings</u>		
<u>Top/Only Storey</u>	Suspension	Repair/Replacement including from water damage, and necessary decoration.
	Membrane Fixed	Repair/replacement including from water damage.
	Access panels	Repair/replacement
<u>Lower Storeys</u>	Suspension	Repair/replacement
	Membrane Fixed	Repair/replacement
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed asbestos based materials, planned or emergency (unless the works are instigated by the school)	
	Inspection/air testing. Applying sealant coats to asbestos surfaces for protection.	
<u>External Walls</u>		
<u>Masonry/cladding</u>	Structure. Underpinning/ propping for new build. External finish on new build. External finish on existing building where needed to prevent imminent or correct actual major failure of the structure, e.g. repointing/ recladding work affecting most of a building/ replacement build.	Repairs. Preventative measures e.g. tree removal. Repair/replacement of small parts of an existing structure, e.g. repointing/recladding a proportion of a wall where failure has occurred.
<u>Windows & Doors</u>	Framing new build.	Repair/replacement of individual frames. Repainting frames.
	Framing structural replacement programme.	Repair/replacement of individual windows. Repainting frames.
	Glazing – New build.	Replace broken glass
	Glazing – Upgrading existing glazing.	
	Ironmongery – Improved Security.	Repair/replacement, upgrading locks etc..
	Jointing including mastic joints.	Internal and external decoration to include cleaning down and

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
	Internal and external decorations to new build.	preparation.
<u>Masonry Chimneys</u>	Structure. Jointing including expansion and mortar joints/pointing/DPC	Repair/re-pointing.
<u>Internal Walls</u>		
<u>Solid</u>	Complete including various internal finishes, linings and decorations. Refurbishment and alterations.	Repairs and redecoration to internal plaster/linings, tiles, pin boards etc.. Minor alterations.
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc. Refurbishment and alterations.	Repairs and redecoration. Minor alterations.
<u>Doors & Screens</u>	Framing/screens/doors to new buildings including glazing, ironmongery, jointing and internal decorations.	Internal maintenance and redecoration. Repair/replacement of defective doors and screens.
<u>All</u>	Glazing to meet statutory Health & Safety requirements.	Replacement of broken glass.
<u>Sanitary Services</u>		
<u>Lavatories</u>	In new buildings – provision of all toilet fittings, waste plumbing and internal drainage. Large scale toilet refurbishment.	Repair/replacement of damaged sanitary ware, fittings, waste plumbing etc.. Small areas of refurbishment.
	Provision of disabled facilities and specialist facilities related to pupils with statements.	Repair/replacement of damaged fittings, waste plumbing etc..
<u>Kitchens</u>	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of LA. Cleaning out drainage systems. Redecoration.
	General refurbishment.	Repairs.
	Large and costly items of equipment.	Repair/replacement parts.

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
<u>Mechanical Services</u>		
<u>Heating/Hot Water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc..	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects.
	Safe removal of old/damaged asbestos boiler and pipework insulation, where risk to Health & Safety.	Monitoring systems. Health & Safety issues.
	Planned replacement of old boiler/controls systems past the end of their useful life. Emergency replacement of boiler plant systems.	Replacement of defective parts.
<u>Cold Water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc., in major projects.	Maintenance and Repair/replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.
<u>Gas</u>	Distribution of new and major refurbishments, terminal units.	Repairs, maintenance and gas safety. All servicing.
<u>Ventilation</u>	Mechanical ventilation/air conditioning to major projects.	Provision of local ventilation. Repair/replacement of defective systems and units.
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems.	Repair/replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.
<u>Electrical Services</u>		
<u>General</u>	Main switchgear and distribution in major projects.	Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
	Replacement of obsolete and dangerous wiring systems, including distribution boards.	All testing, earthing and bonding to meet Health & Safety. All servicing.

ELEMENT	(Including Devolved) CAPITAL: AS CIPFA CODE OF PRACTICE	(Budget Share) REVENUE: REPAIRS & MAINTENANCE
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment.
	Provision of luminaries and emergency.	Replacement of luminaries, all testing, adjustments and improvements to emergency.
<u>Other</u>	Lightning protection in new build. Alarm systems, CCTV, lifts/hoists etc..	Repair/replacement.
	New installation of communication systems, radio/TV, call, telephone, data transmission, IT etc., and provision in new build.	Repair/replacement/ Maintenance, including all door access systems.
<u>External Works</u>		
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access.	Maintenance and repair. Car park and playground markings.
<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project.	Maintenance and repair of all perimeter/boundary/retaining walls, fencing and gates.
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of major project.	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
<u>Open Air Pools</u>	Structure, Hygiene/safety in new build.	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<u>Service Distribution</u>	Heating mains/gas mains/water mains/ electricity mains - renewal of any above.	Annual servicing.

Notes

This illustrative list is the DfE interpretation of the CIPFA Code of Practice and local authorities should refer to the code when defining capital and revenue.

It is suggested that the minimum value of works should be considered as £10,000 however each scheme will be considered on its merits.

ANNEX E - BUDGET PLAN INCOME AND EXPENDITURE PROJECTIONS



ORIGINAL BUDGET PLAN 2011/12

School Name -

CFR CODE	DETAILS	2011 /12	2012 /13	2013 /14
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REVENUE

	INCOME			
I01	Funds Delegated by the LA	0	0	0
I02	Funding for Sixth Form Students	0	0	0
I03	SEN Funding	0	0	0
I04	Funding for Minority Ethnic Pupils	0	0	0
I05	Pupil Premium	0	0	0
I06	Other Government Grants	0	0	0
I07	Other Grants	0	0	0
I08	Income from Facilities & Services	0	0	0
I09	Income from Catering	0	0	0
I10	Supply Insurance Claims	0	0	0
I11	Other Insurance Claims	0	0	0
I12	Contributions to Educational Visits	0	0	0
I13	Voluntary Funds	0	0	0
I14	NOT TO BE USED			
I15	Pupil Focussed Ext. School Funding and/or Grants	0	0	0
I16	Community Focussed School Funding and/or Grants	0	0	0
I17	Community Focussed School Facilities Income	0	0	0
	TOTAL REVENUE INCOME			

POTENTIAL SAVINGS

SAVINGS METHOD			
	2012/ 13	2013/ 14	
I01			
I02			
I03			
I04			
I05			
I06			
I07			
I08			
I09			
I10			
I11			
I12			
I13			
I14			
I15			
I16			
I17			
	TOTAL	0	0

	EXPENDITURE			
E01	Teaching Staff	0	0	0
E02	Supply Staff	0	0	0
E03	Education Support Staff	0	0	0
E04	Premises Staff	0	0	0
E05	Administrative Staff	0	0	0
E06	Catering Staff	0	0	0
E07	Other Staff	0	0	0
E08	Other Employee Costs	0	0	0
E09	Supply Teacher Insurance	0	0	0
E10	Training & Development Costs	0	0	0
E11	Other Staff Related Insurance	0	0	0
E12	Building Maintenance	0	0	0
E13	Grounds Maintenance	0	0	0
E14	Cleaning & Caretaking	0	0	0
E15	Water & Sewerage	0	0	0
E16	Energy	0	0	0
E17	Rates	0	0	0
E18	Other	0	0	0
E19	Learning Resources (Not ICT)	0	0	0
E20	ICT Learning Resources	0	0	0
E21	Exam Fees	0	0	0
E22	Administrative Costs	0	0	0
E23	Other Insurance Premiums	0	0	0
E24	Special Facilities	0	0	0
E25	Catering Staff	0	0	0
E26	Agency Supply	0	0	0
E27	Bought in Professional Services - Curriculum	0	0	0
E28	Bought in Professional Services - Other	0	0	0
E29	Loan Interest	0	0	0
E30	Revenue Contributions to Capital	0	0	0
E31	Community Focussed School Staff	0	0	0
E32	Community Focussed School Costs	0	0	0
	TOTAL REVENUE EXPENDITURE	0	0	0

SAVINGS METHOD			
	2012/ 13	2013/ 14	
E01			
E02			
E03			
E04			
E05			
E06			
E07			
E08			
E09			
E10			
E11			
E12			
E13			
E14			
E15			
E16			
E17			
E18			
E19			
E20			
E21			
E22			
E23			
E24			
E25			
E26			
E27			
E28			
E29			
E30			
E31			
E32			
	TOTAL SAVINGS	0	0

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

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

Head Teacher Signature

Date

Chair of Governors Signature

Date

THIS PLAN MUST BE APPROVED & SUBMITTED BY: 01.05.11

CAPITAL				
CFR CODE	DETAILS	2011/12	2012/13	2013/14
INCOME				
C01	Capital Income	0	0	0
C03	Private	0	0	0
C04	Funding for Minority Ethnic Pupils	0	0	0
TOTAL CAPITAL INCOME				
EXPENDITURE				
C01	Acquisition of Land and Existing Buildings	0	0	0
C02	New Construction, Conversion & Renovation			
C03	Vehicles, Plant, Equipment and Machinery	0	0	0
C04	Information & Communication Technology	0	0	0
TOTAL CAPITAL EXPENDITURE				
IN YEAR SURPLUS (DEFICIT)		0	0	0
SURPLUS (DEFICIT) B/FWD		0	0	0
CUMULATIVE SURPLUS (DEFICIT) C/FWD		0	0	0
SAVINGS METHOD				
C01				
C03				
C04				
TOTAL SAVINGS		0	0	0
SAVINGS METHOD				
C01				
C02				
C03				
C04				
TOTAL SAVINGS		0	0	0
IN YEAR SURPLUS (DEFICIT) AFTER SAVINGS		0	0	0
SURPLUS (DEFICIT) B/FWD		0	0	0
CUMULATIVE SURPLUS (DEFICIT) C/FWD		0	0	0

ANNEX F - CFR FRAMEWORK TABLE

Income

I01	Funds delegated by the Authority
I02	Funding for sixth form students
I03	SEN funding
I04	Funding for minority ethnic pupils
I05	Pupil Premium
I06	Other government grants
I07	Other grants and payments
I08	Income from facilities and services
I09	Income from catering
I10	Receipts from supply teacher insurance claims
I11	Receipts from other insurance claims
I12	Income from contributions to visits etc.
I13	Donations and/or private (voluntary) funds
I14	Blank Code
I15	Pupil focused extended school funding and/or grants
I16	Community focused school funding and/or grants
I17	Community focused school facilities income

Expenditure

E01	Teaching staff
E02	Supply teaching staff
E03	Education support staff
E04	Premises staff
E05	Administrative and clerical staff
E06	Catering staff
E07	Cost of other staff
E08	Indirect employee expenses
E09	Development and training
E10	Supply teacher insurance
E11	Staff related insurance
E12	Building maintenance and improvement
E13	Grounds maintenance and improvement
E14	Cleaning and caretaking
E15	Water and sewerage
E16	Energy
E17	Rates
E18	Other occupation costs
E19	Learning resources (not ICT equipment)
E20	ICT learning resources
E21	Exam fees

E22	Administrative supplies
E23	Other insurance premiums
E24	Special facilities
E25	Catering supplies
E26	Agency supply teaching staff
E27	Bought in professional services – curriculum
E28	Bought in professional services – other
E29	Loan interest
E30	Direct revenue financing (revenue contributions to capital)
E31	Community focused school staff
E32	Community focused school costs

Capital income

CI01	Capital income
CI03	Voluntary or private income
CI04	Direct revenue financing (revenue contributions to capital)

Capital expenditure

CE01	Acquisition of land and existing buildings
CE02	New construction, conversion and renovation
CE03	Vehicles, plant, equipment and machinery
CE04	Information and communication technology

Balances

B01	Committed revenue balances
B02	Uncommitted revenue balances
B03	Devolved formula capital balance
B04	Blank Code
B05	Other capital balances
B06	Community focused school revenue balances

ANNEX G - DEVOLVED FORMULA CAPITAL (DFC) GRANT FOR SCHOOLS

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

Expenditure must be of a capital nature – The definition of capital is based on the current CIPFA Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice (SORP). The main provision being that DFC cannot be used for expenditure where the amount falls below the Authority's minimum capital spend threshold. This threshold, below which any expenditure automatically counts as re-current, is set by local authorities and varies across England. In Wolverhampton the threshold has been set at £1,500.

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

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

It is essential that schools seek appropriate advice either from the Children & Young People's Service or other professional advisors before commencing with any capital works. Schools must pay due regard to the Financial Framework requirements and Standing Orders, particularly in relation to tendering arrangements.

VA Schools – The DfE currently allocates DFC funding directly to Voluntary Aided schools on an individual basis.

ANNEX H - GUIDANCE ON RESPONSIBILITY FOR PREMATURE RETIREMENT AND REDUNDANCY COSTS

The scheme should contain guidance relating to how costs of redundancies and early retirements should be funded. The 2002 Education Act states that the cost of redundancies should ***normally*** fall to the Authority while the cost of premature retirements should ***normally*** fall to the school's delegated budget. There can be locally determined exceptions to these and it is also the case that costs can be charged to the central part of the schools budget if there are resultant savings to the schools budget and the schools forum agree. It is important that any exceptions to the norm are clearly defined by authorities and discussed with schools forums.

The following guidance summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central schools budget or the Authority's non-schools budget.

Section 37 of the 2002 Education Act says:

- (4) *Costs incurred by the Local Education Authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the Authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.*
- (5) *Costs incurred by the Local Education Authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the Authority have good reason for deducting those costs, or any part of those costs, from that share.*
- (6) *The fact that the Authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).*

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

Charge of dismissal/resignation costs to delegated school budget

- If a school has decided to offer more generous terms than the Authority's policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the Local Authority's policy
- Where the school is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- Where staffing reductions arise from a deficit caused by factors within the school's control
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the Local Authority's redeployment policy

Charge of premature retirement costs to Local Authority non-schools budget

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

Costs of new early retirements or redundancies can also be charged to the central part of the Schools Budget if the Schools Forum agree and the Local Authority can demonstrate that the "revenue savings achieved by any termination of employment are equal to or greater than the costs incurred". The Schools Forum must agree to any increase in this budget over the previous financial year. If the Schools Forum does not agree with the Local Authority's proposal, then the Authority can appeal to the Secretary of State. The Schools Forum would also be involved if the additional expenditure resulted in a breach of the central expenditure limit, whereby central expenditure increases faster than the Schools Budget as a whole.

An example of where a charge to the central Schools Budget might be appropriate would be a school reorganisation. A reorganisation involving the closure of a number of schools would be likely to result in savings because there would be a reduced amount being allocated through the formula for factors such as flat rate amounts to all schools or floor area. If the savings in the formula exceeded the ongoing costs of the VER/redundancy then this would qualify.

It would be possible to consider savings at an individual school level as well, but this needs to be carefully managed so that there are clear ground rules in place for applications, recommendations and approval. It may be sensible to agree criteria for eligibility which are consistent with the general approach as to when costs should be centrally funded.

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

There are clearly difficulties in setting a budget, whether inside or outside the Schools Budget, at a point prior to the beginning of the financial year before schools have set their budgets and made staffing decisions. Local authorities can only make a best estimate of what may be needed, based on past experience, local knowledge of the financial position of individual schools and the context of that year's funding settlement. There are dangers in raising expectations that costs will be met centrally if the budget is set too high, and so an alternative would be to keep the budget tight and use contingency or schools in financial difficulties budgets if there is an unexpected need for staffing reductions and it is not appropriate for delegated budgets to fund VER/redundancy costs. To achieve best use of resources, local authorities should also have an active redeployment policy, to match staff at risk to vacancies.

One of the permitted uses of the contingency is where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share" while local authorities are also allowed to retain funding for schools in financial difficulties "provided that the Authority consult the schools forum on their arrangements for the implementation of such support."

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, but not from the delegated budget. Section 37 states:

- (7) *Where a Local Education Authority incur costs —*
- (a) *in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*
 - (b) *in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the Authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*
- (8) *Any amount payable by virtue of subsection (7) by the governing body of a maintained school to the Local Education Authority shall not be met by the governing body out of the school's budget share for any financial year.*
- (9) *Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.*

(The DfE will review this provision in the context of the changes which allow other community facilities costs to be charged to delegated budgets from 1 April 2011, but this remains the legal position for the time being).