

STAFFORDSHIRE COUNTY COUNCIL

SCHEME FOR FINANCING SCHOOLS

Approved January 2024

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

“the authority” means the local authority.

“the Regulations” are to the School and Early Years Finance (England) Regulations 2020.

SECTION 1: INTRODUCTION

1.1 The Current Funding Framework

This is based on issue 15 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A (2) of Schedule 14 to the School Standards and Framework Act 1998. The current funding framework which replaces Local Management of Schools is based on the legislative provisions in sections 45 to 53 of the Act.

Under this legislation, local authorities determine for themselves the size of their schools' budget and their non-school's education budget, although at a minimum an authority must appropriate its entire Dedicated Schools Grant to its schools' budget.

The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's-maintained schools except for capital and certain miscellaneous items.

Authorities may deduct funds from their schools' budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure).

The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions prescribed including gaining the approval of their school's forum or the Secretary of State in certain instances as prescribed by the Secretary of State.

The balance of the school's budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-school's education budget must be retained centrally although earmarked allocations may be made to schools.

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school.

This budget share is then delegated to the governing body of the school concerned, unless the school is a new school that has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act.

The financial controls within which delegation works are set out in a scheme made by the authority in accordance with section 48 of the Act and regulations made under that section.

All proposals to revise the scheme must be approved by the school's 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 made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act.

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

A school's right to a delegated budget share may also be suspended for other reasons, under schedule 17 to the Act.

Each authority is obliged to publish a statement each year setting out details of its planned schools' budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to school; after each financial year the authority must publish a statement showing outturn expenditure.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State.

A copy of each year's budget and outturn statement should be made easily accessible to all schools.

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, which are binding on both the authority and on the schools.

1.2.1 Application of the scheme to the authority and maintained schools.

This scheme applies to all community, nursery, voluntary, foundation, community special, foundation special schools or pupil referral units (PRU's) maintained by the authority. The names of the schools to which this scheme applies are contained in Annex A.

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

1.3 Publication of the scheme

Regulations require an 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.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the headteacher of every school maintained by the authority before they are submitted to school's forum for their approval.

All proposed revisions must be submitted to the school's forum for their approval by members of the forum representing maintained schools. Where the school's forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

It is also possible for the Secretary of State to make directed revisions to the scheme after consultation. Such revisions become part of the scheme from the date of direction.

1.5 Delegation of powers to the headteacher

Each governing body must consider the extent to which it wishes to delegate its financial powers to the headteacher, and to record such decisions (and any revisions) in the minutes of the governing body in accordance with Financial Regulations for Schools.

Under normal circumstances the headteacher would act as the focal point for ensuring proper administration and control of financial procedures. The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.

1.6 Maintenance of schools

The 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 aided 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 Schools Standards and Framework Act.

SECTION 2: FINANCIAL CONTROLS

2.1 General Procedures

2.1 1. Application of financial controls to schools

In managing their delegated budgets schools must abide by the authority's requirements on financial controls, systems and monitoring. Some of these are directly referred to in this scheme while others are included in the following documents: -

- Financial Regulations for Schools
- Procurement Regulations for Schools
- The Disclosure of Pecuniary Interests
- VAT for Schools
- Deferred Capital Payments Scheme
- Integrity in Staffordshire
- Public Interest Disclosures – Policy Guidance and Procedures
- Computer Security Policy
- Guidance on the Administration of Imprest Accounts
- Insurance Delegation Scheme
- Licensed Deficit Scheme

2.1.2 Provision of financial information and reports

The Section 151 Officer is required to produce the authority's accounts in accordance with statutory requirements and statements of standard accounting practice. Schools must keep sets of accounts in the format prescribed by the authority and maintain internal budgetary control systems and controls, to produce accounts that will integrate with those for the authority. Accounts, financial records and prime documents must be kept in a suitable place and condition for the statutory period of six years after the end of the financial year to which the records relate.

The authority also has a monitoring role to ensure that schools are effectively managing the resources delegated to them. All schools will be required to provide the authority with details of expected and actual expenditure and income in a form determined by the authority, but which as far as possible will take account of the Consistent Financial Reporting framework. This information will be required on a quarterly basis, unless the authority notifies the school in writing that in its view the school's financial position requires more frequent submission, the school is in its first year of operation or the school is part of an on-line financial accounting system operated by the authority.

These provisions apply equally to earmarked funds devolved to schools from time to time. The Section 151 Officer's accounts will be the prime accounting records of the authority.

2.1.3 Payment of bills

The procedures for these will vary according to the choice schools make about the holding of bank accounts and the buying back of the authority's creditor payment facilities. The procedures that apply to the different choices made by schools are set out in the Financial Regulations for Schools.

The authority places a heavy reliance upon the headteacher, or nominated officer, to ensure that relevant information is passed on in a timely, accurate manner for creditor payments. In the case of creditor payments, greater emphasis is now placed upon

schools as a result of the Late Payment of Commercial Debts (Interest) Act 1998, which introduced a statutory right for businesses to claim interest on the late payment of commercial debts.

2.1.4 Control of assets

Each school must maintain an inventory of its moveable non-capital assets and set out the basic authorisation procedures for the disposal of assets. The format of the inventory for items over £1,000 and the basic authorisation procedures for the disposal of assets is as set out in the Financial Regulations for Schools.

Schools are free to determine the format of their inventory for items worth less than £1,000, but the format set out in Financial Regulations for Schools should be viewed as recommended guidance. Schools should register anything that is portable and attractive, such as a camera.

2.1.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued by the authority from time to time in relation to accounting policies and year-end procedures.

The financial year for schools will operate from the 1st April to the 31st March.

Schools will be notified of the year-end accounting procedures as part of the closure of accounts programme in accordance with Financial Regulations for Schools.

2.1.6 Writing off debts

Governing bodies are authorised to write off debts in respect of individual debtors provided such decisions are minuted in the meeting of the full governing body. Governing bodies will be required to follow the debt recovery procedures as outlined in the Financial Regulations. Where an individual debt exceeds £1,500 then the school must consult the Section 151 Officer before acting to write off such a debt.

2.2 Basis of accounting

Reports and accounts furnished to the authority must be in accordance with the accounting rules adopted by the authority.

2.3 Submission of budget plans

The authority will provide each school with notification of its budget share for the forthcoming year as determined in accordance with the agreed formula by no later than 31st March. In-year adjustments to the budget share may be affected where: -

- (a) incorrect data has been used by, or submitted to, the authority; or
- (b) where unforeseen events result in significant additional costs being incurred by the school,

From the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, by no later than 31st May each year. These forecasts will be considered for example in assessing schools are undertaking effective financial planning, to support the local authority's assessment of school's financial value standards.

The format of the budget plan will be set out in the budget notification form and will be determined by the authority but will as far as possible, take account of the Consistent Financial Reporting Framework. The budget plan must show the school's intentions for expenditure in the current financial year and the key assumptions underpinning the budget plan, considering estimated deficits and surpluses. The budget plan must be approved by the governing body or a committee of the governing body before submission.

The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.

The authority will supply those schools using the authority's financial systems with all income and expenditure data that it holds, and which is necessary to support efficient planning by schools. Schools will be provided with an annual statement advising when this data will be available through the year.

2.4 School Resource Management

Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning.

It is for the headteacher and governors to determine at school level how to optimise use of resources and maximise value for money.

There are significant variations in the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

2.5 Virement

Schools are free to vire between non-earmarked budget heads for expenditure and income within their budget shares. Schools will be required to notify the authority of all virements within one month of the decision being made in a format that will be determined by the authority in accordance with Financial Regulations for Schools. Governors will be required to establish criteria for virement, and the authorisation procedures should be formally set out in accordance with section 1.5 of this scheme.

2.6 Audit: General

Schools are required to co-operate with auditors appointed by the authority (**internal audit**) and to co-operate with the authority's external audit as determined by the Local Audit and Accountability Act 2014 and to provide access to the school's financial records.

With regards to **internal audit**, all schools come within the audit regime determined by the Section 151 Officer.

2.7 Separate external audits

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any internal or external audit process. Notwithstanding this provision, the Section 151 Officer's financial records and accounts will be deemed to represent the prime accounting record. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the authority's internal and external auditors.

2.8 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide on request evidence of independent examination or audited certificate in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. In addition, schools will be required to demonstrate that they have submitted copies of the annual accounts of such funds to the governing body in accordance with Financial Regulations for Schools. Any other requirement as to the audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

2.9 Register of business and pecuniary Interests

The governing body of each school is required to establish a register that lists for each member of the governing body, and the headteacher:

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

The governing body should keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff and parents, the authority and publish the register on a publicly accessible website.

More detailed guidance on the declaration of pecuniary interests is found in the authority's Disclosure of Pecuniary Interest booklet.

2.10 Purchasing, tendering, and contracting requirements.

Schools are required to abide by the authority's Financial Regulations, Standing Orders and Procurement Regulations for Schools in respect of purchasing, tendering, and contracting matters.

However, any section of the authority's Financial Regulations, Standing Orders and Procurement Regulations for Schools shall not apply if it requires schools:

- (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 Local 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
- (d) to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £25,000 in any one year.

The fact that an authority contract has been let in accordance with EU procurement procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement directives schools are viewed as discrete units.

In addition to the above, schools are required to: -

- a) have due regard to duties placed on the authority in relation to health and safety; and
- b) assess in advance, where relevant, the health and safety competence of contractors, taking account of the authority's policies and procedures.

2.11 Application of contracts to schools

Schools have the right to opt out of authority-arranged contracts.

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

2.12 Central funds and earmarking

The authority is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares.

Such allocations should be subject to conditions setting out the purpose or purposes for which the funds may be used; and while these conditions need not preclude virement (except where the funding is supported by a specific grant which the authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given and is not to be vired into the school's budget share.

The authority will provide guidance on the financial administration and accounting procedures in respect of earmarked funding from time to time. Schools are required to maintain accounting procedures that demonstrate that these requirements have been complied with. The authority may require that earmarked funds must be returned to the authority if they are not spent in-year or in accordance with any other agreed timetable.

The authority will not make any deduction in respect of interest costs to the authority, from payments to schools in respect of devolved specific or special grants forwarded to the authority on behalf of schools.

2.13 Spending for the purposes of the school

Under section 50(3) of the Schools Standards and Framework Act the governing body is allowed to spend budget shares "for the purposes of the school", subject to regulations made by the Secretary of State and any provisions of this scheme.

The following restriction shall apply:

- (a) The governing body may not enter into any hire purchase or other credit arrangement that falls within the definition of Capital Related Expenditure as determined by the Department of the Environment, Transport and Regions.

Amounts spent by the governing body on community facilities or services under s.27 of the Education Act 2002 will be treated as if spent for any purposes of the school. This allows the school to spend its budget on pupils who are on the roll of another maintained school.

2.14 Capital spending from budget shares

The governing body is permitted to use their budget shares to meet the cost of expenditure of a capital nature on the school premises or equipment. This includes expenditure by the governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of schedule 3 of the Act.

However, the governing body must notify the authority in its Budget Notification Form submission of any capital expenditure exceeding £15,000 to be met from its budget share and it must take into account any advice given by the authority as to the merits of the proposed expenditure, which will reflect school-based AMP priorities and other guidance contained in the "Property Handbook for Schools".

Where the authority owns the premises or the school has voluntary controlled status then the governing body must seek the consent of the authority to the proposed works to ensure compliance with current School Premises Regulations and DfE Construction

Standards and health and safety legislation, but such consent will only be withheld if the proposals do not comply with current health and safety requirements.

In voluntary aided schools, grant aid returned to governors for projects financed from delegated budgets, must be transferred back to the budget share.

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 Section 151 Officer and Director for Children and Families, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

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

- When years two and three of the school's published multiyear modeller indicate the school cannot operate within their in-year funding, and reserves are not sustainable
- An internal audit report which assesses the school financial procedures as giving only limited assurance
- When a school is scheduled for closure, amalgamation or to become a sponsored academy.
- Breach of Procurement Regulation for Schools
- When a school is judged to be Special Measures by Ofsted
- When a school is judged to be Requires Improvement (RI) by Ofsted and there is a genuine financial concern
- Failure to comply with provisions of the scheme.
- Licensed deficit in excess of £200k
- When a school causes any concern to the monitoring organisation

This may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school.
- insisting that an appropriately trained or 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 authority.
- insisting on regular financial monitoring meetings at the school attended by authority officers.
- requiring a governing body to buy into an authority's financial management systems.
- imposing restrictions or limitations on the way a school manages extended school activity funded from within its delegated budget share; for example, by requiring a school to submit income projections, financial monitoring reports on such activities, or both.

The notice will clearly state what these requirements are and the way in which and the time by when such requirements must be complied with for the notice to be withdrawn.

It will also state the actions that the authority may take where a governing body fails to comply with the Notice of Concern. The authority may issue a warning notice to a school as set out in the [Schools causing concern statutory guidance for local authorities and regional directors](#). When a school does then not comply with their warning notice, it will become eligible for intervention within the meaning of Part 4 of the Education and Inspections 2006 Act. In this situation, there are a number of statutory powers the local authority may use, these include:

- the power to require the governing body to enter into arrangements
- the power to appoint additional governors
- the power to appoint an interim executive board (IEB)
- the power to suspend the delegated budget

Should a school fail to sign and return a Notice of Concern, the Notice of Concern will remain valid and the restrictions and monitoring detailed in the Notice of Concern will be automatically put in place. Schools will, however, have the option to appeal to the Director of Finance, if appropriate.

The school's forum (or committee thereof) will act as arbitrator in relation to any dispute relating to an issued notice.

2.16 Schools Financial Value Standard (SFVS)

All authority-maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

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

All other maintained schools with a delegated budget must submit the form to the local authority by the end of the financial year.

The only exception being those maintained schools that are in receipt of an Academy Order who are not required to submit the form.

2.16 Fraud

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

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

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMNTS

For the purposes of this section budget share includes any place-led funding for special schools or PRUs.

3.1 Frequency of instalments

Schools entire budget is issued at the start of the financial year subject to the provision that there is no significant change in the traditional spending profile of the school.

The scheme should contain a provision which sets out the frequency with which the budget share will be made available to governing bodies. This should be at least once a term. Furthermore, the scheme should require the authority to make available budget share instalments on a monthly basis to schools which so request it; but the request should be made prior to the start of the relevant financial year.

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

5.2 Proportion of budget share payable at each instalment

The scheme should make clear on what basis the proportion of the budget share will be made available to schools, both in relation to the inclusion of estimated pay costs and any weighting which means that instalments are not of equal size.

Where monthly instalments are made available, the scheme should allow schools to opt for instalments of the total budget share to be made available to them by payment into a school bank account, although budget shares net of estimated pay costs can be offered monthly as well.

The scheme should also set out the way in which the authority will calculate the initial estimate of pay costs. This can be different for different sizes of school or for primary and secondary schools, but may not differentiate between categories of school, except where the estimate takes account of information supplied by individual schools.

Any differential weighting of termly or monthly instalments is a matter for authority discretion provided the weighting is reasonable.

Schemes may make different provisions as to frequency and proportion of instalments for schools with bank accounts and those without.

3.2 Interest clawback

The authority shall charge school budgets an amount equal to the estimated interest it has lost in making the budget share available in advance of the date it would otherwise have incurred expenditure. The charge, which will only be made in respect of employee related costs, will be calculated daily using the prevailing Bank of England base rate from the date of the advance to the date the authority would have otherwise incurred expenditure.

For non-employee costs, expenditure will be deemed to have been incurred evenly throughout the financial year. In recognition of this, save for the first instalment, advances are made mid-month, thus negating the need for interest claw back.

Schools opting for the full scheme may agree with the authority an alternative pattern of advances, which negates the need for an interest surcharge calculation.

3.2.1 Interest on late budget share payments

Where instalments of budget share are delayed through an error of the authority, then a calculation will be made in respect of loss of interest considering the full extent of the delay and applying the prevailing Bank of England base rate.

3.3 Budget shares for closing schools.

Where approval to the discontinuation of a school has been secured, the budget share will be made available until closure, on a monthly basis net of estimated pay costs, even where some different basis was previously used.

3.4 Bank and building society accounts.

Schools can choose to operate a full scheme covering all expenditure delegated or devolved to them through the budget share or other means. Alternatively, they may opt for a reduced scheme covering non-employee costs only.

If a school opens an external bank account, the authority will at the request of the school, transfer immediately to the account an amount agreed by both the school and the authority as the estimated surplus balance held by the authority in respect of the school's budget share, on the basis that there will be a subsequent correction when accounts for the relevant period are closed. Where schools have such accounts, they shall be allowed to retain all interest payable on the account unless they choose to have an account within an authority contract which makes other provision.

New bank account arrangements may only become operative from the 1st April or 1st September in any financial year, owing to the need to establish appropriate systems and procedures that satisfy the authority's internal auditors.

Schools without bank accounts at the start of the scheme cannot have one until any deficit balance is cleared; and any school requesting a bank account later shall not be able to have one until any deficit is cleared.

3.4.1 Restrictions on accounts

Accounts may only be held for the purpose of receiving budget share payments at those banks and building societies which are consistent with the authority's Treasury Management policy. Schools must not place any monies in any account that involves any element of speculation, which could result in an actual loss of funds, however small.

All bank and building society accounts must be opened in the name of the school. Money held in accounts remains authority property until spent (S 49 (5) of the Act). The account mandate must provide that the authority is the owner of the funds in the account; the authority is entitled to receive statements; the authority may take control of the account if the school's right to a delegated budget is suspended by the authority.

Any school closing an account used to receive its budget share and opening another is free to choose the new bank or building society subject to prior confirmation from the Section 151 Officer.

3.5 Borrowing by schools.

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives. The introduction of IFRS 16 has been postponed in relation to 2022-23.

Schools cannot use credit cards or overdrafts as they are regarded as a form of borrowing. However, schools are encouraged to use procurement cards as these are a useful means of facilitating electronic purchases.

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 or deficit in net expenditure relative to the school's budget share for the year plus or minus any balance brought forward from the previous year. For new accounts opened from 1st April, any carry forward balance will be paid or re-paid on 1st July or closest banking day.

4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions: -

- a. the authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework.
- b. the authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority as listed below and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the authority. In considering whether any sums are properly assigned the authority may also consider any previously declared assignment of such sums but may not make any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
- c. if the result of steps a and b is a sum greater than 8% of the previous year's budget share (primary and special schools) or 6.5% (middle schools) or 5% (high schools), or £25,000 (where that is greater than any percentage threshold), then the authority shall deduct from the current year's budget share an amount equal to the excess. The previous year's budget share is defined as the Total Revenue Resources Allocation as initially allocated less any earmarked amounts.

Funds deriving from sources other than the authority will be considered in this calculation if paid into the budget share of the school, whether under provisions of this scheme or otherwise.

Funds held in relation to a school's powers under section 27 of the Education Act 2002 (community facilities) will not be considered, unless added to the budget share surplus by the school as permitted by the authority.

The total of any amounts deducted from schools' budget shares by the authority under this provision are to be applied to the schools' budget of the authority.

Appeals to any amount clawed back under this scheme will be heard by a sub-committee of the school's forum. Appeals will only be heard on the grounds that schools hold balances in accordance with one of the approved reasons under the scheme.

Approved List of Reasons for holding large balances:

- Where there is expenditure that has been committed by the end of the previous financial year by placing orders or employing staff prior to that date but has not been charged to the previous financial year.
- Where a balance relates to earmarked external funding that has been received, but not yet spent, including parental contributions for a trip.
- Where a balance refers to monies held by a school on behalf of a cluster or group of schools.
- Where a balance refers to an allocation made late in the financial year, and it has not been possible to spend the monies on the project identified by 31 March. A late allocation will generally be defined as after 1 January, but earlier allocations can be

accepted in exceptional circumstances and with appropriate evidence as to the reason that the money has not been spent.

All such balances are held with the expectation that the amounts will be spent within 1 year.

4.3 Interest on surplus balances

Balances held in the authority's bank accounts on behalf of schools will attract interest in accordance with the authority's scheme for interest on balances. The arrangements made for the payment of interest will seek to ensure that the funds allocated to schools attract the most beneficial rate.

4.4 Obligation to carry forward deficit balances.

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share (see also 4.9) except where a licensed deficit agreement exists.

The authority has the power to schedule repayments of deficits under the terms of the licensed deficit scheme.

4.5 Planning for deficit budgets

Schools may only plan for a deficit budget in accordance with the terms of paragraph 4.9 below.

4.6 Charging of interest on deficit balances

The authority may charge interest on any deficit balances. Where a deficit arises during a year it will be deemed to have accrued evenly throughout the year and, therefore, ½ years' interest will be applied to the final deficit balance using the bank base interest rate. A full year's charge will be made in respect of deficit balances brought forward that are not cleared during the year.

4.7 Writing off deficits

The authority has no power to write off the deficit balance of any school.

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

4.8 Balances of closing and replacement schools

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

4.9 Licensed deficit scheme

When any school goes into deficit, schools must submit a recovery plan to the local authority.

The authority will require schools to enter into a licensed deficit agreement circumstances in accordance with the Licensed Deficit Scheme. The main features of the scheme are set out below: -

- (a) The maximum period over which schools will be expected to make good any deficit is three financial years, with the option to increase to 5 years with the agreement of the LA.
- (b) A licensed deficit arrangement may only be agreed in consultation with the Director for Children and Families where variations in pupil numbers have adversely affected the resources available to the school, or a significant (unexpected) charge has been made against the budget share of the school.
- (c) The maximum budget deficit that can be covered by the scheme is £200,000 or 10% of the budget share; whichever is the lesser sum. In exceptional circumstances, with an appropriate plan, some higher deficits may be considered subject to the approval of the Director for Children and Families
- (d) The maximum proportion of the collective balances that can be used to back the Licensed Deficit Scheme is 20%.
- (e) The role of the Director for Children and Families and the Section 151 Officer is set out in the Licensed Deficit Scheme.

Full details of the procedures for arranging a licensed deficit are set out in the Licensed Deficit Scheme.

4.10 Deferred capital payments scheme

It is open to an authority to include in its scheme a form of loan arrangement for schools that does not operate by way of a licensed deficit, but rather by way of actual payments to schools or expenditure by the authority in respect of a school on condition that a corresponding sum is repaid from the budget share. If so, the same parameters for the arrangement should appear in the scheme as listed at 4.9 above for licensed deficits.

Again, an authority may wish to invite schools with balances in external accounts to use some or all those balances to back a loan scheme, and the scheme should make clear on what basis this would occur.

If there is a loan scheme on this basis the authority must show in its budget statements the amount centrally retained for what would be a devolved payment to schools, and the payment should appear in the out-turn statements.

Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

If loans are made to fund a deficit, the Secretary of State will consider using the power under paragraph 13(4) (d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school in individual cases.

4.10.1 Independent credit unions

Schools that hold external balances may group together to form a credit union approach to loans. These arrangements may be multi- or bi-lateral agreements between schools and may be administered independently of the authority.

Where the authority does not itself act as the administrator of the arrangement it will require audit certification.

Schools entering into such agreements are required to inform the authority prior to entering such agreements and give regard to the advice given by the authority whether it acts as the administrator of the arrangement. The authority will not underwrite any independent arrangements.

4.10.2 Following changes to the statutory guidance loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

SECTION 5: INCOME

5.1 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 PFI agreements.

Schools are permitted 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 whose premises are owned by the authority shall be required to have regard to directions issued by the authority or, in the case of voluntary aided schools, the diocesan authorities or trustees, as to the use of school premises. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

5.2 Income from fees and charges

Schools may retain income from fees and charges except where a service is provided by the authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the authority.

Any income from boarding charges is collected on behalf of the authority and shall not exceed that needed to provide board and lodging for the pupils concerned.

5.3 Income from fund-raising activities

Schools may retain income from fund-raising activities.

5.4 Income from the sale of assets

Schools wishing to sell school assets must comply with the requirements of the Procurement Regulations for Schools.

Schools may retain the proceeds from the 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 all or part of the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the authority. Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to use of proceeds.

The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

5.5 Administrative procedures for the collection of income

The Authority has established administrative procedures for the collection and banking of income, which are set out in the authority's Financial Regulations for Schools. In addition, schools will be required to account for VAT where applicable.

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

The budget share of a school may be charged by the authority without the consent of the governing body only in circumstances set out in 6.2 below.

The authority shall consult a school as to the intention to so charge and shall notify a school when it has been done.

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

The authority shall decide for a dispute's procedure for such charges.

6.1.2 Charging of salaries at actual cost

The authority will charge salaries of school-based staff to school budget shares at actual cost.

6.2 Circumstances in which charges may be made (without prior consent of the governing body)

Where premature retirement costs or other expenditure incurred to secure resignation is incurred without the prior written agreement of the authority that it will bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).

Other expenditure incurred to secure resignations where there is good reason to charge this to the school.

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 or by the governing body's failure to seek advice.

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.

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

Expenditure incurred by the authority in ensuring its own interests in a school where funding has been delegated, but the school has failed to demonstrate that it has arranged cover at a level as good as that which would be arranged by the authority.

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

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

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

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.

Legal costs that are incurred by the authority because the governing body did not accept the advice of the authority (see also section 11).

Costs of necessary health and safety training for staff employed by the authority, where funding for training has been delegated, but the necessary training not carried out.

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.

The 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.

Costs incurred by the authority in securing provision specified in an Education Health and care Plan (EHCP) where the governing body of a school fails to secure such provision.

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

Recovery of amounts spent from specific grants on ineligible purposes.

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

Additional administrative or other expenditure incurred by the authority in connection with a governing body's failure to exercise their delegated responsibilities satisfactorily, e.g., costs associated with advising on or correcting schools financial procedures which are deemed necessary to safeguard their delegated budget.

Amounts agreed under a PFI/PPP agreement entered by the governing body of a school.

For any schools created through amalgamation, the one-off compensation back pay costs relating to the implementation of job evaluation at the predecessor schools.

For any schools created through amalgamation, any outstanding contractual liabilities relating to any of the predecessor schools.

Where costs are incurred by the authority as a result of the governing body failing to comply with the provisions of “Contract Standing Orders for Schools”, including timely compliance with TUPE legislation or any requirement for a contract to be advertised in the Official Journal of the European Union (OJEU).

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 a cluster.

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

SECTION 7: TAXATION

7.1 VAT (Value Added Tax)

Except for grant-aided capital projects, the authority has established procedures to enable schools to utilise the authority’s ability to reclaim VAT on expenditure relating to non-business activity where appropriate.

Amounts reclaimed through these procedures will be passed back to the school subject to any amendments as may be imposed or requested by HM Revenue and Customs.

These procedures are set out in the VAT Guide for Schools.

7.2 CIS (Construction Industry Scheme)

Schools are required to abide by procedures issued by the authority in connection with CIS.

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

8.1 Provision of services from centrally retained budgets.

The authority shall determine on what basis services (including premature retirement costs and redundancy payments, but excluding centrally funded premises and liability insurance) from centrally retained funds will be provided to schools, but the authority is barred from discriminating in its provision of services on the basis of categories of schools except where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

8.2 Timescales for the 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 shall be limited to a maximum of three years from the date of the agreement and periods not exceeding five years for any subsequent agreement relating to the

same services. However, where the contract relates to the supply of catering services the relevant periods will be five years and seven years respectively. This provision excludes centrally funded premises and liability insurance.

Authority services for which expenditure is not retainable centrally by the authority under the Regulations made under section 45A of the Act must be offered at prices that are intended to generate income that is no less than the cost of providing these services. The total cost of the service must be met by total income, although schools may be charged differently.

8.3 Packaging of authority services

The authority may provide any services for which funding has been delegated. But where the authority is offering the service on a buyback basis, it must do so in a way that does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

8.4 Service level agreements

Service level agreements must be in place by the time specified by the authority in the agreements. Details of the terms and conditions of each SLA will be available at least one month prior to the specified effective date.

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

Services, if offered at all by the authority, shall be available on a basis that is not related to an extended agreement, as well as based on such agreements.

This provision excludes centrally funded premises and liability insurance.

8.5 Teachers' Pensions

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

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its annual return

of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

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

SECTION 9: Private Finance Initiative / Public Private Partnerships

9.1 General Provision

The authority shall have the power (subject, where necessary to consultation and the approval of the DfE) to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

SECTION 10: INSURANCE

10.1 Insurance cover

If funds for insurance are delegated to a school, the authority will require the school to demonstrate in advance of any contract(s) being entered, that the level of cover satisfies the authority's minimum insurance requirements for schools, which can be obtained from the Insurance Manager. Due regard has been given to the actual risks which might reasonably be expected to arise at a school in determining the minimum cover required. The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools can join the RPA after 1st April 2020. Schools may do this individually when any insurance contract of which they are part expires.

All primary and / or secondary maintained schools can join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

Governing bodies shall supply to the authority 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.

11.2 Liability of governors

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

11.3 Governors' Allowances

Schools without delegated budgets.

Under section 50(5) of the Act, only allowances in respect of purposes specified in the regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

Schools are also barred from payment of allowances duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

Schools with delegated budgets

The authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' allowances.

11.4 Responsibility for legal costs

The governing body may finance from the school's budget share expenditure on obtaining legal advice about matters falling within the scope of their functions or the conduct of legal proceedings relating to those functions. Legal proceedings (mainly relating to employment matters) may be brought against the governing body, rather than the authority. Though there is no obligation to seek advice from the authority's solicitors, the governing body may find it prudent to do so, since costs on some legal issues may be financed centrally. If there is any conflict of interest (as where the governing body is in dispute with the authority), the authority solicitors will decline to act for the governing body.

The above paragraph does not cover the statutory responsibility of the governors of aided schools for their school buildings. These governors would be expected to meet any legal costs from funds not derived from the authority.

11.5 Health and Safety

Governing bodies are required in expending the school's budget share to have due regard to duties placed on the authority in relation to health and safety, and the authority's policy on health and safety matters in the management of the budget share.

11.6 Right of attendance for Section 151 Officer

Governing bodies are required to permit the Section 151 Officer of the authority, or any officer of the authority nominated by the Section 151 Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities. Attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

11.7 Special Educational Needs

Budget shares include resources to meet all the needs of all children with special educational needs. Schools are required to use their best endeavours, in allocating these resources, to ensure that the needs of these children are met.

11.8 Whistleblowing'

The authority's procedures relating to "whistleblowing" are contained its publications "Public Interest Disclosures - Policy Guidance and Procedures" and "Integrity in Staffordshire".

11.9 Child protection

Schools should release staff and provide reports as required for the purposes of child protection. These include the training of the designated teacher and other staff, and attendance at case conferences. Schools may also make payments to staff for any out of hours work. There is no earmarked or additional funding for child protection.

Redundancy / Early Retirement costs

Section 37 of the Education Act 2002 states:
In sub-section 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.

In other words, pension related costs should be paid by schools unless otherwise agreed.

For redundancy costs the local authority deems the following to be good reasons for charging costs to the school's budget share:

- Where there is enough funding in the individual school's budget for redundancy costs to be paid without the school experiencing financial difficulties
- Where there is uncommitted DSG carried forward (originating from previous years' unused contingency funds) available.
- Where a school has decided to offer more generous terms than the local authority's policy.
- Where a school is otherwise acting outside the local authority's policy
- Where a school is making a change to staffing which the local authority does not believe is necessary to either set a balanced budget or to meet the conditions of a licenced deficit.
- Where the school has excess surplus balances and no agreed plan to use these.

Fixed term contracts – where a school has direct control over the circumstances leading to the redundancy requirement. For example, the decision to appoint an employee on a fixed term contract and the contract ends for reasons other than immediate financial deficit. Also, the school budget shall meet the cost of termination where the school has allowed the fixed term contract to become permanent.

As the revenue savings achieved by termination of employment are equal to or greater than the costs incurred, the following cost sharing arrangements are in place where redundancies are made in a school that remains open:

- a. Schools are charged with 70% of the one-off costs of severance.
- b. 30% of the one-off costs of severance are charged to a central budget within the Schools Budget
- c. The authority will meet all the ongoing pension costs.

Where termination costs are incurred in respect of closing and merging schools then 30% of the one-off costs of severance are charged to a central budget within the Schools Budget with the authority meeting the remaining costs.

Termination of employment costs funded from central school's budget is restricted to existing commitments only up to the value within the current year's budget.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 Responsibility for repairs and maintenance

The governing body is responsible for repairs and maintenance to the school and funding is delegated to schools by the authority for this purpose.

12.2 Community and Voluntary Controlled Schools

For a purchase to be considered to potentially be capital in nature the authority has a de minimus limit of £500. Capital expenditure over £500 may be charged to the school's Devolved Formula Capital (DFC) grant. However, purchases of over £500 are not necessarily capital in nature and should be considered in conjunction with guidance issued by CIPFA and generally accepted accounting principles.

The authority's capital allocation is targeted to support the areas of most urgent need, in line with agreed prioritisation strategies. When such capital monies are allocated, the school may be asked to make a financial contribution to ensure the project can be completed.

12.3 Voluntary Aided Schools

Guidance on responsibilities for repairs and maintenance at Voluntary Aided Schools is given in the DfE Publication *Capital Funding for Voluntary Aided Schools (VA) in England*. The DfE apply a minimum limit for capital works at voluntary aided schools of £2,000. Capital expenditure over £2,000 may be charged to the school's Devolved Formula Capital (DFC) grant. However, purchases of over £2,000 are not necessarily capital in nature and should be considered in conjunction with guidance issued by CIPFA and generally accepted accounting principles.

The authority's capital allocation is targeted to support the areas of most urgent need, in line with agreed prioritisation strategies. When such capital monies are allocated, the school may be asked to make a financial contribution to ensure the project can be completed.

SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

As per the Children and Families Act 2014, a school is no longer required to consult before establishing community facilities, and there is no longer a need for a school to be mindful of a local authority's advice, under section 27 of the Education Act 2002.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the authority's Scheme for Financing Schools made under s.48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

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

13.2 Mismanagement of community facilities funds

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

13.3 Consultation with the authority

Before introducing any community facilities, governing bodies must consult the authority and have regard to any advice given.

13.4 Requirement for the school to seek advice.

In order that both schools and the authority are alerted to any potential financial and operational liabilities, the authority has adopted a formal procedure for considering schools' proposals. This should ensure that both parties are aware of all relevant issues before any resources are committed. This procedure includes reasonable requirements as to timeliness and the amount of information that schools must supply in seeking authority advice. This procedure will be published to all schools and schools will be advised of any revisions that may be necessary.

13.5 Provision of advice by the authority

The authority will provide its advice within six weeks of being consulted. Schools are required to inform the authority of any action taken in response to its advice.

13.6 Funding agreements with third parties

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

13.7 Review of funding agreements by the authority

Any such proposed agreement with a third party (as opposed to funding agreements with the authority itself) should be submitted to the authority for its comments at least six weeks prior to the start date of the agreement in order that the authority has enough time to review and advise upon the proposal.

However, the authority does not have a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires authority consent to the agreement for it to proceed, such a requirement and the method by which the authority's consent is to be signified shall be a matter of consultation between the authority and the third party, not for the scheme.

Schools should be aware that if an agreement has been or is to be concluded against the wishes of the authority, or has been concluded without consulting the authority, which in the view of the authority is seriously prejudicial to the interests of the school or the authority, that may constitute grounds for suspension of the right to a delegated budget.

13.8 Use of a limited company or imposition of indemnity insurance

Although the authority does not have a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power, it may reasonably direct the governing body to make arrangements to protect the financial interests of the authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority.

13.9 Other prohibition, restrictions and 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, if it wishes, propose other scheme provisions that it believes are necessary. This option will be kept under review and where the authority considers additional provisions are required to safeguard the financial position of the authority or school, or to protect pupil welfare or education, it will apply to the school's forum for this scheme to be duly amended.

13.10 Supply of financial information

Schools shall 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 community facilities in question for the previous six months and on an estimated basis, for the next six months.

This provision does not preclude the insertion of other provisions in specific funding agreements between the school and the authority as to the financial reporting requirements arising from the funding in question.

13.11 Cause for concern

The authority may, on giving notice to the school that it believes there to be cause for concern as to the school's financial management of the community facilities project, require such financial statements to be supplied every three months. If the authority sees fit, it may also require the submission of a recovery plan for the project in order that it may advise the school.

13.12 Audit

Schools must grant access to their records connected with community facility projects, to facilitate internal and external audit of relevant income and expenditure.

13.13 Access to records

Schools, in concluding funding agreements with third parties pursuant to community facility projects, must ensure that such agreements contain adequate provision for access by the authority to the records and other property of third parties held on the school premises or elsewhere insofar as they relate to the project, for the authority to

satisfy itself as to the propriety of income and expenditure on the project.

13.14 Treatment of income

Schools may retain all net income derived from community facilities, except where otherwise agreed with a funding provider, whether that be the authority or a third party.

13.15 Treatment of surpluses and deficits

Schools may carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the authority at the end of each financial year, transfer all or part of it to the budget share balance.

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

If there is a deficit on community facilities and the authority needs to recover funds to meet third party liabilities it may do so from any budget surplus, including future budget allocations.

13.16 Health and Safety matters

All health and safety provisions in the Scheme for Financing Schools apply to community facilities projects.

13.17 Disclosure Barring Service clearance

The governing body is responsible for the costs of securing Disclosure Barring Service clearance for all adults involved in community activities taking place during the school day but are free to pass on such costs to a funding partner as part of an agreement with that partner.

13.18 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from a community facilities project. Such insurance should not be funded from the school budget share.

In principle, the insurance issues arising from use of the community facilities power are the same as those that already arise from non-school use of school premises. However, a school proposing to provide community facilities should undertake an assessment of the insurance implications and costs. All schools are required to seek the authority's advice before finalising and insurance arrangements for community facilities.

13.19 Authority assessment of insurance arrangements

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

Instead of taking out insurance a school may join the RPA for risks that are covered by the RPA.

13.20 Taxation - VAT

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

13.21 Taxation – payroll taxes

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), the school is likely to be held liable for payment of Income Tax and National Insurance, in line with HM Revenue and Customs rules.

13.22 Taxation – CIS

Schools should follow authority advice in relation to the Construction Industry Scheme where this is relevant to the community facilities project.

13.23 Banking

Schools can utilise the authority's banking arrangements, which will allow an adequate separation of community facilities funds from the school budget share and other authority funds. Alternatively, schools can maintain a separate bank account for community facilities.

Community facilities balances held in the authority's bank accounts will attract interest in accordance with the authority's scheme. The arrangements made for the payment of interest will seek to ensure that the funds allocated to schools attract the most beneficial rate.

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

13.24 Operation of bank accounts

The arrangements in regards of the banks / building societies that may be used, the titles of bank accounts, the contents of bank mandates and similar matters are issues by the local authority.

13.25 Borrowing

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 the authority.

ANNEX A

APPLICABLE SCHOOLS

4500	Abbot Beyne School, Burton
3110	All Saints CE(C) First School, Standon
3152	All Saints CE(C) Infants School, Ranton
3025	All Saint's CE(C) Primary School, Alrewas
2370	Amington Heath Primary School, Tamworth
2322	Ashcroft Infants School
3137	Baldwin's Gate CE(C) Primary School
3027	Barlaston CE(C) First School
3028	Berkswich CE(C) Primary School
3029	Betley CE(C) Primary School
2306	Bhylls Acre Primary School
4517	Billbrook C of E (VC) Middle School
2396	Blakeley Heath Primary School
4067	Blythe Bridge High School
1105	Bridge Short Stay School
2177	Bridgtown Primary School
2406	Burton Manor Primary School
1111	Burton PRU
5403	Cardinal Griffin Catholic College
3040	Chadsmoor CE(C) Junior School
2178	Chadsmoor Community Infants & Nursery Sch.
2355	Chancel Primary School
2411	Chase Terrace Primary School
7000	Chasetown Community School
3494	Chase View Community Primary School
2191	Cheadle Primary School
2393	Cheslyn Hay Primary School
2123	Christ Church Primary School
3076	Christ Church C of E © Primary School
4075	Codsall Community high School
2399	Cooper Perry Primary School
5202	Corbett Primary School
2153	Croft Primary School
2218	Dove Bank Primary School
2404	Doxey Primary School
2321	Endon Hall Primary School
2180	Five Ways Primary School
2409	Flash Ley Primary School
2332	Florendine Primary School
3000	Forsbrook Primary School
2413	Fulfen Primary School
2208	Fulford Primary School
2342	Glenthorne Primary School

2386	Gorsemoor Primary School
2240	Green Lea First School
2346	Hanbury's Farm Primary School
2251	Hassell Primary School
2327	Hayes Meadow Primary School
1022	Hednesford Nursery School
7023	Hednesford Valley High School
3139	Hob Hill CE/Meth(C) Primary School
3144	Holy Trinity CE(C) Primary School
7003	Horton Lodge Special School
3026	Hugo Meynell CE (C) Primary School
3438	Ilam C of E (VA) Primary School
2369	Jerome Primary School
1109	Kettlebrook PRU
4087	King Edward VI School
2394	Landywood Primary School
2368	Lane Green First School
2239	Longwood Primary School
7037	Marshlands Special School
3051	Mary Howard CE(C) Primary School
2256	May Bank Infants School
2203	Millfield Primary School
2164	Moor First School
1106	Newcastle Teaching Unit (CEDARS)
4066	Norton Canes High School
2348	Oakhill Primary School
1028	Oaklands Nursery School
2293	Oakridge Primary School
4055	Paget High School
2372	Perton First School
4170	Perton Middle School
2345	Pirehill First School
2157	Ravensmead Primary School
3500	RiverView Primary & Nursery School
7032	Sherbrook Special School
3136	Sir John Offley CE(C) Primary School
2344	Springcroft Primary School
2315	Springfields First School
2226	Springhead Primary School
2166	Squirrel Hayes First School
3484	SS Peter & Paul RC(A) Primary School
3035	St Anne's CE(C) Primary School
3082	St Bartholomew's CE(C) Primary School
3481	St Bernadette's RC(A) Primary School
3098	St Chad's CE(C) Primary School
3478	St Elizabeth's RC(A) Primary School
3482	St Gabriel's RC(A) Primary School

3069	St John's CE(C) Primary School, Keele
3116	St John's CE(C) Primary School, Swindon
3458	St Joseph & St Teresa RC(A) Primary School
3461	St Joseph's RC(A) Primary School, Hednesford
3464	St Joseph's RC(A) Primary School, Lichfield
3467	St Joseph's RC(A) Primary School, Rugeley
3490	St Leonard's CE(A) First School
3450	St Leonard's CE(A) Primary School
2403	St Leonard's Primary School
3093	St Luke's CE(C) Primary School
3492	St Luke's CE(C) Primary School
3094	St Margaret's CE(C) Junior School
3449	St Mary's CE(A) First School
3446	St Mary's CE(A) Primary School
3456	St Mary's RC(A) Primary School
3447	St Michael's CE(A) First School
3112	St Michael's CE(C) First School
3420	St Modwen's RC(A) Primary School
3149	St Paul's CE(C) Primary School
3430	St Peter's CE (VA) Primary
3084	St Peter's CE(C) First School
2207	St Stephen's Primary School
3485	St Thomas More RC(A) Primary School
4131	Stafford 14-19 Pship
5402	Stafford Sports College
2222	Talbot First School
2360	The John Bamford Primary School
3497	The William Amory Primary School
2216	Thomas Barnes Primary School
2326	Thomas Russell Junior School
2400	Tillington Manor Primary School
3117	Tittensor CE(C) First School
2140	Tower View Primary School
2132	Victoria Community School
4142	Walton Priory Middle School
2184	West Hill Primary School
2397	Westfield Primary School
2263	Westlands Primary School
2340	Willows Primary School
2158	Wood Lane Primary School