

London Borough of Hillingdon

Scheme for Financing Schools

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HILLINGDON
LONDON

Scheme for Financing Schools

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Section 1: Introduction

1.1 The funding framework

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

Under this legislation, local authorities determine for themselves the size of their Schools Budget and their non-schools education budget – although at a minimum 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 deduct funds from their schools budget for purposes specified by 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 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).

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and approved by the Secretary of State. All 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 Local authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend budget shares for the purposes of their school*. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 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 Local Authority's 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 (the section 251 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 regulations issued by the Secretary of State, but the statements must be made available on a publicly accessible website.

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

The scheme is binding on both the Authority and maintained schools. It aims to set the financial relationship between the Local Authority and the maintained schools which it funds. The scheme contains requirements relating to financial management and associated issues and sets parameters within which schools can exercise the financial and management freedoms they have experienced in Hillingdon, both as LA maintained schools with high levels of delegation and local bank accounts, and as former grant maintained schools with full delegation.

The scheme represents the minimum requirements necessary for the Chief Financial Officer of the Authority to exercise his/her responsibilities under s.151 of the Local Government Act 1972.

1.2.1 Application of the scheme to the Authority and maintained schools

This scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the authority whether they are situated in the area of the authority or situated elsewhere.

It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies, free schools, University Technical Colleges or Studio Colleges.

A list of the schools to which this scheme applies is in **Appendix 1**.

1.3 Publication of the scheme

A copy of the scheme and any amendments to it will be published on <http://www.hillingdon.gov.uk/article/23526/Financing-schools-scheme> so that it is accessible to all schools and the general public.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and head teacher of every school maintained by the Local Authority. Following consultation, all proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

1.5 Delegation of powers to the head teacher

It is a requirement that each Governing Body puts in writing the **financial** powers it has delegated to sub-committees and to the head teacher. Any decision (and subsequent revisions) should be recorded in the minutes of the governing body. The precise arrangements are for each Governing Body to determine for itself, but the LA would recommend as good practice that a Finance sub-committee be established to consider the budget position of the school and to report to the Governing Body on its findings. The LA would also wish to recommend the following split between Governing Body (and sub-committee) and the head teacher.

Financial responsibilities to be retained by the Governing Body (including those responsibilities delegated to a Finance sub-committee):

- Overall responsibility for the financial management and budgetary control of the school.
- Approval of the revenue budget as prepared and submitted by the head teacher.
- Regular review of the school's expenditure against the budget based upon reports from the head teacher, giving details of performance, especially with respect to variations on the budget plan resulting in under/ over-spends.
- Approval of proposals to exceed agreed limits of delegated authority.
- Approval of funds to be spent on prescribed capital projects subject to the Council's agreement and statutory regulations.
- Approval of additional insurance cover to be funded from the school's delegated budget.
- Approval of the disposal of obsolete or surplus items of equipment valued at more than **£100**, but not exceeding **£5,000** (above which the approval of the Chief Financial Officer is required.)
- The opening and acceptance of tenders required to comply with the Council's standing orders for contracts provided to or by the governing body.

Financial responsibilities to be delegated to the head teacher.

- Day-to-day responsibility for the financial management and budgetary control of the school.
- Any other financial responsibilities apart from those listed above as remaining the responsibility of the Governors.
- To ensure compliance with the Council's standing orders and financial regulations.

The Governing Body is responsible for approving the first formal budget plan of each financial year, regardless of the arrangements for delegations.

1.6 Maintenance of Schools

The Local Authority is responsible for maintaining the schools covered by the scheme, (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 its schools is through the delegation of funding to schools including a provision for maintenance.

Section 2: Financial Controls

2.1.1 Application of financial controls to schools

Schools are obliged to adhere to requirements on financial controls and monitoring in the management of their delegated budget and any earmarked sums devolved to the school. In particular, schools must comply with:

- a) Hillingdon's **Financial Regulations** – Appendix 1 of **Guidance to Schools on Financial Management** (reminder sent to NV and SC 9.3.12)
- b) Hillingdon's **Standing Orders (Schools)** – Appendix 2 of **Guidance to Schools on Financial Management**

2.1.2 Provision of financial information and reports

Schools should provide the authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority, currently the local authority require schools to submit quarterly returns. The necessary reports are explained in the **Requirements on Financial Reporting** within the **Guidance to Schools on Financial Management** (section 2).

The format determined by the LA for submission of information should so far as possible take account of the Consistent Financial Reporting framework and the desirability of compatibility with that framework.

2.1.3 Payment of salaries; payment of bills

School's internal procedures for paying salaries and other bills can be set at the discretion of the governing body, within the constraints of the Council's Financial Regulations and Standing Orders. Separate guidance on setting internal procedures is provided to schools in the **Guidance to Schools on Financial Management**.

2.1.4 Control of assets

The governing body is responsible for the management of the school's resources which include the custody and control of stocks and stores and the maintenance of a record of stock receipts and issues.

Requirements relating to inventories are included in the Hillingdon **Financial Regulations (contained in Appendix 1 of Guidance to Schools for Financial Management)**.

The Scheme for Financing Schools only requires schools to maintain asset registers for items with a value in excess of **£1,000**, whereas the Financial Regulations refer to items with a value in excess of **£250**. While the Scheme for Financing Schools prevails, schools are urged to abide by the Financial Regulations as good practice.

2.1.5 Accounting policies (including year-end procedures)

Schools' accounts, provided to the local authority during the year, are to be prepared either on a receipts and payments basis or an accruals basis and each governing body should indicate at the start of the year the basis they would wish to adopt. In either case the reports should be cumulative.

At the year end the accounts will need to be on an accruals basis. Schools will be expected to maintain the accounts in their own financial systems in such a way as to facilitate the production of a detailed analysis which meets the requirements set out in the **Guidance to Schools on Financial Management**. Schools will be required to provide details of outstanding creditors, outstanding debtors, pre-payments and income in advance in order that the local authority's accounts can appropriately reflect each school's balance sheet position.

This scheme does not seek to impose a particular system of accounting (i.e. cash, commitments or accruals) for the school's internal purposes.

2.1.6 Writing off of debts

Once all reasonable courses of action have been taken to recover monies where an invoice has been raised, a governing body may write-off the income if the outstanding amount on the invoice is less than **£500**. It is recommended that the Governing Body take this decision itself and an annual list of items written off should be sent to the Finance Manager - **Social Care, Education and Schools**.

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Where the amount outstanding on the invoice exceeds **£500** the write-off should be approved by the Finance Manager - **Social Care, Education and Schools**.

2.2 Basis of accounting

The financial year runs from 1st April to 31st March. Reports provided to the local authority during the year will be either on a cash or accruals basis. This is made clear in the **Guidance to Schools on Financial Management**.

2.3 Submission of budget plans

Schools are required to submit a budget plan for their individual school budget and any known earmarked sums, approved by the full Governing Body, by **31st May of each financial year**. Schools may take account of balances at the end of the previous year in planning their budget for the new financial year. The format of the budget plan should be as per the **Guidance to Schools on Financial Management**.

During the year the Governing Body is required to report on their expected outturn financial position for the year as part of the quarterly reporting process, as set out in the **Guidance to Schools on Financial Management**. This is to enable the Chief Financial Officer to fulfil his responsibilities under Section 151 of the Local Government Act 1972, ensuring the necessary financial standards are

being met and to make an informed response to questions raised in relation to schools.

The local authority is bound by this scheme to supply schools with all information held on income and expenditure data which it holds which is necessary for efficient planning by schools.

2.3.1 Submission of Financial Forecasts

The LA requires schools to submit a financial forecast for at least three years in the format prescribed in the **Guidance to Schools for Financial Management**. Budget plans received from schools will be used for assessment against Schools Financial Value Standards forms and to monitor school balances.

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 Authority's 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 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.

2.5 Virement

Schools have the freedom to vire budgets between budget heads in the expenditure of their delegated budget share.

Schools may not, however, vire between the delegated budget share and any earmarked sums. The arrangements for virement within each earmarked sum will vary, depending on the nature of the expenditure. Virement arrangements for earmarked sums will be notified to schools when they are advised of the purposes to which the sums may be put.

2.6 Audit: General

From April 1999 the accounts of all maintained schools have formed part of the total income and expenditure subject to external audit and all schools are therefore within the scope of the LA external audit regime. The governing body must bear in mind that whilst external auditors must plan, perform and evaluate their audit work to have a reasonable expectation of detecting material misstatements arising from error or fraud, the duty to deter and detect fraud rests primarily with the Governing Body.

In addition the internal audit of schools is an obligation imposed upon the Council by the **Local Audit and Accountability Act 2014** which require the maintenance of an adequate and effective system of internal audit of the accounting records and systems of the council. The responsibility for Internal

Audit of schools has been delegated to the LA's Section 151 Officer. To enable the LA's internal auditors to carry out their duties schools must allow the auditors full access at all times to all papers and records of the school and provide explanations the auditors consider necessary. School must pass on to auditors any information that the auditors should be aware of to carry out their audit.

Internal audit has introduced a fully risk-based approach to the internal audit coverage of Hillingdon schools. Financial regulations require the governing body to inform the Head of **Business Assurance** immediately, in any circumstances where a financial irregularity occurs or is suspected.

The reports provided to the Authority as per the **Guidance to Schools on Financial Management**, will provide most of the information necessary to allow external audit to form a view on schools' accounts. Nevertheless, external audit may wish to visit schools on a sample basis to examine prime documents at source and schools are required to provide all internal and external auditors with access to such records or information as they believe to be necessary in the completion of their audit.

The records which schools are required to retain for audit and other inspection are included in **para 1.25** of the **Financial Regulations**, (Retention of Documents Policy).

2.7 Separate external audits

Schools may, if they wish, arrange for an external audit of their accounts, separate from and in addition to the LA internal and external audit process described in **Section 2.6** above, using funds from their delegated budget share.

Schools should consider whether the service they require is financial advice, rather than a full or partial audit.

2.8 Audit of voluntary and private funds

Schools' voluntary funds must be kept completely separate from the delegated budget. Governing Bodies of community schools should take account of the charities legislation which requires that private school funds are legally required to be registered as a charity if income exceeds **£5,000** per annum. Voluntary and foundation schools are exempt from registering.

There should be a clear audit trail if any monies are donated from the voluntary fund to the school budget. Where a donation is made to the delegated budget of the school, this should be recorded as income for the school and should not be coded to offset the expenditure on the item for which the donation was made.

The school is required to have an annual audit or, where appropriate, an independent examination of expenditure, and to have available the audit certificates, in respect of any private school funds held by the school or the accounts of any trading organisations controlled by the school. There is **no** requirement that these be sent to the LA; rather they should be available for inspection by internal audit if requested.

2.9 Register of business interests

All schools are required to establish and maintain a register of business interests. This will list, for each member of the governing body and the head teacher, any business interests they or any member of their immediate family have along with details of any other educational establishments they govern and any relationships between governors and members of the school staff including spouses, partners and relatives.

The register should include the information in the example format in the **Guidance for Schools on Financial Management**. All schools are required to keep their register up-to-date using notifications of changes, as well as reviewing all entries on an annual basis.

The register does **not** need to be sent to the LA but should be available for scrutiny by governors, staff, parents and auditors on request. From 1 September 2015, governing bodies will be under a duty to publish their register of interests on the school website.

2.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the Council's Standing Orders with respect to purchasing, tendering and contracting matters. Details of LBH's Standing Orders are contained in **The Guidance to Schools on Financial Management**, Appendix 2A and 2B. In particular, schools must assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

The current values of contracts which require particular numbers of quotations and tenders is set out below:

Value Range	Process to follow	Description	Approval
Up to £3,000	Best Value	Officers to demonstrate best value has been achieved	Headteacher
£3,001 - £10,000	Quotes	Three written quotes required	Headteacher
£10,001 – £50,000	Quotes	Minimum of 5 written quotes	Governing Body
£50,001 - £100,000	Tenders	Minimum of 5 tenders	Governing Body
£100,000 and above	Tender	Minimum of 5 tenders	Governing Body and Local Authority
£181,302 and above	OJEU notice	European tender (goods/services)	Governing Body and Local Authority

2.11 Application of contracts to schools

Schools have the right to opt out of LA-arranged contracts except where they lost that right for particular contracts where they have agreed to be bound into the specified terms and conditions.

Although Governing Bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of funds in the budget share. To comply with Hillingdon's constitution, Governing Bodies are required to obtain LA countersignature on contracts with third parties where the value of the contract exceeds £100,000. The only exceptions to this are:

- a) contracts of employment entered into by aided or foundation schools;
- b) contracts for the works or fees associated with building projects at aided schools where the project is the governors' liability;
- c) contracts for the works or fees associated with building projects at foundation schools where the funding (including DfE funding) provided via the LA is less than £100,000 (i.e. in practice this exemption is likely to occur only where a foundation school has generated the funding for the project itself through land disposal, sponsorship or other fund-raising).

2.12 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such earmarked funding from centrally retained funds should be spent only on the purposes for which it is given and must be returned to the LA if not spent within the period stipulated.

Schools will be required to code expenditure relating to earmarked sums to a cost-centre, determined by the LA, with the required subjective analysis. This will be reflected in the expenditure return submitted to the local authority to demonstrate that the requirement for which the funding has been given is complied with.

The LA may not deduct from payments to schools of devolved specific or special grant, any sum in respect of interest costs to the LA.

2.13 Spending for the purposes of the school

The governing body may use their delegated budget and any earmarked sums for the purposes of the school, this includes spending on pupils at other maintained schools or academies and spending on community facilities or services. The Governing body must not make or sanction gifts or ex-gratia payments from public funds. Gifts / benefit payments to staff in cash or kind are not permitted. Schools are allowed to grant loans to Newly Qualified Teachers up to the value of £1,500 in accordance with the Council's Human Resources policy. Appendix 5 contains a model loan application form for use when issuing such loans.

2.14 Capital spending from budget shares

To avoid conflict with the Government's capital expenditure controls, governors must inform the LA's Chief Financial Officer if they wish:

a) to enter into a contract for the acquisition, enhancement or replacement of any buildings / structures, plant machinery, apparatus or vehicles costing more than **£10,000** per single item; or

b) to enter into an operating lease agreement where the value is more than **£10,000** (schools are not permitted to enter into finance leases).

This is to ensure that the Chief Financial Officer accounts for the expenditure appropriately; schools do not need the permission of the Chief Financial Officer to enter into such agreements.

Where schools intend to use their budget share for capital expenditure the governing body must notify the LA and take account of any advice from the Chief Financial Officer as to the merits of the proposed expenditure if it exceeds **£15,000**. These provisions help to ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation. Expenditure from capital allocations made available by the Authority outside of the delegated budget share are not affected by these provisions.

2.15 Notice of concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Financial Officer and the Corporate Director of **Social Care**, 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.

2.16 Schools Financial Value Standard (SFVS)

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

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. 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 annually to the local authority before 31 March each year.

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

Section 3: Instalments of Budget Share (includes any place-led funding for special schools or pupil referral units); Banking Arrangements

3.1 Frequency of instalments

Cash advances based on budget shares for the year (including top-up payments for pupils with high needs) will be paid to schools in 12 instalments by crediting schools' nominated bank accounts (i.e. cleared funds) on the last banking day before the 15th of the month (or the preceding day if the 15th falls on a non-banking day) to allow schools to meet their payroll commitments in time.

3.2 Proportion of budget share payable at each instalment

The Authority will calculate the amount to be paid to each school on the following basis.

During the financial year schools will need cash in order to meet commitments arising from their delegated and devolved budgets. The Authority will identify each month what the total known budgets for the school are.

In the monthly instalments between April and March the amount payable will be:

$$(A - B) \times 1/C$$

where

A = known budgets at time when monthly cash advance transaction needs to be calculated (i.e. normally 2 weeks prior to the date the cash is transferred to schools' bank accounts).

B = cash advances already made to the school for that financial year's funding.

C = the number of monthly cash advances till year-end

From April 2013, Special schools, Pupil Referral Units and Specialist Resource Provision units will receive 12% of their planned placed funding and top up funding (for Hillingdon pupils only) in April and 88% of the remaining funding in 11 equal instalments from May to March.

After the end of the financial year the total cash advanced will be compared against the total delegated and devolved budgets for the financial year. The resulting balance will either be added to or deducted from the monthly cash advance following the confirmation by the LA of the carry-forward balance for all schools i.e. a one-off adjustment to the cash advances for either July or August of the year following that financial year. A worked example is in the **Guidance for Schools on Financial Management**.

The only exceptions to this standard distribution are:

- Grants which may be paid to the Local Authority for distribution to schools
- Capital funding for specific projects (i.e. other than formula capital allocations) will be distributed on a school by school basis in accordance with the planned expenditure on the project agreed with the LA.

- Where a maintained school converts to Academy, adjustments will be made to the maintained school's cash advance to adjust funding no longer owing to the school or recoup overpayments

3.3 Interest clawback

There will be no deduction for interest where a school receives cash advances in the pattern and for the amounts calculated in **Sections 3.1** and **3.2** above.

3.3.1 Interest on Cash Advance Reprofitting

Where schools require additional cash arising from overspending, a formal application for a cash advance reprofiling will be required.

Any advance payments will accrue interest at the prevailing London Inter Bank Offered Rate (LIBOR) effective for the term of the advance prevailing on the day the advance is obtained from the LA until the amount is repaid. Interest on longer term advances or advances for periods above one year will be charged at the prevailing Public Works Loan Board (PWLB) rate at the time the advance is taken reviewed annually at the start of each financial year. This will affect those schools whose patterns of expenditure are different to the norm or those that have accumulated deficit budgets. An example of the application form to be used is in the Guidance to Schools on Financial Management.

3.3.2 Interest on Loans

Where a school requires a loan to assist in spreading the cost over more than one year of large one-off individual items of a capital nature, the loan will accrue interest calculated on the same basis as detailed in Section 3.3.1 above

Schools are not permitted to borrow money from any other source (**see para 3.6**).

3.3.2 Interest on Late Budget Share Payments

In circumstances where the LA fails to provide the monthly cash advance on the predetermined date, and this was due to LA error, schools will be entitled to interest at the prevailing **London Inter Bank Bid Rate (LIBID)**.

3.4 Budget shares for closing schools

Budget shares of schools for which approval for discontinuation has been secured may be made until closure on a monthly basis net of estimated pay costs at the discretion of the Chief Financial Officer.

3.5 Bank and building societies

All maintained schools may operate a bank account separate to the Council's own bank account.

When converting to become an Academy a closing maintained school's bank account mandate should provide that the LA is the owner of the funds during the period that the accounts are being finalised which is three months from the date the school ceases to exist.

Any interest generated from bank account balances may be retained by the school, credited to the school's budget share (**never** the private school fund). Schools having bank accounts with other banks prior to 1 April 2001 are allowed to retain those accounts.

The **Hillingdon Financial Regulations** include requirements on bank accounts, in particular **paras 3.124**.

3.5.1 Restrictions on accounts

Schools can use any of the following banks:

Royal Bank of Scotland, Barclays, HSBC, Lloyds Banking Group, Natwest and Standard Chartered Bank.

No other banks should be used without written consent of the Council's Chief Financial Officer. Schools may operate more than one bank account, but each one, other than those for unofficial funds, would need to be reconciled to the same timetable as is specified in Appendix 4 of the **Guidance to Schools on Financial Management**.

If a school's bank account is opened under its own name provision should be made for the LA to take control and be the owner of the funds if the school's right to a delegated budget is suspended by the LA.

Every cheque **must** be signed by two authorised individuals and at least one of those individuals **must** be a member of staff. It is advised that signatories should be Headteacher, Deputy Headteacher and/or a senior member of staff.

It is **strongly advised** that the school administrative (or finance) officer **is not involved** in the cheque signing process. The need to have a separation of duties would suggest that it is best practice for the school administrative (or finance) officer not to be a cheque signatory.

It is also **advised** that governors **should not be routine** cheque signatories. Under the scheme of delegation for sub-committees and the headteacher, it is recommended that the headteacher have delegated authority to run the day-to-day finances of the school; signing cheques is an operational aspect of financial administration. Where governors are cheque signatories the school is likely to encounter problems in having sufficient cheque signatories in an emergency. Equally, however, smaller schools may be able to resolve some of the difficulties

they often face in ensuring separation of duties by including a governor on the bank mandate.

Governing bodies may decide that it is appropriate for cheques above a certain amount (e.g. **£20,000**) to be counter-signed by a governor, but there is no requirement for this to be the case. Schools which do decide to include a governor on the bank mandate **must** check that the school's insurance policy covers governors for **fidelity guarantee**.

In considering which bank to use, governors should consider:

- **service charges** (many banks offer a deal where service charges are nil for as long as the account is not overdrawn)
- **interest receivable** (interest rates between banks and for different accounts in the same bank will vary from the prevailing base rate)
- **accessibility** (if the bank is to be visited frequently it may be useful to use a bank close to the school)
- **services included as standard** (banks may offer more frequent statements or an interest earning current account or other services which their competitors may charge for)
- **the implications of changing banks** (all schools now have their own bank account and the advantages of a different bank may be outweighed by the inconvenience and expense of changing banks)

Banks do not offer exactly the same service and schools should choose a bank which best meets their needs.

3.6 Borrowing by schools

Schools cannot borrow money (including the use of finance leases), unless they have the written permission of the Secretary of State. This does not apply to any loans granted by the LA within the provisions of this scheme.

This provision also extends to the use of credit cards by schools, which are regarded as borrowing. However, this does not bar schools from using debit cards or the government purchase card, which can be a useful means of facilitating electronic purchase. Schools are required to manage the use of the purchase cards and must abide by the repayment criteria. Schools are required to adhere to separate guidance (contained in the **Guidance to Schools on Financial Management**) on the use of purchase cards. The use of purchase cards is not considered to infringe the borrowing restrictions imposed on schools as long as the balance on the account is cleared in full within the month. All costs and charges for cards should be met from the school's budget share.

Section 4: The treatment of surpluses and deficit balances arising in relation to budget shares

4.1 Right to carry forward surplus balances

Schools are permitted 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 / minus any balance brought forward from the previous year.

The amount of a surplus balance will be that shown in the relevant out-turn statement published in accordance with s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

Where a school's surplus balance is more than 8% for Nurseries, Specials and Primaries and 5% for Secondaries of the school's total income (including brought forward balances) for that financial year, the governing body is required to report to the LA on the use to which the school intends to put the surplus balance, this to be submitted with the budget plan by 31st May.

4.3 Interest on surplus balances

Surplus balances will be accounted for in the accounts of the local authority but, in cash terms, schools' balances (subject to year-end reconciliations) will be held in their local bank accounts. Interest accrued on all cash in schools local bank accounts is retained by the school. (See **section 3.5**)

4.4 Obligation to carry forward deficit balances

Where a school's expenditure during a financial year exceeds the budget share plus / minus the balance brought forward from the previous financial year the school is obliged to carry forward the deficit. Any deficit carried forward will be the first call on the budget share for the following year.

Where deficits at schools maintained by the LA exist, a schedule of repayments may be agreed with the governing body.

4.5 Planning for deficit balances

Governing bodies may not plan for a deficit. If, during the year, expenditure patterns suggest that a deficit is likely, governing bodies are under an obligation to take all appropriate measures to avoid a deficit occurring. If, in spite of all efforts a deficit is not avoidable, the local authority may, in exceptional circumstances, licence a deficit where the governors have provided a satisfactory business plan for putting the school's financial position back into balance. An application for deficit licence must be made to the LA stating the recovery strategies and when the school is to return to a balanced position. (See **Section 4.9** below)

4.6 Charging of interest on deficit balances

Interest will not be charged on deficit balances, but schools should note that deficit balances will require a cash advance reprofiling which interest will be charged. (See **Section 3.3**). Where schools have deficit budgets, any direct payments by the LA on behalf of the school will be treated as if they were supplementary cash loans and interest will be charged on those sums too.

4.7 Writing off deficits

The local authority is not permitted to authorise the use of Dedicated Schools Grant to write off any deficits accumulated by governing bodies. In certain instances the LA may agree to give assistance towards the elimination of a deficit balance where agreed by Schools Forum. Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools, or a central budget for special schools and PRUs.

4.8 Balances of closing and amalgamating schools

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

In 2013, Schools Forum agreed to amend this requirement. The current arrangement is that schools which fall under this definition will be allocated funds equivalent to any surplus balance that is to be retained, subject to Schools Forum agreement. It was also agreed that any deficits would be funded from the centrally retained DSG.

4.9 Licensed deficits

In exceptional circumstances, where a governing body has explored all alternatives to the satisfaction of the local authority, it may be appropriate for the Chief Financial Officer to agree to license a deficit for a specific period. The local authority may only license deficits up to a maximum of **40%** of the amount of surplus balances at the end of the previous financial year held by schools maintained by the authority.

It would be expected that the vast majority of deficits should be for one financial year only i.e. carry forward a deficit at the end of one year and return to a nil or surplus balance at the end of the following year. In particularly exceptional circumstances governing bodies may agree with the local authority to manage a deficit over / up to three financial years. Such an agreement could only be entered into where the expected deficit at the end of the first year was likely to be in excess of **15%** of the school's annual budget share. This assumes that the school has encountered financial difficulties.

Should the amount of licensed deficits due to schools experiencing financial difficulties be less than **40%** of the amount of surplus balances at the end of the previous financial year held by schools maintained by authority, the authority may consider formal requests from governing bodies who wish to undertake curricular or building projects which they expect will require funding over more than one financial year. It is not likely that the local authority will agree to license a deficit for any such project before October of the financial year in which the deficit would occur.

All deficits of the school's budget share must be licensed by the local authority, and the Governing Body has to take all measures necessary to avoid a deficit. Nevertheless, governing bodies with deficits of whatever level will be required to report to the local authority on the reasons for them and the plans they have in place to remove the deficit.

4.10 Loan schemes

The LA will operate a supplementary cash loan scheme (**See also Section 3.3**).

Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will 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 and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

4.10.1 Cash Advance Reprofileing

Schools experiencing cash flow problems arising either from natural variations from the standard pattern of cash advances or from overspending will be able to request a re-profileing of their school budget share payments through the cash advance.

4.10.2 Credit union approaches

Schools wishing to operate a credit union, using pooled bank balances to fund loans to participating schools may do so. It is a requirement that the local authority is sent a copy of the constitution of any such credit union and that an annual audit certificate is provided.

Section 5: Income

5.1 Income from lettings

Schools may retain income from lettings of the school premises, subject to alternative provisions arising from any joint use or PFI agreements. Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school because the assets and revenue expenditure used to generate the income are most likely to have been provided with LA funds. Voluntary Aided schools might in certain circumstances be able to demonstrate that the assets were bought with governor / DFE funds and that the costs associated with lettings are to be fully charged to the private school fund; it is not likely that foundation or community schools could demonstrate both circumstances. Crediting income to the private fund is likely to have tax implications. Moreover, private school funds are now to be accounted for as part of Consistent Financial Reporting to improve transparency of this area of school accounts.

Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. Schools are required to have regard to the Policy on Community Use of School Premises which only applies to premises owned by the London Borough of Hillingdon.

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. Schools should have regard to the Policy on Charging for School Activities.

5.3 Income from fund raising activities

Schools may retain income from fund-raising activities. It is appropriate for such funds to be lodged in the school's private fund.

5.4 Income from the sale of assets

Schools may retain the proceeds of the sale of assets except in cases where the asset is purchased with non-delegated funds (in which case the LA will decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and owned by the London Borough of Hillingdon.

5.5 Administrative procedures for the collection of income

Where schools are producing invoices for the recovery of monies due, they must have due regard to whether the income is subject to VAT. The **Guidance to Schools on Financial Management** identifies typical circumstances in which VAT is recoverable and guidance will be issued to schools periodically when HMRC regulations are updated.

If VAT is recoverable, it is a requirement that invoices issued by the school be in the format set out in the **Guidance to Schools on Financial Management**.

5.6 Purposes for which income may be used

Income generated from the sale of assets purchased may only be spent for the purposes of the school.

Section 6: The Charging of School Budget Shares

6.1 General position

The LA cannot charge the budget share of any school without the consent of the governing body except in circumstances expressly permitted by this scheme. Where the LA intends to make such a charge the LA must consult with the school(s) concerned as to the intention to so charge and notify schools when it has been done. In circumstances where the LA is to charge the costs of salaries of school based staff to the school's budget share, this will be on the basis of actual costs.

In the event of a dispute the school should contact the Finance Manager - **Social Care, Education and Schools**, who will arbitrate. In the event that this post-holder has been involved in the decision to charge the school, the matter will be referred to the Chief Financial Officer who will make alternative arrangements for the matter to be considered. Where no objection to the charge has been received by the LA within one calendar month of the notification that the charge has been made being sent to the school, it shall be deemed that the school has accepted the charge and no further correspondence on the matter can be entered into.

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

In circumstances where the LA is to charge the costs of salaries of school based staff to the school's budget share, this will be on the basis of actual costs.

6.2 Circumstances in which charges may be made

6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the LA 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 the school had not followed authority advice;

6.2.3 Awards by courts and industrial tribunals against the authority, or out of court settlements, arising from action or inaction by the governing body contrary to the authority's advice.

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

6.2.5 Expenditure by the authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the authority.

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;

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

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

6.2.9 Corrections of authority errors in calculating charges to a budget share (e.g. 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 LA of non-pupil days resulting in unnecessary transport costs.

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

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

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

6.2.14 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 a **Education, Health & Care plan** where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence 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 another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

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

Section 7: Taxation

7.1 Value Added Tax (VAT)

Governing bodies are required to identify all of the VAT relating to payments made by the school or income received by the school to the same timetable as the actual expenditure returns (see **Appendix 4** in the **Guidance to Schools on Financial Management**).

It is imperative that the format and timetable for reporting VAT transactions is adhered to strictly by schools. The Chief Financial Officer will need to be satisfied that governing bodies which do not provide the information by the due date have appropriate systems of financial administration in place. This could involve supplementary audit visits and an instruction that the governing body provide the information more frequently until administrative procedures are fully operational (as per the **Guidance to Schools on Financial Management**).

Some guidance on VAT with examples of typical situations is included in the **Guidance to Schools on Financial Management and the VAT guidance booklet**.

7.2 Construction Industry Taxation Scheme (CIS)

Schools no longer come under the scope of CIS from 1st April 2007 if the contract is directly with the school paid for from the delegated budget. Schools however will need to determine whether a contractor is 'employed' or 'self employed'. Schools should check with the HMRC to establish the employment status of the worker. (Further guidance available in the **Guidance to Schools Financial Management**).

Although the changes mean that schools can pay for construction payments made from delegated budget resources through their local accounting systems, there are certain responsibilities for schools in terms of reporting payments for services to HMRC and checking the employment status of workers which must be fulfilled by the school.

Section 8: The Provision of Services and Facilities by the Authority

8.1 Provision of services from centrally retained budgets

It is for the Authority to determine the basis on which services from centrally retained funds will be provided to schools. This includes redundancy and premature redundancy contribution (PRC) payments. The Authority must not discriminate in its provision on the basis of categories of school except where such discrimination is justified by differences in statutory duties.

8.2 Provision of services bought back from the authority using delegated budgets

Services offered to schools for buy-back are included in an annual Service Level Agreement document. The length of agreements varies from service to service, but any initial agreement to buy services or facilities from the LA must not exceed three years from the inception of the scheme or the date of the agreement, whichever is later. Subsequent agreements relating to the same service must not exceed five years.

When a service is provided for which expenditure is not retainable centrally by the LA under the Regulations made under Section 46 of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

8.2.1 Packaging

For those services for which the LA has delegated funding and which the LA is offering on a buy-back basis, the authority must not package services in a way which unreasonably restricts 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 buyback basis, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

Service Level Agreements must be in place by 1st April for insurance related services (i.e. supply, premises, employee related etc) and all other services. Schools must have at least one month to consider the terms of the agreement.

Where services are offered by the LA, they will be available on the basis of buy-back for an extended period or on a pay-as-you-go basis. Different rates will apply to the different types of agreement.

8.4 Teachers' Pensions

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

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

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

Section 9: Private Finance Initiative / Public-Private Partnerships

9.1 Where a school is operating through a Private Finance Initiative the Authority will make the full monthly payment directly to the Special Purposes Vehicle (SPV). The school will make a contribution to the costs of the PFI contract on a monthly basis by cheque or CHAPS transfer to L B Hillingdon.

9.2 Currently the only Private Finance Initiative deal is with **Barnhill Community High School**. The school will make a contribution, per pupil, to the overall cost of the annual charge. This will be indexed throughout the life of the project on the same basis as the indexation in the contract (for those elements which are to be indexed).

9.3 Before 1st April each financial year the calculations for uprating the school's per pupil contribution will be made and this will be applied to the appropriate numbers of pupils. A schedule of expected monthly payments for the year will be provided to the school.

9.4 The monthly contribution will be determined on the basis of the pupil numbers used in the local Fair Funding Formula (or its replacement). Currently, this is on the basis of total pupil numbers in the school on the annual School Census (formerly PLASC) in January immediately preceding the start of the financial year. Any prior year adjustments will be charged at or paid at the new year prices. The school's contribution is unlimited i.e. the greater are the formula funded pupils, the greater the contribution.

9.5 The school's contribution to the annual charge will be transferred to the LA on a monthly basis. The amount will be as determined in 9.4 above.

9.6 Penalties incurred by the contractor should be retained by the school (except in the circumstances described in paragraphs 9.8). The school will deduct penalty payments from the sum determined in paragraph 9.4 above in the same month where such penalties are reflected in the contract payment.

9.7 In the event of the LA incurring direct additional costs (which are not reimbursable through insurance) as a result of non-availability or poor performance by the contractor, these costs will be outlined and refunded by the school by an increase in the following month's allocation. This clause deals with circumstances in extremis and the school would not contribute any more than the amount of contract penalties relating to the non-availability or poor performance.

9.8 The contract penalties to be retained by the school in any one financial year should not exceed the amount of the school's contribution to the PFI contract, as per the calculation in 9.4 above.

Section 10: Insurance

Funds for insurance are delegated. Governing bodies must arrange appropriate levels of insurance for the school. As a minimum, schools are required to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the LA.

The LA's guideline cover levels for schools are set out in the "Risk Management Advice - Guide to Insurance" provided to schools each year by Hillingdon's Insurance Services section.

Section 11: Miscellaneous

11.1 Right of access to information

In addition to the specific requirements elsewhere in this document, governing bodies are required to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) by the school. This would include access for the School Financial Monitoring Team.

11.2 Liability of governors

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

11.3 Governors' expenses

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

Under section 50(5) of the 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 delegated budget share. It is forbidden for governors to be paid any other allowances. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the LA as part of the cost of maintaining the school, unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. A school cannot expect to be reimbursed with the cost of legal action against the Authority itself. Governing bodies are free to use the budget share to seek alternative sources of legal advice.

11.5 Health and Safety

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

11.6 Right of attendance for Chief Financial Officer

Governing bodies are required to permit the Chief Financial Officer of the Authority, or any officer of the Authority nominated by the Chief Financial Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his/her responsibilities. Such attendance will normally be limited to items which relate to issues of probity or overall financial management. The Authority will give prior notice of such attendance unless this is impracticable.

11.7 Special Educational Needs

Schools are required to make their best endeavours in spending the budget share, to secure the special educational needs of their pupils.

11.8 Interest on Late Payments

Schools are reminded of the entitlement of small businesses to interest payments where invoices are paid outside of the agreed payment terms. As a public sector organisation schools should aim to pay 95% of their invoices within the credit terms (usually 30 days). Liability for any penalties will be the responsibility of the school, charged to the school's delegated budget share and not the LA.

11.9 Whistleblowing

School staff or governors who wish to complain about financial management at the school should address their complaints to the Finance Manager - **Social Care, Education and Schools**. Complaints about financial propriety should be referred to the Head of Internal Audit.

11.10 Child Protection

Schools are reminded of the importance of releasing staff to attend child protection case conferences and other related events. Schools are expected to meet the costs of release time from within their delegated resources.

11.11 Redundancy / early retirement costs.

Section 37 of the 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. In accordance with this regulation and effective from 1st April 2011, all premature retirement costs of staff in maintained schools will be charged to the school's delegated budget while redundancy costs will normally be charged to the local authority's budget unless there is good reason for these costs not to be centrally funded. The examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget;

- If a school has decided to offer more generous terms than the Authority's policy then it would be reasonable to charge the excess to the school,
- If a school is otherwise acting outside the Authority's policy,
- Where the school is making staffing reductions which the Authority does not believe are necessary to either set a balanced budget or meet 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 them,
- Where a school has refused to engage with the Authority's redeployment policy

Charge of premature retirement costs to Authority non-schools budget

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

Appendix 4 is attached to provide further guidance of the process and information on the responsibility for redundancy and early retirement costs.

Section 12: Responsibility for Repairs and Maintenance

The LA delegates all revenue funding for day to day repairs and maintenance to schools. Schools manage devolved capital projects on behalf of the LA. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. In particular, no item may be regarded as capital if its value is below **£10,000**, unless being charged to specific capital grants of value below the de minimis.

*In cases where the value of enhancement is below **£10,000** expenditure would normally be revenue in nature, unless it can be demonstrated that items will be in use for more than one financial year and represents a significant proportion of available capital funding.*

Appendix 3 identifies the categories of work which governing bodies must expect to finance from their budget.

Voluntary Aided governor responsibilities are included in the examples. VA governors will continue to be eligible for grant from the DfE in respect of their statutory duties and, in addition, they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools (subject to amendment as stated above). The de minimis limit for capital works in VA schools is that applied by the DfE, not the de minimis limit used by the Authority.

Section 13: Community Facilities

13.1 Introduction

The Application of the Scheme for Financing Schools to the Community Facilities powers

13.1.1 Schools which chose 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 LA and have regard to advice from the Authority.
- Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

13.1.2 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 LA'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.

13.1.3 Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

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

13.1.5 Schools may use their budget shares to fund community facilities.

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

13.2 Consultation with the LA – financial aspects

13.2.1 Before exercising the community facilities power, governing bodies must consult the authority and have regard to advice given to them by their LA. Schools should write to the Finance Manager - **Social Care, Education and Schools** and set out the following:

- the nature of the proposal;
- the timescales;
- what accommodation will be used, whether new or existing;
- what staffing resources will be required to set up and then run the proposed facility;

- the expected set-up and on-going costs and income;
- a consideration of the risks of the venture;
- any organisational issues (e.g. whether the facilities will be operated by a third party, if a steering committee is to be established etc)

13.2.2 The LA will be required to provide advice within 20 school days of the proposal being submitted. Schools will be required to report back to the authority on the action to be taken once LA advice has been received. There will be no charge levied for advice from the LA.

13.3 Funding Agreements – local authority powers

13.3.1 Any funding agreement between a governing body and a third party in exercise of the community facilities power must be submitted to the LA in the same manner as that described in 13.2.1 and 13.2.2 above. The LA has no right of veto on such agreements. Where a third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which the LA consent is to be signified, is a matter for that third party, not this scheme.

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

13.4 Other prohibitions, restrictions and limitations

13.4.1 The LA may require a governing body in exercise of its community facilities power to either carry out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority.

13.5 Supply of financial information

13.5.1 Schools exercising the community facilities power are required to provide the Authority with a summary financial statement, 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. Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by LAs as their main source of information for the financial aspects of community facilities.

Schools with on-site Children's Centres will be required to code expenditure relating to the Children Centre to a separate fund with the required subjective analysis within their financial management system. This will be reflected in the expenditure return submitted to the local authority. In the event of the school spending less than the budget, the unspent balance will be lost to the school at the end of the year during which schools are allowed to use the funding. In the event of the school spending more than the budget, the excess expenditure will be treated as the first call on the following year's budget.

13.5.2 Where, in the view of the LA, there is cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, such schools could be required to provide financial statements every three months. If the LA sees fit, to require such schools to submit a recovery plan for the activity in question.

13.6 Audit

13.6.1 Schools are required to grant access to the school's records connected with the exercise of the community facilities power to internal and external auditors on income and expenditure. Any funding agreements entered into as part of the exercise of the community facilities power should allow for audit access to financial information.

13.7 Treatment of income and surpluses

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

13.7.2 Schools may carry forward such retained net income from one financial year to the next as a separate community facilities surplus. Schools may transfer all or part of any community facilities surplus into their budget share.

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

13.8 Health and Safety matters

13.8.1 The requirements applying to the school under the Scheme for Financing Schools on Health and Safety apply in the exercise of the community facilities power.

13.8.2 The governing body is responsible for costs of securing Disclosure & Barring Service (DBS) clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

13.9.1 The governing body is responsible for ensuring that adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share.

13.9.2 The LA is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

13.10 Taxation

13.10.1 Schools must obtain advice from 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 local authority VAT reclaim facility.

13.10.2 Schools are reminded that if any member of staff employed by the school or the 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, in line with Inland Revenue rules.

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

13.11 Banking

13.11.1 Schools must open a separate bank account for their operations in connection with the community facilities power.

13.11.2 Schools are reminded that they may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintained authority.

Schools subject to the 'Scheme for Financing Schools'

Primary

Botwell House
 Bourne
 The Breakspear School
 BWI
 Cherry Lane
 Colham Manor
 Coteford Infant
 Deanesfield
 Dr Triplets CE
 Field End Infant
 Field End Junior
 Frithwood
 Glebe
 Grange Park Infant
 Grange Park Junior
 Harefield Infant
 Harefield Junior
 Harlyn
 Harmondsworth
 Hayes Park
 Heathrow
 Hermitage
 Highfield
 Hillside Infant
 Hillside Junior
 Holy Trinity
 Lady Bankes Infant
 Lady Bankes Junior
 Minet Infant
 Minet Junior
 Newnham Infant
 Newnham Junior
 Oak Farm Infant
 Oak Farm Junior
 Rabbsfarm
 Ruislip Gardens
 Sacred Heart RC
 St Andrew's CE
 St Bernadette's RC
 St Catherine's RC
 St Mary's RC
 St Swithun Wells RC
 Warrender
 Whitehall Infant
 Whitehall Junior
 Whiteheath Infant
 Whiteheath Junior

Primary (contd)

Yeading Infant
 Yeading Junior

Nursery

McMillan Nursery School

Secondary

Abbotsfield
 Harlington

Special

Hedgewood
 Meadow

Summary

Nursery	1
Primary	49
Secondary	2
Special	2

Total

54

Best Value and Schools

1. This paper is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share.
2. Best value is a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is to place a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions which are exercised by the governing bodies of authority maintained schools. However, schools will be encouraged to adopt the best value performance management framework.
3. In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:
 - a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
 - challenging how and why a service is provided (including consideration of alternative providers);
 - comparison of performance against other schools taking into account the views of parents and pupils;
 - mechanisms to consult stakeholders, especially parents and pupils;
 - embracing competition as a means of securing efficient and effective services;
 - b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;
 - c) that the following are included in school development plans -
 - a summary of objectives and strategy for the future;
 - forward targets on an annual and longer term basis;
 - description of the means by which performance targets will be achieved;
 - a report on current performance
 - d) that internal and external audit takes place ensuring that performance information is scrutinised. Authority oversight of school finances provides external review.
4. The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.

Categories of Repairs and Maintenance

LA Capital /Revenue Split and items which are the separate responsibility of Governors in VA Schools.

Illustrative examples in line with DfE interpretation of the CIPFA Code of Practice.

All capital works are subject to a de minimis limit of **£10,000** i.e. if works are less than that, they are revenue. An exception to this rule is made where schools have capital budgets such as Devolved Formula Capital which is below the £10,000 limit and where expenditure against these budgets can only be recorded as a capital expenditure. Capital works must involve the acquisition or the substantial enhancement of the value or economic life of an asset and meet the de minimus requirement.

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
Roofs			
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	New structure and repair replacement of structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of same	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed	Replacement of structure
	Screed / insulation in a new building/extension	Repair/replacement of screed/insulation where defective.	New screed/insulation and repairs
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation Finish on new build. Replacement of all/substantially all on existing roof	Work to improve insulation standards, during work to repair/ replace small areas of roof. Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy	Replacement/repair of screed/insulation Finish on new build. Replacement of roof finish on existing building. Re-coating
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting.	Edge Trim/fascia on new build and repairs/ replacement/repainting
	Edge Trim/ Fascia, replacement of all / substantially all on existing roof Drainage on new build	Repairs/ replacement. (uPVC) Repainting. Clearing out gutters and downpipes. Replacement/ repair/ repainting of individual gutters/pipes	Replacement of edge Trim/Fascia on existing building Drainage on new building and repairs/replacement/ Repainting (<u>NOT</u> cLANing gutters/downpipes)
	Other e.g. Flashings, rooflights on new build	Repair/ Replacement/ cleaning of individual items	Flashings/rooflights on new building and repair/

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
	Replacement of all/substantially all on existing roof		replacement (<u>NOT</u> cleaning)
<u>Pitched</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	Structure of new roof and all repairs <u>EXCEPT</u> trusses (i.e. internal repairs)
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace/ repair small areas of rotten/ defective joists, rafters, purlins etc. Not complete trusses	Replacement of internal structure <u>EXCEPT</u> trusses (i.e. internal repairs)
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof	Insulation in new building and repair/replacement.
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards		Repair/replacement or improve insulation
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged	Finish in new building/extension and repair/replacement in existing building
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/ repainting	Bargeboards/fascias in new building/extension and repairs/replacement/ repainting in existing building
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters	Drainage in new building/extension and repair/replacement. (<u>NOT</u> cleaning guttering or downpipes)
	Drainage. Replacement of all/substantially all on existing roof		Drainage replacement in existing roof.
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning	Flashings, roof windows in new building/ extension and repair replacement (<u>NOT</u> cleaning) in existing roof
<u>Other</u>	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link	Provide new covered link and repairs to existing. (<u>NOT</u> cleaning)
	Rebuild or substantially repair structure of existing covered link		Re-build or repair structure of existing covered link.
	Add porch etc. to existing building	Minor repairs, maintenance to existing	Add new porch and minor repairs to existing
	Rebuild / substantially repair structure of existing porch		Re-build or repair existing porch.

Floors

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure	Structure and dpc of new building and replacement of existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of same		
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats/ matwells. Maintenance e.g. revarnishing wooden floors.	Provide screed and finish in new buildings (NOT repairs to finishes, matwells etc.)
<u>Upper Floor</u>	Structure - as ground floor	As ground floor	Structure of new buildings and replacement of existing structure
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor	As ground floor
Ceilings			
<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. From water damage, & necessary decoration	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair/ replacement Inc. from water damage	Provision, (NOT repair or replacement)
	Access panels	Repair/ replacement	Provision, (NOT repair or replacement)
<u>Lower storeys</u>	Suspension	Repair/ replacement	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair/ replacement	Provision, (NOT repair or replacement)
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection	Removal/replacement of damaged/disturbed asbestos EXCEPT where part of repair project.
External walls			
<u>Masonry/ cladding</u>	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal	Structure, underpinning/ propping of new building and repairs, (NOT tree removal unless part of clearing new site)

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred.	External finish on new building and repairs/replacement of existing structure including re-pointing/re-cladding
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding work affecting most of a building /replacement build		External finish on existing building including correcting of structure.
<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames	New window frames and doors in new building and repairs/replacement (NOT replacement/ repair/ re-painting of internal doors or windows)
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames	New windows in replacement programme
	Glazing - new build	Replacing broken glass	Glazing new building and replace broken glass.
	Glazing Upgrading existing glazing		Upgrading existing glazing
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.	Ironmongery to improve security and repair/replacement.
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.	Internal and external decoration of new provision, external re-decoration (NOT internal redecoration)
<u>Masonry chimneys</u>	Structure		Structure of chimneys
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing	Jointing/Pointing and dpc of chimneys and repair/re-pointing.
Internal walls			
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.	New walls & finishes, (Not repair/ replacement)
	Refurbishment and alterations	Minor alterations	
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.	New partitions, (Not repair/ replacement)
	Refurbishment and alterations	Minor alterations	

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
<u>Doors & Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens	Provision of new, (<u>Not</u> repair/ replacement)
<u>All</u>	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass	New glazing and replacement of broken glass, (<u>Not</u> internal window repairs)
Sanitary Services			
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.	Provision. (<u>Not</u> repair/ replacement of damaged sanitary ware)
	Large scale toilet refurbishment	Small areas of refurbishment	Provision / refurbishment (<u>Not</u> replacement of damaged sanitary ware)
	Provision of disabled facilities, and specialist facilities related to pupils with a <u>Education, Health & Care plan</u>	Repair/ replacement of damaged fittings, waste plumbing etc.	Provision, (<u>Not</u> repair/ replacement of damaged fittings etc.)
<u>Kitchens</u>			
	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of LA Cleaning out drainage systems	
	General refurbishment	Redecoration Repairs	
	Large and costly items of equipment	Repairs/ replacement parts	
Mechanical services			
<u>Heating/ hot water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc. Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety. Planned replacement of old boiler/ controls systems past the end of their useful life Emergency replacement of boiler plant/ systems	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects Monitoring systems Health & safety issues Replacement of defective parts	Provision of complete system, (<u>Not</u> repair/ replacement or maintenance)
<u>Cold water</u>	Provision of cold water services, storage tanks,	Maintenance and repair/ replacement of defective parts	Provision of complete system, (<u>Not</u> repair/ replacement or

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
	distribution, boosters, hose reels etc. in major projects	such as servicing pipes. Annual servicing of cold water tanks.	maintenance)
<u>Gas</u>	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety	
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	All servicing Provision of local ventilation. Repair/ replacement of defective systems and units	Provision, (<u>Not</u> repair/ replacement)
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.	If governors provided.
Electrical services			
<u>General</u>	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.	Provision, (<u>Not</u> repair/ replacement or maintenance)
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.	
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment	Provision, (<u>Not</u> repair/ replacement)
<u>Lighting</u>	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency	Provision, (<u>Not</u> repair/ replacement)
<u>Other</u>	Lightning protection in new build	Repair/ replacement	Provision and repair
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and maintenance	Provision, (<u>Not</u> repair or maintenance)
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems	
External Works			
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.	Provision if part of statutory proposal project. <u>Not</u> repair or maintenance Provision and repair of ramps and steps.

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES
Miscellaneous	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.	
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.	Foul drainage plus external gutters and drainpipes. Not maintenance
<u>Open air pools</u>	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.	If governors provided.
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing	Provision grant aided but <u>not</u> for repair

School Redundancy Reimbursement Procedure and Processes

1. Introduction

Under Section 37 (5) of the Education Act 2002 the Council is normally required to fund the cost of school redundancy payments. In order to access this funding, schools will need to demonstrate that they have followed the Council's Procedures and Processes which are set out in the following paragraphs.

2. Procedure and Processes

With any redundancy exercise the local authority will need to be satisfied that the school has clear documentation outlining the rationale for the proposal, that all alternative solutions to a redundancy have been explored, and the appropriate consultation has been undertaken.

In line with the above, the school will need to ensure that the **Deputy Director – Housing, Environment, Education and Health & Wellbeing** is advised of any redundancy proposals at the earliest opportunity, preferably at the beginning of the process. Schools will also need to demonstrate that they have sought advice from their HR Service provider throughout the process. The school should also show that they have accessed advice from Schools Finance and any other appropriate forums in relation to their proposal and the viability of any other solution.

In relation to the consultation with staff and the relevant Trade Unions it is advised that the schools use the LA's model consultation guidance and that it is in line with the Redundancy Policy and Procedure adopted by the school.

As part of the consultation exercise, the school will need to provide a copy of the paper to the Head of Policy and Standards - Education, Housing and Public Health. The school will also need to provide the Finance Manager - **Social Care, Education and Schools** with the following documents:

- i) The most recent school budget plan.
- ii) The most up to date monitoring position of the school budget.
- iii) An explanation of the use of any surplus balances held by the school.
- iv) An explanation of changes of more than 10% on any budget, both expenditure and income.
- v) The estimated cost of redundancy for each post being made redundant

The school will need to provide responses to any questions that the Local Authority might have within one week of the request.

All of this supporting documentation will be provided to the **Deputy Director – Housing, Environment, Education and Health & Wellbeing**, who will produce a Cabinet Member Report for consideration by the Cabinet Member for Education and Children’s Services for their final decision. The school will be notified within one week, once a decision is reached.

Schools will be able to claim the reimbursement of redundancy costs by submitting an invoice, one for the first tranche payment and a further invoice for the second and final tranche payment at least three months after the relevant persons have left the schools employment and signed the copy documentation confirming that they have not obtained further employment.

Failure to manage any redundancy process as outlined above may result in the Local Authority not meeting the redundancy costs or any part of those costs incurred by the school in accordance with guidance and regulations under the Education Act.

Education Act 2002 – Section 37 extract

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

The default position, therefore, is that premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the local authority’s budget. In the former case, the local authority has

to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

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

Charge of premature retirement costs to local authority non-schools budget:

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

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

A de-delegated contingency could be provided, if Schools Forum agree, 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:

(7) Where a local education authority incur costs -

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,

they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(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 (7B) 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.

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

(10) Regulations may make provision with respect to the recovery from governing bodies of amounts payable by virtue of subsection (7).

(11) Subsections (1) to (6) do not apply to a maintained school at any time when the school does not have a delegated budget by virtue of any suspension under section 17 of, or Schedule 15 to, the School Standards and Framework Act 1998 (c. 31).

(12) In this section "community purposes" means the purposes of the provision of facilities or services under section 27

Scheme for financing schools

XXXXXXXXXXXXX SCHOOL

MODEL APPLICATION FOR AN INTEREST FREE LOAN FOR A NEWLY QUALIFIED TEACHER OF UP TO £1,500

Completed form to be returned to:

XX

For queries about this form, please telephone XXXXXXXXXXXXXXXX

PERSONAL DETAILS

Surname..... (Mr/Mrs/Ms/Miss)

Forename(s)

Department Payroll No:.....

Home Address.....

.....

.....

Work tel no..... Home/mobile no

DECLARATION

The details given above are complete and correct and I hereby apply for a loan of £1,500. I agree that I shall repay the full amount of the loan by 12 equal consecutive monthly instalments of £125.00 commencing on _____(Date), which sum I agree to being deducted from my salary each month until the total sum advanced be repaid.

I have read the conditions below and agree to be bound by them.

Signature..... Date

AUTHORISATION – To be completed by the Headteacher

I confirm that the details given are correct as far as I am aware and I recommend that the loan be granted.

Signature Date

CONDITIONS

1. In consideration of the loan made to the employee by the School, the employee agrees to make twelve monthly repayments to the School on the last day of each month by deduction from salary until the whole loan has been repaid.
2. The School shall be entitled to deduct each monthly instalment as it falls due from the next payment of the employee's salary.
3. If before the whole of the amount loaned has been repaid to the School by the employee as provided in Condition 2 the employee shall:-
 - 1) cease to serve the Council for any reason whatsoever; or
 - 2) fail to observe any of the conditions of the loan; or
 - 3) become bankrupt; or
 - 4) make any composition or agreement with creditors; or
 - 5) die;

the whole of the amount remaining on loan to the employee shall immediately become payable to the School by the Employee or in the case of death by the Employee's personal representative.

4. In the event of any amount under the loan becoming repayable as provided in Condition 3 hereof the School shall in addition to exercising all other legal or equitable rights and remedies be entitled to deduct such amount from any sum that may be or become due to the employee by the School whether by way of salary, refund of superannuation contributions, or otherwise.
5. The employee may at any time during the continuance of the loan repay to the School any balance on the loan then outstanding and owing.
6. Please note this loan is only available to Newly Qualified Teachers upon initial recruitment only. It is not to be used as an on-going loan facility.

I hereby further agree that in the event of my leaving the employment of the School within twelve months of the date of receiving this loan, the whole of the sum outstanding as at that date shall be deducted from my final payment of salary and any refund of superannuation to which I may be entitled. In the event that my final payment of salary and superannuation refunds be insufficient to cover the said sum I undertake to repay to the school on demand such balance as may be due.

Dated this day of 20__

Signed Name
(in block letters)
of (address)

School
.....