



# **SCHEME FOR FINANCING MAINTAINED SCHOOLS**

**Effective from 1 April 2019**

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# **1 INTRODUCTION**

## **1.1 The Funding Framework**

The funding framework which replaces Local Management of Schools is based on the legislative provision in sections 45-53 of the Schools Standard 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 a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may centrally retain funding in the Schools Budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their 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 centrally retained funds is termed the Individual Schools Budget (ISB).

Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

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 s51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s48 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 proposals or approving it subject to modifications that are not acceptable to the authority.

Subject to any provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s50 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 school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A

school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998).

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.

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

Regulations also require a local authority to publish their scheme and any amendments 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**

The scheme explains the financial relationship between the Authority and the maintained schools that it funds.

The requirements in the scheme relating to financial management and associated issues are binding on the Authority and on schools.

Section 48(3) of the School Standards and Framework Act 1998 provides that if there is an inconsistency between the scheme and any other rules or regulations relating to the funding or financial management of schools, the terms of the scheme shall prevail.

### **1.2.1 Application of the Scheme to the Authority and Maintained Schools**

This scheme applies to all schools maintained by the Authority be they community, voluntary-aided, foundation, community special or foundation special schools and pupil referral units (PRUs). The scheme does not apply to academies.

The schools covered by this scheme at 1 April 2019 are listed in Annex A.

## **1.3 Publication of the Scheme**

A copy of the scheme and any subsequent revisions will be supplied to the Headteacher and to the governing body of each school covered by the scheme via the council's electronic communication system and placed on a publicly-accessible website. Any revised version will be published by the date the revisions come into force with it clear when the revised scheme comes into force.

## **1.4 Revision of the Scheme**

Any proposed revisions to the scheme will be the subject of consultation with the governing body and Headteacher of every school maintained by the Authority. Subsequent approval is required by maintained school members of

the Schools Forum. If a scheme acceptable to the Authority is unable to be approved, the Authority may apply to the Secretary of State for approval. It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction.

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

Governing bodies are required to consider the extent to which they wish to delegate powers to the Headteacher, and to record their decision (and any revisions) in the minutes of their governing body meetings.

Approval of the first formal budget plan of each financial year cannot be delegated and must remain the responsibility of the governing body, or a committee of the governing body.

## **1.6 Maintenance of Schools**

The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except, in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

# **2 FINANCIAL REQUIREMENTS: AUDIT**

## **2.1 General Procedures**

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

In the management of their delegated budgets, schools must abide by the Authority's requirements on financial controls and monitoring as contained in this scheme and set out in more detail in the Authority's Financial Regulations as they apply to schools.

### **2.1.2 Provision of Financial Information and Reports**

Schools are required to provide the authority with details of anticipated and actual expenditure and income, in a form and at times determined by the Authority.

The Authority requires the submission of financial monitoring returns as follows:-

Submission Date	Financial Return
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a) Initial Budgets

By 1 May:	Profiled Annual Income and Expenditure Budget for the current year
	Summary Income and Expenditure Budget (Business Plan) for the following three years (three year budget)

b) Actual and Revised Budgets Quarterly: Income and Expenditure Statement:

By 14 July	for period ending 30 June
14 October	for period ending 30 September
14 January	for period ending 31 December
14 April	for period ending 31 March (unaudited)

In exceptional circumstances, eg where the Authority is concerned about a school's financial position, schools may be required to submit a Monthly Income and Expenditure Statement to the Authority. The Authority will inform such schools in writing of this requirement. Termination or variation of this requirement will also be notified in writing.

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

Schools are authorised to make payments from their local bank accounts as long as they comply with all necessary tax and national insurance requirements.

### **2.1.4 Control of Assets**

Schools are required to maintain a formal inventory of equipment worth £1,000 or more and must follow the Council's procedure for the sale or disposal of surplus goods as set out in the Authority's Financial Regulations. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000 but must keep a register in some form. Schools should register anything that is portable and attractive, such as a camera.

### **2.1.5 Accounting Policies (including Year-end Procedures)**

Schools are required to abide by accounting policies and procedures issued by the Authority, including the detailed year-end procedures sent out annually by Financial Services to schools.

### **2.1.6 Writing off Debts**

Governing bodies are authorised to write off debts owing to the school in accordance with the Authority's Financial Regulations.

## **2.2 Basis of Accounting**

The Income and Expenditure Financial Monitoring Returns should be completed on the accruals basis of accounting and be in line with Consistent Financial Reporting.



## **2.3 Submission of Budget Plans**

Each school is required to submit budget plans to the Authority as set out in 2.1.2 above, taking full account of estimated deficits / surpluses at the previous 31 March. Schools are also required to notify the Authority of any revision to their financial plans. The Authority will supply schools with all income and expenditure data which it holds which is necessary for efficient planning by schools and will make this available to schools by 31<sup>st</sup> March each year or as soon as practicable thereafter.

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

The plans are to be used to support the authority's responsibility for schools adherence to the principles of sound financial planning and as evidence to support the Schools Financial Value Standard. Spending plans may also be reviewed as part of the Balance Control Mechanism described in section 4.

## **2.4 School Resource Management**

Schools must seek effective management of resources to optimise their use to invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements outlined in section 2.10. It is for heads and governors to determine at school level how to secure better value for money. There are significant variances in efficiency between similar schools so it is important for schools to review their current expenditure, compare it to other schools and consider how to make improvements.

## **2.5 Virement**

Schools have the ability to use their budget share as they deem most appropriate and vire freely between budget heads in the expenditure of their budget shares.

## **2.6 Audit: General**

Schools are subject to the Authority's audit regime, which covers both internal and external audit, and are expected to co-operate with such requirements. This includes providing access to the school's records for both internal and external auditors.

## **2.7 Separate External Audits**

A governing body may spend funds from its budget share to obtain external audit certification of its accounts, separate from any Authority internal or external audit process, but are not required to do so. No funds will be delegated specifically for this purpose.

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

A school must provide to the Authority independent audit certificates in respect of any voluntary and private funds held by the school, and also in respect of any trading organisations controlled by the school.

## **2.9 Register of Business Interests**

The governing body of each school must maintain a register which lists for each member of the governing body and the Headteacher, any business interests that they or any member of their immediate family have; details of any other education establishments that they govern; and any relationships between school staff and members of the governing body. The register is to be kept up to date by notification of changes and through the annual review of entries. The register is to be available for inspection by governors, staff, parents and the Authority by publishing on the School website.

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

Schools must abide by the Authority's financial regulations and standing orders as applied to schools. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures

The DfE requirements can override the Authority's financial regulations in certain circumstances and particular attention is drawn to the following:

1. No school is permitted to do anything incompatible with any of the provisions of the scheme, or any other statutory provision, or any EU Procurement Directive.
2. No school will be required to seek Authority countersignature for any contracts for goods or services for a value below £60,000 in any one year.
3. Schools may seek advice on a range of compliant deals via Buying for Schools ( <https://www.gov.uk/guidance/buying-for-schools> )
4. Schools must seek at least three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

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

Schools have the right to opt out of Authority-arranged contracts, except where the terms of the contract prohibit this. Where the contract allows a school to opt out but involves penalty payments, there will be a charge against the school's delegated budget.

Governing bodies should note that, although they are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. Schools are therefore advised to seek the Authority's opinion where contracts have a significant value. Certain contracts will be made solely on behalf of the governing body, for example, contracts made by aided or foundation schools for the employment of staff.

## **2.12 Central Funds and Earmarking**

The Authority is authorised to make sums available to schools outside of their delegated budgets. Such allocations might for example be sums for SEN or other initiatives funded from the central expenditure of an authority's Schools Budget or other Authority budget. These sums are not permitted to be assimilated into the school's budget share.

Whereas schools have the ability to spend delegated budgets as they see fit for the purposes of the school or for any additional purposes as may be prescribed by the Secretary of State these additional funds must be used for the purposes stipulated and must be returned to the Authority if not spent in-year, or within the period over which schools are allowed to use the funding if different.

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

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

Under s50 of the School Standards and Framework Act, governing bodies are permitted to spend their budget shares as they see fit, including on community facilities and services as well as on pupils on the roll of other maintained schools or academies.

## **2.14 Capital Spending from Budget Shares**

Governing bodies may use their budget shares 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 paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998. The Authority requires any capital spending from budget shares to be notified to the Authority. If the expected capital expenditure from the budget share in any year is set to exceed £25,000, the governing body must take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure. If the premises are owned by the Authority or the school has voluntary controlled status, then the governing body must seek the consent of the Authority to the proposed works, but this will only be withheld on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010 and the Building Regulations 2010.

Capital grants can be used for works identified by the governing body but must take into account the results of the most recent survey.

## **2.15 Notice of Concern**

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the

scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

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

These may include:

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

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

There is no formal right of appeal to the issue of a notice but any dispute regarding the issue or contents of the notice should be made formally in writing to the Chief Finance Officer within one week of the issue of the notice.

The notice will be withdrawn formally in writing to the governing body when requirements have been met.

## **2.16 Schools Financial Value Standard**

All Local Authority Maintained Schools must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial action with a clear timetable, ensuring that each section has a specified deadline and an agreed owner. **Governors must monitor progress of these actions to ensure that all actions are cleared within specified deadlines.** The form must be submitted to the local authority before 31 March each year.

## **2.17 Fraud**

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

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

## **3 INSTALMENTS OF THE BUDGET SHARE: BANKING ARRANGEMENTS**

The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities.

In this section the Budget Shares includes any place-led funding for special schools and pupil referral units.

### **3.1 Frequency of Instalments**

Budget shares for mainstream schools will be made available to governing bodies on a monthly basis. They will be paid by the Banks Automated Credit System (BACS) on or shortly before the 28<sup>th</sup> of the month for schools not using the Authority's payroll services and not part of the group banking arrangements. Payment is made by the last day of the month for other schools.

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

The Authority will make available to governing bodies 4% of a school's budget share or place funding at the beginning of April and 8% each month end throughout the year. Against each of the monthly payments all/any of the following will be offset - staff costs (where payroll services are provided by BCP Council) and the charges for Services Level Agreements where the provider is BCP Council. All deductions made from monthly budget shares will be agreed by the school in advance, except in circumstances set out in section 6. Top up funding for special schools will be agreed and paid monthly.

### **3.3 Interest Clawback**

Schools can request budget instalments in advance of the 28<sup>th</sup> of each month, but a deduction will be made to cover lost interest. The lost interest will be calculated on the basis of bank base rate plus 1% which is the rate at which the Authority has to borrow. Therefore if, for example, a school requests funds 20 days in advance of the normal payment date, the interest calculation would be:

$$\frac{20}{365} \times (\text{bank base rate} + 1\%)$$

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

Where a budget share instalment is paid late as a result of Authority error, interest will be added using the same calculation basis as for interest claw back.

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

The payment of budget shares for schools closing in the financial year will continue under the normal arrangements up to the date of closure.

## **3.5 Bank and Building Society Accounts**

Schools can choose to make their own banking arrangements and open accounts in their own name or use bank accounts set up on their behalf by Financial Services within BCP Council. The school will retain any interest paid on the account.

The accounts set up on behalf of schools by the preceding Councils of Bournemouth and Poole can continue after 1 April 2019 and they will become part of BCP Council. Christchurch school bank accounts currently set up as part of Dorset County Council will close on 31 March 2019. New BCP bank accounts are being set up where requested ready for use from 1 April 2019. A school can opt out of the Authority's banking arrangements by sending written notification to Financial Services one month in advance of the proposed change.

### **3.5.1 Restrictions on Accounts**

Schools are required to have accounts with one of the following banks: Lloyds, TSB, HSBC, Barclays, National Westminster, Royal Bank of Scotland, Nationwide, Bank of Scotland and Santander UK. If a school wishes to use another bank, approval should be obtained from the Head of Financial Services.

Any school closing an account previously used to receive its budget share and opening another must select the new bank or building society from those approved by the Head of Financial Services, even if the closed account was not with such an institution.

Where schools have accounts for budget share purposes and these are in the name of the school rather than the Authority, the account mandate should provide that the Authority is the owner of the funds in the account. It should also state that the Authority is entitled to receive statements, and can take control of the account if the Authority has suspended the school's right to a delegated budget. If a school opens an external bank account the Authority must, if the school desires, transfer immediately to the account an amount agreed by both school and Authority as the estimated surplus balance held by the Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

All cheques should be signed by at least 2 authorised school officers.

### **3.6 Borrowing by Schools**

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State and must comply with any repayment terms agreed. 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 for schools in order to meet broader policy objectives. Schools are permitted to use such schemes without needing approval from the Local Authority. This includes the Salix scheme designed to support energy saving.

Schools may not use overdrafts, which are regarded as borrowing. However, credit and procurement cards can be used as a means of facilitating electronic purchase but the balance must be cleared each month with no interest incurred by the school.

These restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However, such debts may not be serviced directly from delegated budgets, although schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Authority when repaying loans.

This provision does not apply to any loan scheme operated by the Authority (see section 4.10).

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

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

Schools are allowed to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus or minus any balance brought forward from the previous year but subject to restrictions outlined in 4.2

Any school opening a bank account for the first time at the beginning of a financial year can have any surplus balances transferred to it. Where a precise figure cannot be determined by 1<sup>st</sup> April, an estimate will be made, based upon known income and expenditure for the previous financial year, and any adjustments made, following a subsequent reconciliation.

The amount of any surplus may need to be included in any relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeship, Skills, Children and Learning Act 2009. It is recognised that there may be commitments against any figure shown in such a statement.



## 4.2. Reporting on the Intended Use of Surplus Balances

### 4.2.1 Surplus balances held by schools as permitted under this scheme are subject to the following restrictions.

Where surplus balances have reached 5% for secondary schools and 8% for primary and special schools of the school's delegated budget, then the governing bodies are required to report to the Authority as part of the accounting year end return on the use of the surplus in order that the calculation in 4.2.2 can be made correctly.

### 4.2.2 Restrictions on Surplus Balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2020.

- a. the authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the revenue balance as defined in the Consistent Reporting Framework.
- b. the authority shall deduct from the calculated balance any amounts for which the school already has a prior-year commitment to pay from the surplus balance and any unspent ring-fenced grants for the previous financial year;
- c. the authority shall then deduct from the resulting sum any amounts which the school declares to be assigned for specific purposes as permitted by the authority and published before the beginning of the financial year, and which the authority is satisfied are properly assigned. To count as properly assigned amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any amounts are properly assigned, the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned
- d. if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools and 8% for primary and special schools, and the school **had also breached the thresholds at the end of the previous financial year** then the authority shall deduct from the current year's budget share an amount equal to the excess.

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

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

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



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

Where schools choose to use local authority banking arrangements, schools' surplus balances will be held in their bank account and will attract interest at 1% below bank base rate.

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

Schools are required to carry forward deficit balances, which will automatically be deducted from the following year's budget share.

Any school with deficit balances will be required to agree a plan for their repayment with the Authority.

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

Schools are not generally authorised to plan to run deficit budgets. In exceptional cases and where the Council's Executive has approved this, the Authority may license a school to be in deficit. This would be expected to be a short-term situation and each case will be judged on its merits. (See Section 4.9 below)

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

Schools will be charged interest on deficit balances at 1% above bank base rate unless the Authority agrees to bear the interest charge itself.

### **4.7 Writing off Deficits**

The Authority cannot write off the deficit balance of any school. Assistance can be given through the allocation of a cash sum following consultation with the Schools Forum or a group appointed by the Forum to represent its interests. For Special Schools this allocation is from any centrally held budget specified for this purpose. The allocation for maintained mainstream schools is from any de-delegated contingency budget after agreement from Schools Forum members of the relevant phase. No central contingencies are set aside within the Schools Budget in 2019-20.

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

When a school closes any balance reverts to the Authority, except that a surplus transfers to an academy where a school converts to academy status under section 4(1) of the Academies Act 2010.

Where a new school is to be established or subject to a prescribed alteration in the financial year to replace a school which is closing, the Authority may allocate to the new school a lump sum not exceeding the aggregate of the balance or balances held, by or on behalf of, the closing schools at the point of closure. Where an individual closing school is in deficit at the point of closure, this deficit may be taken into account, in determining the aforementioned aggregate, but no reduction shall be made in the new schools' budget shares if the closing schools collectively are in deficit at the point of closure. The Authority may

estimate the amount of the lump sum for the purposes of the initial determination of the new schools' budget shares, subject to re-determination when the closing schools' final balances are known.

## **4.9 Licensed Deficits**

- a) The maximum length over which schools may repay a deficit is normally 3 years and requests to run a deficit must be accompanied by an appropriate business plan.
- b) The deficit will only be agreed where:
  - i) immediate balancing of the budget would have a serious detrimental effect on the running of the school or
  - ii) the purpose of the deficit is to improve the buildings and / or infrastructure of the school and the Authority is satisfied that the school's proposals fit in with the Council's Asset Management Plan; that the work needs to be done at the time rather than at a later date; that the school does not already have a deficit budget; that there are no other funding mechanisms available and that the project represents an effective use of resources
- c) The maximum size of deficit allowed to an individual school will normally be 10% of the annual revenue budget or £100,000 whichever is the lower. The aim of these limits is to both minimise and diversify the risk to the Council. However, schools should not regard these limits as an automatic entitlement; nor will a deficit be restricted to these limits if the Authority agrees that there are exceptional circumstances.
- d) The maximum proportion of the collective balances held by the Authority which will be used to back deficit arrangements is 40% or £1 million, whichever is the lower.
- e) Interest will be charged on a licensed deficit at 1% above bank base rate in line with section 4.6 of the scheme.
- f) Authority to approve licensed deficits is delegated to the Head of Financial Services. In arriving at a decision the Head of Financial Services will seek guidance from the Director of Children's Services.
- g) If a school has a licensed deficit granted under section 4.9 b) ii), and the school proposes to spend amounts received by it in respect of devolved formula grants on purposes other than reducing the licensed deficit, the LA must agree to such a proposal.

## **4.10 Loan Schemes**

The Authority does not operate a separate loan scheme within the scope of this document since the licensed deficit scheme should cover all eventualities. (See sections 4.5, 4.9 and 4.10.1) However, a separate Council loan facility scheme is sometimes available during the year from which schools could access for the purchase of capital equipment. The value of loans available to schools and

repayment terms will depend on circumstances at the time of application.

Loans must be used only to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial year. Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit the Secretary of State will consider using the power under paragraph 13 (4) (d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the Academy school in individual cases.

#### **4.10.1 Credit Union Approach**

Schools are able to group together to utilise externally held balances for a credit union approach to loans. The Head of Financial Services must approve any proposals before commitment is made.

## **5 INCOME**

### **5.1 Income from Lettings**

Schools are permitted to retain income from lettings of the school premises that would otherwise accrue to the Authority, subject to any alternative provisions arising from joint-use or PFI agreements.

Schools are also permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no cost to the delegated budget share.

Schools are required to have regard to any directions issued by the Authority as to the use of school premises, where permitted by the School Standards and Framework Act. Income should be paid into official rather than private or voluntary funds.

(Lettings of school premises not owned by the Authority are not affected by this provision.)

Where land is held by a Charitable Trust, it will be for the school's trustees to determine the use of any income generated by the land.

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

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

Schools are required to have regard to the Authority's policy on charges and remissions for school activities.

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

Schools are permitted to retain all income from fund-raising activities.

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

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

Where an asset was bought with Government grant (eg, Standards Fund, New Deal, etc) it would be for the Authority to decide whether it should retain the proceeds, since in some cases a proportion is repayable to the DfE.

The retention of proceeds of sale for premises not owned by the LA is outside the remit of this scheme.

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

Schools need to be mindful of VAT regulations when accounting for all income.

## **5.6 Purposes for which Income may be used**

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

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

## **6.1 General Provision**

The budget share of a school may be charged by the Authority without consent of the governing body only in circumstances expressly permitted by the scheme and as set out below. Except for paragraph 6.2.11 below the Authority must be able to demonstrate that the authority had necessarily incurred the expenditure charged to the budget share. Where the authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school. The Local Authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representation of the Schools Forum.

### **6.1.1 Salaries of School-based Staff**

The Authority is required to charge salaries of school-based staff to school budget shares at actual cost.

## **6.2 Circumstances in which Charges May be Made**

- 6.2.1 Where redundancy or premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).

- 6.2.2 Other expenditure incurred to secure resignations where there is a good reason to charge this to the school (see Annex B).
- 6.2.3 Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice.
- 6.2.4 Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority.  
  
(See also 10.1. Charging the budget share cannot take place where the Authority has no relevant insurable interest).
- 6.2.7 Recovery of money due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority.
- 6.2.8 Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers' Pensions, the Environment Agency or regulating authorities as a result of school negligence.
- 6.2.9 Correction of Authority errors in calculating charges to a budget share (eg, pension deductions).
- 6.2.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days, resulting in unnecessary transport costs.
- 6.2.11 Legal costs that are incurred by the Authority because the governing body did not accept the advice of the Authority (see also section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training has not been carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum

needed to meet the cost of the Authority's compliance with its statutory obligations.

- 6.2.15 Costs incurred by the Authority in securing provision specified in An Education Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEND and / or specific funding for a pupil with high needs.
- 6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the Authority or other school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20 Costs incurred by the Authority in administering admissions appeals, including where the Authority is the admissions authority. Funding for admissions appeals has effectively been included within the formula allocation for all schools since funding reform in 2013/14.

## **7 TAXATION**

### **7.1 Value Added Tax**

In order to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity, schools should submit a VAT return. The return should be completed 7 days after the end of each calendar month and forwarded to Financial Services. VAT reclaimable by the Authority will be passed back to the school.

HM Customs and Excise have agreed that VAT incurred by schools when spending any funding made available by the Authority is treated as being incurred by the Authority and qualifies for reclaim by the Authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

### **7.2 Construction Industry Taxation Scheme (CITS)**

Schools are required to abide by procedures issued by the Authority in connection with CITS.

## **8 THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

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

It is for the Authority to determine on what basis services (including Premature Retirement Contributions (PRC) and redundancy payments) from centrally retained funds will be provided to schools.

The Authority may not discriminate in its provision of services on the basis of categories of schools except where such discrimination would be allowable under the school and early years finance regulations or the Dedicated Schools Grant (DSG) conditions of grant.

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

Where schools choose to buy back a service from the Authority, the length of any such agreement is limited to 3 years from the date of the agreement and periods not exceeding 5 years for any subsequent agreement or extension relating to the same services.

Service must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service should be met by total income, even if schools are charged differently.

### **8.2.1 Packaging**

Where the Authority offers services to schools on a buy back basis, they will not be packaged in such a way as to restrict unreasonably schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

## **8.3 Service Level Agreements**

If services or facilities are provided under a service level agreement - whether free or on a buy back basis - the terms of any such agreement, starting on or after the inception of the scheme, will be reviewed at least every three years.

Services, if offered at all by the Authority, will be available on an ad hoc basis and as longer-term agreements eg annual. Where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

Service Level Agreements will normally be made available to schools by the end of February each year. Schools will have at least a month to consider the terms of each SLA.

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

## **8.4 Teachers' Pensions**

There is a duty on schools to provide the Authority with information required under the Teachers' Pensions Regulations 1997

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority. This will enable the Authority to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

7

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

## **9 PFI/PPP (PRIVATE FINANCE INITIATIVE/PRIVATE PUBLIC PARTNERSHIP)**

The Authority has the power to charge to a school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.

## **10 INSURANCE**

### **10.1 Insurance Cover**

Funds for insurance are delegated to all schools. The Authority will require schools to demonstrate that cover relevant to an Authority's insurable interest, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority. In determining relevant minimum cover, the Authority will have regard to the actual risks which might reasonably be expected to arise. The evidence required to demonstrate the parity of cover will be reasonable, not place an undue burden on the school, and not act as a barrier to the school exercising their choice of supplier.



(See also section 6.2.6)

## **11 MISCELLANEOUS**

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

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

### **11.2 Complaints Regarding Financial Management/Financial Probity (Whistleblowing)**

If a person working at a school or a school governor has a complaint about the financial management of the school or concerns about financial probity and does not feel able to raise these with the headteacher and/or the Chair of governors, he or she should contact the Council's Chief Internal Auditor within Financial Services. Under the Employee Code of Conduct, all employees have a responsibility to report concerns or suspicions regarding fraud, corruption or other irregularities. The Council's Whistleblowing Policy outlines the appropriate course of action to follow if staff suspect or are concerned about something that may be unlawful, against the School's Financial Regulations, policies or established standard of practice or improper conduct. A copy of the Whistleblowing Policy is available in the Employee Handbook (Conduct & Standards section) on the Council's intranet.

### **11.3 Liability of Governors**

The governing body is a corporate body, and because of the terms of s50(7) of the School Standards and Framework Act 1998, 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 that is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of Authority advice as to financial management.

### **11.4 Governors' Expenses**

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

Under section 50 (5) 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 delegated budget share. Schools are prohibited from paying any other allowances to governors. Payments should not be made that would duplicate those paid by the Secretary of State to additional governors appointed to schools under special measures.

## **11.5 Responsibility for Legal Costs**

Legal costs incurred by the governing body will be charged to the school's budget share unless they are covered under the terms of a service level agreement with the Authority. See also section 6.2.11. The effect of this is that a school cannot expect to be reimbursed with the cost of legal action against the Authority itself (although there is nothing to stop an authority making such reimbursement if it believes this to be desirable or necessary in the circumstances). The costs referred to are those of legal actions, including costs awarded against the Authority, not the cost of legal advice provided.

In the event of a conflict of interest between the Authority and the Governing Body, the Governing Body is advised to consider engaging a private solicitor, using the funds available to them.

## **11.6 Health and Safety**

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

In addition governing bodies are responsible for securing Criminal Records Bureau clearance for all adults involved in the provision of education, together with the associated costs.

## **11.7 Right of Attendance for Chief Finance Officer**

The Chief Finance Officer of the Authority, or any officer of the Authority nominated by the Chief Finance Officer, is permitted to attend meetings of the governing body where issues of probity or overall financial management are of concern. The Authority will give prior notice of such attendance unless this is impracticable.

## **11.8 Special Educational Needs and Disabilities**

Schools must use their best endeavours, in spending their budget shares, to meet the special educational needs of their pupils.

## **11.9 Interest on late payment**

Schools are reminded that late payments of invoices can result in penalty interest payments to suppliers.

## **11.10 Child Protection**

Schools need to release staff to attend child protection case conferences and other multi agency meetings regarding safeguarding matters.

The Authority employs staff within Children's Services to work in partnership with schools in these areas.

## **11.11 Redundancy/Early Retirement Costs**

The Authority's policy is provided in Annex B.

## **12 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

- 12.1 Funding for both capital and revenue repairs and maintenance has been delegated to schools. The Authority does not intend to use any de minimis limit for the definition of capital since this would limit schools' use of devolved formula capital grant. For voluntary aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by the DfE to categorise such work, not the de minimis limit used by the Authority.
- 12.2 Expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA code of Practice on Local Authority Accounting. The general rule is that repair expenditure is generally small scale improvements that do not add to the value of an asset, such as repainting and replacing finishes or repair to only a small part of an asset. Capital expenditure relates to wholly new or substantially improved assets.

## **13 COMMUNITY FACILITIES**

### **13.1 Introduction**

Schools that 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. Regulations made under s.28 (2) can specify activities that may not be undertaken at all under the main enabling power. Section 88 of the Children's and Families Act 2014 has removed some of the requirements for maintained schools. Previously a school was obliged to consult its LA and take heed of its advice. Now it must consult only if there are potential consequences for the Authority. The Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under s.28 (1), the main limitations and restrictions on the power will be:

- a. those contained in schools' own instruments of government, if any; and
- b. in the maintaining Authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. These are set out in the following paragraphs.

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

Mismanagement of community facility funds is sufficient grounds to warrant the suspension of a school's delegated budget.

## **13.2 Consultation with the Authority – Financial Aspects**

Changes made by the Children's and Families Act 2014 mean that schools no longer need to consult with the Authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they need to have regard to advice given by the Authority.

However, as public bodies schools are expected to act reasonably, and this includes consulting those affected by decisions that they make. If the Authority is to be affected by the establishment of a community facility then consultation should take place through communication in writing with the Director of Children's Services with sufficient time for a response to be made before any final decision is taken by the school. This would be preferably at least 6 weeks before the proposed start date (or transfer date in the case of an existing community facility passing to the control of a governing body). The consultation should set out:

- a. the nature of the provision to be made
- b. how this might impact on the Authority
- c. details of any funding agreements with third parties

The Authority will normally respond to the consultation within 15 working days (see 13.3 below), and may provide advice for the school to consider. No charge will be made for providing this advice and the school need not take it into account. The school should advise the Authority what action it intends to take in the light of the consultation response and any advice provided.

## **13.3 Funding Agreements – Authority Powers**

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

As set out in 13.2 governing bodies are required to advise the Authority of any such potential agreements in their consultation. Owing to the added complexity of third party funding agreements, the Authority will have a further 10 working days, over and above any provision set out in 13.2 to respond to a school's consultation.

## **13.4 Other Prohibitions, Restrictions and Limitations**

Although governing bodies are required to consult the Authority over the provision of community facilities the Authority has no general power of veto over

a school's proposals. Nevertheless, governing bodies are required to make arrangements to protect the financial interests of the Authority. The Authority may therefore stipulate that the activity concerned should be conducted through the vehicle of a limited company formed for the purpose, or that appropriate indemnity insurance must be obtained for risks associated with the project in question

The Authority also has the power to prohibit a governing body from providing a community facility where, in the Authority's opinion, the proposal poses a significant threat to pupils' education or welfare.

### **13.5 Supply of Financial Information**

Schools providing community facilities will be required to provide to the Authority with a summary statement every six months in a form determined by the Authority. This will show the income and expenditure for the school arising from the facilities in questions for the previous six months and on an estimated basis for the next six months.

Where the Authority believes that the information contained in these summary statements gives it cause for concern, it can require schools, by giving notice in writing, to provide further summary statements at three rather than six monthly intervals.

### **13.6 Audit**

Schools are required to grant access to all records connected with the exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

Where governing bodies enter into funding agreements with third parties pursuant to the exercise of the community facilities power, they must ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those third parties. This applies to records held on the school premises or elsewhere, insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.7 Treatment of Income and Surpluses**

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

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

#### **13.7.1 Treatment of Deficits**

If there is a deficit on community facilities and the Authority needs to recover funds to meet third party liabilities, it will in the first instance use any community

facilities surplus accumulated under section 13.7. Where this is not possible, the Authority will meet the liability from its own resources but will seek to recover an equivalent amount from the school's governing body. As stated in section 13.1, mismanagement of community funds warrants suspension of a school's delegated budget and the Authority would be prepared to use this sanction as a last resort.

### **13.8 Health and Safety**

Governing bodies are required to have due regard to duties placed on the Authority in regard to health and safety, and the Authority's policy on health and safety matters.

In addition governing bodies are responsible for securing Disclosure Barring Service clearance for all adults involved in the provision of community facilities, together with the associated costs. It is permissible to pass these costs on to a funding partner if this is the arrangement set out in the funding agreement.

### **13.9 Insurance**

Governing bodies are responsible for ensuring that adequate insurance arrangements are made for insurance against risks arising from the exercise of the community facilities power and should take professional advice where necessary. This insurance must not be funded from the school's budget share.

Governing bodies are also required to consult the LA before finalising any insurance arrangements. Where this does not take place, the LA is empowered to undertake its own assessment of the insurance arrangements made by a school in respect community facilities. If the LA judges these arrangements to be inadequate, it can make alternative arrangements itself and charge the resultant costs to the school. Again these costs must not be met from the school's budget share.

### **13.10 Taxation**

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

For any member of staff employed by the school or Authority in connection with community facilities at the school who is paid from funds held in a school's own bank account, the school is likely to be held liable for payment of income tax and national insurance. This applies whether a separate account is used for community facilities or not and is in line with HM Revenue and Customs rules.

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

### **13.11 Banking**

It is imperative that schools should be able to identify separately any income and expenditure relating to community facilities. The school can ensure this by either maintaining a separate bank account from that used for the school's budget share or through the maintenance of adequate internal accounting controls within the school's financial accounting system e.g. distinct financial accounting codes.

Where schools choose to operate a separate bank account, the same restrictions apply as set out in paragraphs 3.5 and 3.5.1 of this scheme.

### **13.12 Borrowing**

Schools are reminded that they are not permitted to borrow money without the consent of the Secretary of State. This requirement does not extend to monies lent to schools by the maintaining Authority.

## **ANNEX A**

### **List of Schools within the Scheme at 1 April 2019**

#### **Primary Schools**

Burton C of E Primary  
Christchurch Infant  
Corpus Christi Catholic VA Primary  
Highcliffe St Mark's Primary - Foundation  
Hillbourne Primary  
Mudeford Community Infant  
Mudeford Junior  
The Priory C of E  
Somerford Primary  
St Joseph's Catholic Primary – Christchurch  
St Katherine's C of E VA Primary  
St Walburga's Catholic VA Primary

#### **Secondary Schools**

St. Edwards RC/CE VA  
Poole High - Foundation

#### **Special Schools & Alternative Provision**

Christchurch Learning Centre  
Linwood  
Winchelsea



## **ANNEX B**

### **BCP Council - Meeting the Costs of Redundancy, Severance and Early Retirement Costs for School-Based Employees from 1 April 2019**

#### **Background**

Following the previous Local Government Reorganisation (LGR) in 1997 it was necessary for the Bournemouth and Poole Local Authorities to give consideration to funding arrangements for early retirement, severance and redundancy for school employees.

Previous policy arrangements applying in Dorset County Council (DCC) pre LGR in 1997 meant that Bournemouth Borough Council (BBC) and Borough of Poole (BoP) inherited ongoing financial commitments relating to the early retirement of teachers whilst in service with Dorset County Council (DCC). These historic commitments have been charged to central Local Authority budgets in BBC and BoP since the previous LGR and these costs are slowly winding out.

At the 1997 LGR, the two Borough's considered a number of options including delegation of funds to individual schools and the retention of a central budget to meet future new costs. There were concerns that the latter option would require the ongoing retention of significant sums of money centrally and this was not the most appropriate use of resources. Consultation took place with head teachers at that time who confirmed their wish that monies should be fully delegated. As a result, BBC and BoP have not retained any central budgets for any new severance costs for school employees from within LA budgets.

In DCC historic commitments for early retirements have been charged to the DSG. Funding is provided, currently at historic cost, through the Central School Services Block. As a result of LGR 2019, BCP will receive a share of DCC's historic commitments and DSG funding for existing retired staff living within Christchurch.

#### **Policy**

Authorities are able to retain a central budget funded from the DSG to fund the costs of new early retirements or redundancies by de-delegation from maintained school budget shares. The Authority is required to bring forward proposals for the relevant maintained school members of the School Forum to agree on behalf of those represented. DCC has operated a central budget in this way for maintained schools.

BCP following discussions with maintained schools is not undertaking any de-delegation of funding for 2019-20. Individual school budgets will need to meet all new costs of early retirement, severance and redundancy until a future year when a de-delegated budget may be established.

Termination costs for staff employed under the community facilities power must be met by the governing body, but can be funded from the 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.