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| **THE SUFFOLK SCHEME**  **FOR THE**  **FINANCING OF SCHOOLS** |

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| This Scheme sets out the financial relationship between the Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.  With effect from 01 November 2015, this Scheme applies to all community, voluntary, special and foundation schools (including Trust schools) maintained by the Authority, including nursery schools and pupil referral units. |

**THE SCHEME FOR THE FINANCING OF SCHOOLS**

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List of Maintained Schools and PRUs as at 01/09/2015

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*The annex is an extract from the DfE’s statutory guidance.*

# SECTION 1: INTRODUCTION

1.1 THE FUNDING FRAMEWORK

MAIN FEATURES

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their schools budget and 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. Authorities may deduct funds from their schools budget for purposes specified 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 (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

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

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

­­­­(\*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

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 (schedule17 to the Act)

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

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

Regulations also require 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 that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

These requirements attempt to seek the right balance between giving schools the freedom necessary to exercise their delegated and devolved budget authority, and maintaining due regard for the proper accountability for and control over the expenditure of public funds.

Section 48(3) of the Act provides that where there is any inconsistency between the scheme and any other rules or regulations made by the Authority relating to the funding or financial management of schools which it maintains, the terms of the Scheme will prevail.

1.2.1 APPLICATION OF THE SCHEME TO THE AUTHORITY AND MAINTAINED SCHOOLS

The Scheme applies to all community, voluntary, special and foundation schools (including Trust schools) maintained by the Authority, including nursery schools and pupil referral units.

The Scheme will also apply to any new maintained schools (including amalgamated schools) which open in the future.

The Scheme does not apply to Academies or Free schools.

Annex A contains a list of all schools covered by the Scheme.

1.3 PUBLICATION OF THE SCHEME

A copy of the Scheme will be available on a website maintained by the LA and which is accessible to the general public.

Revised versions of the Scheme will be published on the website by the date that the revisions come into force, together with a statement that the revised Scheme comes into force on that date. Schools will be notified accordingly.

1.4 REVISION OF THE SCHEME

Any proposals for revision of the Scheme must be the subject of consultation with the head teacher and governing body of every school maintained by the LA before they are submitted to the Schools Forum for their approval.

All proposed revisions require the approval of those members of the Schools Forum representing maintained schools.

The LA may apply to the Secretary of State for approval where the Schools Forum does not approve the proposed revisions, or approves them subject to modifications which are not acceptable to the LA.

Where the Secretary of State directs that changes are made to authorities’ Schemes, the LA will implement the directed changes and inform Schools Forum and schools of the changes made. The directed changes will not be subject to formal consultation and will take effect in line with DfE timescales.

The LA will review the Scheme on an annual basis; any revisions identified will then be reported to the Schools Forum prior to formal consultation with schools. A formal consultation with schools is unlikely to be required each year. Where consultation is necessary, it will be limited to the applicable sections, rather than a whole Scheme consultation, where appropriate.

The Schools Forum may authorise changes to the Scheme without formal consultation with schools where the revisions are limited to:

* Updates to the list of schools (Annex A) to take account of closed schools, schools which have converted to Academy and school name changes
* Revisions to take account of formal changes in titles (e.g. DCSF to DfE)

Schools and Governing Bodies will be notified of the Forum’s decisions and any changes made to the Scheme.

1.5 DELEGATION OF POWERS TO THE HEAD TEACHER

The Governing Body has overall responsibility for the resources allocated to the school. It must consider the extent to which it wishes to delegate its financial powers to the Headteacher, committees of the Governing Body and other school staff. These considerations should be undertaken annually (or more frequently) and the decisions, and any revisions, formally recorded on the Record of Financial Responsibility (RoFR) within the minutes of the full Governing Body.

The Governing Body, or a committee of the Governing Body, must retain responsibility for approving the first formal budget plan of each financial year.

Governors may adopt their own RoFR as an alternative to using the LA template.

1.6 MAINTENANCE OF SCHOOLS

The LA is responsible for maintaining the schools covered by the Scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary 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 CONTROLS

2.1.1 APPLICATION OF FINANCIAL CONTROLS TO SCHOOLS

In managing their delegated budgets schools must abide by the LA’s requirements on financial controls, procedures, monitoring and reporting as set out in this scheme and in other more detailed documents contained within the Finance Regulations.

Schools are required to follow the LA’s requirements on financial controls and budget monitoring in the management of their delegated and devolved budgets.

Some of these requirements are set out in this Scheme; more detailed documents are contained within the Finance Regulations.

The Governing Body and Headteacher are responsible for the proper financial management and financial probity of their school and are required to assist Suffolk’s Head of Strategic Finance and the Director of Children’s Services in the discharge of their statutory duties.

Each school should have its own Finance Policy and Local Procedures manual which detail the management and operation of financial procedures in the school. Schools are free to decide the format of their Finance Policy.

2.1.2 PROVISION OF FINANCIAL INFORMATION AND REPORTS

Schools are required to provide the LA with details of expected and actual expenditure and income in accordance with a pre-determined schedule provided to schools prior to the commencement of each financial year.

The schedule will not require submission of information more often than once every three months except for those connected with tax or banking reconciliation.

The format of submissions required by the LA will take account of the desirability for compatibility with the Consistent Financial Reporting framework.

Schools are required to provide the LA with details of all local payments and incomes on a monthly basis to facilitate Suffolk County Council’s VAT Returns to HMRC.

Schools must perform initial reconciliations of their bank accounts promptly within 5 working days of receiving the bank statement. The LA can require individual schools to provide evidence of reconciliations at times other than those set out in the pre-determined schedule.

At year-end schools are required to provide the LA with details of pre-payments and accruals that need to be taken into account in order to ensure school balances are correctly stated in statutory returns. Evidence to support the adjustments must also be provided by the school if required by the LA.

Schools administering their own payroll or buying in from an external provider will be required to submit returns to the LA to an agreed schedule. This is to enable the LA to fulfil its statutory obligations with regard to tax, National Insurance and pensions (unless the LA is not the employer, in which case the school will be responsible for these returns).

Schools deemed by the LA to be at financial risk, under notice of closure, issued with an Academy Order or in their first year of operation may be required to provide budget monitoring returns on a more frequent basis. Detailed requirements will be sent in writing to these schools.

The LA will provide schools with regular summary reports on their financial data held on the Council’s financial accounting system to enable schools to complete monthly reconciliations.

2.1.3 PAYMENT OF SALARIES; PAYMENT OF BILLS

Schools are required to make satisfactory arrangements for the payment of employees, creditors and other items, ensuring the correct application of, and accounting for, all statutory and other deductions, whilst also complying with the requirements of the Finance Regulations.

Where such services and facilities are not bought back from the LA then:

* the LA will stipulate the requirements for the provision of information under alternative arrangements in order for it to continue to fulfil its statutory obligations:
* any additional costs incurred by the LA in fulfilling its statutory duties will be chargeable to the school.
* any additional costs incurred by the LA as a result of the late or incomplete provision of information will be chargeable to the school.
* Governing Bodies will need to enter into a formal agreement with the LA relating to the operational needs to meet all legal requirements relating to employment, taxation and accounting
* Schools will be responsible for ensuring that all statutory requirements are being met.

Schools must ensure that payments to individuals working for the school receive the correct treatments and deductions for tax, national insurance and pension contributions are made where due. Non-compliance would result in the school being liable to penalties imposed by HMRC.

No employee of the County Council or of the Governing Body of an Aided/Foundation school may certify expenditure or employment related documentation from which they might personally benefit. This applies equally to Governors.

The Finance Regulations set out the procedures and policies that schools must follow when making payments for salaries and bills.

2.1.4 CONTROL OF ASSETS

Each school must maintain an inventory of its moveable non-capital assets for all items above £1,000. The inventory must contain:

* a brief description of the asset
* its location
* date bought/provided
* the source of funding if outside the delegated budget
* purchase/replacement cost
* serial/asset number
* disposal details

The inventory should be independently checked at least annually and the person checking it should certify as to its correctness and completeness.

Schools must also keep a list for assets worth less than £1,000 but are free to determine their own arrangements for keeping such a register.

*Procedures concerning disposal of assets are set out in the Finance Regulations.*

2.1.5 ACCOUNTING POLICIES (INCLUDING YEAR-END PROCEDURES)

Schools are required to abide by the LA’s accounting policies and procedures, including end-of-year procedures, as set out in the Finance Regulations. Detailed requirements will be issued annually to schools.

Headteachers must ensure that accounting procedures and financial records are maintained accurately and kept up-to-date.

2.1.6 WRITING OFF OF DEBTS

Governing bodies must approve a policy which sets out the circumstances in which a debt can be written off, the policy must require that:

* all debt write-offs above £100 (or a lower limit set by the governing body) to be reported to the governing body
* the Head of Strategic Finance to be consulted where a debt exceeds £1,000.

VAT may not be written off without specific written consent of the Head of Strategic Finance.

2.2 BASIS OF ACCOUNTING

Reports and accounts furnished to the LA must be on an accruals basis. Providing LA financial systems and services are used, and LA guidance is followed, this requirement will be automatically met.

Schools, which choose alternative systems/suppliers, will need to ensure that this requirement will be met, and that outputs from such systems are compatible with the LA’s requirements.

**2.3 SUBMISSION OF BUDGET PLANS**

The school’s formal annual budget plan must be approved by the Governing Body or a committee of the Governing Body.

Each school is required to submit a copy of the approved budget plan to the LA by 1st May each year, in a format to be determined by the LA. The format of the budget plan will take account of the Consistent Financial Reporting framework.

The budget plan must show the school’s intentions for expenditure in the current financial year, the assumptions underpinning the budget plan, expected income and an analysis of the balance which the school estimates will be brought forward from the previous financial year.

The LA may also require the submission of revised plans where the LA deems it necessary, for example. closing/converting schools. The LA will not normally require revisions to the budget plans at intervals of less than three months.

The LA expects to supply each school with details of its budget share for the forthcoming financial year by no later than 01 March. On a monthly basis the LA will supply schools with all income and expenditure data which it holds, and which is necessary for efficient planning and monitoring by schools.

**2.3.1 SUBMISSION OF FINANCIAL FORECASTS**

In addition to the one-year budget plan, the LA requires Governing Bodies to submit medium term high-level financial forecasts covering two additional years (Strategic Plans) by 31st May each year based on the best information available to the school at that time. Schools will need to include assumptions where detailed information is not yet available.

The LA undertakes its responsibility for high level monitoring of schools’ budgets by risk assessing each school and intervening in those deemed to represent the highest risk. The risk assessment criteria include the medium term financial forecasts provided by the schools.

Detailed financial forecasts may also be required from individual schools to:

* enable a school to present a deficit recovery plan to the LA
* enable a school to demonstrate the plans for the use of excess balances if challenged by the LA
* reassure the LA that a school will close with a positive balance

2.4 EFFICIENCY AND VALUE FOR MONEY

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the LA’s purchasing, tendering and contracting requirements.

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

There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements, for example through collaboration or collective tendering .

2.5 VIREMENT

Schools are free to vire between budget headings identified in the school’s budget plan. Governing Bodies are required to formally agree and record their virement delegation arrangements and to establish the financial limits above which the approval of the governors is required.

Virements undertaken under delegation arrangements should be reported to the Governing Body.

A report on all virements undertaken should be forwarded to the LA on a termly basis.

2.6 AUDIT: GENERAL

The accounts of a school, being part of the overall accounts of the Council, will be subject to internal and external audits, schools are required to co-operate with auditors.

Under Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations, the Council must maintain an effective internal audit of the accounts of the Council. The Council will determine the audit regime of schools on an annual basis.

The Head of Internal Audit reserves the right to conduct an audit at a school without prior notice or agreement where exceptionally, in his/her view, circumstances warrant such action. The Head of Audit, or his/her authorised representative, has the authority to:

* enter, at all reasonable times, any premises or land owned by the County Council, or the governing body of an Aided or Foundation school maintained by the LA
* have access to all records, documents and correspondence relating to any financial transactions of the school. This will also apply to voluntary and private fund records for which an employee of the Council or a Governor of a school is responsible, by virtue of his position, where expenditure by the voluntary and private fund leads to a liability on the County Council
* require and receive such explanations as are necessary concerning any matter under examination
* require any employee of a school or governor of a school to produce cash, stores, equipment, vehicle or any other property of the County Council or of the school under his control
* allow the copying and/or removal of prime documents for audit purposes

Similar rights of access and explanation will be given to the LA’s external auditor.

Schools must present a report to the next governing body meeting following an audit, outlining actions to be taken in response to the audit report (a copy of the management summary is to be given to all governors). Internal audit must be informed within three months of the action taken by the school in response to the report.

The Governing Body or Headteacher will notify the Head of Internal Audit immediately of any circumstances which suggest the possible existence of any irregularities with a financial implication.

A failure by governors to rectify major failings in systems and controls can lead to the withdrawal of financial delegation.

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 official accounts, separate from any LA internal or external audit process. 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 LA’s auditors.

2.8 AUDIT OF VOLUNTARY AND PRIVATE FUNDS

Voluntary and private (unofficial) funds are defined as any fund (other than the delegated budget) which exists for the purpose of a school and is established under the authority of the governors of a school. This includes monies collected from pupils/students for activities arranged by the school.

Voluntary and private funds must be administered and controlled separately\* from official monies. Proper accounts must be kept of receipts and payments relating to voluntary and private funds and an annual statement of accounts produced. The procedures for the administration and auditing of the voluntary and private funds are set out in the Finance Regulations.

Voluntary and private funds are to be audited annually by an independent person nominated by the Governing Body and both the Auditor and Headteacher Certificates must be fully completed prior to the audited accounts being presented to the Governing Body for formal approval.

Schools are required to confirm to the LA on an annual basis if voluntary and private funds are held and provide the LA with evidence of the annual audit.

Schools opening or closing voluntary and private funds must follow appropriate opening/closing procedures issued by the LA and comply with governor delegation arrangements. The LA may require a copy of the final set of audited accounts and certificates.

Schools are responsible for ensuring compliance with Charity Commission and taxation requirements when administering voluntary and private funds.

\**Controlled separately: the Governing Body is responsible for the controls on the official and the voluntary/private funds at the school:*

* *The controls for voluntary and private funds need to be consistent with the requirements of the School Fund Regulations*
* *The controls on official funds need to be consistent with the finance regulations notified by the LA*

2.9 REGISTER OF BUSINESS INTERESTS

The governing body of each school is required to establish a register which lists for each member of the governing body, the Headteacher and school staff:

* 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 register must be kept up to date with notification of changes, through annual review of entries and reviewed annually by the Governing Body
* The register must be available for inspection by governors, staff, parents and the LA
* The register must be published, for example on a publicly accessible school website  
  *N.B business interests/nil returns of school staff may be omitted from the published copy unless they are also governors or the Headteacher, in which case they must be included in the published copy*

\*immediate family to include other relatives and individuals who may exert influence

Staff and governors must be given an opportunity to declare an interest in any item on the agenda of a meeting and must withdraw from the meeting for relevant agenda items.

More detailed guidance on the maintenance of a register is set out in the Finance Regulations.

2.10 PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS

Every contract, whether made by the Governing Body, or by any person appointed to them to act on their behalf; must comply with the LA’s Procurement Regulations and the Schools Procurement Policy.

In particular, schools must assess in advance, where relevant and taking account of the LA’s policies and procedures, the health and safety competence of contractors and their insurance cover for third party liabilities.

The LA will signpost good procurement frameworks to schools, including external sources, where appropriate.

Orders may not be raised on behalf of or for the benefit of private individuals including members of staff, or organisations which are not part of the County Council. The LA will publish a list of specific exceptions where orders may be raised; for all other circumstances schools must seek and follow advice issued by the LA.

Restrictions on what the LA can require schools to do:

The requirement to abide by the LA’s Procurement Regulations applies in all cases except where this would require schools to:

* to do anything incompatible with any of the provisions of this Scheme, or any statutory provision, or any EU Procurement Directive;
* to seek countersignature from an officer of the LA\* for any contracts for goods or services for a value below £60,000 in any one year;
* to select suppliers only from LA contracted/recommended suppliers;
* or would permit schools to seek fewer than three tenders or quotations in respect of any contract with an aggregated value exceeding £10,000 over the lifetime of the contract subject to any specific listed exceptions

*\*The LA does not currently require a countersignature*

2.11 APPLICATION OF CONTRACTS TO SCHOOLS

Schools opting in to LA arranged contracts (such as Services to Schools):

For LA arranged contracts entered into following consultations with the Governing Body, the school is bound into these contracts for their duration and may not make alternative arrangements except with the specific written agreement of the LA\*.

With the exception of the above, schools may opt out of LA Procurement arranged contracts. Schools are encouraged to seek professional advice from the LA before entering into any new contracts, including the renewal of leasing agreements.

Although governing bodies are empowered under the Education Act 2002 (schedule 1, paragraph 3) to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. 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)

*\*Schools committing to LA arranged contracts are bound to the terms and conditions, including notice periods, unless an agreement has been reached that an exception will be made for an individual school.*

2.12 CENTRAL FUNDS AND EARMARKING

The LA may make sums available to schools from central funds, in the form of allocations, which are additional to, and separate from, the schools’ budget share.

Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used and as a general rule, virement of funds allocated on an earmarked basis will not be allowed. Schools should ensure that they have appropriate accounting mechanisms in order to be able to demonstrate that expenditure has been incurred only for the purpose intended.

The LA reserves the right to withhold or clawback any resources not supported by appropriate financial information; or where funds have not been used for the prescribed purposes within the period over which schools are allowed to use the funding.

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

2.13 SPENDING FOR THE PURPOSES OF THE SCHOOL

It is the responsibility of the Governing Body to ensure that its budget share is spent only for the purposes of the school, and in accordance with the provisions of this Scheme.

This will include expenditure on:

* The employment of staff
* The upkeep and improvement of premises, including the cost of equipment and repairs and maintenance
* The provision of the curriculum
* The general duties and responsibilities relating to the management and governance of the school
* In the 2002 Education Act (section 27) the Secretary of State widened the criteria for ‘the purposes of the school’ to include:
* Spending on community facilities and services
* Spending on pupils who are on the roll of other maintained schools or academies

Governing bodies are not permitted to enter into any finance leases or credit arrangements as these are classified as borrowing and require the written permission of the Secretary of State.

2.14 CAPITAL SPENDING FROM BUDGET SHARES

Governing bodies may spend part of their budget share to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under the Act (schedule 3, paragraph 3).

Where the premises are owned by the LA, or the school has voluntary controlled status, then the governing body must seek the consent of the LA prior to the commencement of any proposed works, by following the ‘Form 13’ procedures. Consent of the LA to proposed works will only be withheld on health and safety grounds.

All expenditure of a capital nature, regardless of its source of finance, must be accounted for within the capital programme. The definition of capital expenditure includes:

* The acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
* The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
* The acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
* The making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him/her on matters mentioned in the three categories above or in the acquisition of investments;
* The acquisition of share or loan capital in any body corporate.

Individual items of expenditure of less than £6,000 within the above definition will be treated as de minimus and not capitalised.

Enhancement is defined as lengthening substantially the useful life of an asset, or increasing substantially its open market value. Day to day maintenance does not count as capital spending.

2.15 NOTICE OF CONCERN

The LA may issue a Notice of Financial Concern (NOFC) to the Governing Body of any school it maintains where, in the opinion of the Head of Strategic Finance and the Director of Children’s Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the LA or the school.

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

These may include:

* insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
* insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
* placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the LA;
* insisting on regular financial monitoring meetings at the school attended by LA officers;
* requiring a governing body to buy into the LA’s financial management systems; and
* imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The NOFC 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 NOFC to be withdrawn. It will also state the actions that the LA may take where the Governing Body does not comply with the NOFC.

The principle criterion for the issue of a NOFC is to safeguard the financial position of the LA or school and will not be used in place of withdrawal of financial delegation where that is the appropriate action to take.

Schools issued with an Academy Order will be issued with a Notice of Financial Concern where DfE regulations do not permit the recovery of any deficit balance upon conversion.

Schools issued with a NOFC may apply to the Director of Children’s Services for a decision regarding the imposition of restrictions that are disputed by the school.

2.16 SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

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

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

All maintained schools with a delegated budget must submit the form to the LA before 31 December annually.

2.17 FRAUD

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

The Governing Body and 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 those controls. This information must also be included in the induction for new school staff and governors.

# SECTION 3: INSTALMENTS OF BUDGET SHARE; BANKING ARRANGEMENTS

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

3.1 FREQUENCY OF INSTALMENTS

Instalments of the budget share will be paid on a monthly basis into schools’ bank accounts. Transfer dates will be determined by the LA and notified to schools in advance of the budget year.

Top Up payments for pupils with high needs will be made by journal transfer on a termly basis as agreed with the providers and as notified to schools.

Capital and Pupil Premium funding will be paid by journal transfer and will mirror the DfE transfer to the LA timetable.

In accordance with Section 49(5) of the Act, money advanced by the LA and held in schools’ local bank accounts remains the property of the LA until spent.

3.2 PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT

The budget share will be made available on the following basis:

Weighted April instalments (2/13ths of budget share to assist cashflow for any annual service Contract payments due in April

1/13th of budget share paid in monthly instalments May – March

Budget shares paid on, or immediately before, the day that the monthly teaching salary payments are deducted.

Schools will be notified of the value of individual monthly shares in advance of the budget year.

3.3 INTEREST CLAWBACK

The LA will make no deduction from budget share instalments to cover the estimated interest lost by the LA in making available the budget share in accordance with those arrangements.

3.3.1 INTEREST ON LATE BUDGET SHARE PAYMENTS

Where a payment of budget share is delayed as the result of an LA error, interest will be paid to the school at the same interest rate being paid on collective school balances\* during that period of time.

*\*The collective school balances rate is expected to be equivalent to, or more beneficial than, the Bank of England base rate and will not therefore disadvantage schools.*

3.4 BUDGET SHARES FOR CLOSING SCHOOLS

Budget shares of schools for which approval for discontinuation\* has been secured will be made available until closure on a basis agreed by the LA. This may either reflect the existing banking arrangements or an alternative arrangement that suits both the LA and the school concerned.

\* discontinuation may include schools under notice of closure, converting to Academy or amalgamating

3.5 BANK AND BUILDING SOCIETY ACCOUNTS

All schools may have an external bank account into which their budget share instalments are paid.

Where schools have such accounts they shall be allowed to retain all interest receivable on the account and will be liable for all banking charges including any interest charges levied by the bank/building society.

A school with a bank account with the LA’s banker, which wishes to opt out of the arrangement and set up an account with a different banker, must give three months written notice to the LA.

When a school opens a bank account the LA will immediately transfer into that account an amount agreed by both the LA and the school as the estimated budget share surplus. The amount will be adjusted when the accounts for the relevant year are closed.

3.5.1 RESTRICTIONS ON ACCOUNTS

Only one account may be held for the purpose of receiving budget share payments, and for the purpose of meeting day-to-day expenses. Additional accounts may be held as deposit/reserve accounts, but these may only be accessed by direct transfer to/from the main account.

Schools may hold an account within the LA’s banker arrangements (where it is offered). Alternatively schools are free to open a School Bank Current Account with a banker of their choice from the Authority’s approved list. Schools will need to contact Treasury Management for the current list of approved bankers as the criteria for banks and building societies are constantly under review from the ratings agency.

School must seek and obtain approval from the LA in writing for other banks or building societies not included in the approved list before proceeding.

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

Bank accounts for budget share purposes held within the LA’s banker arrangements must have reference to SCC in the title.

Schools may opt to hold a local bank account in the name of the school. However, if a school has such an account the account mandate must provide that:

* Suffolk LA is the owner of the funds in the account
* Suffolk LA is entitled to receive statements
* Suffolk LA can take control of the account if the school’s right to a delegated budget is suspended
* The account cannot have an overdraft facility

Schools are not permitted to overdraw their bank accounts. The LA will arrange Cashflow Advances to bank accounts when requested to do so by schools.

Governors, unless they are members of staff, may not be signatories on a school bank account.

3.6 BORROWING BY SCHOOLS

Governing bodies may borrow money externally only with the written permission of the Secretary of State. The LA must be consulted by a Governing Body wishing to seek such permission.

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 in order to meet broader policy objectives.

Schools may use any scheme that the Secretary of State has said is available to schools without specific approval. An example of a current scheme (September 2015) is the Salix scheme designed to support energy savings.

Trustees and Foundations

This requirement 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 delegated budgets, but the Governing Body is free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. A governing Body does not act as an agent of the LA, but in their own right, when repaying loans.

Voluntary Aided Schools

Voluntary aided schools may borrow from their Diocesan Authority for the purposes of meeting their capital spending obligations.

Leases

Governing bodies may acquire equipment through an operating lease. Operating leases involve the school paying a rental fee for the hire of an asset for a period of time, and are similar to a rental agreement. Other forms and types of leasing (such as finance leases or hire purchase) which constitute borrowing would require permission of the Secretary of State.

Schools considering entering into a lease arrangement must seek confirmation from the LA that the lease would not be deemed to be a financial lease. Schools are required to consult the LA before entering into any lease or similar arrangement, or series of leases with the same supplier and/or lessor, which involves the acquisition of equipment with a capital value exceeding £10,000 in any single financial year. Schools are expected to have regard to any advice given by the LA in respect of such leases.

Credit and Purchase Cards

Schools are not permitted to use credit cards, because they are a form of borrowing. However, schools are encouraged to consider the use of procurement/purchase cards in order to facilitate electronic purchases. Procedures for the issue and use of purchase cards are included in the Finance Regulations.

LA Loan Schemes

This provision does not apply to loan schemes that the LA may make available to schools from time to time such as:

* Licensed Deficits
* Cashflow Advances
* Energy efficiency projects

3.7 OTHER PROVISIONS

The Schools Banking Regulations (LMS Finance Regs) set out in further detail operational requirements that schools are expected to follow.

Schools must comply with the provisions of the Late Payment of Commercial Debt (Interest) Act 1998 when making payments from school bank accounts.

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

4.1 RIGHT TO CARRY FORWARD SURPLUS BALANCES

The Governing Body of the school will be allowed to carry forward from one financial year to the next any surplus balance relative to the school’s budget share for the year, plus/minus any balance brought forward from the previous year.

A school’s surplus balance on 01 April will be equal to that at the previous 31 March.

When a school opens a bank account the LA will immediately transfer into that account an amount agreed by both the LA and the school as the estimated budget share surplus (including any unspent balance brought forward from the previous year). The amount will be adjusted when the accounts for the relevant year are closed.

Devolved Formula Capital Grant allocations must be spent within the period directed by the DfE, after which any unspent balance will be returned to the LA to be spent according to centrally agreed priorities.

Where exceptionally a school wishes to accumulate Devolved Formula Capital Grant allocations for more than the maximum period to finance a specific project, it may do so provided agreement has been reached with the LA.

4.2 CONTROLS ON SURPLUS BALANCES

The Scheme does not contain a mechanism to clawback excess surplus balances. This follows the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy.

The LA is entitled to request information on how schools propose to use their surplus balances. Any school where the outturn surplus balance exceeds 8% (5% for secondary schools) of the budget share for the financial year may be required to submit a return to the LA to show how the school proposes to use the balance if the information is not already available to the LA.

4.3 INTEREST ON SURPLUS BALANCES

All schools have their own bank accounts therefore no interest will be paid by the LA on surplus balances.

Schools holding an account within the LA’s banker arrangements will earn interest in accordance with the terms and conditions of those accounts as set out in the Finance Regulations.

Where a school arranges its own bank account, interest will be paid according to the terms negotiated with that bank and paid directly into the account.

4.4 OBLIGATION TO CARRY FORWARD DEFICIT BALANCES

Schools carry forward from one financial year to the next any surplus or deficit balance relative to the school’s budget share for the year, plus/minus any balance brought forward from the previous year.

A school’s deficit balance at 01 April is equal to that at the preceding 31 March; the deficit balance carried forward will be a first charge against the following year’s budget share.

No deficit carry forwards will be written off.

Governing Bodies carrying forward unauthorised deficit balances may be required to account to the LA for the circumstances giving rise to the deficit in addition to reporting on actions taken to address the issues.

4.5 PLANNING FOR DEFICIT BALANCES

With the exception of the provision of Licensed Deficits, the Governing Body cannot plan for, or set, a budget which exceeds their total available resources.

4.6 CHARGING OF INTEREST ON DEFICIT BALANCES

All schools have their own bank accounts and are not permitted to go overdrawn.

Where a school is in deficit at the year-end, the following will apply:

A Cashflow Advance will be made available by the LA to keep the bank account in credit. The amount of the advance will be agreed with the Headteacher.

The Cashflow Advance will be repaid from the old year budget and advanced to the new year budget on the last day of the financial year.

Interest will be charged on the amount of any such advance at a daily rate equal to the in-house bank account credit balance rate plus 1%.

4.7 WRITING OFF DEFICITS

The LA has no power to write off the deficit balance of any school except where a school closes and the balance transfers to the LA where it becomes a charge against the LA’s budget.

4.8 BALANCES OF CLOSING AND REPLACEMENT SCHOOLS

When a school closes any balance, whether surplus or deficit shall revert to the LA. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school.

Where a school becomes an Academy the treatment of the accumulated balance of the predecessor school, whether a surplus or in deficit, will be governed by the requirements of the Academies Act 2010.

The LA may make additional allocations to new schools which have the effect of giving them the benefit of additional sums which are equal to or less than the balance of relevant closing schools. The LA may also recognise the deficit of preceding schools by reducing the amount of extra funding allocated to a new school, by an amount equal to the deficit from the previous schools. Any deficit may not be recovered by reducing the new school’s main budget share.

4.9 LICENSED DEFICITS

Governors have no legal right to set a deficit budget without the consent of the LA and should not presume that such consent will be granted. However, the LA will consider approving a licensed deficit for a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in-year. This will be funded from the collective balances held by the LA on behalf of schools. No more than 25% of the total collective balances will be used to back these arrangements

Licensed deficits will normally only be agreed where:

* circumstances affecting a school change in ways which could not reasonably have been foreseen and the school concerned needs a period in excess of one financial year in order to effect a reduction in its annual level of expenditure and/or an increase in its annual level of income sufficient to eliminate the budget deficit whilst maintaining adequate provision for teaching and learning.
* a licensed deficit would provide better value-for-money due to short-term circumstances; for example, to avoid redundancy followed by recruitment in the following year.
* To purchase large items of equipment or to carry out, or complete, major repairs or building projects. Schools would normally be expected to have accumulated savings to fund such expenditure. The expenditure must also feature in the School Development Plan.

The following conditions and requirements will need to be met:

* Governing bodies that incur a deficit, for whatever reason, will be required to report to the LA on the reasons for the deficit and the plans they have in place to remove the deficit
* Schools applying for a Licensed Deficit must prepare and submit a recovery plan in a format specified by the LA
* The maximum length of time over which schools may normally repay the deficit (to reach at least a zero balance) will be three years, not including the financial year in which the deficit first occurred
* A licensed deficit would not normally exceed 10% of a school’s budget share
* The school must not allow the bank account to go overdrawn
* The recovery period will not normally be extended beyond the agreed period and schools will, therefore, need to adjust their plans accordingly should the financial position of the school worsen during the recovery period.

The LA will issue a formal agreement setting out the conditions of the Licensed Deficit, including any additional monitoring requirements. The governing body must ensure that it complies with the conditions set out in the LD agreement. Failure to do so can lead to the issue of a Notice of Financial concern. In extreme cases non-compliance may result in withdrawal of financial delegation, in which case the Director of Children’s Services will make decisions to bring the school’s budget into balance.

Detailed guidance and application forms are included in the Finance Regulations.

The Director of Children’s Services and the Head of Strategic Finance will receive regular updates on Licensed Deficit applications and progress with planned recoveries.

4.10 LOAN SCHEMES

There is no current Mutual Loan scheme in place for maintained schools within Suffolk.

However, the LA may, from time to time, operate loan schemes linked to specific projects, such as energy efficiency. The terms and conditions for such loans will be made clear to schools before commitments are made.

Any existing loans (including Mutual Loans taken out prior to June 2012) will continue to be repaid under the original terms whilst the school continues to be maintained by the LA.

Outstanding balances of loans will need to be fully repaid prior to a school becoming a non-sponsored academy. Where a school becomes a sponsored academy, the academy will be required to repay the loan under the original terms, unless the loan can be fully repaid without incurring a deficit, in which case the loan must be fully repaid prior to conversion.

4.10.1 CREDIT UNION APPROACH

This provision does not apply in Suffolk.

# SECTION 5: INCOME

The basic principle is that schools should be able to retain income except in certain specified circumstances.

5.1 INCOME FROM LETTINGS

Schools may retain income from lettings of the school premises, which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or Public Finance Initiative (PFI) / Public - Private Partnership (PPP) agreements, or other long-term leasing/licensing by the LA of an identified part of the school premises, for example a Children’s Centre.

The Governing Body, or a designated committee, should agree a lettings policy and a scale of charges annually.

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

The Governing Body controls the use of school premises for lettings purposes and it is responsible for all VAT implications.

Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided the Governing Body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

However, schools whose premises are owned by the LA are required to have regard to directions issued by the LA as to the use of school premises.

Schools operating separate sports centres should ensure that the sports centre running costs are not subsidised from the school budget and any shared costs are properly recharged.

5.2 INCOME FROM FEES AND CHARGES

Schools may retain income from fees and charges except where a service is provided by the LA from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the LA and should comply with the requirements of Sections 449-462 of the Education Act 1996.

Governing bodies must set out their policies on charging and remission for school activities and school visits; including the support available for parents on low incomes and in receipt of specified benefits.

5.3 INCOME FROM FUND RAISING ACTIVITIES

Schools may retain income generated fund-raising activities.

5.4 INCOME FROM THE SALE OF ASSETS

Schools may retain the proceeds of sale of assets except where the asset was purchased with non-delegated LA funds, in which case it should be for the LA to decide whether the school should retain the proceeds.

In disposing of assets schools are required to comply with the requirements set out in the Finance Regulations.

Schools are not allowed to retain income from the sale of land or buildings that form part of the school premises and are owned by Suffolk County Council.

5.5 ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME

All income due to and received by the school must be accounted for correctly and banked promptly in its entirety in accordance with procedures set out in the Finance Regulations unless governors have agreed alternative arrangements and identified the risks represented by the alternative arrangements.

Official incomes should not normally be paid into a voluntary or private fund held by the school.

VAT must be accounted for appropriately on all incomes due to the school, or collected and banked by the school.

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 LA without the consent of the governing body onlyin circumstances expressly permitted by the Scheme, as detailed below.

Such cases will arise only where the LA has incurred the expenditure to be charged to the school. Where the LA cannot incur a liability because the statutory responsibility rests elsewhere (e.g. in some cases the governing body of a Voluntary Aided or Foundation school) no charging is possible.

The LA will consult schools as to the intention to charge, and notify schools when the charge has been made.

The provisions of the Scheme allow the LA to charge a school directly in order to protect the LA’s financial position from liabilities caused by the action or inaction of a Governing Body.

Should a school wish to challenge such a charge they must set out their objections in writing to the Director of Children’s Services who will make the final determination.

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

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

6.1.1 CHARGING OF SALARIES AT ACTUAL COST

The LA is required to charge school budget shares with the actual salary and associated costs of school-based staff, where the LA is the payroll service provider.

The LA may recover charges made by Payroll for special payments and overpayments not claimed back from individuals.

6.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE

**6.2.1** Employment

*To include staff employed by governing bodies for community purposes (for example: before-and-after school care clubs; crèches; playgroups; nurseries or collaborative activities through external grant or from fees and charges to users)*

Costs incurred by the LA as a result of the governing body failing to comply with employment legislation.

Premature retirement pension top-up costs will be charged to the school

Redundancy costs incurred by the LA where the school has either not sought the advice of the LA before instigating any course of action, or where advice has been sought but not subsequently followed.

Recovery of outstanding balances on loans to school staff, where the loan was approved by the Headteacher and/or governing body, the loan was to be recovered by deduction from payroll, the member of staff is no longer employed by the school or LA, and where it has been impossible to make acceptable alternative arrangements to recover the outstanding debt from the borrower.

**6.2.2** Resignations

Other expenditure incurred to secure resignations where the school had not sought or followed advice of the LA before instigating any course of action resulting in such expenditure.

**6.2.3** Awards by courts and industrial tribunals

Awards by courts and industrial tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the LA’s advice. In framing any such advice the Authority will take proper account of the role of aided school governing bodies under Section 60(5) of the Act.

**6.2.4** Premises

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

Costs incurred by the LA relating to the provision of hired facilities, for example for PE provision, where the lease is held and administered by the LA but the provision is for the benefit of the pupils within the school.

Recovery of additional expenditure incurred by the LA with regard to staff housing arising from action or inaction by the governing body in filling staff vacancies.

**6.2.5** Capital and defects in building work

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

Where consequential costs arise from capital expenditure undertaken at the school by the governing body, the LA may charge these costs to the budget share where such consequential costs have not been agreed in advance by the LA.

**6.2.6** Insurance

Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA. In each particular case the LA will first have considered that it has an insurable interest.

**6.2.7** Service Level Agreements

A school’s budget share will be charged as a result of monies due for services provided to the school, where a disputes procedure, as set out in a Service Level Agreement, finds in favour of the LA.

Charges for services provided by the LA under buy-back and/or recharge arrangements.

**6.2.8** Penalties from Statutory Agencies

Recovery of penalties imposed on the LA 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 errors, omissions or negligence.

**6.2.9** Correction of LA Errors

Correction of LA errors in calculating charges to a budget share. For example, pension deductions.

**6.2.10** Transport Costs

Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day and/or the number of terms in the academic year, or failure to notify the authority of non-pupil days resulting in unnecessary transport costs.

**6.2.11** Legal Costs

Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also Section 11).

**6.2.12** Health and Safety

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

**6.2.13** Contract for Borrowing

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

**6.2.14** Records for Teacher Pension and Non-Authority Payroll Contractors

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 LA’s compliance with its statutory obligations.

**6.2.15** Pupil Provision

Costs incurred by the LA in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.

Budget share adjustments relating to planned moves or pupil exclusions or sick pupils.

Where expenditure has been incurred by the LA to ensure that the infant class size legislation is met in circumstances where funding has been delegated but the school has failed to take action to demonstrate that it has complied with the legislation.

**6.2.16** Additional work/costs

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

Costs incurred by the LA because the governing body did not abide by the Scheme or the Finance Regulations resulting in additional work for the LA or Internal Audit beyond the regular programme of work.

**6.2.17** Recovery of Grants

Recovery of amounts spent from specific grants on ineligible purposes and recovery of unspent earmarked funds.

**6.2.18** Breach of Contract

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

Costs awarded against the LA caused by the governing body operating a local bank account being adjudged in default of the Late Payment of Commercial Debt (Interest) Act.

**6.2.19** Withdrawal from Cluster or Partnership Arrangements

Costs incurred by the LA or another school as a result of a school withdrawing from a cluster/partnership arrangement, for example where this has funded staff providing services across the cluster.

**6.2.20** Licensed Deficits and Cashflow Advances

Recovery of loans, licensed deficits or temporary cashflow advances, including costs incurred by the LA in relation to these provisions.

# SECTION 7: TAXATION

7.1 VALUE ADDED TAX

Schools are responsible for correctly accounting for VAT on all expenditure and income.

The LA has established procedures, which will be issued separately, to enable schools to utilise the LA’s ability to reclaim VAT on expenditure relating to non-business activity.

Net amounts incurred from the school’s bank account activities and reclaimed through these procedures will be passed back to the school in the month following receipt of the school’s VAT claim, assuming that an accurate claim is received in the manner required before the notified deadline.

VAT must be charged on all eligible classes of income and accounted for separately. The LA may charge a school’s budget for any VAT that it fails to collect, or any VAT on school initiated expenditure for which the LA is subsequently held responsible.

These provisions do not apply to expenditure incurred by the governors of a voluntary aided school when carrying out their responsibilities for capital maintenance of their buildings.

7.2 CONSTRUCTION INDUSTRY TAXATION SCHEME

Schools are required to abide by procedures, which will be issued separately by the LA, in connection with CITS. This requirement also applies to schools when exercising the community facilities power.

The LA may charge a school’s budget for any amounts of tax for which it is held liable resulting from a school’s failure to follow these procedures.

7.3 PAYMENT FOR WORK DONE

All payments for work done by employees must be made through the payroll to ensure PAYE is applied correctly.

Schools cannot make payments to individuals (non-employees) without considering their employment and income tax status . An Employment Status Indicator Check (ESI) on the job being undertaken by these individuals is required and should be completed using the on-line HMRC tool for all individuals.

The school has a statutory duty to ensure PAYE is operated where applicable and schools should obtain professional advice before authorising work to be done where appropriate.

Non-compliance will result in the school being liable to pay both the individuals and the employers tax and National Insurance and also any penalties 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 LA to determine on what basis centrally funded services will be provided to schools. In this context activities may include payments that may not ordinarily be considered as services, such as premature retirement compensation and redundancy payments.

The Council will be unable to discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

8.2 PROVISION OF SERVICES BOUGHT BACK FROM THE AUTHORITY USING DELEGATED BUDGETS

The terms of any arrangements for schools to buy services or facilities offered by the LA will be limited to a maximum of three years and will be no longer than five years from any subsequent agreement relating to the same service.

Contracts for the supply of catering services will be limited to a maximum of five years when offered for the first time and will be no longer than seven years under any subsequent agreement.

Where a service is provided for which expenditure is not retainable centrally by the LA under the Regulations made under section 45A of the Act, it will 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 at different rates.

8.2.1 PACKAGING

Services will be offered to schools on a service-by-service basis.

The LA may offer packages of services which offer a discount for schools taking up a wider range of services. Packages of services will not be offered in such a way as to unreasonably restrict a school’s freedom of choice among the services available.

8.3 SERVICE LEVEL AGREEMENTS

Service agreements, prices of services and billing arrangements will be available to schools by 28 February for the following financial year. Schools are required to indicate whether they wish to purchase services as soon as possible and by no later than 31 March each year. Schools are required to give the appropriate period of notice, as set out in the service agreement, if they wish to cancel a committed service. The notice period may be reduced where a committed school has had insufficient notice of a material change to a service agreement.

**8.3.1** If services or facilities are provided under a service agreement, then the terms of the agreement will be reviewed at least every three years if the agreement lasts longer than that.

**8.3.2** Centrally arranged premises and liability insurance is excluded from the service supply restrictions set out in this section as these may be impractical for insurance purposes.

**8.3.3** Services provided on an ad-hoc basis may be charged for at a different rate to those provided on an extended agreement basis.

8.4 TEACHERS PENSIONS

In order to ensure that the performance of the duty on the LA to supply Teachers Pensions with information under the Teachers’ Pensions Regulations 1997, the following conditions are imposed on the LA 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 LA to provide payroll services.

Schools using non-LA third-party payroll providers

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 LA 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 LA which the LA requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The LA will advise schools each year of the timing, format and specification of the information required.

A governing body shall ensure that all teachers pension contributions are paid over monthly to the LA in accordance with the timescale set by the LA to enable payment to be made to Teachers Pensions within the statutory timescales.

nd National Insurance and also any loyers tax result of the late or incomplete provision of information will be chargeable to tA 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.

Schools directly administering payroll

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the LA which the LA 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 ensure that all teachers pension contributions are paid over monthly to the LA in accordance with the timescale set by the LA to enable payment to be made to Teachers Pensions within the statutory timescales.

A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school’s budget share.

8.5 LOCAL GOVERNMENT PENSION SCHEME (LGPS)

Schools using non-LA third-party payroll providers

A governing body of any maintained school, whether or not the employer of the support staff at such a school, which has entered into any arrangement or agreement with a person other than the LA 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 LA. The LA will advise schools each year of the timing, format and specification of the information required.

A governing body shall ensure that all LGPS contributions are paid over monthly to the LA in accordance with the timescale set by the LA to enable payment to be made to LGPS within the statutory timescales.

nd National Insurance and also any loyers tax result of the late or incomplete provision of information will be chargeable to tA 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.

Schools directly administering payroll

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the LA. The authority will advise schools each year of the timing, format and specification of the information required from each school.

A governing body shall ensure that all LGPS pension contributions are paid over monthly to the LA in accordance with the timescale set by the LA to enable payment to be made to LGPS within the statutory timescales.

A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the LA 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: PFI CLAUSES

9. 1 PFI CLAUSES

Schools may only enter into a Private Finance Initiatives (PFI) or Public-Private Partnership (PPP) with the prior written approval of the LA.

Where an agreement is to be entered into as a PFI/PPP, the agreement must be in accordance with relevant regulations and guidance issued by the LA.

The LA may charge the school’s budget share with amounts agreed under a PFI/PPP agreement entered into by the governing body.

# SECTION 10: INSURANCE

10.1 INSURANCE COVER

Headteachers and governing bodies must ensure that all reasonable action is taken to minimise risk. The Governing Body must consult the LA in respect of the terms of any indemnity which they are required to give in carrying out their normal duties. The LA must be notified of any accident, fire or other event which may involve the school or the LA in liability or a claim for loss.

Cover relevant to the LA’s insurable interests

If the governing body opts not to buy into the LA’s traded service for insurance, the governing body must demonstrate that cover relevant to the LA’s insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the LA, either paid for from central funds or from contributions from schools' delegated budgets. When assessing relevant minimum cover the LA will take account of the actual risks that might reasonably be expected to arise at the school.

Where the LA still has an insurable interest, their interest must be noted on the policy and a copy of the proposed policy must be forwarded to the LA at least two months before the commencement of the insurance. Confirmation of renewal must be supplied to the LA on an annual basis within 14 days of the renewal date. The LA has the right to charge a reasonable administration fee for satisfying itself of the adequacy of a school’s own arrangements in such circumstances.

Voluntary Aided Schools

In the case of voluntary aided schools, the LA will not insure those limited premises risks that are the responsibility of the governing body and not those of the LA. It is expected that voluntary aided schools will secure appropriate cover for these through their Diocesan/Church Authority.

Where voluntary aided schools have their insurance cover arranged by the LA either under the de-delegation or delegation with buy-back option, the LA’s property insurance will be arranged in the joint names of the LA and governing bodies.

When required, the governing bodies of voluntary aided schools are insured against liabilities arising from educational activities under the terms of the LA’s insurance, covering Employers’ Liability and Public & Products Liability risks. An Employers’ Liability Certificate of Insurance will be issued by the LA’s insurers to each voluntary aided school, and passed on to the relevant school. Liabilities arising from exclusively non-secular activities should be insured by the governing body, usually through their Diocesan/Church Authority.

# SECTION 11: MISCELLANEOUS

11.1 RIGHT OF ACCESS TO INFORMATION

In addition to the specific requirements listed above, governing bodies have a duty to provide the LA, on request, with all financial and other information which might reasonably be required to enable the LA to satisfy itself as to the school’s management of its delegated budget share, of any devolved funding (for example, additional grant allocations), and the use made of any central expenditure by the LA (for example, earmarked funds) on the school.

The school is responsible for the retention of records as set out in the Financial Regulations. If the Governing Body fails to supply the required information then the LA may charge the school with the cost of obtaining the information.

11.2 LIABILITY OF GOVERNORS

The Governing Body of each school is a corporate body and therefore, under 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.

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

11.3 GOVERNORS’ EXPENSES

Under Section 50(5) pf the Act, only allowances in respect of purposes specified in regulations made under Section 19 of the Education Act 2002 may be paid to governors from a school’s budget share. Governing bodies are advised to agree a policy for reimbursement of allowances before any expenses can be paid.

The payment of any other allowances is not permitted under this Scheme.

Schools are barred from payment of expenses which duplicate those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

Where a school is yet to receive a budget, the LA may delegate funds to meet governors’ expenses. The LA will determine the amount of any allowances to be paid.

11.4 RESPONSIBILITY FOR LEGAL COSTS

The cost of legal action, including costs awarded against the LA, may be charged to the school's budget share unless the governing body acts in accordance with LA advice.

The legal costs relating to the statutory responsibility of voluntary aided school governing bodies for buildings remains the governors’ responsibility.

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

A school cannot expect to be reimbursed with the cost of legal action against the LA itself (although the LA may make a reimbursement if it believes this to be desirable or necessary in the circumstances)

Legal Advice

There may be occasions, due to conflict of interests between the LA and the Governing Body, where the Legal Department of the County Council will not be able to represent the Governing Body. In such circumstances, the Governing Body may need to seek appropriate independent legal advice and meet the cost of this from the school budget, unless otherwise agreed by the LA.

11.5 HEALTH AND SAFETY

The Health and Safety at Work etc Act 1974 places specific responsibilities on employers to ensure the health, safety and welfare of their employees and of other persons using their premises. In the case of educational establishments these other persons include pupils, students, contractors, parents and other site users and visitors

The LA (and the governors in Aided schools) retains primary responsibility as the employer for health and safety. In light of these responsibilities the LA will issue health and safety directives for community, community special, foundation and voluntary controlled schools and advice and guidance for all schools.

Governing bodies are required to have regard to the duties placed on the LA in relation to health and safety matters and the employer’s duty to ensure that safe systems of work are adopted when planning and spending their school’s budget share.

Where a governing body does not, in the LA’s opinion, make sufficient provision, or where the relevant health and safety enforcement agency issues a notice or instruction which must be complied with, the LA reserves the right to make expenditure on behalf of a governing body and charge that expenditure to the school's delegated budget.

11.6 RIGHT OF ATTENDANCE FOR CHIEF FINANCE OFFICER

The Head of Strategic Finance, or his/her representative, has the right to attend any meeting of the Governing Body where any agenda item is relevant to the exercise of his/her responsibilities.

Attendance will not be regarded as routine and will normally be limited to items which relate to issues of probity or overall financial management. The governors will, wherever possible, be given prior notice of the attendance.

11.7 SPECIAL EDUCATIONAL NEEDS

Governing bodies must use their best endeavours in spending their budget shares in order to secure adequate and appropriate provision for pupils with special educational needs, whether or not a Statement of Special Educational Needs has been made. This is a statutory requirement and may lead to suspension of delegation where a governing body fails to meet these duties (this would not normally relate to an individual pupil).

Governing bodies must be prepared to provide evidence to parents/carers and the LA on how their pupils’ special educational needs are met within delegated resources.

11.8 INTEREST ON LATE PAYMENTS

Schools are reminded that all invoices should be paid within the terms and conditions of suppliers. Claims for interest arising from late payment by the school will be charged against the school’s budget.

11.9 WHISTLEBLOWING

The Authority’s Model Whistleblowing Policy sets out the procedure to be followed by school based workers and school governors who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with.

Schools should ensure that all staff and governors are aware of, and can access, the school’s Whistleblowing Policy. It is recommended that this policy is based on the LA’s model.

The Public Interest Disclosure Act 1998 provides specific protection to workers who report matters of concern.

11.10 CHILD PROTECTION

Schools are required to release staff to attend child protection case conferences and other related events. Costs associated with attendance and release will be financed from the school’s delegated budget.

11.11 REDUNDANCY/EARLY RETIREMENT COSTS

Governing bodies of Community and Foundation schools are delegated to carry out many of the significant functions of the LA in respect of employment matters, particularly in connection with the appointment and dismissal of staff. These functions give rise to significant statutory and common law obligations. Any costs arising out of the proper exercise of these functions (i.e. costs incurred in respect of dismissal, resignation or unlawful discrimination) will not be charged to the school’s delegated budget where a school has followed the LAs policies and its guidelines on good management practice, and has sought and followed the advice of the Director of Children’s Services.

The LA offers the same indemnity to Voluntary Aided schools against costs incurred in respect of dismissal, resignation or unlawful discrimination provided that the school has entered into a written agreement with the LA to seek the advice of the Director of Children’s Services.

Further details are published separately from this Scheme.

**ANNEX B** contains an extract from the DfE’s statutory guidance, the full version of which is available on their website (see link in Annex)

Mutual Support and Intervention Fund

De-delegation of the Mutual Support and Intervention Fund, if Schools Forum agree, may provide contingency to support individual schools where a Governing Body has incurred expenditure, for example compromise agreement, in circumstances where it would be unreasonable to expect costs to be fully met from the school’s budget share.

# SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

**12.1.1** Revenue and Capital Expenditure

Revenue funding for repairs and maintenance is delegated to schools, and costs are to be met from schools delegated budgets.

The LA’s capital funds are limited and the use of the funds will be prioritised; therefore governing bodies should not assume that the LA will cover all capital costs. The costs for capital expenditure may be met from the school’s Devolved Formula Capital Grant.

**12.1.2** Landlord’s Responsibilities

Revenue costs are subject to an annual delegation / de-delegation vote at Schools Forum.

Landlord Services include:

* Asbestos management
* Maintain an asbestos register
* Provide management support in case of an incident involving asbestos
* Statutory Maintenance review
* Condition Survey and review
* Building Fabric and Mechanical and Electrical installations
* Energy Display Certificate
* Corporate Property Advisor (CPA) role and access to 24/7 professional and technical property management advice and support
* Premises Management Training
* Online access to asset management data

The LA will, from time-to-time, re-define the tasks that schools will need to carry out if funds are delegated.

Where funds are de-delegated the Corporate Property Service will deliver the Landlord Service.

Where funds are not de-delegated the school will be responsible for the Landlord Service. The LA will retain responsibility for checks and intervention for non-compliance.

**12.1.3** Maintenance Package

Schools are able to purchase from Corporate Property a maintenance package, which will ensure that governing bodies fulfil their responsibilities for the proper maintenance of the premises and equipment of the school. Where schools choose not to purchase the package governors must ensure adequate alternative arrangements are made to fulfil these responsibilities.

**12.1.4** Schoolhouses

Responsibility for repair and maintenance of schoolhouses is defined in the same way as for school buildings and falls to the Governing Body.

**12.1.5** Health and Safety

Governing bodies are encouraged to seek professional advice from the LA before entering into any new contracts for structural maintenance and other building works.

Governors are reminded that where they directly employ a contractor using delegated funding, they must ensure that the contractor is competent, adequately insured and that the contractor has an appropriate health and safety policy and arrangements. The contractor should demonstrate to the school’s satisfaction that they have considered all the health and safety implications of working on the school site.

Schools are required to provide the LA with information relating to the school premises, when requested, in order to enable the LA to discharge its statutory duties relating to Health and Safety etc.

12.2 DE MINIMIS

The LA does not currently operate a *de minimis* limit.

12.3 VOLUNTARY AIDED SCHOOLS

For Voluntary Aided schools, the liability of the LA for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained school.

Eligibility for capital grant from the Secretary of State for capital works at Voluntary Aided schools depends on the *de minimis* limit applied by the DfE to categorise such work.

# SECTION 13: COMMUNITY FACILITIES

13.1 INTRODUCTION

Community facilities are defined in the Education Act 2002 as *‘any facilities or services whose provision furthers any charitable purpose for the benefit of: (a) pupils at the school or their families, or (b) people who live or work in the locality in which the school is situated’.*

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 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.

13.2 MAIN LIMITATIONS AND RESTRICTIONS

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

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools. Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

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

13.3 CONSULTATION WITH THE AUTHORITY

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

13.4 GOVERNING BODIES

The Governing Body must formally consult with the LA by submitting a written plan of the proposed facility to the Director of Children’s Services.

Governors are encouraged to seek the LA’s advice and submit their proposals as soon as possible, but no later than two months before the intended start date, to allow for dialogue with the LA.

13.5 LOCAL AUTHORITY

The LA will respond to the school’s proposals as soon as practically possible. Where the LA offers advice to a Governing Body, the governors must inform the LA of the action it has taken in response to that advice before embarking upon the project.

The LA will not levy a charge for advice given with respect to the setting up of a community facility.

13.6 FUNDING AGREEMENTS

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 AUTHORITY REQUIREMENT IN RELATION TO FUNDING AGREEMENTS

Where the provision of community facilities in a school is dependent on the conclusion of a funding agreement with a third party, the school shall not enter into such an agreement until it has submitted the proposed agreement to the LA and taken proper account of its advice and comments.

Proposed agreements should be submitted to the LA as soon as possible prior to the proposed date of signing.

Note: if the third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which LA consent is to be signified is a matter for that third party, not for the scheme.

However, if the LA considers that agreement is against the wishes of the LA, has been concluded without complete knowledge of the LA, or is seriously prejudicial to the interests of the school or the LA, that may constitute grounds for suspension of the right to a delegated budget.

13.8 OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS

If the LA considers the risks associated with the project in question require the protection of the LA’s financial interests, the Governing Body must follow the advice of the LA to obtain indemnity insurance, or carry out the activity through the vehicle of a limited company, as specified by the LA.

If Governing Bodies choose, or are advised, to carry out the activity through the vehicle of a limited company, they must follow any advice published separately by the LA in setting up companies.

13.9 OTHER SCHEME PROVISIONS

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 LA reserves the right to propose a minimal number of other scheme provisions of that nature which they believe necessary. Such restrictions will only be in existence if they are necessary to safeguard the financial position of the LA or school, or to protect pupil welfare or education.

13.10 SUPPLY OF FINANCIAL INFORMATION

The LA may require schools which exercise the community facilities power to provide the LA every six months with a summary statement, in a form determined by the LA, 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.

13.11 CAUSE FOR CONCERN

If the LA, on giving notice to the school, 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, then the school will be required to supply a financial statement every three months.

If the LA sees fit, the school may also be required to submit a recovery plan for the activity in question.

13.12 AUDIT

Schools are required to grant access to the school’s records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure. This will include the audit requirements of any external funding body.

13.13 LA ACCESS

In concluding funding agreements with third parties, schools must ensure that such agreements contain adequate provision for access by the LA to the records and other property of those parties which are held on the school premises, or held elsewhere in so far as they relate to the activity in question.

Access is required in order for the LA to satisfy itself as to the propriety of expenditure on the community facilities in question.

13.14 TREATMENT OF INCOME AND SURPLUSES

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

13.15 SURPLUS AND DEFICITS

Where a surplus has been accumulated then schools are permitted to carry this over from one financial year to the next as a separate community facilities surplus.

Alternatively, subject to the agreement of the LA at the end of each financial year, a Governing Body may transfer all or part of it to the budget share balance.

If the Authority ceases to maintain the school, any accumulated retained income obtained from exercise for the community facilities power reverts to the LA unless otherwise agreed with a funding provider.

Where there is a deficit on community facilities the liabilities can be met from the accumulated funds of the community facility or from the LA’s own resources. The LA may seek to recover the deficit from the Governing Body.

13.16 HEALTH AND SAFETY

All the health and safety provisions of the main part of the Scheme extend to the community facilities power.

13.17 DISCLOSURE AND BARRING SERVICE

The Governing Body is responsible for the cost of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. These costs may be passed on to a funding partner as part of an agreement with that partner.

13.18 INSURANCE

The Governing Body is responsible for ensuring adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power and taking professional advice as necessary.

13.19 LA ASSESSMENT OF INSURANCE ARRANGEMENTS

The LA must protect itself against possible third party claims. Therefore the school must seek the LA’s advice before finalising any insurance arrangement for community facilities.

If the LA judges those arrangements to be inadequate then the cost of any additional arrangements that the LA may make will be charged to the school.

13.20 TAXATION

Schools must seek the advice of the LA 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 LA VAT reclaim facility.

13.21 PAYMENTS TO INDIVIDUALS

Schools are reminded that if any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in a school’s own bank account (whether a separate account is used for community facilities or not) the school is likely to be held liable for payment of income tax and National Insurance, plus any penalties incurred, in line with HM Revenue and Customs rules.

13.22 CIS

Schools are required to follow LA advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.23 BANKING

Whether a school utilises the LA’s banking arrangements or operates its own external local bank account, the Governing Body is required to ensure adequate internal accounting controls to maintain separation of funds.

13.24 BANKING ARRANGMENTS

The LA’s general conditions relating to the operation of external bank accounts will apply, as set out elsewhere in this Scheme, and in LA guidance issued separately.

For external local bank accounts, the provision requiring that a mandate show the LA as owner of the funds in the account should exempt the community facilities funds from that where they are held in the same account as the budget share.

13.25 BORROWING

Schools are not permitted to borrow money for community facilities without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by LA.

# SECTION 14: REVISIONS AND AMENDMENTS TO SCHEME

Summary of changes:

|  |  |  |
| --- | --- | --- |
| **Date of Forum Meeting** | **Section of Scheme** | **Details of Change** |
| 13/01/2015 | [2.13](#B213) | Underlined text added:  *Spending on pupils who are on the roll of other maintained schools or academies* |
| Annex A | Updated list of maintained schools and PRUs as at 01/11/2014 |
| 22/10/2015 | [2.9](#B29) | Underlined text added:  *The governing body of each school is required to establish a register which lists for each member of the governing body, the Headteacher and school staff:*   * *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 register must be kept up to date with notification of changes, through annual review of entries and reviewed annually by the Governing Body.* * *The register must be available for inspection by governors, staff, parents and the LA.* * *The register must be published, for example on a publicly accessible school website.*   *N.B. business interests/nil returns of school staff may be omitted from the published copy unless they are also governors or the Headteacher, in which case they must be included in the published copy.*  *\*immediate family to include other relatives and individuals who may exert influence* |
| [3.6](#B36) | Underlined text added:  *Governing bodies may borrow money externally only with the written permission of the Secretary of State. The LA must be consulted by a Governing Body wishing to seek such permission.*  *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 in order to meet broader policy objectives.*  *Schools may use any scheme that the Secretary of State has said is available to schools without specific approval. An example of a current scheme (September 2015) is the Salix scheme designed to support energy savings.* |
| [Annex A](#AnnexA) | Updated list of maintained schools and PRUs as at 01/09/2015 |

**ANNEX A:**

**LIST OF MAINTAINED SCHOOLS AND PRUs as at 01/09/2015**

**PRIMARY**

Aldeburgh Primary School 001 2058

Barnby & North Cover Community Primary 005 2061

The Albert Pye Community Primary School 006 2063

Ravensmere Infant School 007 2064

St Benet's Catholic Primary School 009 3333

Bedfield C of E VCP School 010 3075

Benhall St Mary's C of E VCP School 011 3076

Blundeston C of E VCP School 012 3114

Bramfield C of E VCP School 013 3077

Brampton C of E VCP School 014 3079

Bungay Primary School 015 2067

St Edmund's Catholic Primary School, Bungay 016 3334

St Botolph's CEVCP School 017 3125

Carlton Colville Primary School 019 2068

Charsfield CEVCP School 020 3081

Corton CEVAP School 022 3083

Coldfair Green CP School 023 2136

Sir Robert Hitcham's CEVAP School, Debenham 025 3329

Dennington CEVCP School 026 3084

Earl Soham Community Primary School 029 2072

St Peter and St Paul CEVAP School 031 3323

Sir Robert Hitcham's CEVAP School, Framlingham 035 3330

Fressingfield CEVCP School 036 3089

Gislingham CEVCP School 038 3116

Edgar Sewter Community Primary School 041 2080

Helmingham Community Primary School 042 2081

Holton St Peter Community Primary School 044 2086

St Edmund's Primary School, Hoxne 045 2087

Ilketshall St Lawrence School 048 2088

Kelsale CEVCP School 050 3093

All Saints CEVAP School, Laxfield 056 3331

Dell Primary School 059 2146

Elm Tree Community Primary School 060 2153

Gunton Community Primary School 062 2920

Poplars Community Primary School 065 2147

Roman Hill Primary School 068 2141

St Mary's RC Primary School, Lowestoft 072 3335

**PRIMARY**

Woods Loke Community Primary School 074 2152

Oulton Broad Primary School 075 2919

Mellis CEVCP School 080 3096

Mendham Primary School 081 2096

Middleton Community Primary School 082 2098

Occold Primary School 084 2100

Palgrave CEVCP School 086 3099

Peasenhall Primary School 088 2102

Ringsfield CEVCP School 093 3101

Saxmundham Primary School 096 2106

Snape Community Primary School 097 2108

Somerleyton Primary School 098 2109

Southwold Primary School 099 2111

Stonham Aspal CEVAP School 101 3327

Stradbroke CEVCP School 102 3102

Thorndon CEVCP School 106 3105

Wenhaston Primary School 109 2122

Wetheringsett CEVCP School 110 3108

Wilby CEVCP School 112 3109

Worlingham CEVCP School 113 3111

Worlingworth CEVCP School 114 3113

Wortham Primary School 115 2126

Yoxford Primary School 119 2128

Bawdsey CEVCP School 202 3074

Bentley CEVCP School 203 3117

Bildeston Primary School 205 2002

Bramford CEVCP School 206 3078

Brooklands Primary School 208 2133

Bucklesham Primary School 211 2066

Capel St Mary CEVCP School 216 3112

Chelmondiston CEVCP School 217 3121

Claydon Primary School 219 2069

Copdock Primary School 220 2071

East Bergholt CEVCP School 223 3085

Elmsett CEVCP School 224 3020

Eyke CEVCP School 225 3086

Causton Junior School 228 2074

**PRIMARY**

Colneis Junior School 229 2131

Fairfield Infant School 230 2076

Grange Community Primary School 231 2137

Kingsfleet Primary School 232 2134

Maidstone Infant School 234 2075

Grundisburgh Primary School 237 2079

Beaumont Community Primary School 238 2931

Hadleigh Community Primary School 239 2042

St Mary's CEVAP School, Hadleigh 240 3302

Henley Primary School 242 2083

Hintlesham and Chattisham CEVCP School 243 3092

Holbrook Primary School 245 2084

Hollesley Primary School 246 2085

Broke Hall Community Primary School 249 2194

Britannia Primary School and Nursery 250 2165

Clifford Road Primary School 258 2166

Dale Hall Community Primary School 259 2184

The Willows Primary School 260 2185

Halifax Primary School 263 2186

Handford Hall Primary School 264 2154

Morland Church of England VA Primary School 269 2037

Murrayfield Community Primary School 270 2161

Ravenswood Primary School 273 2162

Pipers Vale Community Primary School 274 2930

Ranelagh Primary School 275 2157

Rose Hill Primary School 279 2167

Rushmere Hall Primary School 281 2922

St John's CEVAP School 284 3337

St Margaret's CEVAP School, Ipswich 285 3338

St Mark's Catholic Primary School 287 3342

St Matthew's CEVAP School 288 3339

St Mary's Catholic Primary School, Ipswich 289 3340

St Pancras Catholic Primary School 291 3341

Springfield Infant and Nursery School 293 2172

Springfield Junior School 294 2171

Whitehouse Community Primary School 300 2176

Cedarwood Community Primary School 307 2929

Kersey CEVCP School 308 3042

Heath Primary School 309 2089

**PRIMARY**

Bealings School 310 2092

Birchwood Primary School 311 2924

Beacon Hill Primary School 312 2094

Gorseland Primary School 313 2132

Melton Primary School 314 2095

Nacton CEVCP School 316 3097

Orford CEVAP School 317 3332

Otley Primary School 318 2101

Rendlesham Community Primary School 320 3346

Shotley Community Primary School 322 2107

Somersham Primary School 324 2110

Sproughton CEVCP School 325 3115

Stratford St Mary Primary School 327 2918

Stutton CEVCP School 328 3103

Tattingstone CEVCP School 331 3104

Trimley St Martin Primary School 332 2118

Trimley St Mary Primary School 333 2117

Waldringfield Primary School 337 2121

Whatfield CEVCP School 338 3066

Witnesham Primary School 339 2124

Sandlings Primary School 341 2928

Woodbridge Primary School 342 2125

Kyson Primary School 343 2135

St Mary's CEVAP School, Woodbridge 344 3328

Acton CEVCP School 400 3000

Bacton Community Primary School 402 2060

Bardwell CEVCP School 404 3002

Barnham CEVCP School 405 3003

Barningham CEVCP School 406 3004

Barrow CEVCP School 407 3005

Boxford CEVCP School 409 3006

Bures CEVCP School 412 3009

The Glade Community Primary School 413 2049

Guildhall Feoffment Community Primary School 415 2032

Hardwick Primary School 416 2045

Howard Community Primary School 417 2038

Sebert Wood Community Primary School 418 2925

St Edmund's Catholic Primary School, Bury St Edmunds 420 3311

St Edmundsbury CEVAP School 421 3308

**PRIMARY**

Sextons Manor Community Primary School 422 2035

Westgate Community Primary School 424 2034

Abbots Green Community Primary School 425 3343

Cavendish CEVCP School 426 3010

Clare Community Primary School 429 2005

Cockfield CEVCP School 430 3013

Combs Ford Primary School 431 2070

Creeting St Mary CEVAP School 432 3322

Elmswell Community Primary School 436 2007

Great Barton CEVCP School 441 3025

Wells Hall Community Primary School 442 2041

Pot Kiln Primary School 443 2009

Great Finborough CEVCP School 444 3090

Great Waldingfield CEVCP School 445 3027

Great Whelnetham CEVCP School 446 3028

Hartest CEVCP School 448 3029

Crawfords CEVCP School 449 3091

New Cangle Community Primary School 451 2011

Clements Community Primary School 452 2039

St Felix Roman Catholic Primary School 455 3320

Honington CEVCP School 457 3036

Hopton CEVCP School 458 3037

Hundon Community Primary School 460 2012

Ickworth Park Primary School 461 2921

Ixworth CEVCP School 464 3040

Lakenheath Community Primary School 466 2013

Lavenham Community Primary School 467 2015

All Saints CEVCP School, Lawshall 468 3043

Long Melford CEVCP School 469 3045

Mendlesham Community Primary School 471 2097

Beck Row Primary School 473 2018

West Row Community Primary School 476 2019

Moulton CEVCP School 478 3048

Nayland Primary School 479 2020

Bosmere Community Primary School 480 2916

All Saints CEVAP School, Newmarket 481 3305

Exning Primary School 482 2021

Houldsworth Valley Primary School 483 2023

Laureate Community Primary School and Nursery 484 2022

**PRIMARY**

Paddocks Primary School 486 2055

Norton CEVCP School 488 3049

Old Newton CEVCP School 489 3098

Rattlesden CEVCP School 492 3054

Ringshall School 494 2105

Risby CEVCP School 495 3056

Rougham CEVCP School 496 3123

Stanton Community Primary School 499 2026

Stoke-by-Nayland CEVCP School 501 3058

Chilton Community Primary School 502 2129

Abbots Hall Community Primary School 503 2138

Wood Ley Community Primary School 504 2923

Cedars Park Primary School 505 3345

The Freeman Community Primary School 506 2114

St Gregory CEVCP School 507 3124

Trinity CEVAP School 508 2016

St Joseph's Roman Catholic Primary School 509 3310

Woodhall Community Primary School 512 2044

Thurlow CEVCP School 513 3026

Thurston CEVCP School 514 3062

St Christopher's CEVCP School 515 3063

Walsham-le-Willows CEVCP School 517 3064

Wickhambrook Community Primary School 521 2030

Woolpit Community Primary School 522 2031

**MIDDLE**

Howard Middle School 528 4023

St James CEVA Middle School 529 4601

St Louis Catholic Middle School 530 4602

Hardwick Middle School 532 4089

**UPPER/HIGH**

Pakefield High School 157 4605

Benjamin Britten High School 171 4101

Claydon High School 356 4096

Northgate High School 370 4090

King Edward VI CEVC Upper School 552 4500

St Benedict's Catholic School 553 4600

Stowmarket High School 558 4057

**UPPER/HIGH**

Thurston Community College 560 4024

Stowupland High School 562 4103

**SPECIAL**

Warren School 196 7004

The Bridge School 396 7008

Riverwalk School 576 7001

Hillside Special School 579 7002

**PRU**

Old Warren House Pupil Referral Unit 176 1100

The Attic Pupil Referral Unit 187 1113

First Base (Lowestoft) Pupil Referral Unit 189 1105

Harbour Pupil Referral Unit 190 1109

Alderwood Pupil Referral Unit 351 1111

First Base (Ipswich) Pupil Referral Unit 352 1107

St Christopher's Pupil Referral Unit 353 1110

Parkside Pupil Referral Unit 367 1101

Westbridge Pupil Referral Unit 389 1102

Hampden House Pupil Referral Unit 577 1104

The Albany Centre Pupil Referral Unit 580 1103

The Kingsfield Centre Pupil Referral Unit 584 1106

First Base (Brandon) Pupil Referral Unit 597 1108

Mill Meadow Pupil Referral Unit 598 1112

**NURSERY**

Highfield Nursery School 266 1001

**ANNEX B: RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS**

The following section is an extract from the DfE’s statutory guidance, the full version of which is available on their website:

<http://media.education.gov.uk/assets/files/pdf/s/scheme%20guidance%20march%202013.pdf>

This guidance note 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 LA’s non-schools budget.

Section 37 of the 2002 Education Act says:

1. *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*
2. *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.*
3. *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 LA’s budget. In the former case, the LA 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 LA’s policy, then it would be reasonable to charge the excess to the school
* If a school is otherwise acting outside the LA’s policy
* Where the school is making staffing reductions which the LA 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 LA’s redeployment policy

*Charge of premature retirement costs to LA non-schools budget*

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

Costs of early retirements or redundancies may only be charged to the central part of the Schools Budget where the expenditure is to be incurred as a result of decisions made before 1st April 2013. Costs may not exceed the amount budgeted in the previous financial year.

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

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

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

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

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

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

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