

# Schools Forum

## Agenda

Monday 16 January 2017

2.15 pm

Lilla Huset PDC

### MEMBERSHIP

**Primary Schools: Heads:** Claire Fletcher (St Paul's CE), Wayne Leeming (Melcombe), Kathleen Williams (Holy Cross). **Governors:** Daisy Donovan (Avonmore), Sharon Robertson (John Betts) **Secondary Schools: Head:** Alan Streeter (Phoenix). **Academies and Free Schools:** David McFadden (London Oratory), Gary Kynaston (Hammersmith Academy), Peter Haylock (Fulham College Academy Trust), Secondary Recoupment Academy: Vacancy, Primary Academy: Vacancy **Nurseries:** Head: Michelle Barratt (RBEYC/Vanessa). **Special Schools:** Head: Cathy Welsh (Jack Tizard). **Alternative Provision Academies:** Nathan Crawley-Lyons (TBAP). **14-19 Representative:** Vacancy **Early Years PVI:** Jane Gleasure (Little People)

### Non-voting members

**School Business Managers** Tim Scott (Fulham College Academy Trust) and Tara McLaughlin (The Good Shepherd) **Trade Union Representative:** Katie Brown

### CLERK:

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# Schools Forum Agenda

16 January 2017

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	To agree the minutes of the previous meeting as a correct record.	
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4.	<b>DEDICATED SCHOOLS GRANT AND LOCAL SCHOOLS FUNDING FORMULA</b>	
5.	<b>SEND INTERIM REPORT AND NATIONAL FUNDING CONSULTATION (VERBAL UPDATE)</b>	
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## A2

**LONDON BOROUGH OF HAMMERSMITH AND FULHAM  
SCHOOLS FORUM 16<sup>th</sup> JANUARY 2017  
REPORT BY THE HEAD OF RESOURCES  
STAGE 2: NATIONAL FUNDING FORMULA UPDATE**

This paper provides a summary of the stage two national funding formula consultation and models the potential impact on schools. To review the transition arrangements prior to the implementation of the national funding formula.

**FOR INFORMATION**

### **1 National Funding Formula consultation**

- 1.1 From 2017-18, the amount of money schools and local authorities get will be based on the characteristics of their pupils rather than purely historic calculations.
- 1.2 A government source said: "This is a key part of our goal of extending opportunity and providing educational excellence, everywhere. It means bringing an end to a system that has become arbitrary and unfair. We'll ensure that there is a smooth transition, with a pace of change that is manageable for schools and local authorities. We are ensuring schools across England are funded fairly so that parents know all pupils, whatever their background and wherever they live in the country, have access to a good education."
- 1.3 Among the proposals announced, the Department for Education (DfE) sets out plans to fund schools directly from 2019/20, which would significantly reduce the role of local authorities and school's forums in determining allocations. It also proposes a new 'central schools' block of funding for local authorities to deliver their statutory duties.

- 1.4 At the heart of this highly charged debate are historical disparities in funding between schools in different areas. A complex array of local and national funding arrangements, developed over decades, can mean schools that are barely miles apart but sit across borough or county boundaries receive vastly different funding per pupil.

## **2 Second Stage: National Funding Formula**

- 2.1 The second phase consultation for the NFF for schools and high needs was launched by the Department for Education (DfE) on the 14th December 2016, with responses accepted until 22nd March 2017. The consultation provides detailed proposals for the design of the new national funding formulae for schools and high needs, and for the new central school services block for local authorities. It builds on the previous consultation about the principles and structure of the new funding system, which ran between March and April 2016.
- 2.2 The first consultation set out proposals to create a new NFF based on redistribution of the existing funding pot. London Councils' preliminary modelling of these proposals estimated that London could lose £245m per year through a new NFF based on redistribution without any capping or additional investment. London Schools, MPs and Local Authorities lobbied strongly for stability in funding and extra investment in education to ensure that no school loses funding and those set to gain receive the funding as soon as possible.
- 2.3 The new consultation states that under the proposed funding formula changes, a total of 10,740 schools (54 per cent) in England would be funded at a higher level than in 2016-17. However, it also confirms that 9,128 schools (46 per cent) would be funded at a lower rate. It is the intention of the DfE to move towards this new funding formula in 2018-19, which will be a

transitional year, with a view that the hard formula will be implemented for 2019-20. A total of 101 local authority areas will see gains and 49 will see reductions.

2.4 The publication of the second stage consultation is an important step to delivering a national funding formula. It is the first time the DfE has provided illustrative allocations by school and local authority, so it is possible to understand the scale and size of funding gains or losses. While DfE stresses the illustrative allocations are based on current pupil characteristics, which are likely to change between now and when the national funding formula is implemented, it is the most accurate basis for analysis.

2.5 Set out within the consultation, the DfE has also committed to allocating an additional £200m in 2018-19 and 2019-20 (a total of £400m over a two-year period) on top of the current value of the schools block. This money has been found to provide protections for schools facing reductions and rapid increases for those set to gain. In addition, the consultation sets out:

- **Funding floor** – ensuring no school will see their per pupil funding amount decrease by more than 3%
- **Funding Gains** – schools that will see their per pupil funding amount increase will receive gains of up to 3% per-pupil in 2018-19, and then up to a further 2.5% in 2019-20. So a school could see its per pupil amount increase by a maximum 5.5% compared to current levels within a two-year period.
- **Central School Services** – There is to be a new funding block for LAs.
- **Pupil Premium** – will remain as a separate grant; Looked After Children will only be funded through PP+, which will increase.

2.6 These changes to the proposals to the NFF set out in the first consultation and additional funding that has been announced have

resulted in London losing less funding than predicted, however it will see larger reductions in funding than anywhere else in the country.

- 2.7 More schools in London will see reductions in their allocations in 2019-20 compared to all other regions. A total of 1,536 schools (70 per cent) will receive less funding, followed by 58 per cent of schools in the North West and 53 per cent of schools in the West Midlands.

### **3 Impact on Hammersmith and Fulham schools**

- 3.1 As part of the second stage of the consultation the DfE have issued indicative figures to show the funding at an individual school level based on the 2016 data set.
- 3.2 In addition Schools in England report that they are facing rising cost pressures, especially from increased staffing costs. The Institute for Fiscal Studies (IFS) estimated in April 2016 that there would be at least a 7% real terms reduction in per-pupil spending between 2015-16 and 2019-20, or about 8% if changes in the costs likely to be faced by schools were also accounted for.
- 3.3 The second stage of the consultation ends on the 22<sup>nd</sup> March and the Local Authority will be drafting a response to outline the significant challenges faced by London School. These pressures include increasing staffing costs, apprenticeship levy, recruitment and retention and the impact of the recent revaluation of National Non Domestic rates (NNDR).
- 3.4 As for the first stage of consultation, London is worst affected with the majority of London boroughs facing a reduction in total funding for schools in their area.
- 3.5 The indicative figures show a reduction of funding of £2.734k (2.7%) by 2019-20. Detailed in the table below is the indicative figures based on the 2016 data set.





**Table 1 - LBHF National Funding Formula Indicative figures**

School	Sum of Funding the school received in 2016-17 or 2016/17	Sum of Illustrative total NFF funding	Sum of Illustrative NFF year 1 funding	Sum of Gain/Loss in funding Yr 1 transition	Sum of Gain/Loss in funding no transition
Addison Primary School	£1,978,000.00	£1,923,000.00	£1,951,000.00	-£27,000.00	-£55,000.00
All Saints CofE Primary School	£917,000.00	£903,000.00	£905,000.00	-£12,000.00	-£14,000.00
Ark Bentworth Primary Academy	£1,052,000.00	£1,025,000.00	£1,038,000.00	-£14,000.00	-£27,000.00
Ark Burlington Danes Academy	£6,912,000.00	£6,709,000.00	£6,810,000.00	-£102,000.00	-£203,000.00
Ark Swift Primary Academy	£1,767,000.00	£1,718,000.00	£1,742,000.00	-£25,000.00	-£49,000.00
Avonmore Primary School	£1,070,000.00	£1,042,000.00	£1,056,000.00	-£14,000.00	-£28,000.00
Brackenbury Primary School	£2,259,000.00	£2,196,000.00	£2,228,000.00	-£31,000.00	-£63,000.00
Earl's Court Free School Primary	£476,000.00	£466,000.00	£471,000.00	-£5,000.00	-£10,000.00
Flora Gardens Primary School	£1,078,000.00	£1,050,000.00	£1,064,000.00	-£14,000.00	-£28,000.00
Fulham Boys School	£2,351,000.00	£2,284,000.00	£2,317,000.00	-£34,000.00	-£67,000.00
Fulham College Boys' School	£3,188,000.00	£3,097,000.00	£3,142,000.00	-£46,000.00	-£91,000.00
Fulham Cross Girls' School and Language College	£4,596,000.00	£4,462,000.00	£4,529,000.00	-£67,000.00	-£134,000.00
Fulham Primary School	£1,616,000.00	£1,572,000.00	£1,594,000.00	-£22,000.00	-£44,000.00
Good Shepherd RC Primary School	£1,144,000.00	£1,114,000.00	£1,129,000.00	-£15,000.00	-£30,000.00
Greenside Primary School	£1,078,000.00	£1,050,000.00	£1,064,000.00	-£14,000.00	-£28,000.00
Hammersmith Academy	£4,756,000.00	£4,617,000.00	£4,687,000.00	-£69,000.00	-£139,000.00
Holy Cross RC School	£2,106,000.00	£2,047,000.00	£2,077,000.00	-£29,000.00	-£59,000.00
John Betts Primary School	£1,157,000.00	£1,126,000.00	£1,141,000.00	-£16,000.00	-£31,000.00
Kenmont Primary School	£1,128,000.00	£1,098,000.00	£1,113,000.00	-£15,000.00	-£30,000.00
Lady Margaret School	£3,505,000.00	£3,403,000.00	£3,454,000.00	-£51,000.00	-£102,000.00
Langford Primary School	£927,000.00	£903,000.00	£915,000.00	-£12,000.00	-£24,000.00
Larmenier & Sacred Heart Catholic Primary School	£1,918,000.00	£1,865,000.00	£1,891,000.00	-£27,000.00	-£53,000.00
Lena Gardens Primary School	£901,000.00	£878,000.00	£890,000.00	-£11,000.00	-£23,000.00

Melcombe Primary School	£1,922,000.00	£1,869,000.00	£1,896,000.00	-£26,000.00	-£53,000.00
Miles Coverdale Primary School	£1,224,000.00	£1,192,000.00	£1,208,000.00	-£16,000.00	-£32,000.00
Normand Croft Community School for Early Years and Primary Education	£1,379,000.00	£1,342,000.00	£1,360,000.00	-£19,000.00	-£37,000.00
Old Oak Primary School	£1,837,000.00	£1,786,000.00	£1,812,000.00	-£25,000.00	-£51,000.00
Phoenix Academy	£5,337,000.00	£5,188,000.00	£5,263,000.00	-£74,000.00	-£149,000.00
Queen's Manor School and Special Needs Unit	£1,052,000.00	£1,024,000.00	£1,038,000.00	-£14,000.00	-£28,000.00
Sacred Heart High School	£4,977,000.00	£4,832,000.00	£4,905,000.00	-£72,000.00	-£145,000.00
Sir John Lillie Primary School	£1,789,000.00	£1,740,000.00	£1,765,000.00	-£24,000.00	-£49,000.00
St Augustine's RC Primary School	£1,057,000.00	£1,029,000.00	£1,043,000.00	-£14,000.00	-£28,000.00
St John XXIII Catholic Primary School	£1,380,000.00	£1,342,000.00	£1,361,000.00	-£19,000.00	-£38,000.00
St Johns Walham Green Church of England Primary School	£1,692,000.00	£1,645,000.00	£1,668,000.00	-£24,000.00	-£47,000.00
St Mary's Catholic Primary School	£1,048,000.00	£1,020,000.00	£1,034,000.00	-£14,000.00	-£28,000.00
St Paul's CofE Primary School	£1,117,000.00	£1,088,000.00	£1,103,000.00	-£14,000.00	-£29,000.00
St Peter's Primary School	£1,030,000.00	£1,003,000.00	£1,016,000.00	-£14,000.00	-£27,000.00
St Stephen's CofE Primary School	£1,524,000.00	£1,482,000.00	£1,503,000.00	-£21,000.00	-£42,000.00
St Thomas of Canterbury Catholic Primary School	£1,746,000.00	£1,697,000.00	£1,721,000.00	-£25,000.00	-£49,000.00
Sullivan Primary School	£1,393,000.00	£1,356,000.00	£1,375,000.00	-£18,000.00	-£37,000.00
The Hurlingham Academy	£2,717,000.00	£2,641,000.00	£2,679,000.00	-£38,000.00	-£76,000.00
The London Oratory School	£5,631,000.00	£5,466,000.00	£5,548,000.00	-£83,000.00	-£165,000.00
Thomas's Academy	£951,000.00	£926,000.00	£938,000.00	-£13,000.00	-£25,000.00
Wendell Park Primary School	£2,017,000.00	£1,961,000.00	£1,989,000.00	-£28,000.00	-£56,000.00
West London Free School	£3,982,000.00	£3,866,000.00	£3,924,000.00	-£58,000.00	-£116,000.00
West London Free School Primary	£1,131,000.00	£1,101,000.00	£1,116,000.00	-£15,000.00	-£30,000.00
Wormholt Park Primary School	£2,301,000.00	£2,236,000.00	£2,268,000.00	-£33,000.00	-£65,000.00
<b>Grand Total</b>	<b>£98,114,000.00</b>	<b>£95,380,000.00</b>	<b>£96,741,000.00</b>	<b>-£1,373,000.00</b>	<b>-£2,734,000.00</b>

#### **4 Recommendations**

- 4.1 To note the report and agree to respond to the consultation.
- 4.2 To agree a communication and engagement strategy with all stakeholders.

**Andrew Tagg**  
**Head of Resources**

**Clare Chamberlain**  
**Tri-Borough Executive Director – Children’s Services**

#### **Background papers:**

- Allocations of Dedicated Schools Grant 2016/17
- Department for Education website

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## A4

**LONDON BOROUGH OF HAMMERSMITH AND FULHAM  
SCHOOLS' FORUM – 16<sup>TH</sup> JANUARY 2017  
REPORT BY HEAD OF RESOURCES  
EARLY YEARS FUNDING**

**Purpose of the report**

Key issues from the Early Years funding consultation

- Impact analysis on individual providers
- Transition arrangements and full time places
- Delivering the 30 hours – Local Authority communications strategy

**FOR INFORMATION**

**1. Early Years Consultation**

- 1.1. The Department for Education (DfE) consulted on the introduction of a national funding formula for Early Years (EY) provision on 11 August 2016.
- 1.2. The aim of the proposals are to ensure that funding is distributed “fairly and transparently” across the country from April 2017. Funding for three- and four-year-old additional hours for working parents will take effect in September 2017.
- 1.3. A report was submitted to the last Schools Forum providing key points relating to the proposed new formula and highlighting the potential impact on future EY funding for EY providers for whom the Local Authority commission free entitlement places.

**2. Implications for providers**

- 2.1 The new formula allocates funding to local authorities for the existing 15-hour entitlement for three- and four-year olds and the

additional 15 hours for eligible working parents. Funding in 2017-18 for the additional 15-hour entitlement (the 30-hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.

- 2.2 The additional 15 hours will be available to families where both parents are working (or the sole parent is working in a lone parent family) and each parent earns on average a weekly minimum equivalent to 16 hours at national minimum wage (NMW), or national living wage (NLW) and less than £100,000 per year. This includes those parents on zero contract hours who meet the criteria.
- 2.3 Parents will be able to apply for both Tax-Free Childcare and the 30-hour entitlement through a joint application system being developed by HMRC. There will be a short grace period for families whose circumstances change.
- 2.4 Further technical details of how the funding formula will work were announced on 1 December 2016. The main points were:
  - that the Government have increased the average hourly funding rates to local authorities to £4.94 (from £4.88) for three and four year olds as previously stated.
  - Funding has been allocated to local authorities on a formula based on a universal base rate and an uplift for additional needs based on free school meals, Disability Living Allowance and English as an Additional Language and uplifted by an Area Cost Adjustment.
  - The new Disability Access Fund (DAF) is equivalent to £615 per child per year to support access to free entitlements. Three- and four-year olds will be eligible for the DAF if they meet the following criteria:
    - the child is in receipt of child disability living allowance and;
    - the child receives free early education.

- EY providers are responsible for identifying eligible children. Providers will be able to use the parent declaration form template, due to be published by the DfE, alongside the Model Agreement in early 2017.
- The Government intends to legislate for authorities to establish a local inclusion fund for those with Special Educational Needs (SEN). The Local Authority will consult with the EY providers, parents and SEN specialists on the value of the local SEN inclusion fund and how the SEN inclusion fund will be allocated as part of the preparation of the local offer.

2.5 Local Authority permitted supplements in the new formula are capped at 10% as previously notified and specified as mandatory for deprivation. Allowable discretionary supplements are for rurality/sparsity; flexibility; quality and English as an Additional Language.

2.6 The current funding formula is as per Table 1.

**Table 1**

<b>Factor</b>	<b>Allocation</b>
Nursery Schools 15 hrs MFE	£7.00
Nursery Schools 15 hrs MFE - Deprivation	£1.12
Nursery schools 30 hours	£9.06
Nursery schools 30 hours Deprivation	£1.12
Primary FT	£4.04
Primary schools 15 hrs MFE	£4.08
Primary Schools 15 hrs MFE - Deprivation	£1.12
Primary schools 30 hours Deprivation	£1.12
Private, Voluntary and Independent Providers	£3.57
PVI 15 hrs MFE - Deprivation	£1.12

PVI 30 hours Deprivation	£1.12
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2.7 The Local Authority are modelling a new formula based on the requirement to limit the overall number of supplements to 10% of the total planned funding to be passed to providers.

2.8 Table 2 shows the total EY Block funding for 2017-18.

**Table 2**

EY Formula Funding (3- and 4-year old funding)	13,414,239
EY Supplementary Nursery Funding	302,026
15 hours additional hours - childcare policy	2,216,269
2-year old funding	1,210,300
Pupil Premium	95,766
Disability Access Fund	30,750
<b>Total EYF block funding</b>	<b>17,269,350</b>

2.9 The second stage of the data has increased funding of £302,026 for nursery school transition protection.

2.10 The Authority is permitted to retain 7% of funding in 2016/17, reducing to 5% in 2017/18 for centrally retained duties.

2.11 Table 3 details the pupil data received from the DfE.

**Table 3**

	<b>DFE Nos</b>
EYFF	2971.40
15 hours additional hours- childcare policy	490.90
2 year old funding	326.70

2.12 Based on the initial figures, this equates to a total hourly rate of £7.92 per hour. ( $\text{£}2,216,269 / 490.90 \times 15 \text{ hours} \times 38 \text{ weeks}$ ).

2.13 In preparation for the implementation of the new 15 hours, an indicative allocation for all providers is detailed in the table below.

2.14 The recommendation at this stage is to use a base hourly rate of £6.50 per hour for planning purposes. In the calculation of the indicative rate we have created a transition support funding provision of £0.08 per hour to provide for data changes and transition arrangements. This indicative rate is for planning purposes at this stage and may be subject to change once the full details have been announced by the DfE.

<b>Narrative</b>	<b>£</b>
<b>Indicative Hourly rate</b>	<b>7.92</b>
Less	
Centrally Retained duties	0.55
Supplement Funding (10%)	0.79
<b>Net Funding Rate</b>	<b>6.58</b>
Transition Support Funding	0.08
<b>Indicative Provider Funding Rate</b>	<b>6.50</b>

2.15 The Government have funded the 2-year old offer on the basis of £6.50 an hour. The current rates are £6.07 an hour.

### **3 Transition Arrangements and Full time places**

3.1 Prior to the introduction of the national funding arrangements for EY and the introduction of the 30 hours' childcare provision from September 2017, the Forum reviewed the allocation and continued delivery of full time places.

3.2 The DfE requires the Local Authority to have a uniformed rate for all providers from April 2019. Additionally, there needs to be a clear



transition plan agreed by the forum of any transitional arrangements.

- 3.3 The funding changes represent a significant challenge to the sustainability of individual provisions across the Local Authority.

#### **4 Delivering the 30 hours – Local Authority communication strategy**

- 4.1 By the end of January 2017, Officers will commence an extensive programme of consultation and engagement events with providers which will continue through to introduction in September 2017.
- 4.2 Initial engagement through provider forums planned for February will be to identify and confirm interest in delivering the additional 15 hours amongst providers, including: maintained nurseries, Private Voluntary & Independent (PVI) and childminders.
- 4.3 This will be followed by business planning workshops during February and March to share cost modelling tools and scenarios based on successful delivery models from 'Early Implementation' Local Authorities.
- 4.4 The Local Authority will also undertake both web based and direct information sharing events to engage and inform parents about the 30-hour childcare offer. This engagement will begin in February and will also serve to inform the Local Authority and providers of local demand.
- 4.5 Over the next month, the Family Information Service (FIS) will have links to factsheets and FAQs to address specific queries raised by parents and providers. Hard copies of documentation will be distributed across EY settings including Children's Centres as well as Job Centres and the Council's Customer Service Centres.
- 4.6 The Local Authority is currently working with the DfE and IT system providers to develop systems to support the integration of the HMRC eligibility checker. It is anticipated that the new system will be in place by June 2017.

4.7 In recognition of the challenging timeline for implementation and delivery, the Local Authority has identified a dedicated resource to provide the necessary support to providers and to project manage the implementation and delivery.

## **5 Recommendations**

5.1 To continue to deliver the current full time places until the academic year 2018/19.

5.2 Agree the indicative funding rate of £6.50 per hour for the introduction of new 15 hours funding entitlement and communication strategy and engagement.

5.3 Agree transition arrangements for adoption of unified rate.

**Andrew Tagg  
Head of Resources**

**Clare Chamberlain  
Tri-Borough Executive Director – Children’s Services**

## **Background papers**

Full details, along with supporting documentation, can be found via the following link:

- <https://consult.education.gov.uk/early-years-funding/eynff>
- Early years national funding formula: allocations and guidance - Publications - GOV.UK

# Agenda Item 7

**A5**

**LONDON BOROUGH OF HAMMERSMITH AND FULHAM  
SCHOOLS' FORUM - 16<sup>TH</sup> JANUARY 2017  
REPORT BY HEAD OF RESOURCES  
DEDICATED SCHOOLS GRANT MONITORING 2016/17**

**Purpose of the report**

This report informs Schools Forum of the current 2016/17 DSG grant allocation and provides a projection of the year end position and likely carry forward into 2017/18.

**FOR INFORMATION**

**1 Introduction**

- 1.1 The total Dedicated Schools Grant (DSG) allocation for 2016/17 (based on the most recent information published by the Department for Education) is £75.789m before adjustments. This is a reduction of £5.3m compared to October 2016 figures however £4.95m of this reduction relates to maintained schools transferring to academy status during the financial year, including: Fulham Primary School, Phoenix High School, Queens Manor Primary School and Sullivan Primary School.
- 1.2 This report will therefore focus on the current budget monitoring position and forecast carry forward.

**2 2016/17 DSG allocation**

- 2.1 The DSG allocation of £75.789m will be adjusted as follows:
- 2.1.1 **Prior Year Early Years adjustment:** An increase of £16k. This adjustment relates to the 2015/16 Early Years funding, but due to late confirmation of three- and four- year old pupil numbers, the

final adjustment was only known in June 2016 and has therefore been applied to the 2016/17 DSG allocations.

**2.1.2 Copyright Licencing adjustment:** A reduction of £95k. This is the top sliced funding for the nationally negotiated schools copyright licences.

<b>TABLE 1</b>	2016/17 DSG	Change	2016/17 DSG
	October		January
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Early Years Pupil Funding</b>	11,207	-	11,207
2YO Funding	1,130	-	1,130
Early Years Pupil Premium	96	-	96
<b>TOTAL Early Years Block</b>	<b>12,433</b>	-	<b>12,433</b>
<b>Schools Block</b>	103,191	-	103,191
Academy Recoupment	- 51,079	- 4,952	- 56,031
<b>TOTAL Schools Block</b>	<b>52,111</b>	<b>- 4,952</b>	<b>47,160</b>
<b>High Needs Block</b>	19,032	-	19,032
Deductions to High Needs Block	- 2,560	- 300	- 2,860
<b>TOTAL High Needs Block</b>	<b>16,472</b>	<b>- 300</b>	<b>16,772</b>
<b>Additions/Deductions</b>			
NQT Funding	24	-	24
<b>TOTAL Additions/Deductions</b>	<b>24</b>	-	<b>24</b>
<b>TOTAL DSG Allocation 2015/16</b>	<b>81,041</b>	<b>- 5,252</b>	<b>75,789</b>
<b>Adjustments</b>			
Prior Year Early Years			16
Copyright Licensing			- 95
<b>TOTAL Available Funds</b>			<b>75,710</b>

### **3 DSG budgets and budget monitoring**

- 3.1 DSG budgets have been adjusted to take into account: academy recoupment, prior year adjustment and copyright licence deduction and therefore now equals £75.71m. This is the total income that will be received by the Borough after adjustments.
- 3.2 The current projected DSG out-turn is an over spend of £5.29m.
- 3.3 The major variances are set out below by funding block (3.4 – 3.6).

#### **3.4 Early Years (overspend £572k)**

- 3.4.1 There is an overspend of £572k projected on the Early Years block.
- 3.4.2 The principal reasons are increased participation in PVI's for EYSFF (£474k) and growth in two-year old offer (£263k).
- 3.4.3 This is offset by lack of claims for Early Years Pupil Premium (-£93k) and underspends on the Early Years Curriculum Support Service (-£95k).

#### **3.5 Schools Block (overspend of £888k)**

- 3.5.1 There is a forecast overspend on the Schools Block of £888k.
- 3.5.2 Growth and Falling Rolls funding of £261k has been committed (an overspend of £141k).
- 3.5.3 £450k has been forecasted for schools in financial difficulty (an anticipated overspend of £270k).
- 3.5.4 There is an overspend of £258k on the Schools Central - Other budget (£516k), which includes maternity pay, redundancy and trade union duties. This overspend is largely a result of redundancy claims and a provision for maternity claims which are currently being worked on by the Finance Team.
- 3.5.5 The asset management budget which includes: school window replacement, 6<sup>th</sup> form and Early Years growth projects, currently shows an out-turn of £1.78m on a budget of £1.435m, dependent on the completion of these projects, it is possible that some of the

expenditure committed may carry forward to 2017/18 budgets if they are not complete by the end of the financial year.

### **3.6 High Needs Block (overspend of £3.830m)**

3.6.1 There is a projected overspend within the High Needs Block of £3.830m. This is primarily due to overspends within top-up funding. The biggest pressure arises from funding of academies/FE Colleges and Independent schools of £1.317m and £380k.

3.6.2 The budget for maintained schools shows a £413k overspend on joint funded belongings placements and £2.2m pressure from alternative provision commissioning.

3.6.3 Demand for Post-16 specialist places as well as FE college places have outstripped funding which explains some of the pressure within this budget area.

3.6.4 Spend on places within the independent school sector has risen year-on-year by approximately £450k. Work is currently being undertaken to assess the various reasons that are resulting in independent placement costs rising once again. The aim is to quickly find solutions to stabilise and hopefully reverse this trend.

3.6.5 Peter Gray's review of school funding will seek to benchmark schools top-up rates against other inner and outer London Local Authorities. The review will also analyse the local offer to assess whether need is being matched to the local provision currently offered.

3.6.6 There is significant work being undertaken to address the pressure within the alternative provision commissioning budget (£411k).

3.6.7 Measures to reduce this overspend will have an immediate impact from the start of the 2017/18 financial year.

3.6.8 A further commissioning process will be undertaken between January - August 2017 which will result in new alternative provision contracts coming into effect from 1 September 2017.

3.6.9 Belongings Placements cost pressures of (£413k) results from the funding of the education element of the high cost looked after children placements.

3.6.10 Detailed budgets and current projections of the out-turn position can be found in Table 2.

**TABLE 2**

	<b>Amended Budget</b>	<b>Projected Actual (Jan)</b>	<b>Projected Variance</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Early Years Block</b>			
2 Year Old Offer	1,130	1,333	203
2 Year Old Project	0	60	60
Early Years Formula	10,773	11,247	474
Early Years Pupil Premium	96	3	-93
Early Years Commissioners	216	229	13
Early Help Service	476	476	0
Early Years Curriculum Support Service	174	79	-95
Nursery Central Management	0	10	10
	<b>12,865</b>	<b>13,437</b>	<b>572</b>
<b>Schools Block</b>			
Schools Formula Funding	42,071	42,071	0
Schools Central - Growth / Falling Rolls	120	261	141
Schools Central - Schools in Financial Difficulty	180	450	270
Schools Central - Other (TU, Redundancy)	516	774	258
Schools Central - Asset Management	1,435	1,780	345
Schools Central Management	180	0	-180
Finance and Resources	45	182	137
Tri-Borough Portfolio Team	0	180	180
Admissions	343	343	0
School Meals	251	130	-121
Schools ELM	554	554	0
Attendance and Child Employment (ACE)	151	151	0
PDC / CLC	200	190	-10
Intervention Fund	224	150	-74
School Standards	131	73	-58
Literacy and Numeracy Support	51	51	0
Clothing Grant Welfare Benefit	100	100	0
Virtual School	76	76	0
	<b>46,628</b>	<b>47,516</b>	<b>888</b>
<b>High Needs Block</b>			
Element 2 Funding	1,068	1,068	0
Special Unit Place Funding	4,530	4,530	0
Underperforming Ethnic Groups	100	100	0
Educational Psychology	394	394	0
Top-Up Funding – Maintained	5,519	5,899	380
Top-Up Funding - Academy, Free, Ind.	2,141	3,458	1,317
Alternative Provision Commissioning	0	2,209	2,209
Belongings Placements	0	413	413
SEN Commissioning	1,571	1,139	-432
SEN Outreach	0	55	55
SEN Business and Finance Administration	135	70	-65



Sensory and Language Impairment Team	465	418	-47
Speech & Language Therapy (SALT)	294	294	0
	<b>16,217</b>	<b>20,047</b>	<b>3,830</b>
<b>TOTAL DSG Applied</b>	<b>75,710</b>	<b>81,000</b>	<b>5,290</b>

#### **4 Recommendations**

- 4.1 Schools Forum are asked to note the total DSG allocation and current financial position.
- 4.2 Schools Forum are asked to note that the projected carry forward is forecast as a deficit of £4.28m, down from £1.01m brought forward on 1<sup>st</sup> April 2016.

**Andrew Tagg**  
**Head of Resources**

**Claire Chamberlain**  
**Tri-Borough Executive Director – Children’s Services**

#### **Background Papers**

- DfE website – DSG Allocations 2016/17  
<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2016-to-2017>

## A6

**LONDON BOROUGH OF HAMMERSMITH AND FULHAM  
SCHOOLS' FORUM – 16<sup>TH</sup> JANUARY 2017  
REPORT BY HEAD OF RESOURCES  
SCHEME FOR FINANCING SCHOOLS**

**Purpose of the report**

This report sets out the most recent updates to the Authority's Scheme for Financing Schools, a comparison of key changes against the existing policy and recommendations for a consultation on the policy.

**FOR APPROVAL**

### **1 Introduction**

- 1.1 The Scheme for Financing Schools (the "policy") sets out the financial relationship between the Local Authority and the maintained schools that it funds. It contains requirements relating to the financial management of its schools.
- 1.2 The existing Local Authority policy was last updated in July 2010. The Department for Education (DfE) released new guidance in December 2015 (issue 8), outlining the provisions that a local authority's policy must, should or may include.
- 1.3 The updated policy in Annex 1 of this report is compliant with DfE guidance and the Authority's financial regulations.

### **2 Highlight of key policy changes**

- 2.1 The Local Authority policy has been out of date for some time which has meant that elements of the policy were not consistent with the latest DfE guidance. As a result, the policy has been largely rewritten.

2.2 A number of changes have been made throughout the policy, in comparison to the existing version. This report will only focus on the key changes which may have a material impact on the financial relationship between the Authority and its maintained schools.

<b>Provision in new Scheme</b>	<b>Key change from the February 2012 Scheme</b>
<b>2.1.2</b>	<p><b>Provision of financial information and reports</b></p> <p>The provision has been updated to reflect the required monthly, termly and year-end reporting requirements.</p>
<b>2.1.4</b>	<p><b>Control of assets</b></p> <p>The provision has been updated to provide clarity on the types of assets that must be recorded.</p> <p>The de minimus for recording assets has been revised up to £10,000.</p>
<b>2.16</b>	<p><b>Schools Financial Value Standard (SFVS)</b></p> <p>A new provision has been implemented to set out responsibilities for completing the SFVS.</p>
<b>2.1.7</b>	<p><b>Fraud</b></p> <p>A new provision has been implemented to set out responsibilities for ensuring that there is sufficient fraud control within the school.</p>
<b>3.5.1</b>	<p><b>Restrictions on accounts</b></p> <p>The list of banks that can be used for the payment of budget share instalments has been revised to include:</p> <ul style="list-style-type: none"> <li>• Halifax Bank of Scotland PLC</li> <li>• Barclays Bank PLC</li> <li>• Lloyds TSB PLC</li> </ul>

	<ul style="list-style-type: none"> <li>National Westminster Bank PLC</li> </ul>
<b>4.3 &amp; 4.6</b>	<p><b>Interest on surplus balances and Charging of interest on deficit budgets</b></p> <p>The provision has been updated to show a reciprocal arrangement where balances held on behalf of schools will attract interest and in addition the Authority reserves the right to charge interest on deficit balances.</p>
<b>6.2</b>	<p><b>Circumstances in which a charge may be made</b></p> <p>The circumstances in which a charge can be made by the Authority to the school's budget share has been updated in line with the latest DfE guidance.</p>
<b>13</b>	<p><b>Community facilities</b></p> <p><b>13.2 Consultation with the Local Authority</b></p> <p>More detailed provisions have been included to outline the consultation requirements for schools expressing an interest in providing community facilities.</p> <p><b>13.3 Funding agreements – Authority powers</b></p> <p>New provisions have been included to set the authority's powers where schools choose to involve a third party in the running of community facilities.</p> <p><b>13.4 Other prohibitions, restrictions and limitations</b></p> <p>New provisions have been drafted to set out restrictions to protect the financial interests of the Authority.</p> <p><b>13.5 Supply of financial information</b></p>

	New provisions have been drafted to set out the financial reporting schools with community facilities must provide the Authority.
<b>Annex B</b>	<p><b>Responsibility for redundancy and early retirement costs</b></p> <p>The Annex has been updated to clarify the responsibilities of the school and Authority in regards to redundancy and early retirement costs.</p> <p>The Annex also sets out examples where there may be exceptions may be taken by the Local Authority to the default position on redundancy costs.</p> <p>A procedure has been set out for schools wishing to make representation to the Local Authority to fund redundancy payments.</p>

### **3 Consultation**

- 3.1 In accordance with the provisions within the policy (1.4 – Revision of the Scheme) and DfE guidance, “any proposed revisions to the Scheme will be the subject of consultation with the governing body and the headteacher of every school maintained by the Authority, before they are submitted to the Schools Forum for their approval”.
- 3.2 To comply with this requirement, Schools Forum are asked to note the new and updated provisions in the policy and provide consent for the policy to be circulated to all maintained schools for consultation.
- 3.3 Schools Forum are requested to agree to the policy being placed on the agenda for the next Schools Forum meeting, to consider the consultation responses and review and formally approve the final policy.

## **4 Schools Financial Procedures**

- 4.1 Alongside the Scheme for Financing Schools, there will be a set of Schools Financial Procedures (the “procedures”). The aim of the procedures is to set out in greater detail the mechanisms by which the Scheme will be enforced and the procedures schools should seek to follow in ensuring they are compliant with the Authority’s financial policies.
- 4.2 As part of the consultation exercise, the Schools Financial Procedures will be developed, in collaboration with business managers from each of the three authorities.

## **5 Recommendations**

- 5.1 Schools Forum are asked to:
- note the new and updated provisions in the policy;
  - review and approve the policy to be consulted on with all maintained schools (in line with provision 1.4 of the policy); and
  - to agree the policy being placed on the agenda for the next Schools Forum meeting, to consider the consultation responses and review and approve the final policy.

**Andrew Tagg**  
**Head of Resources**

**Clare Chamberlain**  
**Tri-Borough Executive Director – Children’s Services**

## **Background Papers**

- Department for Education: Statutory guidance for local authorities on producing and amending school financing schemes.  
<https://www.gov.uk/government/publications/schemes-for-financing-schools>

## **Annexes**

- Annex A – Proposed Scheme for Financing Schools
- Annex B – Current Scheme for Financing Schools

# SCHEME FOR FINANCING SCHOOLS

Date published: [TBC]



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# **SECTION 1: INTRODUCTION**

## **1.1 The Funding Framework**

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

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under Section 45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

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

All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal, or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under Section 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 (Section 50(3A) of the Act).

An authority may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (Schedule 17 to the Act).

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

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

Regulations also require a local authority to publish their scheme and any revisions.

The latest version of the scheme will be on the Authority's website.

## **1.2 The role of the Scheme**

This Scheme sets out the financial relationship between the Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

This Scheme for Financing Schools should be read in the context of the Schools Financial Procedures.

### **1.2.1 Application of the Scheme to the Authority and maintained schools**

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

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

### **1.3 Publication of the Scheme**

A copy of the Scheme will be supplied to the governing body and the headteacher of each school covered by the scheme and any approved revisions will be notified to each school.

A copy will be available for reference on the Authority's website.

### **1.4 Revision of the Scheme**

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

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 headteacher**

The governing body should consider the extent to which it wishes to delegate its powers to the headteacher and governing body committees. These decisions (and any revisions) should be clearly documented in the minutes of the governing body.

Although the headteacher may take responsibility for developing the budget, the first formal budget of each financial year must be approved by the governing body, or by a committee of the governing body. The headteacher should present the first formal budget plan for each financial year to the finance committee and subsequently to the full governing body for approval prior to submission to the Local Authority.

The Authority does not impose a limit on the level of delegation to headteachers, but in making their decisions, the governing body must consider the level of experience of the headteacher and the practicalities of the day to day running of a school.

### **1.6 Maintenance of schools**

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



## **SECTION 2: FINANCIAL CONTROLS**

### **2.1 General procedures**

#### **2.1.1 Application of financial controls to schools**

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. These are set out in the detailed Schools Financial Procedures.

The governing body should ensure that the headteacher reports progress on financial performance on a regular basis to the full governing body or the finance committee.

The headteacher is responsible to the governing body for financial control within the school. The headteacher should ensure that the financial controls are maintained in the absence of key staff and should ensure that provisions are in place for all staff to be adequately trained.

The headteacher should be responsible for amending and updating local financial procedures in line with Audit, the Local Authority and statutory requirements. Any changes to the local financial procedures should be reported back to the governing body.

#### **2.1.2 Provision of financial information and reports**

Schools are required to provide the Authority with details of expected and actual expenditure and income and other information for financial purposes, in a form and at times determined by the Authority. The details of these requirements are as follows:

At the start of the financial year:

- i) A detailed breakdown of the planned use of the school's budget share no later than the 31 May (or the last working day of May). This breakdown must have been approved by the governing body. The Budget report must provide the Local Authority with details of anticipated and actual

expenditure and income. The format provided by the Authority will take account of the Consistent Financial Reporting (CFR) framework.

### **Good practice**

Where the school's budget is available sooner than the deadline set out above, they are encouraged to submit this at the earliest opportunity to support the Authority's planning.

### **Reporting deadlines**

Schools are required to provide the Authority with their monthly and termly reports (as outlined below) on the 5<sup>th</sup> working day of the given month.

### **Monthly throughout the financial year**

- i) VAT submittal report
- ii) Full VAT report

### **Termly**

- i) A copy of the termly governor's budget report.
- ii) Bank reconciliation statement
- iii) Bank reconciliation (unreconciled items)
- iv) Bank statement (final page only)
- v) 7-page income and expenditure report
- vi) Monthly CFR upload (trial balance)

### **Good practice**

The Local Authority considers it good practice for schools to produce a monthly return in the excel spreadsheet template format provided to them by the Authority for internal monitoring purposes. This should be completed in line with the

reporting deadline stated above. This template will include:

- i) Bank reconciliation statement
- ii) Bank reconciliation (unreconciled items)
- iii) Bank statement (final page only)
- iv) 7-page income and expenditure report
- v) Monthly CFR upload (trial balance)

In addition to the quarterly reporting outlined above, the following are required at the end of the financial year:

- i) Debtors and Creditors accrual.
- ii) Prepayments and receipts in advance.
- iii) Statement of use of reserves and carry forward.
- iv) Confirmation of Lettings Income.
- v) A copy of the school's asset register in line with the requirement of 2.1.4 (Control of assets) in this Scheme.
- vi) A copy of the Schools Financial Value Standard (SFVS) complete assessment form signed by the Chair of Governors in line with the requirement of (2.16 Schools Financial Value Standard) in this Scheme.
- vii) Details of capital projects and expenditure

### **2.1.3 Payment of salaries; payment of bills**

Schools are required to make satisfactory arrangements for the payment of employees, creditors and other items, ensuring the correct application of (and accounting for) all statutory and other deductions, also complying with the requirements of the Schools Financial Procedures and advice and guidance from the Authority's Treasurer to consistently maintain adequate financial standards.

Where a governing body does not use the Authority's services for finance, payroll and personnel and/or the information is not available to the Authority, the governing body must ensure that:

- i) The Authority is provided with such information as it may require, in the format, to the level of detail and according to frequency and deadlines prescribed by the Authority and defined in the Schools Financial Procedures;
- ii) all Teachers' pension contributions, including qualifying documentation, are submitted to Authority according to deadlines prescribed by the Authority and in accordance with Schools Financial Procedures, to enable the Authority to transfer such contributions to the bodies concerned in compliance with requirements which they prescribe, other statutory deductions and contributions are accounted for directly and paid over by the school;
- iii) all Local Government Pension Scheme pension contributions, including qualifying documentation, are submitted to Authority according to deadlines prescribed by the Authority and in accordance with Schools Financial Procedures, to enable the Authority to transfer such contributions to the bodies concerned in compliance with requirements which they prescribe; other statutory deductions and contributions are accounted for directly and paid over by the school;
- iv) they (or their service provider) provide evidence of the accuracy of such information and amounts in the form of audit certification, to the Authority or its auditors as and when required.

This is essential to enable completion of statutory returns and accounting requirements and to avoid costs and penalties, which may arise as a result of delays or inaccuracies in such matters. Any costs and penalties incurred due to deadlines not being adhered to by the school will be payable by the school.

#### **2.1.4 Control of assets**

Each school must maintain an asset register of all of its moveable non-capital assets (including commercial lease agreements for assets i.e. minibuses and photocopier

leases). For items below £10,000 each school can determine their own arrangements for keeping such a register.

For items with a value exceeding £10,000, the Authority shall determine the format of the register and set out the basic authorisation procedures for the disposal of assets.

Governors must not dispose of the Authority's capital assets nor take any decision, which would adversely affect the value of such assets.

The required inventory and the basic authorisation procedures for disposal of assets are set out in the Schools Financial Procedures.

### **2.1.5 Accounting policies (including year end procedures)**

The Chief Finance Officer is responsible for determining the Local Authority's accounting policies. Each headteacher is responsible for ensuring that these policies are adhered to. The underlying principles include:

- The accounts should be a fair presentation of the school's financial position and transactions in respect of that financial year.
- Income and expenditure should relate to the services provided in the same accounting period (the financial year). In revenue accounts, provision must be made for income and expenditure earned/used irrespective of when the amounts are actually paid or received.
- The accounts should be prepared on a prudent basis with income only being included to the extent that it is likely to be received; proper allowance should be made for all known liabilities and losses.

Schools must abide by procedures issued by the Authority in relation to accounting policies and year end procedures. The year end procedures are set out in the Guidance issued every year, which includes a closedown timetable which must be adhered to.

Details of these are included in the Schools Financial Procedures and any additional requirements will be notified to schools as they arise.

### **2.1.6 Writing off debts**

Debts can only be written off when they are deemed to be unrecoverable or uneconomic to recover.

Governing Bodies are authorised under the terms of this Scheme to write off debts for individual amounts not exceeding £2,000.

Any writing off of a debt must be formally recorded in the minutes the governing body. The amount of any debt written-off will be borne by the delegated budget of the school to which the income would have been due. All write-offs must be correctly recorded in the accounts, by reversal of the original income transaction.

All documentation relating to the original debt, the recovery process and its write-off and approval of this should be retained by the school and submitted to the Authority at the end of the financial year. No property that has been written-off can be sold or otherwise disposed of.

For any amount greater than £2,000 the procedures as detailed in the Schools Financial Procedures shall apply.

### **2.2 Basis of accounting**

The Authority's accounts are prepared on an accrual basis. Schools will therefore be required to provide information as and when to enable relevant accruals to be entered into the Authority's accounts.

Detailed guidance on this process is issued each year by the Director of Finance.

### **2.3 Submission of budget plans**

Schools are required to submit a budget plan to the Authority by 31 May (or the last working day of May) each year. The school's budget plan must be approved and signed by the governing body (or a committee of the governing body).

The budget plan shall be in a format determined by the Director of Finance and will outline the intentions for income and expenditure in the current financial year and the following two financial years (a three-year budget plan) and the assumptions underpinning the budget plan (i.e. inflationary increases in salary costs). Schools

will be able to take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

The governing body is not permitted to set a budget which plans for a cumulative deficit at the end of any of the financial years, except where the Authority has authorised such a budget formally.

The format of the budget plan and any supporting documents shall comply with the budget template provided and the guidance issued by the Authority each year. Evidence of approval must be submitted at the same time as the budget plan.

The Authority will supply schools with income and expenditure data which it holds, which is necessary to enable efficient planning by schools. The Authority will supply schools with an annual statement showing when this information will be available at times through the year.

Where schools do not use the Authority's financial management system, the format of the budget plan may be specified to ensure compliance with the Consistent Financial Reporting (CFR) framework.

The Director of Finance may determine that revised budget plans be submitted during the financial year. Such revised plans shall not be required at intervals of less than three months. Revised plans will be required where it is evident that the original budget plan is no longer sustainable.

Details of the format of the budget plan are included in the Schools Financial Procedures.

## **2.4 Efficiency & 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.

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 may vire freely between budget heads in the expenditure of their budget shares, but governors are advised to establish criteria for virements and financial limits above which, the approval of the governors is required.

The Authority recommends that virements are recorded in the minutes of the Governing Body.

## **2.6 Audit: General**

All schools are subject to the audit regime determined by the Authority. This will include the Authority's internal audit and external audit regime as determined by the Audit Commission.

Schools are required to co-operate with any internal and external audit inspection and provide access to the school's records.

Schools that are audited as part of the internal or external audit regime that result in an outcome with recommendations for implementation, may be required to attend the audit committee of the Local Authority.

The headteacher should ensure that recommendations arising from audit reports are addressed in accordance with the agreed action plan, reviewed by the governing body and reported back to the Local Authority.

## **2.7 Separate external audits**

In instances where a school wishes to seek an additional source of assurance, the governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Authority's internal or external audit process.

Such a requirement should take into consideration the principles of Value for Money.

Where a school chooses to seek such an additional audit, it does not remove the requirement that the school must also cooperate with the Authority's internal and external auditors.



## **2.8 Audit of voluntary and private funds**

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school.

The audit must be carried out by someone who is independent from the school fund (i.e. having no part in the administration of the fund or in any decisions as to its use.

Governors who are members of the finance committee (or a similar sub-committee of the governing body) may not undertake this audit.

A school refusing to provide audit certificates to the Authority as required by the scheme, is in breach of the scheme and the Authority can take action on that basis.

## **2.9 Register of Business Interests**

The governing body of each school must have in place, a register that lists for each member of the governing body and the headteacher the following:

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

The register should be kept up to date with notification of changes and entries should be made available for inspection by governors, staff, parents and the Authority on the school's website.

The register of business interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts.

It should be noted in the minutes of the Governing Body that this procedure has been adopted at the start of each academic year.

## **2.10 Purchasing, tendering and contracting requirements**

Schools are required to abide by the Authority's Financial Regulations and standing orders in purchasing, tendering and contracting matters.

The schools should assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

Schools are required to abide by these Financial Regulations and Standing Orders except where these would require schools:

- i) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- ii) to seek Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- iii) to select suppliers only from an approved list;
- iv) to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

### **2.11 Application of contracts to schools**

Schools have the right to opt out of Authority arranged contracts except where this Scheme provides otherwise.

Although governing bodies are empowered under Paragraph 3 of Schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as the maintainer of the school and the owner of the funds in the budget share. The governing body will have clear statutory obligations in some areas for example contracts made by aided or foundation schools for the employment of staff.

### **2.12 Central funds and earmarking**

The Authority is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific

grant which the Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such allocations might, for example, be sums for Special Educational Needs (SEN) or other initiatives funded from the central expenditure of an Authority's schools budget or other Authority budget.

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

The Authority may not make any deduction from payments to schools of devolved specific or special grants in respect of interest costs.

In order that schools may demonstrate compliance with this requirement, expenditure on these purposes should be clearly identifiable within the school's accounting records, and full supporting documentation should be available.

### **2.13 Spending for the purposes of the schools**

Section 50(3) allows governing bodies to spend budget shares for the purposes of the school, although this is subject to regulations made by the Secretary of State and any provisions of the scheme. By virtue of Section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under Section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under Section 50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. The Secretary of State has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

### **2.14 Capital spending from budget shares**

Governing bodies may use their budget shares to meet the costs 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 SSAF Act 1998.

Schools will be required to notify the Authority of any spending from their budget share on capital works. Schools will be required to take account of the Authority's advice on any capital spending over the sum of £15,000.

However, for community schools any spending on capital works either from their budget share or outside of the budget share will need to be authorised by the Director of Children's Services and the Director of Finance.

Any spending on capital works, which has an impact on the Authority's premises, will need the authority of Director of Children's Services and the Director of Finance. Such authority may only be withheld on the grounds of health and safety.

The reason for these requirements is to help ensure compliance with the current School Premises Regulations, DfE Construction Standards and health and safety legislation.

## **2.15 Notice of concern**

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Finance and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the 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 Authority
- insisting on regular financial monitoring meetings at the school attended by Authority officers
- requiring a governing body to buy into an Authority’s financial management systems
- imposing restrictions or limitations on the 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.

The purpose of this provision is to enable the Authority to set out formally any concerns it has regarding the financial management of a school it maintains and require a governing body to comply with any requirements it deems necessary. The principal criterion for issuing a notice, and determining the requirements included within it, must be to safeguard the financial position of the Authority or school.

It should not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the Authority’s concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

Where the governing body has complied with the requirements contained within the notice of concern, the Authority will withdraw the notice in writing.

## **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 other maintained schools with a delegated budget must submit the form to the Authority annually before 31 March.

## **2.17 Fraud**

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

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

## **SECTION 3: INSTALLMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

### **3.1 Frequency of instalments**

The Authority will make available the budget share to school governing bodies on a quarterly basis. Provision is also made to allow the payment in full of additional devolved funding, where appropriate.

The Authority will make available budget share instalments on a monthly basis to schools which so request it; but the request should be made prior to the start of the relevant financial year.

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

### **3.2 Proportion of budget share payable at each instalment**

The quarterly budget share will be calculated on the basis of equal quarters of the annual budget allocation. The advance dates will be published accordingly.

For the Early Years single funding formula budget share the quarterly payments will be one quarter of the original budget. The final adjustment will be made in March each year.

### **3.3 Interest clawback**

The Authority may deduct from budget share instalments an amount equal to the estimated interest lost by the Authority in making available the budget share in advance.

The interest calculation will be using a formula determined by the Authority (such as a weighted seven-day average rate or yearly average rate).

#### **3.3.1 Interest on late budget share payments**

The Authority will add interest to late payments of the budget share instalments, where such late payment is the result of an error by the Authority.

The interest calculation will be at the rate set out in 3.3.

### **3.4 Budget shares for closing schools**

Budget shares for schools, for which approval for discontinuation has been secured, will be made available until closure, on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

In order to minimise the Authority's liabilities, the Authority may wish to take the appropriate action to prevent schools entering into contractual arrangements or committed expenditure beyond the school closure date. Any monies incurred in this way may become the responsibility of the governing body.

### **3.5 Bank and building society accounts**

Schools will continue to be able to retain all the interest payable on the bank account.

Where schools use imprest bank accounts, which operate to levels, pre-determined by the governing body and replenished as and when required. This provides schools with the freedom to spend their budget share as and when required whilst still facilitating access to the corporate systems such as payroll and an on-line payments mechanism.

#### **3.5.1 Restrictions on accounts**

Accounts may only be held for the purpose of receiving cash advances payments, at the following banks:

- Halifax Bank of Scotland PLC
- Barclays Bank PLC
- Lloyds TSB PLC
- National Westminster Bank PLC



- The Royal Bank of Scotland PLC

Schools must seek approval from the Authority for other banks or building societies not shown on the above list.

It is recommended that bank accounts are opened both in the name of the school and the Authority. Where a bank account is opened only in the name of the school, then the bank mandate should provide that the Authority is 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 by the Authority.

Budget share funds paid by the Authority and held in school accounts remain Authority property until spent (Section 49(5) of the Act).

Schools must notify the Director of Finance of: the bank used, account numbers and authorised signatories for all bank accounts. Changes to banks and/or signatories must also be notified. Governors who are not members of staff cannot be signatories.

If any governing body of a school operating a bank account for payments fails to operate banking arrangements in accordance with this Scheme and Schools Financial Procedures, or fails to submit the Authority returns as requested by the Education Finance Team, then the Director of Finance may suspend further transfers of funding to the bank account of that school and may withdraw such banking arrangements until the situation is resolved.

Where a school is unable to operate a bank account in accordance with Financial Regulations or any other guidance issued by the School Finance team, the Authority will withdraw bank account facilities from that school and in certain circumstances could withdraw delegation.

Where a school has an unapproved deficit, the Authority may withdraw bank account facilities from that school.

### **3.6 Borrowing by schools**

School governing bodies may only borrow money (which includes the use of finance leases) with the written permission of the Secretary of State. Schools should notify

the Director of Children's Services and the Director of Finance before making such requests.

The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives.

Schools are allowed to use any scheme that the Secretary of State has said is available to schools without specific approval (such as the Salix scheme, which is designed to support energy saving), however they should take reasonable steps to notify the Authority of their decision to apply for such a scheme.

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

This provision does not apply to loan schemes run by the Authority.

### **3.7 Other provisions**

Schools are encouraged to ensure they have access online banking so that they can produce bank statements efficiently as and when required both throughout the year but also for year end.

## **SECTION 4: The treatment of surplus and deficit balances arising in relation to budget shares**

### **4.1 Right to carry forward surplus balances**

Schools will be able 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.

School balances are part of the Authority's general reserves and may be used to support the overall financial requirements of the Authority, but subject to the absolute understanding that the balances will always be available for the use of school governing bodies when required.

The schools surplus balance at 1 April shall be equal to that of 31 March of the same calendar year.

The amount of a surplus balance would be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although there may be commitments against any figure shown in such a statement).

#### **Good practice**

Schools should be aware that whilst it is good financial management to maintain reserves in the region of 5% (for secondary schools) - 8% (for nursery, primary and special schools) the school's budget share.

Funding for individual schools is delegated to ensure provision for the pupils on roll in the current period and should not be retained in surpluses without good reason.

### **4.2 Control on surplus balances**

Schools will be required to report to the Authority annually on the purposes to which any surplus balances over 5% of their budget share will be put.

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 a scheme may make explicit the right of an Authority to take account of a school's previous plans for any surplus balances in the event that such plans have changed. However, an 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 £10,000 (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.

The thresholds set out in paragraph (d) above are the maximum permitted. The department will accept (a) lower thresholds or (b) higher thresholds for particular types of schools where local authorities can justify them

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 Section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

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

#### **4.3 Interest on surplus balances**

Balances held by the Authority on behalf of schools will attract interest.

The interest calculation will be at the rate set out in 3.3.

#### **4.4 Obligation to carry forward deficit balances**

Deficit balances will be carried forward and will be deducted from the schools budget share in the following financial year. Schools deficit balances as at 1 April will be equal to that balance as at 31 March of the same calendar year. School budget plans must include provision for any deficit from the previous year.

The deficit balance would be shown on the out-turn statement published in accordance with directions given by the Secretary of State under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case).

#### **4.5 Planning for deficit budgets**

Schools may not plan for a deficit budget except in exceptional circumstances. Information on the circumstances in which schools may plan for a deficit budget is given in paragraph 4.9 below (Licenced deficits).

#### **4.6 Charging of interest on deficit balances**

The Authority reserves the right to charge interest on deficit balances. The interest calculation will be at the rate set out in 3.3.

#### **4.7 Writing off deficits**

The Authority cannot write off the deficit balance of any school.

#### **4.8 Balances of closing and replacement schools**

When a school closes any balance (whether surplus or deficit) reverts to the Authority. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus will transfer to an academy where a school converts to academy status under Section 4(1)(a) of the Academies Act 2010.

#### **4.9 Licensed deficits**

This scheme does not permit a school to plan for a deficit budget.

Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under licence. This requires the school to agree a deficit recovery plan with the Authority before the first formal budget is set in the financial year of the planned deficit.

The deficit recovery plan should include:

- a. the reasons for the deficit;
- b. the amount of the deficit;
- c. a robust proposal for repaying the deficit with supporting evidence;

- d. the maximum length over which the school will repay the deficit (i.e. reach at least a zero balance). Schools with a deficit balance should plan to repay the deficit over a maximum of three years.

The Authority will work with the headteacher and governing body of the school to ensure that a quarterly review of expenditure against the business plan is carried out so that spending is kept in line with the three-year profile of the school.

If a school has a licensed deficit, and the school proposes to spend amounts received by it on purposes other than reducing the licensed deficit, the school must obtain approval from the Authority agree to such a proposal.

#### **4.10 Loan schemes**

There is no loan scheme in place for schools within the Authority.

## **SECTION 5: INCOME**

### **5.1 Income from lettings**

The responsibility for lettings of school premises will rest with governing bodies, who will administer the lettings and set charges. Income from lettings will be retained in full and credited to schools' delegated budgets, subject to any alternative provisions arising from any joint use or PFI agreements.

Although governing bodies will decide their own priorities for lettings, schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. The governing body should be 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.

Schools are, nevertheless required to have regards to directions issued by the Authority as to the use of school premises, as permitted under the Act for various categories of schools, in particular, the Authority's policy on community use.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

### **5.2 Income from fees and charges**

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

Schools should take into account any policy statements on charging produced by the Authority.

Schools should seek at all times to maximise their income and to recover all costs.

Income from boarding charges is collected on behalf of the Authority and should not exceed that needed to provide board and lodging for the pupils concerned.



### **5.3 Income from fund-raising activities**

Schools may retain income generated from fund-raising activities.

### **5.4 Income from the sale of assets**

Schools may retain the proceeds of the sale of assets, except in cases where the asset was purchased with non-delegated funds, or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

In these cases, it will be a matter for the Authority to determine whether the school should keep the proceeds.

### **5.5 Administrative procedures for the collection of income**

The governing body shall be responsible for arrangements concerning the collection, custody, control and deposit of income that they are delegated to collect/control.

Schools should have regard to the Authority's procedures for the collection of income, which are set out in the Schools Financial Procedures.

Because of the potential VAT implications of providing services, which lead to fees and charges, fund raising activities and the sale of assets, the Authority has established administrative procedures for the collection of income, which are set out in the Schools Financial Procedures. Specific advice on VAT should be sought from the Authority.

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

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

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

### **6.1 General provision**

The budget share of a school may be charged by the Authority without the consent of the governing body, only in the circumstances detailed below at paragraph 6.2 of this scheme. In any such event, the Authority will consult schools as to the intention to so charge and notify schools when it has been done.

Schools will have the right to dispute any such charges and governing bodies should place any grievances in writing to the Director of Children Services and Director of Finance. Any disputes will be carefully reviewed and, where necessary, passed to the Authority's legal department for arbitration. The outcome of all reviews will be placed in writing and forwarded to the governing body.

For the avoidance of doubt, local authorities 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.

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

#### **6.1.1 Charging of salaries at actual cost**

This scheme requires the Authority to charge the salaries of school-based staff to school budget shares at actual cost where the school participates in the Authority's payroll contract.

### **6.2 Circumstances in which charges may be made**

- a) 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);
- b) Other expenditure incurred to secure resignations where the school had not followed Authority advice;
- c) 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

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.

Authorities should ensure in framing any such advice that they have taken proper account of the role of aided school governing bodies.

- d) 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;
- e) 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;
- f) 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. The Authority itself needs to consider whether it has an insurable interest in any particular case.

- g) 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;

- h) Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- i) Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions).

Before applying any such provision, the Authority should consider whether it is reasonable to do so. If the error dates back several years, it may be questionable whether such charging is reasonable.

- j) Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, or failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- k) Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also Section 11).
- l) 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.
- m) 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.
- n) 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;
- o) 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 low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- p) Costs incurred by the Authority due to submission by the school of incorrect data;
- q) Recovery of amounts spent from specific grants on ineligible purposes;

- r) Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- s) 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.
- t) 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.
- u) Compensation for loss of interest to the Council arising from a school's budget share being paid in advance.
- v) Interest payments arising from the late payment of invoices.

## **SECTION 7: TAXATION**

### **7.1 Value Added Tax**

The Authority will pass onto schools any Value Added Tax (VAT) reclaimed on their behalf. Schools should follow the Authority's procedure for reclaiming VAT expenditure as given in the Schools Financial Procedures.

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

Schools will need to abide by the procedures issued by the Authority in connection with CITS.

## **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 it provides services for which it retains central funding.

The Authority will not discriminate in its provision of services on the basis of categories of schools, except in the case that funding has been delegated to some schools only or where such differentiation is justified by differences in statutory duties.

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

Any arrangement with a school to buy services or facilities from the Authority will be limited to a maximum of three years from the date of the agreement. Any subsequent agreement relating to the same services will be limited to a period not exceeding five years. An extension to five and seven years respectively for contracts for supply of catering services is allowed.

When a service is provided for which expenditure is not retainable centrally by the Authority under 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 differently.

The Authority must show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

#### **8.2.1 Packaging**

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

### **8.3 Service Level Agreements (SLAs)**

Service Level Agreements (SLAs) must be in place by 31 March to operate from 1 April. When a service produces a SLA, this must allow schools at least one month to consider the terms of the agreement before that agreement comes into force.

If services or facilities are provided under a SLA, whether free or on a buyback service, 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.

If services are offered at all by the Authority, they will be available to schools on a basis which is not related to an extended agreement as well as on the basis of such agreements.

Where any services are provided on an ad-hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

Centrally arranged premises and liability insurance are specifically excluded from these arrangements.

### **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' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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



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

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

## **SECTION 9: PFI/PPP**

Not used

## **SECTION 10: INSURANCE**

### **10.1 Insurance cover**

If funds for insurance are delegated to a school, the Authority will require that school 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 Authority, 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 individual schools when brokering insurance cover.

## **SECTION 11: MISCELLANEOUS**

### **11.1 Right of access to information**

Schools will be required to make available to the Authority any financial or other information, which will enable the Authority to satisfy itself of the school's management of the delegated budget or the use made of any central expenditure (such as earmarked funds) on the school.

### **11.2 Liability of governors**

Under the terms of Section 50(7) of the School Standards and Framework Act 1998 and because governing bodies are corporate bodies, individual governors 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 Authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Governing bodies will not have discretion in the amounts of such allowances; these will be set by the Authority.

Under Section 50(5) of the Act, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share.

Schools are expressly forbidden from paying any other allowances to governors.

Schools are 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 Authority as part of the cost of maintaining the school) 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 (although there is nothing to stop an Authority making such reimbursement if it believes this to be desirable or necessary in the circumstances).

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

Costs that relate to the statutory responsibility of aided school governors for buildings must be met by the Governing Body.

Where there is a conflict of interest between the Authority and the governing body such that the Authority's lawyers could not appropriately advise or represent the school a request should be made in advance to the Director of Children's Services for separate legal representation.

The Director of Children's Services and the Authority's Director of Legal Services will determine if separate legal representation is appropriate and similarly if the cost of that representation should or should not be met by the Authority, at least in the first instance.

### **11.5 Health and Safety**

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

As per provision 6.2 d)

The budget share of a school may be charged by the Authority without the consent of the governing body if 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.

### **11.6 Right of attendance for Chief Finance Officer**

Governing bodies are required to permit the Director of Finance of the Authority or his nominated representative to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The attendance of the Director of Finance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

### **11.7 Special educational needs**

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

This is a statutory requirement and may lead to suspension of delegation where a situation is serious enough to warrant it. This would not normally relate to an individual pupil.

### **11.8 Interest on late payments**

Schools are required to ensure that payments are not delayed such that they attract interest under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998. Such interest, when claimed by a supplier, may be charged against a school's budget share.

### **11.9 'Whistleblowing'**

The Authority has produced a policy in relation to complaints about financial management or financial propriety, and how such complaints will be dealt with.

Governing bodies should have due regard to this document and ensure school staff are fully aware of its existence.

### **11.10 Child protection**

Staff must be released to attend child protection case conferences and other related events. Costs in this regard should be met from school delegated budgets.

### **11.11 Redundancy / early retirement costs**

Please see Annex B.

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

### **12.1 Responsibility for repairs and maintenance**

Annex C contains the categories of work which governing bodies must finance from their budget share.

The Authority has delegated funding for repairs and maintenance to schools.

Voluntary Aided School governors will have responsibility for repairs and maintenance on the same basis as Community and Foundation schools.

## **SECTION 13: COMMUNITY FACILITIES**

### **13.1 Introduction**

Governing bodies of maintained schools may now provide community facilities or services that will benefit pupils, their families or people living and working in the locality of the school concerned.

Schools that choose to exercise the power conferred by Section 27(1) of the Education Act 2002 to provide such community facilities will be subject to a range of controls.

Firstly, regulations made under Section 28(2), if any, 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 any advice given.

Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, to which a school must have regard.

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

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

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

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



## **13.2 Consultation with the Local Authority**

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 any advice given to them.

Schools are likely to benefit from informal contacts and advice from officers with the relevant professional expertise well before the formal consultation commences.

Formal consultation with the Authority will commence when the full consultation material has been submitted in writing and the response period will begin upon receipt of the full consultation material.

The Authority will provide formal advice in writing within six weeks of receipt.

Subsequently, the governing body should inform the Authority of the action taken, or proposed to take, in response to this advice.

The formal consultation document should contain:

- A full business plan for the provision of the proposed community facilities or services covering the first three years of operation, including a forecast budget.
- In the case of capital projects which affect the existing buildings on the school site and/or the construction of new buildings the full plans and costing of the works proposed
- Details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies
- Expressions of support from potential user groups, local community groups, neighbouring schools, business representatives etc. as appropriate
- Details of how the facility will be managed and how this relates to the management of the school
- A statement that the proposed activities will not interfere with the overriding purpose of the school in achieving higher standards for pupils
- Details of any proposed funding agreements with third parties
- The insurance arrangements proposed

The consultation document should be sent to the Director of Children's Services and Director of Finance.

### **13.3 Funding agreements – Authority powers**

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

Any such proposed agreement should be submitted to the Authority in writing for its comments; and must give the Authority six weeks to respond. The formal notice should include a statement of purpose and a business plan for the proposed use of the community facilities power.

The Authority cannot impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. However, if an agreement has been or is to be concluded against the wishes of the Authority, or has been concluded without informing the Authority, and which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, then that may constitute grounds for suspension of the right to a delegated budget.

Schools are required to inform the Authority what action has been taken following Authority advice.

The Authority will not be liable for any redundancy or employment tribunal costs for staff employed by the Governing Body or by those employed by any third party supplier to the Governing Body. The Governing Body should ensure that such liabilities are covered by themselves or detailed in any agreement with a third party supplier.

### **13.4 Other prohibitions, restrictions and limitations**

The governing body should endeavour to protect the financial interests of the Authority. The Authority may require that in a specific instance of use of the community facilities power, the governing body concerned shall make arrangements to protect the financial interests of the Authority.

Arrangements for protection may include the setting up of a limited company formed for the purpose, or obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

### **13.5 Supply of financial information**

Schools that exercise the community facilities power must provide the Authority every six months with a summary 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.

The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the finances of the community facilities power, will require such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question.

These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and the Authority as to the financial reporting requirements arising from the funding in question.

Financial information relating to community facilities must also be included in returns made by schools under the Consistent Financial Reporting Framework (CFR).

### **13.6 Audit**

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

In concluding funding arrangements with third parties in the exercise of the community facilities power, schools are required to 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, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.7 Treatment of income and surpluses**

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

Where a surplus has been accumulated then this may be carried 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, transferred wholly or in part to the budget share balance. In this instance the main budget share surplus should be separately identified, in case there is a future requirement to offset a subsequent community facilities deficit.

Since expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share, the school's formula allocation will not include the rates or floor area allocations relating to the community facilities.

When a community school or community special school ceases to be maintained by the Authority, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider.

### **13.8 Health and Safety**

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

The governing body is responsible for the costs of securing Criminal Records Bureau (CRB) clearance for all adults involved in community activities taking place during the school day. Governing Bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.9 Insurance**

It is the responsibility of the governing body to make adequate arrangements 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.

In principle, the insurance issues arising from use of the community facilities power are the same as those, which already arise from non-school use of school premises. However, a school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.

The Authority is entitled 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.

Such a provision is necessary in order for the Authority to protect itself against possible third party claims.

### **13.10 Taxation**

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

If any member of the staff employed by the school or the Authority in connection with a community facility at the school is paid from funds held in the schools own bank account, the school is likely to be liable for income tax and national insurance payments.

Schools should seek advice from the Authority in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

### **13.11 Banking**

The school should either maintain separate bank accounts for budget share and community facilities, or have one account but adequate internal accounting controls to maintain separation of funds.

Alternatively, the school may utilise the Authority's banking arrangements which would permit adequate separation of such funds from the school budget share and other Authority funds.

The banks that are available for use by the schools are detailed in 3.5.1.

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

## ANNEX A - List of schools to which the scheme applies

LA number	Establishment number	School name
205	2002	Addison Primary School
205	3300	All Saints CofE Primary School
205	2026	Avonmore Primary School
205	1059	Bayonne Nursery School
205	2061	Brackenbury Primary School
205	7204	Cambridge School
205	2223	Flora Gardens Primary School
205	3602	Good Shepherd RC Primary School
205	3354	Holy Cross RC School
205	7203	Jack Tizard School
205	1056	James Lee Nursery School
205	3368	John Betts Primary School
205	2350	Kenmont Primary School
205	3649	Larmenier & Sacred Heart Catholic Primary School
205	2408	Melcombe Primary School
205	2134	Miles Coverdale Primary School
205	3650	Normand Croft Community School for Early Years and Primary Education

205	2444	Old Oak Primary School
205	7014	Queensmill School
205	1034	Randolph Beresford Early Years Centre
205	2555	Sir John Lillie Primary School
205	3378	St Augustine's RC Primary School
205	3645	St John XXIII Catholic Primary School
205	3463	St Johns Walham Green Church of England Primary School
205	3529	St Mary's Catholic Primary School
205	3566	St Paul's CofE Primary School
205	3578	St Peter's Primary School
205	3600	St Stephen's CofE Primary School
205	3648	St Thomas of Canterbury Catholic Primary School
205	1039	Vanessa Nursery School
205	2632	Wendell Park Primary School
205	4320	William Morris Sixth Form
205	7153	Woodlane High School
205	2660	Wormholt Park Primary School



## **ANNEX B – Responsibility for redundancy and early retirement costs**

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget.

Section 37 of the Education Act 2002 states:

### **Section 37: Payments in respect of dismissal, etc.**

- (1) It shall be for the governing body of a maintained school to determine—
  - (a) whether any payment should be made 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 the school, and
  - (b) the amount of any such payment.
- (2) Subsection (1) does not, however, apply in relation to a payment which the local education authority are required to make—
  - (a) by virtue of any contract other than one made in contemplation of the impending dismissal or resignation of the member of staff concerned, or
  - (b) under any statutory provision.
- (3) The local education authority—
  - (a) shall take such steps as may be required for giving effect to any determination of the governing body under subsection (1), and
  - (b) shall not make, or agree to make, a payment in relation to which that subsection applies except in accordance with such a determination.
- (4) Subject to subsection (7), 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) Subject to subsection (7), 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).

(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.

As set out in the provisions in Section 37 (5), the following examples set out a non-exhaustive list of situations in which exceptions to the default position might be taken by the Local Authority in relation to redundancy costs.

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 reasonable or agreed plan with the Authority to use these
- Where a school has refused to engage with the Local Authority's redeployment policy

The Authority will meet the costs of a redundancy payment under both the compulsory and voluntary severance schemes, however this will only be the case if one of the following are satisfied:

1. The Director of Finance or Director of Education has confirmed in writing to the governing body that the school is in financial difficulty or has a licensed deficit budget, which requires staffing reductions as part of the improvement plan. Confirmation must be sought before the start of any organisational change processes.
2. The headteacher has confirmed in writing to the Director of Finance and/or Director of Education that:
  - i. The school has assessed the feasibility of, or implemented, voluntary measures short of redundancy such as: vacancy management, a reduction in working hours or redeployment.
  - ii. The number of similar posts in the school is not anticipated to increase within two years after the effective date of termination;
  - iii. No employee made redundant from the school will be reemployed within the school in any capacity for the next two academic years; and
  - iv. There is a headcount reduction in the school's staffing establishment.

### **Community facilities power**

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.

## ANNEX C – Responsibility for repairs and maintenance

Capital and revenue expenditure: Illustrative examples in line with the CIPFA Code of Practice

ELEMENT	CAPITAL	REVENUE
<b>Roofing</b>		
Flat Roofs Structure	Replacement of, or major repair to the roof structure, i.e. structural members such as beams, joists, structural concrete slabs, etc.	Repairs and replacements of roof structure, as referred to under Capital
Structure	N/A	Application of paint finishes, specialist protection or sealants, to roof structure above.
Roof covering	Replacement of roof coverings (e.g. asphalt or felt) together with any necessary associated replacement deck, improved insulation, screeds, fascias, soffits, edge & upstand details, rooflights, flashings, associated rainwater gutters and outlets, lightning protection, walkways and services support and/or protection.	Repairs and replacements of roof coverings and associated parts/sub-elements as referred to under capital.
Roof covering	N/A	Application of paint finishes, specialist protection or sealant to roof covering etc.. Any necessary cleaning, e.g. to roof glazing or washing down of aluminium framework and uPVC - clearance of weed growth, debris and resultant blockages to drainage.  Replacement of broken or defective glass and window

		glazing fitments and gaskets etc.
Pitched Roofs Structure	Replacement of, or major repair to the roof structure i.e. structural members such as timber or metal beams, joists, rafters, trusses, etc.	Repairs and replacements of roof structure as referred to under Capital
Structure	N/A	The application of paint finishes, specialist protection or sealant to roof structure above.
Roof covering etc.	Replacement of roof coverings (e.g. slate, tile, asbestos cement or other profiled sheeting) together with any necessary associated replacement or improvement of insulation, battens, close boarding felt, fascias, soffits, bargeboards, ventilation, rainwater goods, flashings, velux or similar roof windows or roof glazing, lightning protection etc.	Repairs and replacements of roof coverings and associated parts or sub-elements referred to under capital.
Pitched Roofs (Contd.) Roof covering etc.	N/A	The application of paint finishes, specialist protection or sealant to roof covering etc. above. Any necessary cleaning e.g. to roof glazing or washing down of aluminium framework and uPVC, clearance of weed growth, debris and resultant blockages to drainage. Replacement of broken or defective glass and window/glazing fitments and gaskets etc.
Chimney Stacks	Replacement, rebuilding or major structural repairs or repointing to chimney stacks and flues including associated flashings, dpc's, restraint, lightning protection etc.	Repairs and replacements and repointing of chimney stacks and flues and associated parts or sub-elements referred to under capital.

Chimney Stacks	N/A	Inspection of free standing chimney stacks for stability e.g. stainless steel stacks. Cleaning and clearance of all flue ways.
<b>External Walls</b>		
Masonry & Structural Frames	Replacement, rebuilding or major structural repairs to external walls e.g. repairs and repointing to brickwork and blockwork, lintels, underpinning, major concrete repairs to a structural frame. Temporary support of major structural defects.	Repairs and replacement to external walls and associated parts or sub-element referred to under capital.
Masonry and Structural frames (contd.)	N/A	Tree management to alleviate structural movement.  Application of paint finishes, specialist protection or sealants.  Hammer testing and other inspection/testing of concrete frames.
Cladding	Replacement or major structural repair of concrete cladding panels, render timber uPVC or metal framed cladding and window walling including associated improvement to insulated panels, double glazed units fitments etc.	Repairs and replacement to all cladding panels and window walling including all parts and sub-elements referred to under capital
Cladding	N/A	Inspection and maintenance of safety glazing including the application and replacement of any necessary safety film.

		Replacement of broken or defective glass, ironmongery and locks. Protective coatings, sealants and washing down of aluminium frames.
Windows & Doors	Major replacement of windows and doors including improved double glazed units and associated fittings and locks.	Repair of windows and doors and fittings including overhaul of metal framed windows.
Windows & Doors	N/A	External painting and repairs to decaying timber joinery; maintenance of safety glazing including the application and replacement of any necessary safety film. Replacement of broken or defective glass, gaskets, glass, ironmongery and locks. Protective coatings, sealants and washing down of aluminium frames.
<b>Internal</b>		
Loadbearing Partitions	Major repairs and replacement of loadbearing partitions due to structural movement.	Repairs and replacement of loadbearing partitions.
	N/A	Repairs and replacement of plaster, lining, tiling and other surface finishes.  All decoration, specialist protective coatings and sealants.
Non-loadbearing Partitions or demountable partitions	N/A	Repair or replacement of non-loadbearing partitions and demountable partitions including repairs and replacement of all plaster, lining, tiling and other surface finishes. All decoration, specialist protective coatings and sealants.



Internal Doors, Screens, Window/Hatches	N/A	Repair or replacement of all internal doors, screens, window hatches etc., including associated finishes and fitments. Replacement of broken glass, ironmongery and locks. All decoration, specialist protective coatings and sealants.
Ceilings	Major replacement of failing lathe and plaster ceilings.	Repairs and replacement of lathe and plaster ceilings.
	N/A	All repairs and replacement of other types of ceiling e.g. suspended ceilings (suspension system and tiles) and fixed boarded ceiling of all materials and timber slatted ceilings, including all access panels and associated insulation. Decoration, specialist protective coatings and sealants.
Floors & Floor Finishes	Major repairs or replacement of failing structural floors eg. ground bearing slabs; suspended concrete and timber ground and upper floors and major repair or replacement of dpm's, concrete screeds, asphaltic dpm screeds, floor boarding and timber woodstrip or woodblock floor finishes (except where failure caused by overlaying with carpet/vinyl etc.) and quarry tiles.	Repairs to structural floors, dpm's, screeds, floor boards, woodstrip or woodblock floor finishes and quarry tiles.
Floors & Floor Finishes	N/A	Sanding and sealing of woodstrip or woodblock floor finishes. Repair or replacement of latex levelling screeds to receive final floor finishes e.g. carpet/vinyl/linoleum/matting. Regrouting of and sealant to quarry tiles.

	N/A	Repair and replacement of floor finishes other than as above, including carpets, vinyl and linoleum coverings and all matting.
Sanitary Ware	N/A	Repair and replacement of all sanitary ware, fittings and associated fitted units or work surfaces.
Fitted Units	N/A	Repair and replacement of all fitted cupboard units, shelves, work surfaces and supports etc. to kitchens serveries, staffrooms, classrooms etc.
Staircases	Major repairs or replacement of staircases and associated balustrades and guarding	Repair or replacement of staircases and associated balustrades and guarding.
	N/A	Repairs to staircase finishes.
<b><i>Mechanical Services</i></b>		
Heating & Hot Water Services	Major repair or replacement of boiler plant, distribution pipework, ductwork and heating emitters.  Upgrading of tanks	Repair or replacement of boiler plant, distribution pipework, ductwork and heating emitters.  Upgrading of tanks.
	N/A	All servicing of boiler plant and associated controls and equipment; descaling of plant and systems; testing for gas soundness; testing of electrical services to boiler plant rooms; maintenance of tanks; testing and maintenance of pressurised systems; maintenance and replacement of mixer valves.
Cold Water	Major repair, replacement and upgrading of	Repair, replacement and upgrading of storage tanks,

Services	storage tanks, distribution pipework, incoming main, booster pumps etc.	distribution pipework, incoming mains, booster pumps etc.
	N/A	Servicing including cleaning and sterilisation of all tanks and distribution equipment e.g. booster pumps.
Gas Services	Major repair or replacement of incoming main and/or distribution pipework.	Repair or replacement of incoming main and/or distribution pipework.
Gas Services (cont/d)		Inspection and testing for soundness, ventilation and shut-off requirements.
Ventilation & Air Conditioning	Major repair or replacement of ventilation systems and air conditioning equipment including plant, ductwork, grilles etc.	Repair or replacement of ventilation systems and air conditioning plant including plant, ductwork, grilles etc.
		Servicing of all plant and associated equipment including cleaning of fans. Cleansing and disaffecting of all ductwork and grilles.
<b>Electrical Services</b>		
General Supply & Sub-Main Distribution	Major repair or replacement of obsolete incoming main cables, mains switchgear, sub-mains and distribution boards.	Repairs and replacements of obsolete incoming main cables, mains switchgear, sub-mains and distribution boards.
	Major repair or replacement of obsolete power distribution to current standards.	Repairs and replacements of obsolete power distribution to current standards.
	Major repair or replacement of obsolete lighting distribution and fittings to current standards.	Repairs and replacements of obsolete lighting distribution and fittings to current standards.

	Major repairs and replacements to fire alarms, fire detection systems, emergency lighting, lifts and hoists.	Repairs and replacements to fire alarm and detection systems, lifts and hoists.
	N/A	<p>Servicing of all electrical systems light fittings etc. and associated equipment described above. Cleaning of fans light fittings etc.</p> <p>All electrical testing of distribution system and equipment.</p>
	N/A	Repairs, replacement, servicing and testing of communication systems, IT data cabling systems, security alarms, CCTV, door entry and call systems.
<b>Drainage</b>		
Foul and Surface Systems	Major repairs and replacements to internal, external, surface water and foul water drainage systems above and below ground including all associated access points and soakaways.	Repairs and replacements to internal, external, surface water and foul water drainage systems above and below ground including all associated access points and soakaways.
		Cleansing of all gutters, downpipes and drainage pipework, gullies, manholes catch pits etc., and clearance of blockages.
Sewage Plant	Major repairs and replacements to sewage plant and pumped drainage systems.	Repairs and replacements to sewage plant and pumped drainage systems.
	N/A	Servicing and clearance of blockage to above.
<b>External Works</b>		

Paving	Major repair or replacement of hard surfaces to playgrounds, car parks and footpaths, steps and ramps etc. incorporating any necessary guarding and barriers.	Repair or replacement of hard surfaces to playgrounds, car parks, and footpaths, steps and ramps etc. incorporating any necessary guarding and barriers.
	N/A	Marking of playgrounds and car parks.  Repair or replacement of soft surfaces e.g. rubber crumb surfaces, bark and chipping surfaces under play equipment.
Walls & Fencing	Major repair and replacement of retaining walls.	Repair and replacement of retaining walls.
	N/A	Repair and replacement of non-retaining walls and all fencing, gates and barriers.
Swimming Pools (maintenance accepted 'Designated Pools')	Major repair or replacement of the tank structure and tiling; heating and filtration plant and circulation plant and pipework etc.	Repair or replacement to the pool tank structure and tiling; heating and filtration plant and distribution pipework etc.
	N/A	Servicing of all plant and equipment. Winterising costs.  Replacement of liners.
Swimming Pools PTA Pools	Major repair or replacement of circulation plant and pipework and any enclosing structure accepted for maintenance in 'on-ground' permanent pool tanks.	Repair and replacement of circulation plant and pipework and any enclosing structure if accepted for maintenance and 'in-ground' permanent pool tanks.

	N/A	All works to PTA pools other than above.
<b>General</b>		
Asbestos	Major removal or encapsulation of asbestos either as a separate project where the material cannot be safely managed in situ or where it is likely to be disturbed in association with a capital funded maintenance project above.	Removal of broken or removal or encapsulation of disturbed asbestos materials.  Removal of asbestos in association with revenue maintenance projects.
Asbestos (Contd.)	N/A	Updating asbestos registers.  Inspection, encapsulation or resealing of asbestos based materials as necessary.
Fire Precautions	N/A	Repairs and maintenance of all fire precautions (previously included above) together with all signage and minor improvement required to fire precautions.
Miscellaneous	N/A	All repairs and replacements for buildings of an ancillary nature eg sheds; cycle racks, shelters (other than in permanent construction); refuse containers, litter bins etc.



# The Hammersmith & Fulham Scheme for Financing Schools

Updated Release: July 2010

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## Section 1. Introduction

### 1.1. The Funding Framework

The Scheme for Financing Schools is made in accordance with section 48 of the School Standards and Framework Act 1998.

The funding framework is now 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 Local Authority Budget – although at a minimum a local Authority must appropriate its entire Dedicated School 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. Local authorities 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 concerned, subject to any limits or conditions 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 Local Authority budget must be retained centrally (although earmarked allocations may be made to schools).

Local authorities may retain an unallocated reserve within the ISB but must otherwise distribute the ISB amongst their maintained schools using a formula that 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 local authorities in accordance with s.48 of the Act and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one.

Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50.

The Local Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998) but in that case there is no right of appeal.

The Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and Local Authority 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 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 and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment, and each year's budget and out-turn statements so far as they relate to that school or central expenditure.

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### 1.1.1. The Hammersmith & Fulham Scheme for Financing Schools

The Act<sup>1</sup> requires that financial controls, which regulate delegation, are set out in a scheme made by the Local Authority and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one. This document forms the required scheme for the Local Authority which school must adhere to. Detailed operational rules are set out in the School Financial Procedures Manual – a copy of which is in every school and subject to periodic revision.

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<sup>2</sup>.

The Local Authority may suspend a school's right to a delegated budget if the provisions contained in this 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<sup>3</sup>.

The Local Authority is obliged to publish each year a statement setting out details of its planned Local Schools Budget, showing:

- The amounts to be centrally retained;
- The budget share for each school;
- The formula used to calculate those budget shares;
- The detailed calculation for each school.

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<sup>4</sup>.

The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendments, and 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

This scheme sets out the financial relationship between the Local Authority and its maintained schools. It contains requirements relating to financial management and associated issues, which are binding on both the Local Authority and on the schools.

Full details of the financial procedures for Hammersmith and Fulham schools are contained in the School Financial Procedures Manual.

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<sup>1</sup> S.48 of the School Standards and Framework Act 1998.

<sup>2</sup> In regulations made under s.50 of the School Standards and Framework Act 1998.

<sup>3</sup> A school's right to a delegated budget share may also be suspended for other reasons (s17 of the SSAF Act 1998).

<sup>4</sup> Both types of statement are subject to audit certification by the Audit Commission, and information in them may be collated and published by the Secretary of State.

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### **1.2.1. Application of the scheme to the Authority and maintained schools**

From 1 April 2007, this scheme applies to all community, nursery, voluntary, foundation, community special or foundation special schools and city learning centres in the area of the Local Authority, (as listed in Annex A). The scheme also applies to any new maintained schools that opened after 1 April 2007.

### **1.3. Publication of the scheme**

A copy of the scheme will be made available to the Headteacher and Chair of Governors. Approved revisions will be notified to each school and Local Authority office.

### **1.4. Revision of the scheme**

Any revisions to the scheme will be subject to consultation with schools and may need approval from the Secretary of State according to the regulations under the School Standards and Framework Act 1998.

### **1.5. Delegation of powers to the Headteacher**

Each Governing Body should consider the extent to which it wishes to delegate its powers to the Headteacher and Governing Body committees. These decisions (and any revisions) should be clearly documented in the minutes of the Governing Body. A model scheme of delegation is set out in the School Financial Procedures Manual. The key points covered by the document are:

- The framework of accountability and financial probity within the school
- The limits of delegated Authority
- Roles and responsibilities of the Governing Body, its committees, the Headteacher and other staff involved in the financial administration of the school.
- Defined procedures for the individual financial systems within the school.

Although the Headteacher may take responsibility for developing the budget, the first formal budget of each financial year must be approved by the Governing Body.

### **1.6. Maintenance of schools**

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

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## **Section 2. Financial Requirement; Audit**

### **2.1. Application of financial controls to schools**

In managing their delegated budgets all schools covered by this scheme must comply with the Authority's requirements on financial controls and monitoring which are outlined in Annex B and set out in the School Financial Procedures Manual.

#### **2.1.1. Provision of financial information and reports**

The Council's Chief Finance Officer has a duty to ensure the proper administration of the Council's financial affairs (sec. 151 Local Government Act 1972). They are also required to produce annual accounts in accordance with statutory requirements and statements of standard accounting practice. Schools must keep accounts that meet the prescribed format of the Council and will integrate with those for the Authority as a whole. They must also meet the requirements of the DfES Consistent Financial Reporting Framework (CFR).

Schools are required to provide the Authority with details of expected and actual expenditure and income, in a form and at times determined by the Authority, in order for it to comply with its own fiduciary responsibilities. The timetable for the submission of the financial monitoring returns and financial statements to the Authority is published annually. Detailed procedural notes for completion of the returns and the format of the returns are included in the School Financial Procedures Manual.

##### **1.1.2.3. Reconciliation**

Information provided from the school accounting system is reconciled by Schools Finance Team on a monthly basis to verify the integrity of the information returned as this information then forms part of the Authority's official records and accounts. Schools are informed of any discrepancies and are asked to make the necessary corrections on their local accounting system.

Schools will be responsible for managing the cash flow appropriately. Schools should supply the Local Authority with details of cash flow plans when requested.

##### **1.1.2.4. Consistent Financial Reporting**

Section 44 of the Education Act 2002 enables the Secretary of State to require schools to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).

CFR regulations brought this into force as a requirement from 1 April 2003. The regulations require that all Local Authority maintained schools submit a CFR return to the DfES by July each year. These returns will be checked and validated by the Local Authority.

The Local Authority sets and publishes the date by which schools will need to submit their return for validation.

### **2.1.2. Payment of salaries; payment of bills**

#### **1.1.2.1. Payroll Services**

For schools that buy into the Authority's payroll service, the Authority will ensure that staff are paid appropriately and in line with the Council's financial procedures.

Where a school opts to contract with a payroll provider, they need to be mindful that there are certain obligations placed upon schools in order that the Local Authority can fully discharge its statutory requirements. This would include for example the right to be provided with information, as the employing body, to fulfil requirements to report employee statistical data to Ofsted and other statutory organisation. It is advisable that schools contact



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the Local Authority for advice on contract specifications and the controls required to ensure the integrity of such a system, before considering such alternative arrangements.

Furthermore, schools that do not buy into the Authority's payroll service will need to make appropriate arrangements to ensure their staff are paid and that the appropriate returns such as superannuation, income tax and national insurance are made.

Further information on the payment of salaries and bills are given in Annex C. Additional details are given in the School Financial Procedures Manual.

#### **1.1.2.2. Payment of Invoices**

The procedure for paying invoices is detailed in the School Financial Procedures Manual. Schools are reminded that settlement of invoices should be made within the agreed credit terms offered by the supplier. The school should insure that the local accounting system is updated with all relevant information.

#### **2.1.3. Control of assets**

Schools will be required to maintain an inventory of their moveable non-capital assets. This should be in the form determined by the Authority. Such an inventory shall also contain procedures for the disposal of assets. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000.

Moveable non-capital assets are items of furniture and equipment having a purchase value (excluding VAT) of £100 or over and or the following three related factors of attractiveness, durability and a current value.

#### **2.1.4. Accounting policies (including year-end procedures)**

The accounts maintained by the Director of Finance are the Council's statutory accounts, and the amount of a school's final expenditure and income for a financial year must be determined solely by reference to the statutory accounts.

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

Additional details are given in the School Financial Procedures Manual.

#### **2.1.5. Writing off of debts**

Debts can only be written off when they are deemed to be unrecoverable or uneconomic to recover. The Authority recommends that governing bodies authorise Headteachers to write off debts to a total of £500 per annum where appropriate.

In the case of debts in excess of £500 the Governing Body should authorise the write off only after consulting with the Director of Finance. Governing bodies need to be aware that any debts written off may be chargeable against the school's bank account.

Any writing off of debt should be formally reported to the Governing Body and recorded in the minutes.

Additional details are given in the School Financial Procedures Manual.

### **2.2. Basis of Accounting**

The Council's accounts are prepared on an accrual basis. Schools will therefore be required to provide information as and when required (in normal circumstances only at the year-end) to enable relevant accruals to be entered into the Authority's accounts. Detailed guidance on this process is issued each year by the Director of Finance and will be circulated to schools via the Director of Children's Services.

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## **2.3. Submission of budget plans**

The Authority will supply schools with income and expenditure data to enable them to plan effectively. The Authority will supply schools with budgets to allow them to start to plan for the following financial year. The Authority also offers support to schools in the budget preparation process through buy back services.

Each school will be required to submit an annual budget plan approved by the Governing Body to the Authority by 31 May showing its budget plan for the current financial year. These plans will include the assumptions underpinning the budget plan. Schools will be able to take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

The Authority may require submission of revised plans throughout the year. Such revised plans will not be required at less than 3 monthly intervals.

The Authority will supply schools with an annual statement informing them of when income and expenditure information will be available throughout the year for schools.

Further information on the arrangements for the submission of budget plans is given in Annex E.

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

The Authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

The intention of the forecast is to:

- Show that schools are looking at longer term financial planning
- Identify to the Local Authority potential budgetary problems in future years.
- Ensure School's adherence with the Financial Management Standard in Schools.

## **2.4. Best value**

Given the high proportion of local Authority spending which flows through delegated budgets, the Government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure.

The annual budget plan submitted by the school should include a statement setting out the steps the school will take over the financial year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value.

Details Best Value principles are given in Annex F or can be obtained from the DfES publication 'Best Value in Schools' obtainable at <http://www.dfes.gov.uk/valueformoney/>.

## **2.5. Budget Transfers (Virements)**

Governing bodies are free to vire between budget heads in spending their budget shares. However, the Authority recommends that schools take into consideration the guidance on virements given in Annex G and that the arrangements concerning virements are recorded in the minutes of the Governing Body.

Additional details are given in the School Financial Procedures Manual.

## **2.6. Audit: General**

Schools are required to act in accordance with the Authority's audit programme in terms of internal audits. Schools are required to act in accordance with the Authority's external audit programme as required by the Audit

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Commission. Schools are required to provide access to the school's records for internal and external audit purposes.

Further details of the audit regime are given in Annex H. Additional details are given in the School Financial Procedures Manual.

## **2.7. Separate external audits**

There is no expectation by the Secretary of State that a routine annual external audit at school level of budget share expenditure is a usual feature of the funding system.

In instances where a school wishes to seek an additional source of assurance at its own expense, a Governing Body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Local Authority internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirements that the school must also co-operate with the Local Authorities internal and external auditors.

## **2.8. Audit of voluntary and private funds**

Schools with voluntary and private funds are required to provide audit certificates for such funds on an annual basis and of the accounts of any trading organisations controlled by the school.

## **2.9. Register of business interests**

Governing bodies are required to hold a register that lists any business interests for each member of the Governing Body and the Headteacher or any member of their immediate family. This register must be kept up to date with notifications of changes and must be reviewed annually. This register must be available for inspection by governors, staff and parents and the Authority.

The register of business interest should be formally referred to prior to the acceptance of quotations or the awarding of contracts. It should be noted in the minutes of the Governing Body that this procedure has been adopted.

## **2.10. Purchasing, tendering and contracting requirements**

Schools will want to achieve value for money from all their purchases. This should generally be accomplished by seeking competition for all contracts for goods, supplies and services. In doing so, schools should pay due regard to the Authority's financial framework and standing orders in purchasing.

Additional details are given in the School Financial Procedures Manual and Annex I.

## **2.11. Applications of contracts to schools**

Schools have the right to opt out of Local Authority arranged contracts except where this scheme provides otherwise.

The scheme may provide otherwise for:

- contracts which schools have agreed to be covered by in respect of services for which funding was delegated by the Local Authority prior to 1 April 1999;
- contracts which school agree to be covered by in respect of services for which funding is delegated by the Local Authority after 1 April 1999; and
- certain contracts approved by the Secretary of State for services for which funding is delegated after 1 April 199, irrespective of the agreement of schools.

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The regulations allow authorities to include provisions in their schemes to bind schools into their existing contracts for a period up to 3 years after the date of delegation where there are significant financial implications.

Governing bodies are empowered under paragraph 3 of schedule 10 of the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. Contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

## **2.12. Central funds and earmarking**

The Authority is authorised to make sums available to schools from central funds in the form of allocations which are additional to and separate from the school's budget shares. These allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used; and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations in the school's budget share.

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

Earmarked funds must be returned to the Local Authority if they are not spent in year; or within the period over which schools are allowed to use the funding if different.

The Local Authority is barred from making any deductions, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grant.

## **2.13. Spending for the purposes of the school**

Although s.50(3) allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme. As well as the various standard provisions Local Authorities may wish to propose their own restrictions on this freedom, arising from local circumstances; but these will only be approved when they appear to be essential and there is no expectation that schemes will necessarily contain them.

If the Local Authority wishes to propose some 'local' restriction on governing bodies' freedom to spend the budget share for the purposes of the school, the Secretary of State would wish to see evidence of schools' reaction to consultation on the matter.

Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2004 (SI 2004/444).

## **2.14. Capital spending from budget shares**

Governing bodies may use their budget shares to meet the costs 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 SSAF Act 1998.

Schools will be required to notify the Local Authority of any spending from their budget share on capital works. Schools will be required to take account of the Authority's advice on any capital spending over the sum of £15,000.

However, for community schools any spending on capital works either from their budget share or outside of the budget share will need to be authorised by the Director of Children's Services and the Director of Finance.

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Any spending on capital works, which has an impact on the Authority's premises, will need the authority of Director of Children's Services and the Director of Finance. Such authority may only be withheld on the grounds of health and safety.

The reason for these requirements is to help ensure compliance with the current School Premises Regulations and DfES Construction Standards, and health and safety legislation.

### **2.15. Leasing of equipment**

Lease, rental or other deferred payment arrangement for equipment such as computers, photocopiers and telephone systems must not conflict with the Council's application of government capital controls. Full Details are listed at Annex M.

Schools must contact School Financial Section help line before entering into any lease agreement to ensure they comply with government capital regulations.

### **2.16. Financial Management Standards in Schools (FMSiS)**

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 are available at <http://www.fmsis.info/>.

All maintained schools must demonstrate compliance with the DfES' Financial Management Standard in Schools in line with the following timetable, and at any time thereafter:

- 31 March 2007 – All secondary schools must comply
- 31 March 2008 – 40% of primary and special schools must comply
- 31 March 2009 – A further 40% of primary and special schools must comply
- 31 March 2010 – All schools must comply

The Authority may require schools to demonstrate compliance through the submission of evidence showing that the school 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 DfES or the Local Authority.

The Chief Officer of the Local Authority is required to sign a declaration that will identify the number of schools meeting the Financial Management Standard.

### **2.17. Notice of concern**

The Local Authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or 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;
  - 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 projects 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.

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## **Section 3. Instalments of the budget share: banking arrangements**

### **3.1. Frequency of instalments**

The Authority will make available the budget share to school governing bodies on a monthly basis. Provision is also made to allow the payment in full of additional devolved funding, where appropriate.

### **3.2. Proportion of budget share payable at each instalment**

The monthly advance will be calculated on the basis of equal twelfths of the annual budget allocation. The advance dates will be determined by the Chief Finance Officer and published accordingly.

### **3.3. Interest clawback**

If monthly profiles are not adhered to then the Authority will have the right to clawback interest from budget shares equal to the loss of interest from making such sums available. Interest would be at 1% above National Westminster Bank base rate.

#### **3.3.1. Interest on late budget share payments**

The Authority will add interest to late payments of the budget share instalments, where such late payment is the result of an error by the Authority. The interest rate will be that used for clawback calculations.

### **3.4. Budget shares for closing schools**

The Authority will make available a budget share on a monthly basis net of estimated pay for schools for which approval for closure has been secured.

### **3.5. Bank and building society accounts**

Hammersmith and Fulham schools already have bank accounts in the name of the school into which their budget share is paid. Schools will continue to be able to retain all the interest payable on the bank account.

Schools may choose an alternative bank or building society to that recommended by the Authority. Any such change should take effect at the beginning of the financial year. Schools will be required to notify the Authority by 31 December preceding the start of that financial year of any change in their bank account arrangements.

If a school chooses an alternative bank or building society to that recommended by the Authority, the Authority shall, if the school desires, transfer immediately to the account an amount agreed by both the school and the Authority as the estimated surplus balance held by the Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

If a school choose an alternative bank or building society, the Authority will require that the account mandate should provide that the Local Authority is the owner of the funds in the account; and that the Authority can take control of the account if the school's right to a delegated budget is suspended by the Authority.

Further information on banking arrangements is given in Annex J.

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### **3.5.1. Restrictions on accounts**

Schools should bear in mind that the budget shares held by the school in its bank account are the property of the Authority until it is spent and as such one of the conditions on the bank account shall be that the Director of Finance is recognised as an overriding signatory.

Unofficial funds must not be held with funds provided by the Authority, i.e. separate banking arrangements must be in place for such funds (e.g. Parent Teacher Association funds).

Maintained schools will be able to operate bank accounts at the banks and building societies listed in Annex K.

### **3.6. Borrowing by schools**

School governing bodies may only borrow sums with the written permission of the Secretary of State. Schools should notify the Director of Children's Services and the Director of Finance before making such requests.

This does not apply to Trustees and Foundations (such as in the case of voluntary aided schools), whose borrowing makes no impact on Government accounts.

### **3.7. Other provisions**

The school's bank account must be reconciled to the Authority's accounts on a monthly basis. Schools must provide the Authority with a copy of their bank statement as at 31 March for their bank account each year in order for the Authority to meet its audit requirements.



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## **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 will be able 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.

School balances are part of the Council's general reserves and may be used to support the overall financial requirements of the Council but subject to the absolute understanding that the balances will always be available for the use of school governing bodies when required.

The schools surplus balance at 1 April shall be equal to that of 31 March of the same calendar year.

Schools opening an external bank account for the first time will have their actual previous years balance transferred to the school bank account in July. Where a school has expressed a desire to receive an estimate amount prior to this date, the provisional calculation will be based on an estimated carry forward shown on the school's forecast out-turn return for the previous year and will be transferred to the school bank account in the May budget instalment.

### **4.2. Reporting on the intended use of surplus balances**

Schools will be required to report to the Authority annually on the purposes to which any surplus balances over 5% of their budget share will be put.

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 a scheme may make explicit the right of an Authority to take account of a school's previous plans for any surplus balances in the event that such plans have changed. However, an 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 £10,000 (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.

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The thresholds set out in paragraph (d) above are the maximum permitted. The department will accept (a) lower thresholds or (b) higher thresholds for particular types of schools where local authorities can justify them

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.

#### **4.3. Interest on surplus balances**

Surplus balances held by the Authority at the year end will accrue within the school's own bank account.

#### **4.4. Obligation to carry forward deficit balances**

Schools will be able to carry forward deficit balances. Such deficits will be deducted from the schools budget share in the following financial year at the discretion of the Local Authority. Schools deficit balances as at 1 April will be equal to that balance as at 31 March of the same calendar year. School budget plans must include provision for any deficit from the previous year. Schools should bear in mind that they cannot plan for a deficit.

#### **4.5. Planning for deficit budgets**

Schools may not plan for a deficit budget except in exceptional circumstances. Information on the circumstances in which schools may plan for a deficit budget is given in paragraph 4.9 below.

#### **4.6. Charging of interest on deficit balances**

The Authority will charge interest on deficit balances at a rate of 1% above the National Westminster Bank Base rate.

#### **4.7. Writing off deficits**

The Authority cannot write off the deficit balance of any school.

#### **4.8. Balances of closing and replacement schools**

When a school closes or is amalgamated the balance (either surplus or deficit) shall revert to the Authority. Such funds will not be transferred to any other school, including any successor school to the closing school.

#### **4.9. Licensed deficits**

Schools not conforming to the requirements of this scheme will not be permitted to operate deficit.

Any school that wishes to operate a licensed deficit will be required to obtain in advance, the agreement of the Director of Children's Services and the Director of Finance. For licensed deficits of £50,000 or less, the Director of Children's Services and the Director of Finance shall have the Authority to agree a licensed deficit. For deficits above that level, any agreement shall be subject to approval by members.

Any school applying for a licensed deficit will be required to submit a business plan stating the size of the deficit, the reasons for the deficit and showing how the deficit and the interest will be paid off. The request to establish a licensed deficit must be submitted to the Director of Children's Services no later than 30 January in advance of the financial year in which the deficit will apply.

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The Authority will not agree to a licensed deficit if the expenditure required by the school is to cover capital works, consumables or major development works.

The Authority will only agree to a request for a licensed deficit where that deficit is more than 3% of the total formula allocation for the individual school and less than 10% of the total formula allocation in the year in which the deficit is agreed.

Any agreed deficit will be for a period of no longer than three years and business plans should show how the school expects to reach a zero balance by the end of the third year. Officers will work with the Governing Body of any school with a licensed deficit to ensure that a quarterly review of expenditure against the business plan is carried out so that spending is kept in line with the three year profile of the school. If the school does not reach a zero balance by the end of the third year, the Authority reserves the right to make any outstanding deficit the first charge against the budget.

The Authority will charge interest on a licensed deficit at the rate of 1% above the National Westminster base rate. Business plans will need to incorporate the payment of interest as well as the deficit as part of the submission for a licensed deficit.

If a school has a licensed deficit, it must seek prior agreement from the Authority to spend its' School Standard Grant on purposes other than reducing the deficit. The Authority will agree to such a proposal unless in its view the proposed expenditure is unreasonable in the school's financial circumstances.

#### **4.10. Loan schemes**

In exceptional circumstances the Local Authority may allow a school to request a small capital loan from the Local Authority. The loan scheme will be funded from overall school balances.

The conditions are based on those identified in 4.9 – Licensed Deficits.

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## **Section 5. Income**

### **5.1. Income from lettings**

Schools will have the right to retain income from lettings of the school premises subject to the provisions arising from any joint use or Private Finance Initiative agreements. Schools may cross-subsidise lettings from community and voluntary use with income from other lettings, provided there is no net cost to the budget share. Income from lettings should not normally be paid into the voluntary and private funds held by the school. Schools will need to have regard to guidance issued by the Authority on the use of school premises, as permitted by the School Standards and Framework Act 1998.

### **5.2. Income from fees and charges**

Schools may retain income from fees and charges except where a service is provided by the Authority from central funds. Schools should take into account any policy statements on charging produced by the Authority.

### **5.3. Income from fund-raising activities**

Schools will be able to retain income from fund-raising activities.

### **5.4. Income from sale of assets**

Schools will be able to retain the proceeds from the sale of assets except where such assets were purchased by the Authority from non-delegated funds. Schools may not dispose of land or buildings forming part of the school premises where this is owned by the Authority.

### **5.5. Administrative procedures for the collection of income**

The Governing Body shall be responsible for arrangements concerning the collection, custody, control and deposit of income that they are delegated to collect/control. Schools should have regard to the Authority's procedures for the collection of income.

Additional details are given in the School Financial Procedures Manual.

### **5.6. Purposes for which income may be used**

Income from the sale of assets purchased with delegated funds may only be used for the purposes of the school and must be held within the approved bank accounts of the school with other official Authority funding.

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## Section 6. The charging of school budget shares

### 6.1. General provision

The budget share of a school will only be charged without the consent of the Governing Body in exceptional circumstances. The Authority will consult schools on the intention to charge and will notify schools following such a charge.

Schools will be charged salaries of school-based staff at actual costs.

Annex L lists the circumstances in which such charges may be made.

### 6.2. General Teaching Council

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.

- (1) 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 and 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.
- (2) 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.

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- (3) 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, 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.
- (4) All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share instalments 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.

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## **Section 7. Taxation**

### **7.1. Value Added Tax (VAT)**

The Authority will pass onto schools any VAT reclaimed on their behalf. Schools should follow the Authority's procedure for reclaiming VAT expenditure as given in guidance by the Authority.

Additional details are given in the School Financial Procedures Manual.

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

Schools will need to abide by the procedures issued by the Authority in connection with CITS.

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## **Section 8. The provision of services and facilities by the Authority**

### **8.1. Provision of services from centrally retained budgets**

The Authority will decide how it provides services for which it retains central funding.

The Authority will retain expenditure for premature retirement costs and redundancy payments which falls to be met by the Authority.

The Authority will not discriminate in its provision of services on the basis of categories of schools except in the case that funding has been delegated to some schools only or where such differentiation is justified by differences in the schools' statutory duties.

### **8.2. Provision of services bought back from the Local Authority using delegated budgets**

The Authority will offer services to schools with delegated funds on the basis of the most appropriate arrangement.

When a service is provided to schools to purchase from their delegated funding, the service will be offered at a price which is intended to generate income which is no less than the cost of providing that service. The total cost of the service will be met by the total income, even if schools are charged differentially.

#### **8.2.1. Packaging**

The Authority will offer such services in a way which does not unreasonably restrict schools choice among the services available.

### **8.3. Service level agreements**

Service level agreements will be reviewed at least every three years. Schools will be able to purchase such services on an annual basis in addition to any extended basis. The Authority will be able to charge different rates for services provided on an annual basis and those under an extended agreement.

Schools will have a month to consider the terms of any new service level agreements.

Centrally arranged premises and liability insurance are specifically excluded from these arrangements.

### **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' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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

A Governing Body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A Governing Body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions



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(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.

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## Section 9. PFI/PPP

The Local Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

- Governing bodies will be required to undertake to contribute a sum towards the unitary charge by the Authority. This will be outlined in the legal agreement between the Council and the School Governing Body.
- Income from lettings and other third party agreements agreed as part of the PFI contract may be diverted to the private sector where required. In addition, the proceeds of sales of assets acquired from delegated funds may be diverted to the private sector where appropriate and required by the contract.
- This arrangement will apply for the entire contracted period and will be amended for future delegated sums associated with expenditure within the remit of the contract.
- Proposals may be brought forward to develop a separate formula for schools operating in managed buildings under future PFI scheme proposals; such proposals will be the subject of further consultation with schools and final approval by the Secretary of State.
- Monies will be withheld from the contractor in line with an agreed default mechanism that ensures performance is in line with the contract specification. Withheld sums will be used initially to reimburse contract administration costs with any residue returned proportionately to contributors.
- The Council will require the Governing Body to formally agree the appropriate arrangements in respect of PFI at the relevant time.

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## Section 10. Insurance

### 10.1. Insurance cover

If funds for insurance are delegated to any school, and the school chooses not to buy into the insurance cover available from the Authority, they will be required to demonstrate that cover relevant to the Authority insurable interest is at least as good as the relevant minimum cover arranged by the Authority. The Authority shall be able to charge the school if such minimum cover is not met taking into account the actual risks which might reasonably be expected to arise at the school in question.

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## **Section 11. Miscellaneous**

### **11.1. Right of access to information**

Schools will be required to make available to the Authority any financial or other information, which will enable the Authority to satisfy itself of the school's management of the delegated budget or the use made of any central expenditure (such as earmarked funds).

### **11.2. Liability of governors**

Under the terms of Section 50(7) of the School Standards and Framework Act 1998 and because governing bodies are corporate bodies, individual governors 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**

Under Schedule 11 of the School Standard and Framework Act 1998, only allowances in respect of purposes specified in the regulations may be paid to governors from a school budget share. Governing bodies may not make payments for any purposes outside of these regulations. The Authority will set the level of the payments. The Authority will publish a guide as to what it considers to be reasonable expenses.

Schools will be barred from the payment of expenses for additional governors appointed by the Secretary of State under special measures which duplicate those paid by the Secretary of State.

### **11.4. Responsibility for legal costs**

Legal costs incurred as a result of legal action by the Governing Body may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Authority. The Authority will inform the Governing Body in writing before taking such action.

In the case of any disputes which involve a conflict of interest between the Local Authority and the Governing Body, schools should take advice from external bodies such as the National Association of Governor Managers, Institute of School and College Governors, National Governors Council or from appropriate legal bodies. In addition, advice can be sought from the appropriate Diocesan Boards for voluntary aided schools.

### **11.5. Health and safety**

Governing bodies must have due regard to health and safety legislation and guidance and the duties placed on the Local Authority when expending the school's budget share.

### **11.6. Right of attendance of Chief Finance Officer**

The Chief Finance Officer of the Authority, or any officer nominated by the Chief Finance Officer, shall have the right to attend governing bodies meeting where he/she judges it to be appropriate in the exercise of his/her duties under S151 of the Local Government Act.

### **11.7. Delegation to new schools**

The Authority will determine whether or not and at what time delegation to governing bodies for schools which have yet to receive delegated budgets should occur. Any new maintained school will receive a delegated budget not later than the date on which it opens unless the Local Authority has obtained a postponement from the Secretary of State.

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### **11.8. Optional delegated funding**

Schools may exercise their option to receive delegated or devolved funding for a particular service once a year. Schools will need to inform the Authority of any decision to receive such optional delegation by 30 November before the financial year in which such delegation occurs.

### **11.9. Special educational needs**

Governing bodies should use their best endeavours in spending the budget share to secure the special educational needs of their pupils.

### **11.10. 'Whistleblowing'**

Any person working at a school or a school governor who is concerned about financial management or financial propriety at the school should use the complaints procedure to notify the Authority of their concerns.

Annex N gives details of the Authority complaints procedure.

### **11.11. Child protection**

Schools should release staff to attend child protection case conferences and other related events.

### **11.12. School meals**

The Governing Body has delegated responsibilities for the provision of school meals. When discharging these duties it must have due regard for the Local Authority's policies on school meal provision.

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## **Section 12. Responsibility for Repairs and Maintenance**

### **12.1. Responsibility for Repairs and Maintenance**

The Authority has delegated funding for repairs and maintenance to schools.

The Authority will retain expenditure for capital expenditure in line with the CIPFA code of practice on Local Authority accounting.

Voluntary aided schools will continue to be eligible for grant from the DfEE in respect of their statutory responsibilities. In addition, they will have responsibility for other repairs and maintenance items on the same basis as community and foundation schools.

The division between the Authority's responsibilities for repairs and maintenance and those of schools are given in Annex N.

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## Section 13. Community Facilities

### 13.1. Introduction

Governing bodies of maintained schools may now provide community facilities or services that will benefit pupils, their families or people living and working in the locality of the school concerned. Schools that choose to exercise the power conferred by Section 27(1) of the Education Act 2002 to provide such community facilities will be subject to a range of controls.

Firstly, regulations made under Section 28(2), if any, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult the Local Authority and have regard to any advice given. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, to which a school must have regard.

However, under Section 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 London Borough of Hammersmith & Fulham Council's (the Authority) scheme for financing schools (made under section 48 of the School Standards and Framework Act 1998, extended to cover the powers of governing bodies to provide community facilities, by paragraph 2 of Schedule 3 to the Education Act 2002).

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

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

The budget share of a school (and any accumulated surplus on the budget share) may not be used to fund community facilities – either start-up costs or ongoing expenditure – or to meet deficits arising from such activities.

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

### 13.2. Consultation with the Local Authority

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 any advice given to them.

Schools are likely to benefit from informal contacts and advice from officers with the relevant professional expertise well before the formal consultation commences. Formal consultation with the Authority will commence when the full consultation material has been submitted in writing and the response period will begin upon receipt of the full consultation material.

The Authority will provide formal advice in writing within six weeks of receipt. Subsequently, the Governing Body should inform the Authority of the action taken, or proposed to take, in response to this advice.

The formal consultation document should contain:

- A full business plan for the provision of the proposed community facilities or services covering the first three years of operation
- In the case of capital projects which affect the existing buildings on the school site and/or the construction of new buildings the full plans and costing of the works proposed

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- Details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies
  - Expressions of support from potential user groups, local community groups, neighbouring schools, business representatives etc as appropriate
  - Details of how the facility will be managed and how this relates to the management of the school
  - A statement that the proposed activities will not interfere with the overriding purpose of the school in achieving higher standards for pupils
  - Details of any proposed funding agreements with third parties
  - The insurance arrangements proposed

The consultation document should be sent to the Director of Children's Services.

### **13.3. Funding agreements**

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

Any funding agreements with third parties (as opposed to funding agreements with the Authority itself) should be submitted to the Authority for its comments and advice. Such draft agreements should form part of the consultation and schools must have regard to any advice given.

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

The Council will not be liable for any redundancy or employment tribunal costs for staff employed by the Governing Body or by those employed by any third party supplier to the Governing Body. The Governing Body should ensure that such liabilities are covered by themselves or detailed in any agreement with a third party supplier.

### **13.4. Supply of financial information**

Schools which exercise the community facilities power must provide the Authority every six months with a summary 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.

If the Authority believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power then the school will be required, after having received notice from the Authority, to supply financial statements every three months and, if appropriate, submit a recovery plan for the activity in question.

Financial information relating to community facilities must also be included in returns made by schools under the Consistent Financial Reporting Framework (CFR).



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### **13.5. Audit**

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

In concluding funding arrangements with third parties in the exercise of the community facilities power, schools are required to 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, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.6. Treatment of income and surpluses**

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

Where a surplus has been accumulated then this may be carried 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, transferred wholly or in part to the budget share balance. In this instance the main budget share surplus should be separately identified, in case there is a future requirement to offset a subsequent community facilities deficit.

Since expenditure incurred by the Governing Body in the exercise of the community facilities power may not be met from the budget share the school's formula allocation will not include the rates or floor area allocations relating to the community facilities.

When a community school or community special school ceases to be maintained by the Authority, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider.

### **13.7. Health and Safety Matters**

Any health and safety provisions of the main scheme for financing of schools are extended to the community facilities power. The Governing Body is responsible for the costs of securing Criminal Records Bureau (CRB) clearance for all adults involved in community activities taking place during the school day. Governing Bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.8. 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. Details of these arrangements should be included in the formal consultation material submitted to the Authority. Such insurance must not be funded from the school budget share.

As an integral part of its plans, a school should undertake an assessment of the insurance implications and costs, seeking professional advice if necessary. The school should seek the advice of the Authority before finalising any insurance arrangement for community facilities.

The Authority may 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. This provision is to protect the Authority against possible third party claims.

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### **13.9. Taxation**

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

Expenditure from funds obtained directly by schools from private (or indeed central government) sources are not covered by the VAT reclaim facility.

If any members of staff are employed by the school or Local Authority in connection with community facilities then schools must be mindful of their liability for the payment of income tax and National Insurance, in line with Inland Revenue rules. Payments to staff for hours worked, travel, subsistence etc should not be made directly to individuals, but should be made via a school's payroll provider.

### **13.10. Banking**

The school should maintain separate bank accounts for budget share and community facilities. Other provisions relating to the banking of monies relating to community facilities mirror those contained in the main part of this scheme (Section 3).

Schools are reminded that they may not borrow money without the written consent of the Secretary of State.

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## Annex A: List of schools covered by the scheme

### Primary Schools

- Addison Primary School
- All Saints Primary School
- Avonmore Primary School
- Bentworth Primary School
- Brackenbury Primary School
- Canberra Primary School
- Flora Gardens Primary School
- Fulham Primary School
- Greenside Primary School
- Holy Cross Primary School
- John Betts Primary School
- Kenmont Primary School
- Langford Primary School
- Larmenier and Sacred Heart School
- Lena Gardens Primary School
- Melcombe Primary School
- Miles Coverdale Primary School
- New Kings Primary School
- Normand Park Primary School
- Old Oak Primary School
- Peterborough Primary School
- Pope John Primary School
- Queens Manor Primary School
- Sir John Lillie Primary School
- St Augustines Primary School
- St Johns CE Walham Green Primary School

- St Marys Primary School
- St Pauls Primary School
- St Peters Primary School
- St Stephens CE Primary School
- St Thomas of Canterbury Primary School
- Sullivan Primary School
- The Good Shepherd RC Primary School
- Wendell Park Primary School
- Wormholt Park Primary School

### Secondary Schools

- Fulham Cross Secondary School
- Henry Compton Secondary School
- Hurlingham and Chelsea Secondary School
- Lady Margaret School
- Phoenix High School
- Sacred Heart High School
- The London Oratory School

### Special Schools

- Cambridge School
- Gibbs Green School
- Jack Tizard School
- Queensmill School
- Woodlane High School

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## **Annex B: Application of financial controls to schools**

These regulations shall apply to the governing bodies of schools with delegated powers and responsibilities and to Headteachers and others to whom functions may be delegated under the 1998 School Standards and Framework Act.

The Director of Finance is the Officer required by Section 151 of the Local Government Act 1972 to be responsible for the administration of the Council's financial affairs and to perform duties as prescribed by the Accounts and Audit Regulations 1983, and is the Chief Finance Officer of the Council for the purposes of Section 114 of the Local Government Finance Act 1988. He/She shall exercise supervision over all financial matters and shall maintain an adequate and effective internal audit over the Council's financial affairs.

The Director of Finance shall be provided with any information necessary to enable him/her to comply with these statutory duties and otherwise to comply with these Regulations and shall be allowed access to documents and records for this purpose, including records associated with school bank accounts which hold Local Authority funding.

School governing bodies shall keep the Directors of Children's Services and Finance informed of any matter which is likely to have significant financial consequences. The Director of Children's Services or his/her representatives shall have the right to attend meetings of full governing bodies or Sub-Committees to give advice subject to the provisions of the School Standards and Framework Act 1998. The Director of Finance or his/her representatives shall have the right to attend meetings of full governing bodies or Sub-Committees to give advice or report on finance matters.

A persistent failure to meet the requirements as given in Authority's School Financial Procedures Manual, and/or a persistent overspending of delegated budgets shall be considered as not managing the resources of the establishment in an effective and efficient manner and may lead to the suspension of a Governing Body's delegated powers subject to the provisions of the School Standards and Framework Act 1998.

Schools must abide by the Authority's requirements on financial controls and monitoring as contained in the scheme.

Additional details are given in the School Financial Procedures Manual.

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## **Annex C: Payment of salaries; payment of bills**

Each Governing Body (or Headteacher if so authorised by the Governing Body) shall keep such records and provide such information with regard to salaries, wages and emoluments as the Director of Finance may require and shall be responsible for the accuracy and authenticity of such records and information.

For schools using the Authority's payroll service, the schools will notify the Director of Finance, via the Director of Children's Services, in such form as he/she may require, of all matters affecting payment.

If schools choose not to use the payroll service operated by the Council, they will need to supply the Authority with advance notice of the decision to use another payroll service. The Authority will require six months notice of the intention to change to another payroll provider. The Authority will need to be satisfied that such external payroll services will be able to supply the Authority with the appropriate information in the appropriate format in order to meet audit and monitoring and inland revenue requirements.

Additional details are given in the School Financial Procedures Manual.

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## Annex D: Control of assets

Governing bodies and Headteachers shall be responsible for all Council assets which fall under their control. This responsibility is to include:

- The receipt, care, custody, issue and return of stocks and stores.
- Any plant, vehicles, machinery, equipment, tools furniture, furnishings and other non-consumable property.

They shall use and maintain the systems and records approved by the Director of Finance for controlling these assets. Any income realised from assets bought with Local Authority funds must be paid into the Authority's own bank account.

Additional details are given in the School Financial Procedures Manual.

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## **Annex E: Submission of budget plans**

The Authority will supply schools with the income and expenditure information necessary to enable them to plan effectively.

Following receipt of the final budget share, the Headteacher's proposed budget must be presented to the full Governing Body for consideration and agreement. Governing bodies may make any additional arrangements for consideration of the budget as they see fit. The final budget plan must be returned to the Authority no later than 31 May.

Total planned expenditure for the financial year must not exceed the budget share, adjusted by any surpluses or deficits carried forward from the previous year, and estimated income receivable.

The form of the final budget plan must be in accordance with the requirements of the Director of Children's Services and the Director of Finance but may contain such additional information as Governors may prescribe. The plan will include assumptions underpinning the budget in terms of the educational priorities of the school and how the budget is intended to support raising standards.

The Authority may request additional in-year expenditure plans as it sees fit. Such revisions will not be required at less than three-month intervals.

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## Annex F: Best Value and Schools

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.

Best value will be a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective 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 Local Authority maintained schools. However, schools will be encouraged to adopt the best value performance management framework.

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:

- (1) 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:
  - (a) Challenging how and why a service is provided (including consideration of alternative providers)
  - (b) Comparison of performance against other schools taking into account the views of parents and pupils
  - (c) Mechanisms to consult stakeholders, especially parents and pupils
  - (d) Embracing competition as a means of securing efficient and effective services
- (2) 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
- (3) That the following are included in school development plans:
  - (a) A summary of objects and strategy for the future
  - (b) Forward targets on an annual and longer term basis
  - (c) Description of the means by which performance targets will be achieved
  - (d) A report on current performance
- (4) That internal and external audit takes place ensuring that performance information is scrutinised. Authority oversight of school finances provides external review

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.



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## **Annex H: Audit programme requirements**

The Director of Finance and any officer to whom they have delegated the Authority of Internal Audit shall have access at any reasonable time to all educational premises. Further such persons shall have the Authority to apply any test or check they may deem necessary to the accounts, cash, securities, or other property or records which relate in any way to the finances of the Authority.

Governors and Headteachers shall ensure that the Director of Finance, or their representatives, are provided with appropriate facilities to enable audit to be carried out. Governors, and any Council employees, will be required to provide such explanations as the Director of Finance considers necessary.

Whenever any matter arises which may point to irregularity in financial, stores or accounting transactions within an educational establishment it shall be the duty of the governors and the Headteacher concerned to notify the Director of Children's Services and Director of Finance immediately.

The Director of Finance in consultation with the Director of Children's Services shall issue such guidelines on financial procedures and practises as seem necessary to satisfy themselves that proper arrangements are being made to secure economy efficiency and effectiveness in the use of the Council's resources.

All governing bodies will be required to make available such financial information and returns as the Director of Finance, their nominees, and the Authority's external auditors require. This will include information appropriate for Inland Revenue and Customs and Excise (VAT) returns.

The school must retain all documents relating to financial transactions for a period of six years unless otherwise advised by the Director of Finance.

Additional details are given in the School Financial Procedures Manual.

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## Annex I: Purchasing, tendering and contracting arrangements

Official orders, stating the estimated amount involved and any contract or agreed prices must be issued for all works, goods or services. Such orders should not be issued unless there is sufficient expenditure in the schools budget share to support the spending.

It is the duty of governors, and their nominated representatives, when arranging the purchase of works, goods or services to achieve best value. All expenditure likely to exceed £5,000 should only be committed after an estimate in writing has been obtained.

When ordering works, goods or services governing bodies are strongly advised to adhere to the following recommendations:

- Schools will be required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Local Authority's policies and procedures
- Three written quotations should be obtained before committing any order for works, goods or services. Governing bodies should note that they are not required to accept the lowest tender if this does not appear to offer best value.
- Before committing any order for works, goods or services in excess of £10,000 but less than £20,000, discuss the matter with the Director of Children's Services.
- Before committing any order for works, goods or services in excess of £20,000 discuss the matter with the Director of Children's Services and the Director of Finance.
- All works should be carried out by a suitably registered contractor, for example, CORGI (Council for Registered Gas Installers) registered for works to gas services and appliances, and NICEIC (National Inspection Council for Electrical Installation Contractors) for works to electrical installations and appliances.

Payment of examination fees or goods, works or services of a proprietary/specialist nature may be processed by schools, but schools should notified to the Governing Body and the Director of Children's Services in advance.

Additional details are given in the School Financial Procedures Manual.

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## **Annex J: Bank and building society accounts**

Banking facilities for all schools will initially be offered via National Westminster Bank (including interest-earning accounts). Grant-maintained schools will be able to continue with their existing banking arrangements.

New banking arrangements may only be made with effect from the beginning of each financial year after notifying the Director of Finance of the intention to change banks by 31<sup>st</sup> December in the preceding year.

Schools will be able to choose an institution from a list of such institutions approved by the Director of Finance. Although schools will be able to negotiate the terms of such an account and will retain any interest earned, they will also be responsible for any bank charges and other costs incurred.

The Authority will pay monies into the school's bank account on a monthly basis, according to the budget expenditure profile sent to the Authority. If that profile differs significantly from that recommended by the Authority on the basis of expected spending patterns, then the Authority will charge the school's account with interest on the amount involved.

Budget expenditure profiles may have a contingency of up to 5% of school's budget held until the end of the financial year. This contingency can be brought forward at the request of the school without the establishment incurring interest charges.

Any other deviation from the profile involving the bringing forward of payments into the school's account will lead to interest charges to compensate the Authority for loss of income on the sums involved. The reasons for other deviations will be investigated by the Authority prior to payments being brought forward; these investigations should take no longer than one week to complete.

Additional details are given in the School Financial Procedures Manual.

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## Annex K: List of banks and building societies

### UK Banks

- Abbey National
- Alliance and Leicester
- Barclays Bank
- Co-operative Bank
- Halifax
- Lloyds Bank
- Clydesdale Bank
- Midland Bank
- National Westminster Bank
- Woolwich

### Building Society

- Nationwide

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## Annex L: List of examples where the school's budget may be charged by the Authority

- Premature retirement costs - where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs. The amount chargeable would be the excess over any amount agreed by the Authority.
- Other expenditure to secure resignations where the school failed to follow Local Authority advice.
- Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the Governing Body contrary to Local Authority advice.
- Cost incurred by the Local Authority in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Local Authority.
- Costs for buildings works incurred by the Local Authority in making good defects in building work funded by capital spending from budget shares where the premises are owned by the Local Authority.
- Local Authority insurance where the school has failed to make suitable insurance arrangements and where the Local Authority has an insurable interest.
- Recovery of monies due from a school for services provided to the school, where a dispute has been referred to a dispute procedure set out in a service level agreement, and the result is that monies are owed by the school to the Local Authority.
- Recovery of penalties imposed by Inland Revenue, Contributions Agency, HM Revenue and Customs, Teachers Pensions or regulatory Authority as a result of school negligence.
- Corrections of Local Authority errors in calculating charges to budget share.
- Additional transport costs incurred by the Local Authority arising from the decision of the Governing Body on the length of the school day and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.
- Legal costs following failure to accept Local Authority advice.
- Costs of health and safety for staff employed by Local Authority where such funds were delegated but the necessary training had not been carried out.
- Compensation to lender where school exceeds legal contractual powers for borrowing and the contract is of no effect.
- Cost of work done in respect of teacher pension remittance and records for schools using non-Local 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 Local 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 Local Authority due to submission by the school of incorrect data.
- Recovery of amounts spent from specific grants on ineligible purposes.

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- Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
  - Out of court settlements arising from action or inaction by the Governing Body contrary to the Local Authority's advice.

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## Annex M: Complaints Procedure

### The Background

Schools already have in place a Model Code of Conduct, which makes clear that employees should report any impropriety or breach of procedure that they encounter while at work. However, the Code of Conduct does not give a detailed framework for what is now commonly termed “whistle blowing” by employees.

This confidential reporting code is based upon a model drawn up by the Local Government Management Board and has been adopted by the Council in relation to non-school employees. The procedure takes into account the requirements of the law, specifically the Public Interest Disclosure Act. The Act gives employees two safeguards in respect of disclosures of information. Firstly, an employee is entitled not to be subjected to any detriment by virtue of having made a protected disclosure. Secondly, if an employee is dismissed because of having made such a disclosure, the dismissal will automatically be unfair, and further, there will be no need for the employee to have a year’s continuous employment before bringing a claim for unfair dismissal.

### Trade Union consultation

Staff side support the principle of introducing a whistle blowing code.

#### 1. Introduction

Employees are often the first to realise that there may be something seriously wrong within the workplace. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the school. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The Local Education Authority is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees who have serious concerns about any aspect of the school’s work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

This Code makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage. This confidential reporting policy is intended to encourage and enable employees to raise serious concerns within the school rather than overlooking a problem or ‘blowing the whistle’ outside.

The policy applies to all employees at the school.

#### 2. Aims and scope of this policy

This policy aims to:

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

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There are existing procedures in place to enable you to lodge a grievance relating to your own employment. The confidential reporting policy is intended to cover major concerns that fall outside the scope of other procedures. These include:

- conduct, which is an offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- the unauthorised use of public funds
- possible fraud and corruption
- sexual or physical abuse, or
- other unethical conduct.

Thus, any serious concerns that you have about any aspect of service provision or the conduct of employees or governors or others acting on behalf of the school can be reported under the confidential reporting policy. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the school subscribes to;
- is against the school's standing orders, financial regulations, contracts code, or other policies;
- falls below established standards of practice;
- amounts to improper conduct

### **3. Safeguards - Harassment or victimisation**

Governing bodies are committed to good practice and high standards and want to be supportive of employees.

Governing bodies recognise that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.

Governing bodies will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.

Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

### **4. Confidentiality**

All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.



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## 5. Anonymous Allegations

This policy encourages you to put your name to your allegation whenever possible.

Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Chair of Governors.

In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

## 6. Untrue allegations

If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however, you make an allegation which can be shown to have been made frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

## 7. How to raise a concern

As a first step, you should normally raise concerns with your immediate manager or the Head teacher. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved, you should approach the Chair of Governors. As the responsible officer, the Chair of Governors will be informed of each concern that is raised under the procedure. If the Chair of Governors is suspected of the malpractice, the Director of Education should be approached.

Concerns may be raised verbally or in writing. Staff who wish to make a written report are invited to use the following format:

- the background and history of the concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

The earlier you express the concern the easier it is to take action. Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

You may obtain advice/guidance on how to pursue matters of concern from the Director of Children's Services.

You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns. You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

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## 8. How your concerns will be dealt with

Your concerns will receive a response from the Chair of Governors. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

Where appropriate, the matters raised may:

- be investigated by management, the internal audit section of the Council, or through the disciplinary process
- be referred to the police
- be referred to the external auditor
- form the subject of an independent inquiry

In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Chair of Governors will have in mind, is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.

Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

Within ten working days of a concern being raised, the Chair of Governors will write to you:

- acknowledging that the concern has been received
- indicating how the matter will be dealt with
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made
- supplying you with information on staff support mechanisms, and
- telling you whether further investigations will take place and if not, why not.

The amount of contact between the individuals considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

Where any meeting is arranged, off-site if you so wish, you can be accompanied by a union or professional association representative or a friend.

The governing body will take steps to minimise any difficulties that you may experience as a result of raising a concern. If you are required to give evidence in criminal or disciplinary proceedings, the Local Education Authority will arrange for you to receive advice about the procedure. The governing body accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will be informed of the outcome of any investigation.

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## 9. The responsible officer

The Chair of Governors has overall responsibility for the maintenance and operation of this policy. The Chair maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the LEA.

### How the matter can be taken further

This policy is intended to provide you with an avenue within the school and the Local Education Authority to raise concerns. If you are not satisfied with any action taken and if you feel it is right to take the matter outside the Education Department, the following are possible contact points:

- Public Concern at Work (020 7404 6609)
- District Audit (020 7233 6400)
- your trade union
- Fulham CAB, Hammersmith & Fulham Community Law Centre
- relevant professional bodies or regulatory organisations
- the police.

If you do take the matter outside the Local Authority and the Council you should ensure that you do not disclose confidential information.

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## Annex M: Leased Equipment

The Authority's leasing policy is outlined in the Schools Financial Procedures Manual. For convenience the major points are detailed as follows:

- Three written quotations should be obtained and the quote offering value for money (not necessarily least cost) should be accepted.
- Payments to the leasing company must be the first charge on each year's budget.
- Government legislation requires that the equipment does not belong to the school at the end of the lease and is subject to market, not pre-agreed renewal rentals.
- According to the latest current financial regulations (SORP – Statement of Recommended Practice), the total rentals must also have a Net Present Value of less than 90% of the equipment cost when discounted at the rate implicit in the lease.
- The above consists an operating lease and schools are not permitted to sign any other form of lease. Where in exceptional circumstance, the Operating Lease Scheme is not used, a formal written sign-off must be obtained from Children's Services Finance.
- The decision to lease equipment must be made by the Governing Body and the decision, including details of the company, terms of the lease and details of payments over the three years, should be recorded in the minutes of the full governing body or the finance committee.
- A copy of the relevant minute approving the expenditure should be attached to a copy of the lease and sent to Children's Services Finance for approval. Once approved, the school will be notified in writing that the document can be signed by the Headteacher or Chair of Governors. The completed document should then be sent to the leasing company.
- Each school will be expected to make repayments as they are due. The Local Authority recommends that schools opt for annual payments rather than quarterly.

## Annex N: Responsibility for Repairs and Maintenance

Capital/Revenue split in line with CIPFA Code of practice.

Element	Capital: As CIPFA code of practice	Revenue: Repairs and Maintenance
<b>Roofs</b>		
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective.
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof.
	Finish on new build. Replacement of all/substantially all on existing roof	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting.
	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (uPVC) Repainting.
	Drainage on new build	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/pipes
	Other e.g. Flashings, Rooflights on new build Replacement of all/substantially all on existing roof	Repair/ Replacement/ cleaning of individual items
<u>Pitched</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing	Replace/ repair small areas of rotten/ defective joists, rafters,

	structure to prevent imminent or correct actual major failure of the structure	purlins etc. Not complete trusses
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards	
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/Repainting
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters
	Drainage. Replacement of all/substantially all on existing roof	
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement/cleaning
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged small parts
<u>Other</u>	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing covered link	
	Add porch etc. to existing building	Minor repairs, maintenance to existing structure
	Rebuild or substantially repair structure of existing porch	
<b>Floors</b>		
<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure	

	of the structure	
	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.
<u>Upper Floor</u>	Structure - as ground floor	As ground floor
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor
<b>Ceilings</b>		
<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. From water damage, & necessary decoration
	Membrane	
	Fixed	Repair/ replacement inc. from water damage
	Access panels	Repair/ replacement
<u>Lower storeys</u>	Suspension	Repair/ replacement
	Membrane	
	Fixed	Repair/ 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
<b>External walls</b>		

<u>Masonry/ cladding</u>	Structure	Repairs
	Underpinning/ propping for new build	Preventive measures e.g. tree removal
	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 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	
<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames
	Framing – structural replacement programme	Repair/ replacement of individual windows. Repainting frames
	Glazing - new build	Replacing broken glass
	Glazing Upgrading existing glazing	
	Ironmongery	Repair/ replacement, upgrading locks etc.
	Improved security	
	Jointing including mastic joints	
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.
<u>Masonry chimneys</u>	Structure	
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing



<b>Internal walls</b>		
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alterations	Minor alterations
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.
	Refurbishment and alterations	Minor alterations
<u>Doors &amp; 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
<u>All</u>	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass
<b>Sanitary Services</b>		
<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.
	Large scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing 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 Redecoration
	General refurbishment	Repairs
	Large and costly items of equipment	Repairs/ replacement parts
<b>Mechanical services</b>		
<u>Heating/ hot water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects
	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.	Monitoring systems Health & safety issues
	Planned replacement of old boiler/ controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/ systems	
<u>Cold water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.

<u>Gas</u>	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety All servicing
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
<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.
<b>Electrical services</b>		
<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.
	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
<u>Lighting</u>	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency
<u>Other</u>	Lightning protection in new build	Repair/ replacement
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and 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
<b>External Works</b>		
<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.
<u>Miscellaneous</u>	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.
<u>Open air pools</u>	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing