

Learning, Culture and Children's Services



LOCAL MANAGEMENT OF SCHOOLS SCHEME

April 2010

... putting children and young people first ...



Published by Learning, Culture and Children's Services

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SECTION 1: INTRODUCTION

1.1 The Funding Framework: Main Features

This Scheme, the City of York Local Management of Schools Scheme 2009 (“the Scheme”), replaces earlier Schemes with effect from 1st April 2009. This Scheme is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (“the Act”) and statutory guidance provided under the Act.

Under this legislation, all local education authorities determine for themselves the size of their Schools Budget and LA Budget although as 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 non-devolved capital and certain miscellaneous items.

City of York Council (the “Authority”) may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the Authority, subject to any limits or conditions, including gaining the approval of their School Forum or the Secretary of State in certain instances, as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).

The City of York must distribute the ISB amongst its 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 this Scheme, made by City of York in accordance with s.48 of the Act and approved by the Secretary of State. The Secretary of State, who has power to modify schemes or impose one, must also approve all revisions to the Scheme.

Subject to provisions of this 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.

The City of York may suspend a school's right to a delegated budget if the provisions of this Scheme (or rules applied by this 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 Act) but in that case there is no right of appeal.

The City of York is obliged to publish each year a statement setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year it must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. The detailed publication requirements for financial statements are set out in regulations, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

1.2 The role of the Scheme

The City of York Local Management of Schools Scheme sets out the financial relationship between the City of York Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the Authority and on schools. It refers to certain other documents, including the Council's Standing Orders and Financial Regulations, and its Scheme of Delegation, to make clear that the provisions of those documents apply to schools carrying out the purposes of the Authority's Children's Services Directorate. In particular it refers to the formula used to calculate each school's budget share. Some of the clauses of the Scheme are followed in this document by information or commentary in italic script. Such paragraphs are not part of the scheme but are intended to give assistance to readers.

1.2.1 Application of the Scheme to the Authority and maintained schools

The schools maintained by the Authority are listed for information in Annex A to this Scheme.

The Scheme covers all community, nursery, special, and voluntary schools in the area of the Authority except those maintained by another authority. Because PRUs are not maintained schools within the meaning of s.20 (7) of the Act, the scheme's coverage excludes them although authorities are free to apply the same principles to the funding of such schools. The Authority will consider the scope for funding and managing nursery schools and early years centres using the same principles as for primary schools, insofar as the absence of a governing body with statutory powers allows.

1.3 Publication of the Scheme

A copy of this Scheme will be made available to the Headteacher and to the governing body of each school covered by the Scheme via the Internet. An up-dated link shall also be supplied to each school for reference at all reasonable times and without charge. Any approved revisions will be notified to each such school.

1.4 Revision of the Scheme

Any proposed revisions to the Scheme will be the subject of consultation with schools and will be subject to approval by the Secretary of State.

1.5 Delegation of powers to the Headteacher

Each governing body will consider the extent to which it wishes to delegate its financial powers to the Headteacher, and each will record its decision (and any revisions) in the minutes of governing body meetings.

Each governing body will consider and approve its school's Start Budget each year in time for submission to the Authority (see 2.3). Governing bodies will consider monitoring reports at appropriate intervals, and approve budget revisions if necessary, bearing in mind virement powers delegated to the Headteacher.

1.6 Maintenance of Schools

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



SECTION 2: FINANCIAL REQUIREMENTS; AUDIT

2.1 Financial Requirements; Audit

2.1.1 Application of financial controls to schools

Schools are required to abide, in the management of their delegated budgets, by this Scheme and the Authority's other requirements on financial controls and monitoring. In particular the Standing Orders of the City of York Council and its Financial Regulations, including the Bank Accounts for Schools (BafS) Scheme. Detailed information about processes is included in the LCCS Finance Manual.

2.1.2 Provision of financial information and reports

Schools will provide the Authority with details of anticipated and actual expenditure and income. This report will be in the form of a City of York Monitoring Report (Summary version), taking due account of the Consistent Financial Reporting framework, and submitted once each term after it has been presented and agreed by governors. The only exceptions to this will be connected with tax or banking reconciliation which should be provided monthly, unless the Authority has notified the school in writing that in its view the schools' financial position requires it, or the school is in its first year of operation. If a school is not using the Authority's recommended accounting software the Authority may require more frequent reporting.

2.1.3 Payment of salaries; payment of bills

The procedures to be followed by schools in accounting for the payment of salaries and invoices are contained in the LCCS Finance Manual. These will be amended from time to time in consultation with schools.

Schools using the central payroll must submit to deadline timesheets and other information to the Authority. Schools using payroll services other than those provided by the Authority must provide a range of information (on National Insurance contributions for instance) needed by the Authority to complete its financial returns. These will be notified in writing to schools at the time they are required. See paragraph 8.4 Teachers' Pensions for more details.

2.1.4 Control of assets

Each school will maintain an inventory of its assets with a replacement value in excess of £1,000, in a form to be determined by the Authority, and will authorise disposal of those assets according to the Authority's procedures, see the Finance Manual. An inventory for assets worth less than £1,000 must be maintained, however the form of it will be at each school's discretion.

2.1.5 Accounting Policies (including year-end procedures)

The Authority will publish policies for preparing statements of accounts and other financial information which will be available in advance of the accounting period to which they refer. Procedures to be followed at the close of each financial year will be notified to schools at an appropriate time each year. Schools will abide by both policies and procedures.

2.1.6 Writing off of debts

Governing bodies may write off debts up to the level stipulated in the Authority's Financial Regulations. The procedure is explained in the LCCS Finance Manual.

2.2 Basis of accounting

Reports and accounts provided to the Authority will be on an accruals basis, to conform to its accounting practices. If this is impracticable and data is provided by a school on a cash basis this will be clearly signalled and if reconciliation data is required by the Authority it will be made available by the school.

The Authority does not seek to impose either method on schools' internal systems. Schools may use whatever financial software they wish, providing they meet any costs of support and any modification required to provide the output required by the Authority.

This provision is to enable the Authority to prepare statements efficiently, on a consistent basis.

2.3 Submission of budget plans

Each school will submit a budget plan to the Authority, taking due account of the Consistent Financial Reporting framework, showing its intentions for income and expenditure in the current financial year, income and expenditure projections for the following two years and the assumptions underpinning the whole three-year period. Schools will include estimated surpluses and deficits as at the previous 31st March in the plan. The date by which this will be submitted will be stipulated by the Authority each year, allowing reasonable notice; it will be no earlier than 1 May nor later than 15 May each year and this latter date will come into force if the Authority sets no other. The plan must be approved prior to submission by the governing body or a committee of the governing body where the governing body has delegated this function.

Where a school is considering setting a deficit budget, the guidance contained in paragraphs 4.5 and 4.9 should be followed.

This section refers to the Start Budget for each year. It is considered good practice for this function to be held by the full governing body rather than one of its committees.

Revised budget plans will not be requested if other financial reports carry the relevant data. (See 2.1.2 above)

To assist schools with this work, the Authority will supply all income and expenditure data it holds, including guidance on assumptions, e.g. inflation, to facilitate efficient financial planning by schools. The Authority will specify the format of the plan in a separate publication.

2.4 Best Value

When submitting the annual budget plan, the governing body of each school will submit a statement setting out what steps it will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime.

Annex C includes a model Best Value statement

2.5 Virement

Schools may vire freely between budget heads in the expenditure of their budget shares.

2.6 Audit: General

Schools and governing bodies will co-operate in the arrangements made by the Authority's Head of Financial Services for the audit of its affairs. These may involve both internal and external auditors, for which a school must make access available to its records. Reviews may cover any activity in which the Authority has a financial interest, including the application of its resources, delegated or otherwise, and the security of its assets.

Audit reviews are an aid to management and are intended to assist governors and heads in the management of their schools, as well as ensuring the accuracy and truthfulness of the Authority's financial statements and those presented by schools to their governing bodies. Schools and governing bodies will assist both internal and external auditors in establishing whether any liability arises from the actions or inaction of its employees in relation to their involvement with the assets of other bodies or funds.

2.7 Separate external audits

Each governing body may spend funds from its budget share to obtain external audit certification of its accounts, separate from any internal or external audit process arranged by the Authority.

There is no expectation by the Authority or the Secretary of State that routine annual external audit at school level of budget share expenditure should be a usual feature of the funding system; merely that schools should not be prevented from seeking an additional source of assurance at their own expense.

2.8 Audit of voluntary and private funds

Schools should seek advice as to whether they must register their school fund account with the Charity Commission. Where a school fund qualifies for registration, it must comply with the Commission's reporting requirements.

All schools must provide audit certificates to the Authority in respect of voluntary and private funds held by them, and of the accounts of any trading organisations controlled by them. The Consistent Financial Reporting framework requires that expenditure and its related income in private funds under the control of the governing body that benefits a school's pupils be included in each school's statutory CFR return.

The purpose of such a provision is to allow the Authority to satisfy itself that public funds are not being misused. The Authority does not seek to impose through the Scheme a right to audit such funds itself but Internal Auditors will need to satisfy the Council that arrangements to administer the funds are of a good standard to ensure financial control. Any other requirement as to audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

2.9 Register of business interests

The governing body of each school will:

- have a register which lists, for each member of the governing body, Headteacher and others with financial responsibilities, any business interests they or any member of their immediate families have;
- keep the register up to date by notification of changes and through annual review of entries;
- make the register available for inspection by governors, staff, parents and the Authority.

2.10 Purchasing, tendering and contracting requirements

Schools will abide by the Authority's Standing Orders and Financial Regulations purchasing, tendering and contracting matters. This will include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures. However no provision of the Standing Orders and Financial Regulations will apply which purports to require schools:

- a. To do anything incompatible with any of the provisions of the Scheme, or any statutory provision, or any EU Procurement Directive. Where an Authority contract has been let in accordance with EU procurement procedures it does not in itself make it possible to bind a school into being part of that contract. For the purposes of the Procurement Directives schools are viewed as discrete units.
- b. To seek the countersignature of any officer of the Authority for any contracts for good or services for a value below £60,000 in any one year;

LAs and schools alike should apply the countersignature requirement sensibly, avoiding attempts to artificially aggregate or disaggregate orders to avoid or impose the requirement.

- c. To select suppliers only from an approved list;

The Authority maintains lists of contractors which have been selected for their financial stability and technical suitability. Schools may find it helpful or reassuring to consult these lists before choosing a contractor, although the Authority does not offer any guarantees in respect of such contractors.

- d. To seek fewer than three tenders in respect of any contract as per the guidelines in the Authority's Financial Regulations;

2.11 Application of contracts to schools

Schools may opt out of Authority-arranged contracts except where they have lost that right for particular contracts (whenever started) in accordance with the written procedure specified below. In such cases they will be bound into the contract for its length (although the contract might contain clauses allowing variance of its terms and conditions).

Where a contract is entered into with the intention that schools will be bound by it the Authority will consult them and when the contract is signed it will write to schools with the relevant details. Schools may not opt out of such contracts without the prior written consent of the Director of Learning, Culture and Children's Services.

Schools are only bound into LA arranged contracts through scheme provisions. Without such cover they are free to leave an LA arranged contract at any time. Where provisions are in force schools may be required to indemnify the Authority against consequent costs before being permitted to opt out.

Governing bodies are empowered (under paragraph 3 of schedule 10 of the Act) to enter contracts, but in most cases do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. However other contracts may be made solely on behalf of the governing body, for example contracts made by aided or foundation schools for the employment of staff.

2.12 Central funds and earmarking

The Authority may 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 allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used.

These might, for example, be sums for SEN or curriculum initiatives under the EDP. The Standards Fund regulations will require the Authority to do this with many grants. Where the funding for such an allocation is supported by a specific grant which the Authority itself is not permitted to vire there can be no virement within the school. Since these are allocations in addition to the budget share the general power of virement in clause 2.5 is not applicable.

The Authority is required to account separately for many of these activities and the information requirements of clause 2.1.2 may be invoked in such cases.

Such earmarked funding from centrally retained funds may be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and may not be vired into the budget share. The Authority will provide an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with. Where such earmarked funds are not spent in full within the period over which schools are allowed to use the funds, the Authority may revise the allocation to a level not lower than the actual amount spent. The Authority will not make deductions to cover interest costs it incurs in respect of devolved special or specific grants.

Where the Authority has no power of virement and can only claim specific grant for the amounts actually spent, it must be able to "claw back" unspent values from schools to protect its position. In the case of certain Standards fund grants claw-back is not permitted, even after the seventeen-month spending period.

2.13 Spending for the purposes of the school

Governing Bodies will spend the school's budget share for the purposes of the school, subject to provisions of this scheme.

S.50 (3) of the Act allows governing bodies to spend budget shares for the purposes of the school. If the Authority wishes to propose restriction on this freedom it will do so in consultation with schools. Under s.50 (3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur.

2.14 Capital spending from budget shares

Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Act. However if the expected capital expenditure from the budget share in any one-year will exceed £15,000 the governing body will notify the Authority. The governing body will take into account the advice of the Director of LCCS as to the merits of the proposed expenditure. If the premises are owned by the Authority (or the school has voluntary controlled status) then the governing body will seek the consent of the Authority to the proposed works. Consent will only be withheld on health and safety grounds as requiring consent helps ensure compliance with the current School Premises regulations and DCSF Construction Standards, and health and safety legislation. Where a school carries out works which will affect the budget share in subsequent years, the Authority may withhold the increase if it has not already agreed to pay them.

These requirements will not affect expenditure from any capital allocation made available by the LA outside the delegated budget share, although separate conditions may be attached (see clause 2.12).

2.15 Financial Management Standard

The Financial Management Standard & Toolkit (FMS&T) was developed and released to schools as a self-management package in June 2004. The standard and toolkit is available at:

www.fmsis.info

As the Authority is responsible for declaring its schools' adherence to the Standard, it is up to it to decide how that compliance is delivered. The evidence to support the declaration is a matter for the Chief Finance Officer's judgement. Consequently, all maintained schools must demonstrate compliance with the DCSF's Financial Management Standard in Schools in line with the timetable and in the manner determined by the Authority, and at any time thereafter.

The Authority may require schools to demonstrate compliance through the submission of evidence showing that the school has met the Authority's defined process or has undergone an external assessment. External assessment must be carried out by the authority or by a third party that has been approved to carry out such assessment by either the DCSF or the local authority. Costs for an external assessment must be met from the school's budget share.

Schools will be notified of change's to the LA's defined process following consultation on those changes with the Schools Forum. The most up to date LA process document is included in Chapter 21 of the Finance Manual.

2.16 Notice of concern

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Learning, Culture and Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

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

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

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the Authority may take where the governing body does not comply with the notice. Once a governing body can clearly evidence compliance with the requirements of a Notice of Concern, the Authority will withdraw the notice.

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



SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

3.1 Frequency of instalments

Budget shares will be made available to governing bodies each calendar month.

3.2 Proportion of budget share payable at each instalment

Where budget shares are paid into a school's bank account the share will be calculated in accordance with the Bank Accounts for Schools (BAFS) Scheme. In accordance with the BAfS Scheme monthly instalments are paid net of expenditure paid on a school's behalf through the Authority's financial system. Schools may opt for instalments of the total budget share to be made available to them by payment into their school bank account. Arrangements for this must be in place prior to 1st April.

Where a school uses the Authority's bank account the entire budget will be available in April each year.

3.3 Interest clawback

The Authority will deduct from a school's budget share instalments an amount up to the estimated interest lost in making available the budget share in advance. The calculation is as set out in the BAfS Scheme.

3.3.1 Interest on late budget share payments

The Authority will add interest to late payments of budget share instalments, where the delay is a result of its error, at the same rate applied under clause 3.3.

3.4 Budget shares for closing schools

The budget share of a school for which approval for discontinuation has been secured will be made available until closure on a monthly basis net of pay and other costs, even where a different basis was previously used.

3.5 Bank and building society accounts

All maintained schools may have external bank accounts into which their budget share instalments (as determined by other provisions) will be paid. Where schools have such accounts they may retain all interest payable on the account unless they choose to have an account within an Authority contract that makes other provisions.

Schools may only opt into the BAfS Scheme with effect from the beginning of a financial year, except where a school opens at some other time and wishes to operate a bank account immediately. Schools without bank accounts may not have one until any deficit balance is cleared; and any school requesting a bank account at a later date may not have one until any deficit is cleared.

When a school opens its first bank account the amount to be paid into it will be estimated jointly by the Authority and the school and transferred immediately. The calculation will be based on the budget share up to that date net of transactions made centrally on the school's behalf. When the accounts for the period are closed a correction will be made if necessary.

3.5.1 Restrictions on accounts

Where a school wishes to open a new bank account for the purpose of receiving and managing its budget share it will choose one from a list made available by the Authority. The list will contain at least ten names, which are considered sufficiently financially secure for the Authority's assets to be deposited there. It does not follow that they will be willing to open accounts for schools, nor that if they do that it will have the features that a school needs. Nor does the Authority guarantee the security of a school's assets held in an institution on the list.

Where schools have an account open before the 1st April 2001 that is not with a bank on the list they will not have to change that account to bank with an approved bank. Any school closing an account used to receive its budget share and opening another will select the new bank or building society from the list even if the closed account was not with an institution on that list.

Schools' accounts for budget share purposes may be in the name of the school rather than the Authority but with the prefix "CYC" The Authority will continue arrangements whereby the accounts are in the name of the Authority but specific to each school, and will continue to offer such arrangements to schools. Where the bank account is in the school's name the account mandate must provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended.

Money paid by the Authority and held in such accounts remains Authority property until spent (s.49(5) of the Act).

3.6 Borrowing by schools

Governing bodies may only borrow money with the express written permission of the Secretary of State. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However these debts may not be serviced directly from the delegated budget. Governing bodies do not act as agents of the LA when repaying loans. This provision does not apply to loan schemes run by the Authority (see sections 4.9/4.10) Schools are not permitted to use credit cards as this constitutes borrowing.

3.7 Other provisions

The Authority, in consultation with schools, from time to time, may make detailed rules and guidance in respect of other aspects of banking arrangements. No aspect of those rules and guidance will conflict with the Scheme's own requirements.



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

4.1 The right to carry forward surplus balances

Schools may carry forward from one financial year to the next any surplus of income over expenditure for the year plus or minus any balance brought forward from the previous year.

The amount of a surplus balance would be shown in the relevant out-turn statement published under s.52 (any commitments against this figure will be shown in the school's year end statements).

The amount to be transferred to a new bank account opened by a school will equal the balance(s) from any account(s) closed by the school. If a school is opening an account for the first time, the amount to be transferred will be calculated using the method set out in the BAFS Scheme.

4.2 Reporting on the intended use of surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2007:

- a. the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b. the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant for the previous financial year;
- c. the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the Authority, and which the Authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.

The condition outlined here is intended to ensure schools can build up reserves towards particular projects but cannot defer implementation indefinitely. In deciding whether a sum is properly assigned the Scheme may make explicit the right of the Authority to take account of a school's previous plans for any surplus balances in the event that such plans have changed. However, the Authority may not take a change in the plans of a school as the only criterion by which it can consider a sum to be properly assigned or not.

- d. if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £25,000 (where that is greater than either percentage threshold), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

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

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

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

Specific purposes permitted by the Authority under paragraph 4.21.c are defined as:

- a. Capital building or refurbishment projects
- b. Major ICT or equipment acquisition or replacement
- c. Specific redundancy or early retirement costs outside the scope of the LEA scheme.
- d. Dealing with the short-term implications of falling pupil numbers whilst class and/or staffing structures are reorganised.
- e. Provisions for long-term unexpected staff sickness for those schools not in the Staff Absence Scheme.

Other purposes may be considered in exceptional circumstances on a case-by-case basis.

4.3 Interest on surplus balances

Balances held by the Authority on behalf of schools will attract no interest. The exception to this will be for schools who invest money in the High Interest Scheme. The scheme will show the basis of interest calculation.

4.4 Obligation to carry forward deficit balances

Schools must carry forward from one financial year to the next any deficit of income over expenditure for the year plus or minus any balance brought forward from the previous year. All deficit balances reported at the end of a financial year will be carried forward, by deduction from the following year's budget share. (see also 4.9)

4.5 Planning for deficit budgets

Schools may plan for deficits only with the written consent of the Director of Learning, Culture and Children's Services. This consent will indicate the date by which the deficit must be cleared. The date can only be extended by a replacement plan made necessary by exceptional circumstances. *This is known as a licenced deficit. See paragraph 4.9 for further details.*

4.6 Charging of interest on deficit balances

Deficit balances held by the Authority on behalf of schools will be charged no interest.

4.7 Writing off deficits

The Authority cannot write off the deficit balance of any school. The LA may give assistance towards elimination of a deficit balance. This would be funded through the allocation of a cash

sum from the LA's Schools Budget (funded from the Dedicated Schools Grant (DSG) or the LA's own resource), subject to consultation with the Schools Forum.

4.8 Balances of closing and replacement schools

When a school closes any balance (whether surplus or deficit) reverts to the Authority. It will not be transferred as a balance to any other school, even where the school is a successor to the closing school.

The Authority may, at Members' discretion, make additional sums available to a successor school equal to or less than the balances of relevant preceding schools. It will inform the school of the reason for its decision. Where a preceding school had a deficit the Authority may, also at Members' discretion, reduce additional funding in recognition of that deficit but will not reduce any normal funding, and will inform the school of the basis of calculation.

4.9 Licensed deficits

Deficits under this section also includes Loans made under the Schools' Loan Scheme, since they too are funded from other schools' surpluses.

All schools will normally plan to spend no more than their budget share plus brought forward surplus in each financial year. However long-term planning may lead a school to wish to set a deficit budget. In such cases the school will obtain the written consent of the Director of Learning, Culture and Children's Services. That consent will be given (if at all) within the following constraints:

- a) the maximum length over which schools may repay the deficit (ie reach at least a zero balance), with appropriate mechanism to ensure that the deficits are not simply extended indefinitely. The maximum length allowed should not exceed three years except where a longer period has already been agreed prior to a revised scheme incorporating a limit not exceeding five years
- b) The purpose of the deficit is among those set out in Annex D
- c) The deficit will be no greater than 10% of the school's annual budget share for the year in which the deficit arises, or such other limits as the Director of Learning, Culture and Children's Services shall set following consultation with the Chief Finance Officer.
- d) The aggregate deficits of all schools maintained by the Authority, both brought forward and proposed, will not exceed 40% of the surpluses of schools held by the Authority at 1st April of the financial year for which the budget is proposed.
- e) The Director of Learning, Culture and Children's Services will have regard to the advice of the Chief Finance Officer of the Authority in agreeing arrangements for individual schools.

Under a licensed deficit scheme the deficit reduces to zero by the end of the repayment period because the school has to constrain its expenditure to effect the repayment. No 'payment' to the school is recorded.

The Authority will not seek to oppose the application of School Standards Grant for purposes other than the reduction of an agreed deficit unless it considers that such application is unreasonable in the school's financial circumstances.

4.10 Loan Schemes

Schools may, instead of agreeing a deficit budget, choose to accept a payment, or have a payment made by the Authority on their behalf, funded from the collective surpluses of the Authority's maintained schools. Such a loan will be repaid by the school from its budget share according to a written agreement with the Director of Learning, Culture and Children's Services, which will be made in accordance with the conditions set out in clause 4.9a, b, c and d.

4.10.1 Credit Union approach

If schools wish to group together to utilise externally held balances for a credit union approach to loans they will inform the Authority and provide it with audit certification, if it does not itself act as administrator of the arrangement.



SECTION 5: INCOME

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

5.1 Income from lettings

Schools will retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI agreements. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools should have regard to directions issued by the Authority (as permitted for various categories of schools under the Act) as to the use of school premises. Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

Lettings of school premises not owned by the Authority would not be affected by this provision.

5.2 Income from fees and charges

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

5.3 Income from fund-raising activities

Schools will retain income from their own fund-raising activities.

5.4 Income from the sale of assets

Schools will retain the proceeds of sale of assets except in cases where the asset:

- was purchased with non-delegated funds (in which case it will be for the Authority to decide whether the school should retain the proceeds), or
- is land or buildings forming part of the school premises and is owned by the Authority. See paragraph 2.1.4.

5.5 Administrative procedures for the collection of income

The Authority issues advice to schools in the Finance Manual. Schools share the Authority's VAT registration and must account for VAT on income according to HM Revenue and Custom's regulations.

5.6 Purposes for which income may be used

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

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

The Authority will charge the budget share of a school without the consent of the governing body only in circumstances expressly permitted by clause 6.2 of the Scheme. Schools will be consulted as to the intention so to charge, and notified when it has been done.

Disputes arising from such charges shall be referred in the first instance to the Director of Learning, Culture and Children's Services in consultation with the Executive Member for Education.

The right of LAs to protect their financial position from liabilities caused by the action or inaction of governing bodies by charging budget shares is well established. Schools are reminded that the Authority cannot act unreasonably in the exercise of any power given by the scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

6.1.1 Charging salaries at actual cost

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

6.2 Circumstances in which charges may be made

The following are circumstances in which charges may be made. It is not intended to be an exhaustive list:

- Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority);
- Other expenditure incurred to secure resignations where the school had not followed Authority advice;
- Awards by courts and industrial tribunals, or other judicial or non-judicial bodies against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice.

Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the Authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking Authority advice, the charging of the budget share with the Authority expenditure protects the Authority's position. NB relevance of section. 60(5) of the SSAF Act 1998.

Advice given by the Authority includes all regulations, policies and procedures that have been communicated to the school. This would include information provided to the Headteacher or other staff who might reasonably be expected to carry out the policy or procedure, even if the governing body has not been specifically informed verbally or in writing. It is for the Headteacher, acting according to the delegation scheme in operation at the school under S 1.5 of the Scheme, to decide whether to inform governors of the details of the regulations, policies and procedures.

- Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
- Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;
 - *See also 10.1 Insurance Cover.*
- Recovery of payment due from a school for services provided to the school, where a dispute over the payment due has been referred to a disputes procedure set out in a service level agreement, and the result is that payment is owed by the school to the Authority;
- Recovery of penalties imposed on the Authority by, the Contributions Agency, HM Revenue and Customs, Teachers Pensions or regulatory authorities as a result of school negligence or action contrary to the Authority's advice.
- Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions)

Before applying any such provision the Authority will consider whether it is reasonable to do so.

- Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also Section 11).
- Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.
- Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- Costs of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations

- Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement
- Costs incurred by the Authority due to submission by the school of incorrect data
- Recovery of amounts spent from specific grants on ineligible purposes
- Costs incurred by the Authority as a result of the governing body being in breach of a contract

For each of these circumstances (except 6.2.11) the Authority would have to be able to demonstrate that it had necessarily incurred the expenditure now charged to the budget share. This means that where the Authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

6.3 General Teaching Council

Fees to be deducted from teachers' salaries and remitted to the General Teaching Council for England.

The General Teaching Council for England (Deduction of Fees) Regulations 2001 (the Regulations", S.I. 2001 No. 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England ("the GTC") or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No. 1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have indicated to the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not indicated how they wish to pay the fee.

In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares and come into effect on 28 February 2002:

By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (S.I. 2001 No. 475, Part II Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.

A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:

- (a) Where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the

Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;

- (b) Where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and
- (c) Where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.

A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, such a governing body shall: -

- (a) Where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the Authority to the GTC on the governing body's behalf. The Authority shall agree to any such amendment. The governing body shall meet any consequential costs from the school's budget share;
- (b) Where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
- (c) Where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.

All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share installments which have been held by the school in an independent bank account, or the salary costs are directly charged by the Authority to the school's budget share account.



SECTION 7: TAXATION

7.1 Value Added Tax

The procedure schools should follow in order to be able to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity is to be found in the Finance Manual. Amounts so reclaimed will be passed back to the school net of any VAT on income received by the school due to be paid to HM Revenue and Customs.

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

7.2 CIS (Construction Industry Scheme)

Schools will abide by procedures issued by the Authority in connection with CIS.

See Finance Manual, Chapter 7



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

8.1 Provision of services from centrally retained budgets

The Authority will determine on what basis services (including Premature Retirement Compensation (PRC) and redundancy payments) from centrally retained funds will be provided to schools, but it will not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

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

The term of any arrangement between the Authority and a school to buy services or facilities from the Authority will be of a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later. Any subsequent agreement relating to the same services shall have a maximum term of five years except in the case of catering services contracts, which may extend to seven years.

Where the Authority provides a service for which expenditure may not be retained centrally under regulations made under S46 of the Act it will be offered at a price which is expected to generate income which is no less than the cost of providing that service. Total cost will be met by total income, even if schools are charged differentially. Information about the services provided by the Authority can be found in the Services to Schools booklet. See 8.3 below

8.2.1 Packaging

Any service which the Authority provides on a buyback basis will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

This provision would not prevent the Authority offering packages of services which offer a discount for schools taking up a wider range of services.

8.3 Service agreements

The Authority will make draft service agreements available for consideration by governing bodies at least one month before they must be agreed, where a date has been set for agreement in order to allow proper financial management. That date will usually be the at the end of the Autumn term before the agreement becomes operational on 1st April. This excludes centrally arranged premises and liability insurance, as these limitations may be impractical for insurance purposes.

Where services or facilities are:

- provided under a service 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.
- offered at all by the Authority they will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements.
- provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

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 to their budget shares. The conditions only apply to governing bodies of maintained schools that have not entered into arrangement with the Authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority. This is required to enable the Authority 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 limits specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

The 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. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) be passed to the Authority within the time limits specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

SECTION 9: PRIVATE FINANCE INITIATIVE and PUBLIC/PRIVATE PARTNERSHIPS (PFI/PPP)

The Authority will not enter any PFI/PPP contract without the agreement of the governing body of the school concerned on the relative liabilities of the Authority and the school over the payments of charges to the contractor, or the method of withholding of payments due to poor performance.

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



SECTION 10: INSURANCE

10.1 Insurance cover

Where funds for insurance are delegated to any school, the Authority will require the school to demonstrate that cover relevant to its insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority if the Authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. The Authority will have regard to the actual risks which might reasonably be expected to arise at the school in question and will not apply an arbitrary minimum level of cover for all schools.

(see also 6.2)



SECTION 11: MISCELLANEOUS

11.1 Right of access to information

Governing bodies will 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 central expenditure by the Authority (e.g. earmarked funds) on the school.

11.2 Liability of governors

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

An example of behaviour which is not in good faith is the carrying out of fraudulent acts.

11.3 Governors' expenses

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

Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. Therefore payment of any other allowances will not be made by schools. Schools will not pay 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 Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, will be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority.

In the event of a dispute between the Authority and the governing body which would lead to a conflict of interest for the Authority's legal advisor, Governors should consult the Legal Services Service Agreement.

See also section 6. The effect of this is that a school cannot expect to be reimbursed with the cost of legal action against the Authority itself (although there is nothing to stop it making such reimbursement if it believes this to be desirable or necessary in the circumstances)

11.5 Health and Safety

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

11.6 Right of attendance for Chief Finance Officer

Governing bodies in expending the school's budget share will permit the Chief Finance Officer of the Authority, or any officer of the Authority nominated by the Chief Finance Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The Chief Finance Officer's attendance will normally be limited to items which relate to issues of probity or overall financial management; such attendance will not be regarded as routine. The Authority will give prior notice of such attendance unless it is impracticable to do so.

11.7 Delegation to new schools

The Authority may delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets. It may delegate limited spending powers to a school which has not yet opened, in advance of delegating its budget. Under S 49 (1) - (3) of the Act, the Authority will ensure that a new school receives a delegated budget not later than the date on which it opens (i.e. the day on which it first admits pupils).

11.8 Optional delegation

Where a school exercises an option to receive delegated or devolved funding for an item, that option may only be exercised once a year, no later than the last Friday of the penultimate week of the autumn term prior to the start of such delegation on the first day of April in the following year.

(See paragraph 8.3)

11.9 Special Educational Needs

Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils. Where this is not the case the Authority has the right to suspend delegation were the situation considered serious enough to warrant it.

11.10 “Whistleblowing”

The Authority has approved a procedure to be followed by anyone who wishes to complain about financial management or financial propriety at a school. Governors should adopt a Whistleblowing Policy, appropriate to their school, which allows any member of staff to make their concerns known without fear of victimisation, and to be confident that they will be taken seriously.

Full details are available in Human Resources manual.

11.11 Child protection

Schools will make all reasonable efforts to release staff to attend child protection case conferences and related events. The Authority does not make any payments to schools to help meet the costs.

11.12 School meals policy

The Authority has no schools meals policy document. Schools will be consulted if one is to be introduced.



SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 School Responsibilities

The Authority will delegate all funding for repairs and maintenance to schools. Governing bodies will fund all repairs and maintenance from their delegated budgets or resources extended to the Authority. VA governors will continue to be eligible for grant from the DCSF in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.

12.2 Capital Expenditure

Only capital expenditure will be retained by the Authority, as defined in regulations. For these purposes, expenditure will be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. In particular, where, in line with the Code of Practice, the Authority uses a de minimis limit for defining what expenditure is treated as capital and what is revenue in its financial accounts, the same de minimis limit will be used in defining what is delegated.

12.3 The de minimis Limit

The de minimis limit is currently £2000.



SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

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

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

- a). Those contained in a school's own instrument of government, if any; and
- b). In this, the Authority's scheme for financing schools made under section 48 of the SSFA 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of scheme to the powers of governing bodies to provide community facilities.

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

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

13.2 School Budget Share and Community Facilities

The schools budget share must not be used to fund community facilities— either start-up costs or ongoing expenditure – or to meet deficits arising from such activities.

13.3 Mismanagement of Community Facilities Funds

Mismanagement of Community Facilities Powers funds can be grounds for suspension of the right to a delegated budget.

13.4 Consultation with the Authority – Financial Aspects

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

13.5 Procedure for Consultation - Schools

Schools must seek the advice of the Authority before exercising the community facilities power. This must be done three months before the intended opening date for the facility. Advice should be sought from the Authority's Schools Business Support and Extended Schools teams. Schools should provide all the information they hold when seeking advice including the following:

- Proposed activity to take place
- Governance arrangements
- Planned income and expenditure
- Use of school buildings (within and outside the normal school day)
- Insurance arrangements
- Assessment of risk (financial or otherwise) associated with the proposal
- Involvement of third parties (including proposed funding agreements)
- Proposed banking arrangements

13.6 Procedure for Consultation – The Authority

The Authority shall provide advice within six weeks. Schools must inform the Authority about the action they have taken with regard to the advice given.

13.7 Funding Agreements

The provision of community facilities in many schools may be dependant on the conclusion of a funding agreement with a third party which will either be supplying funding or supply funding and taking part in the provision. Any such agreement must be submitted to the Authority as part of the proposal. Schools are advised to take legal advice before entering into any such agreement. This does not provide the Authority the right to veto the agreement.

13.8 Other restrictions and Limitations

If the Authority has reason to believe that the proposed project carries significant financial risks it may require the governing body concerned to make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

The Authority does not intend to impose any further specific restrictions on schools with regard to this provision but would expect governing bodies to be aware of the need to safeguard the financial position of the Authority or school and to protect pupil welfare and education as well as the sensitivities and needs of the community in exercising this power. See also 13.10.

13.9 Supply of Financial Information

Schools that exercise the community facilities power must provide the Authority with a summary financial statement every six months. This statement must be in a form determined by the Authority and show the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimate basis, for the next six months. The financial information relating to community facilities will be included in the school's Consistent Financial Reporting return.

13.10 Cause for Concern

The Authority may require, on giving notice to a school where it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, such financial statements to be supplied every three months. If the Authority sees fit, it will require the submission of a recovery plan for the activity in question. Schedule 15 of the Act makes mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share.

13.11 Audit

A school that exercises its community facilities powers must grant the Authority access to the school's records connected with its community facilities. This is to facilitate internal and external audit of relevant income and expenditure.

13.12 Property of Other Persons held on the School's Premises

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

13.13 Income

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

13.14 Surpluses

Schools will be allowed to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the schools reserves.

13.15 Deficits

If there is a deficit on community facilities and the Authority needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient the Authority will have to meet the liabilities from its own resources.

13.16 Closing Schools

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

13.17 Health and Safety Matters

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

13.18 Criminal Records Bureau Clearance

The governing body will have the responsibility for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

13.19 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

13.20 Assessment of the Insurance Arrangements

The Authority 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 cannot be charged to the school's budget share.

13.21 Taxation

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

13.22 Employment of Staff

Schools are reminded that if any member of staff employed by the school or the Authority in connection with community facilities at the school is paid from funds held in a school's own bank account the school is held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs' rules.

13.23 Construction Industry Scheme

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

13.24 Banking

The Authority requires the schools to make banking arrangements, in connection with the community facilities power, that maintains separate bank accounts for budget share and community facilities. These accounts must comply with Section 3.5 of this Scheme, save that, where a bank account is set up specifically for community facilities, the account mandate should not imply that the Authority is the owner of the funds in the account except insofar as those funds have been provided by the Authority itself.

13.25 Borrowing Money

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



ANNEXES

The following pages contain:

Annex A Schools Maintained by City of York Council Covered by this Scheme

Annex B Information Requirements

Annex C Best Value

Annex D Purposes for which Deficits are Permitted

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ANNEX A Schools maintained by City of York Council covered by this Scheme

NURSERY SCHOOLS			
DCSF No.	SCHOOL NAME	FEDERATION	
1000	St Paul's Nursery		

PRIMARY SCHOOLS			
DCSF No.	SCHOOL NAME	FEDERATION	NURSERY UNIT
2000	Acomb Primary		
3229	Archbishop of York CE Junior		
3222	Askham Richard St Mary's CE		
2431	Badger Hill Primary		
2386	Bishopthorpe Infant		
2024	Burton Green Infant		✓
2003	Carr Infant		✓
2002	Carr Junior		
2018	Clifton Green Primary		✓
2253	Clifton Without	F1	
2013	Copmanthorpe Primary		
2006	Derwent Infant	F2	✓
2005	Derwent Junior	F2	
2007	Dringhouses Primary		
3151	Dunnington CE Primary		
3152	Elvington CE Primary		
3400	English Martyrs' RC	F3	
2008	Fishergate Primary		✓
3156	Fulford St Oswald's CE		
2009	Haxby Road Primary		
2241	Headlands Primary		
2001	Hempland Primary		
3302	Heworth CE Primary		
2028	Hob Moor Primary	F4	✓
2180	Huntington Primary		
2011	Knavesmire Primary		✓
2428	Lakeside Primary		
3158	Lord Deramore's Primary		
3159	Naburn CE Primary		
3901	New Earswick Primary		
2176	Osbalwick Primary		
3404	Our Lady's RC Primary	F3	✓
2012	Park Grove Primary		
2029	Poppleton Ousebank Primary		✓
2014	Poppleton Road Primary		
2058	Ralph Butterfield Primary		
2201	Rawcliffe Infant	F1	✓
3212	Robert Wilkinson Primary		
2349	Rufforth Primary		
2016	Scarcroft Primary		
2169	Skelton Primary		

PRIMARY SCHOOLS Continued			
DCSF No.	SCHOOL NAME	FEDERATION	NURSERY UNIT
3401	St Aelred's RC Primary		✓
3002	St Barnabas' CE Primary		
3402	St George's RC Primary		✓
3305	St Lawrence's CE Primary		✓
3003	St Paul's CE Primary		
3403	St Wilfrid's RC Primary		
2227	Stockton-on-the-Forest Primary		
2429	Tang Hall Primary		✓
2017	Westfield Primary		✓
3380	Wheldrake with Thorganby CE Primary		
2240	Wigginton Primary		
2027	Woodthorpe Primary		✓
2015	Yearsley Grove Primary		✓

SECONDARY SCHOOLS			
DCSF No.	SCHOOL NAME	FEDERATION	POST 16
4702	All Saint's RC School		✓
4500	Archbishop Holgate's CE School		
4227	Burnholme Community College		
4003	Canon Lee School		
4153	Fulford School		✓
4063	Huntington School		✓
4508	Joseph Rowntree School		✓
4602	Manor CE School		
4229	Millthorpe School		
4703	York High School		

SPECIAL SCHOOLS			
DCSF No.	SCHOOL NAME	FEDERATION	
7032	Applefields School		✓
7033	Hob Moor Oaks School	F4	

EDUCATIONAL RESOURCE CENTRES	
5923	Carr Infant ERC
5927	Fulford School
5924	Fulford St Oswald's ERC
5920	Haxby Road ERC
5929	St Paul's Nursery ERC
5925	Westfield ERC
5921	York High ERC

ANNEX B Information Requirements

Information requirements are:

- Available on the Council website at:
www.york.gov.uk/education/Schools_and_colleges/School_plans_performance/31/zData_calendar/
- Circulated to schools annually in the Timetable for Submission of Returns to LCCS
Finance: 2008 – 2009

ANNEX C: Best Value

BEST VALUE AND SCHOOLS

1. This statement is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share. When submitting annual budget plans, schools are required to say how best value principles are being followed.

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.

A sample Best Value Statement can be found in the FMSiS Toolkit by follow this link:

www.fmsis.info/uploads/R37.doc

ANNEX D Purposes for which Deficits are Permitted

The excess expenditure leading to a deficit will be on items associated with:

- falling pupil numbers, including managing a reduction in staff and other costs of surplus places (until they are removed);
- repair and maintenance of the school building (whether capital or not)
- rising pupil numbers as shown by the September intake at a school. In this case the expenditure may not exceed the AWPU value of the increased numbers and must be repaid by the end of the following financial year.
- asset purchases (e.g. IT equipment, audio-visual equipment or other educational equipment such as a School minibus)
- improvements to school property
- investment projects that produce future revenue savings (e.g. energy efficiency projects or projects to improve security in schools.)
- Other items approved by the Director of Learning, Culture and Children's Services