



# **SCHEME FOR FINANCING TELFORD & WREKIN SCHOOLS**

## **2013**

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Contact: Tim Davis, Finance Team Leader  
01952 383756

<b>LIST OF CONTENTS</b>	<b>PAGE</b>
<b>1. INTRODUCTION</b>	<b>1</b>
1.1 The funding framework	1
1.2 The role of the scheme	2
1.3 Publication of the scheme	2
1.4 Revision of the scheme	3
1.5 Delegation of powers to the headteacher	3
1.6 Maintenance of schools	3
<b>2. FINANCIAL REQUIREMENTS &amp; AUDIT</b>	<b>4</b>
2.1 Application of financial controls to schools	4
2.2 Provision of financial information and reports	4
2.3 Payment of salaries; payment of bills	5
2.4 Control of assets	6
2.5 Accounting policies (including year-end procedures)	6
2.6 Writing off of debts	7
2.7 Basis of accounting	7
2.8 Submission of budget plans	7
2.9 Submission of Financial Forecasts	7
2.10 Efficiency and value for money	8
2.11 Virements	8
2.12 Audit: General	8
2.13 Separate external audits	9
2.14 Audit of voluntary and private funds	9
2.15 Register of business interests	9
2.16 Schools Financial Value Standard (SFVS)	10
2.17 Fraud	10
2.18 Purchasing, tendering and contracting requirements	10
2.19 Application of contracts to schools	11
2.20 Central funds and specifically allocated funds	11
2.21 Spending for the purposes of the school	12
2.22 Capital spending from budget shares	12
2.23 Notice of Concern	12
<b>3. INSTALMENTS OF BUDGET SHARE; BANKING ARRANGEMENTS</b>	<b>14</b>
3.1 Frequency of instalments	14
3.2 Proportion of budget share payable at each instalment	14
3.3 Interest claw back	14
3.4 Interest on late budget share payments	14
3.5 Budget shares for closing schools	14
3.6 Bank and building society accounts	14
3.7 Restrictions on accounts	15
3.8 Borrowing by schools	16
<b>4. THE TREATMENT OF SURPLUSES AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES</b>	<b>17</b>
4.1 Right to carry forward surplus balances	17
4.2 Reporting on and the control of surplus balances	17
4.3 Interest on surplus balances	18
4.4 Obligation to carry forward deficit balances	18
4.5 Planning for deficit budgets	18
4.6 Charging of interest on deficit balances	18
4.7 Writing off deficits	19
4.8 Balances of closing and replacement schools	19

4.9	Licensed Deficits	19
<b>5.</b>	<b>INCOME</b>	<b>20</b>
5.1	Income from lettings	20
5.2	Income from fees and charges	20
5.3	Income from fund raising activities	20
5.4	Income from the sale of assets	20
5.5	Administrative procedures for the collection of income	20
5.6	Purposes for which income may be used	20
<b>6.</b>	<b>THE CHARGING OF SCHOOL BUDGET SHARES</b>	<b>21</b>
6.1	General provision	21
6.2	Circumstances in which charges may be made	21
<b>7.</b>	<b>TAXATION</b>	<b>23</b>
7.1	Value Added Tax (VAT)	23
7.2	Construction Industry Taxation Scheme (CITS)	23
<b>8.</b>	<b>THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY</b>	<b>24</b>
8.1	Provision of services from centrally retained budgets	24
8.2	Timescales for the provision of services bought back from the LA using delegated budgets	24
8.3	Packaging	24
8.4	Service statements	24
8.5	Teachers pensions	24
<b>9.</b>	<b>PFI/PPP CLAUSES</b>	<b>26</b>
<b>10.</b>	<b>INSURANCE</b>	<b>27</b>
10.1	Insurance cover	27
<b>11.</b>	<b>MISCELLANEOUS</b>	<b>28</b>
11.1	Right of access to information	28
11.2	Liability of governors	28
11.3	Governors expenses	28
11.4	Responsibility for legal costs	28
11.5	Health and Safety	29
11.6	Right of attendance for Chief Finance Officer	29
11.7	Delegation to new schools	29
11.8	Optional Delegation funding	29
11.9	Special Educational Needs	29
11.10	Redeployment protection	30
11.11	Whistle blowing	30
11.12	Child protection	30
11.13	Ex-Gratia Payments	30
11.14	Permanently Excluded Pupils	31
<b>12.</b>	<b>RESPONSIBILITY FOR REPAIRS AND MAINTENANCE</b>	<b>32</b>
<b>13.</b>	<b>COMMUNITY FACILITIES</b>	<b>33</b>
13.1	Introduction	33
13.2	Consultation with the LA - Financial Aspects	33
13.3	Funding agreements – LA Powers	33

13.4	Other prohibitions, restrictions and limitations	34
13.5	Supply of Financial Information	34
13.6	Audit	34
13.7	Treatment of Income and Surpluses	34
13.8	Health and safety matters	34
13.9	Insurance	35
13.10	Taxation	35
13.11	Banking	35

## **SUMMARY OF ANNEXES**

<b>ANNEX A:</b>	<b>Schools to which the scheme applies</b>	<b>36</b>
<b>ANNEX B:</b>	<b>Responsibility For Redundancy and Early Retirement Costs</b>	<b>37</b>
<b>ANNEX C:</b>	<b>Application of Schemes for Financing Schools to the Community Facilities Power</b>	<b>40</b>
<b>ANNEX D:</b>	<b>Proportion of budget share payable at each instalment</b>	<b>41</b>
<b>ANNEX E:</b>	<b>Interest claw-back provisions</b>	<b>42</b>
<b>ANNEX F:</b>	<b>Schools' VAT returns</b>	<b>43</b>
<b>ANNEX G:</b>	<b>Schools' Financial Returns</b>	<b>44</b>
<b>ANNEX H:</b>	<b>Payroll returns and information requirements</b>	<b>49</b>
<b>ANNEX I:</b>	<b>Contingency Funds</b>	<b>51</b>
<b>ANNEX J:</b>	<b>Permanently Excluded Pupils</b>	<b>53</b>

## SECTION 1: INTRODUCTION

### 1.1 The Funding Framework

- 1.1.1 The funding framework that replaces Local Management of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (SSFA Act 1998).
- 1.1.2 Under this legislation Local Authorities (LAs) determine for themselves the size of their Schools Budget (SB) and the LA Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools<sup>1</sup> except for capital and certain miscellaneous items.
- 1.1.3 Telford & Wrekin LA ('the Authority') may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act<sup>2</sup>. The amounts to be retained centrally are decided by the Authority, subject to any limits or conditions (including gaining the approval of the School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.4 The Authority must distribute the ISB amongst its 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<sup>3</sup>, 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.
- 1.1.5 The Act<sup>4</sup> requires the financial controls within which delegation works to be set out in a scheme made by the LA in accordance with s.48 of the Act and approved by the Secretary of State. All proposals to revise the scheme must be approved by the schools forum, though the LA 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 LA..
- 1.1.6 Subject to provisions of this scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50<sup>5</sup>.
- 1.1.7 An LA may suspend a school's right to a delegated budget if:-
- (i) the provisions of the scheme for financing schools (or rules applied by the scheme) have been substantially or persistently breached.
  - (ii) the budget share has not been managed satisfactorily.
  - (iii) the LA decides it is in the best interest of a school in Special Measures.
  - (iv) a funding agreement relating to community facilities is entered into with a third party against the advice of the LA which is subsequently considered by the LA to be prejudicial to the interests of the school or the Authority.

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<sup>1</sup> The categories of expenditure which fall within the Local Schools Budget are prescribed under regulations made by the Secretary of State.

<sup>2</sup> These purposes are defined in regulations made by the Secretary of State under s.46 of the School Standards and Framework Act 1998.

<sup>3</sup> 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 School Standards and Framework Act 1998 Act.

<sup>4</sup> S.48 of the School Standards and Framework Act 1998.

<sup>5</sup> In regulations made under s.50 of the School Standards and Framework Act 1998.

- (v) There is evidence of the mismanagement of funds received for community facilities.
- 1.1.8 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 these cases there is no right of appeal.
- 1.1.9 The LA will publish each year a statement setting out details of its planned Schools Budget and LA Budget showing:
- the amounts to be centrally retained and the amount delegated to schools;
  - the budget share for each school;
  - the formula used to calculate those budget shares;
  - the detailed calculation for each school.
- 1.1.10 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. Outturn statements are subject to audit certification and information in either type may be collated and published by the Secretary of State.
- 1.1.11 The detailed publication requirements for financial statements and for schemes are set out in regulations. Each school must receive a copy each year's budget and out-turn statements so far as they relate to that school or central expenditure.
- 1.1.12 Regulations also require the local authority to publish this Scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

## **1.2 The role of the scheme**

- 1.2.1 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.
- 1.2.2 Maintained schools must comply with the conditions imposed by the scheme in relation to the management of their delegated budgets, including conditions prescribing financial controls and procedures as directed by the Financing of Maintained Schools regulations.
- 1.2.3 Where there is an inconsistency between the scheme and any other rules or regulations made by the Authority which relate to the funding or financial management of maintained schools, the terms of the scheme prevails.
- 1.2.4 This scheme applies to all community, nursery, voluntary, foundation, community special, foundation special schools and Pupil referral units (PRUs) maintained by the LA, and their successor schools where applicable, (as listed in Annex A page 35).
- 1.2.5 The scheme does not apply to Academies which are not maintained schools.<sup>6</sup> However, the Authority's financial regulations and standing orders will apply to all schools that have delegated powers of financial management.

## **1.3 Publication of the scheme**

- 1.3.1 A copy of the scheme will be made available via Telford and Wrekin website to the governing body and the headteacher of each school covered by the scheme, and any approved revisions will be notified to each such school.

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

- 1.4.1 All proposed revisions to the scheme will be the subject of consultation with schools governing bodies and headteachers prior to the submission of the amended scheme to the Schools Forum for their approval.
- 1.4.2 All proposed revisions must be submitted to the Schools Forum for approval by members representing maintained schools. Where the 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**

- 1.5.1 Each Governing body is asked to consider the extent to which it wishes to delegate its financial powers to the headteacher, and to record its decision (and any revisions) in the minutes of the governing body. The headteacher's delegated financial powers should be reviewed annually or when there has been a change in headteacher, whichever is the earliest.
- 1.5.2 Both the headteacher and the Governing Body have a delegated responsibility to consider and submit an annual budget plan and delegated budget under the Education (School Government) (Terms of Reference) (England) Regulations 2000. The first formal budget plan of each financial year, must be approved by the Governing Body or by a committee of the Governing Body.
- 1.5.3 The LA has no wish to impose uniformity on schools but requires headteachers and governors to act in accordance with the Authority's financial regulations and standing orders, and in accordance with Consistent Financial reporting (CFR) requirements.

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

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

## SECTION 2: FINANCIAL REQUIREMENTS

### 2.1 Application of financial controls to schools

- 2.1.1 In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. These are set out in the Authority's Financial Regulations for Schools with Delegated Budgets.
- 2.1.2 The purpose of Financial Regulations is to ensure that public accountability, and high standards of financial integrity, are exercised over the control of public funds. In addition they assist sound administration, reduce the risk of irregularities and support the delivery of effective, efficient and economical services.
- 2.1.3 The regulations apply to all governors, headteachers and staff (teaching & non-teaching). It is the responsibility of the governors and headteachers to ensure that they are followed and that all staff in their schools are trained in their application.
- 2.1.4 In order to assist schools, the Financial Regulations are set out in self-contained sections each covering a specific area of control. Each section provides a contact point for further information or clarification. Where appropriate the Regulations are supported by detailed procedures.
- 2.1.5 These financial regulations will also apply to Pupil Referral Units.

### 2.2 Provision of financial information and reports

- 2.2.1 All maintained schools are required to provide the Authority with details of expected and actual expenditure and income on a termly basis. Dates of submission are as follows;

Accounts Requested	Required submission date
<ul style="list-style-type: none"><li>Income and expenditure account for the Summer term and a projected outturn report to the financial year end (31<sup>st</sup> March)</li></ul>	By the half term of the following Autumn term
<ul style="list-style-type: none"><li>Income and expenditure account for the Autumn term and a projected outturn report to the financial year end (31<sup>st</sup> March)</li></ul>	By the half term of the following Spring term.
<ul style="list-style-type: none"><li>Income and expenditure account and a projected outturn report for the financial year end (31<sup>st</sup> March)</li></ul>	31 <sup>st</sup> May
<ul style="list-style-type: none"><li>Year End audited accounts</li></ul>	31 <sup>st</sup> August

- 2.2.2 The scheme may not require submission of such details more often than once every three months except for those connected with tax or banking reconciliation, unless the LA has notified the school in writing that in its view the school's financial position warrants more frequent submission or the school is in its first year of operation.
- 2.2.3 Schools should establish procedures to ensure accurate returns are prepared and submitted to the Authority as required. The Authority will review the financial statements submitted by maintained schools at the end of each term, to ensure their financial viability and the proper use of public funds, whilst supporting their autonomy.

- 2.2.4 The Authority's requirement for financial information is set out in Annex G to the scheme.<sup>7</sup> This format is designed to be compatible with categories used to allow schools of a similar type to benchmark statistical financial data both locally and nationally<sup>8</sup>, and is compatible with Consistent Financial Reporting (CFR) requirements.
- 2.2.5 The returns must be signed and dated by two representatives of the school, one of whom should be the governor with the most financial responsibility (this will normally be the Chair of the finance or similar committee with responsibility for finance.)
- 2.2.6 The Autumn term report should also be accompanied by a brief statement, that identifies how any surplus balances at the beginning of the financial year, either have been committed or are due to be committed by the end of the financial year.
- 2.2.7 Certified Finance returns should be submitted by post to the Finance Team leader responsible for Schools. The Finance team should be contacted for guidance if schools are in doubt about any matter concerning the requirements. A list of contact names and Finance officers is available from the Authority.
- 2.2.8 Schools must also comply with the requirements set out in the Authority's financial regulations with regard to duties in respect of accounting systems & financial records.

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

- 2.3.1 The Authority is responsible for remitting pension contributions to Teachers Pensions in respect of all those schools maintained by it.<sup>9</sup> This means that any school which has payroll administration handled by an organisation other than the Authority, will need to make arrangements for supplying contributions to the Authority.
- 2.3.2 Annex H sets out the payment requirements. 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 and came into effect on 1 November 2002:
- 2.3.3 The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.
- 2.3.4 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. Annex H sets out the current information requirements.
- 2.3.5 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.
- 2.3.6 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

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<sup>7</sup> Finance officers will be available to advise and support in this task where schools have subscribed to the LA's Financial Advice & Support Service

<sup>8</sup> Details of how to access the audit website are available from the LA's Finance team

<sup>9</sup> The definition of maintained is set out in annex A to the scheme

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.

- 2.3.7 For the purposes of the Local Government Pensions Scheme (LGPS) the Authority is responsible for remitting pension contributions in respect of all those schools maintained by it. Annex H sets out the payment and information requirements.
- 2.3.8 It is important to note that despite the deeming provision for the LGPS and Teachers Pensions Scheme, the employer, for all employment law purposes of teaching and non-teaching staff in Foundation and Voluntary Aided schools will remain the School Governing Body.
- 2.3.9 The responsibility for having a PAYE scheme and making deductions is that of the employer; but for this purpose the employer is the 'person' making the emoluments. Therefore the responsibility rests with the Authority if making salary payments, even if the staff are for other purposes employed by the school's governing body (as with voluntary aided schools). If a school has delegated payroll administration funds, but the salaries are paid from an account in the name of the Authority, the responsibility for deductions will still rest with the Authority.
- 2.3.10 The school governing body becomes responsible for a PAYE scheme and making deductions, when salary payments are made from an independent account that is not a sub-account of the Authority.
- 2.3.11 Responsibility for National Insurance (NI) contributions for employed earners lies with the employer, and is administered through the PAYE system. This means that the 'employer' or secondary contributor will be the one operating the PAYE scheme as highlighted above.
- 2.3.12 Schools must provide to the Authority sufficient information to enable the S151 Officer to fulfil the statutory responsibilities set out above. The information requirements are set out in Annex H to the scheme and these must be presented in a format acceptable to the Authority.<sup>10</sup>
- 2.3.13 In addition to financial information, schools will be required to submit further information, in relation to employees to allow the Authority to fulfil its statutory duties and returns. This will include personnel information such as numbers and type of staff contracts.
- 2.3.13 Schools must also comply with sections 13 and 17, of the Financial Regulations for Schools with Delegated Budgets, in relation to payments to employees and payment of accounts.

## **2.4 Control of assets**

- 2.4.1 Each school must maintain an inventory of its moveable non-capital assets, in a form determined by the Authority, and apply the basic authorisation procedures for the disposal of assets. However, schools are free to determine their own arrangements for keeping an inventory of assets with a value less than £1,000.
- 2.4.2 The format of the required inventory and the basic authorisation procedures are set out in the Authority's Inventory Procedure Note (copies of which can be obtained from the Authority's Audit Services).
- 2.4.3 Headteachers are responsible for ensuring that an inventory check is carried out at least once a year, and ensuring that all items are accounted for. All significant discrepancies must be reported to the S151 Officer.

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<sup>10</sup> These information requirements will be provided automatically for schools that subscribe to the Authority's Human Resources Service and the Financial Management Services packages.

2.4.4 Section 22.1 of the Financial Regulations for Schools with Delegated Budgets sets out the requirements for the security and control of assets.

## **2.5 Accounting Policies (including year-end procedures)**

2.5.1 Schools must abide by procedures issued by the Authority in relation to accounting policies and year-end procedures. The Authority must abide by the Accounts and Audit Regulations 1996, and relevant CIPFA and Audit Commission Codes of Practice that relate to published financial accounts. These procedures are as set out in the following documents;

- Financial Regulations for Schools with Delegated Budgets
- Year End Procedures - schools must conform with the final accounts timetable issued by the S151 Officer

## **2.6 Writing off of debts**

2.6.1 Governing bodies are only authorised to write off debts, up to a level stipulated by the Head of Finance.

2.6.2 Where an account has been raised for an amount due to the Authority, and it remains unpaid either in whole or in part, the governing body shall be responsible for writing off the debt, so long as the sum involved does not exceed £500.

2.6.3 The governing body must be satisfied that there is no reasonable prospect of the account being paid. The decision to write off such sums, shall be formally recorded in the minutes of the governing body, subject to a minimum level to be determined by the governing body.

2.6.4 Amounts in excess of £500 shall be written off by the governing body only when the Head of Finance recommends that recovery is not legally or economically possible, and where their approval for the write-off is obtained in accordance with the Authorities Financial Regulations. Any loss arising from such write-offs will be met by the school budget.

2.6.5 Responsibilities relating to the treatment of debtors, are set out in section 15 of the Authority's Financial Regulations for Schools with Delegated Budgets.

## **2.7 Basis of accounting**

2.7.1 Reports and accounts furnished to the Authority must be on an accruals basis.

2.7.2 Schools' accounts for any financial year shall be kept on an 'income and expenditure' basis. For this purpose 'income' means, sums due for goods or services supplied by the school during that year. 'Expenditure' means the liability to pay for goods and services, received by the school during that year.

## **2.8 Submission of budget plans**

2.8.1 The Authority shall allocate budgets to each school covered by the scheme, in accordance with the devolved formula allocations referred to as the school's Individual School Budget (ISB).

2.8.2 Each school is required to submit an annual budget plan to the Authority, by no later than 31<sup>st</sup> May, showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. A statement of how surplus balances are to be committed, or deficit reduced in the current and future financial years should accompany this. The format of the budget plan must meet the minimum requirement set out in Annex G. The school's formal annual budget plan must be approved by the governing body, or a committee of the governing body.

- 2.8.3 For planning purposes, schools with delegated budgets will be advised of the indicative amount, based on the October School Census for the schools block allocations, the prior year's actual attendance for the EYSFF and the latest High Needs information available to them for the forthcoming financial year no later than 31<sup>st</sup> March. (For this purpose the financial year shall run from 1 April in any year to 31 March the following year).
- 2.8.4 Actual funding allocations (individual school budget shares) will be notified to schools as soon as possible, after the Authority has finalised the overall budget for the forthcoming year.
- 2.8.5 Each school shall prepare a detailed budget to cover the anticipated expenditure in the forthcoming financial year, and take such action as is necessary to manage within that total. Schools may be permitted to take full account of estimated surpluses/deficits at the previous 31<sup>st</sup> March in their initial budget plan. Budgets should include provision for inflation and some contingency provision for unforeseen emergencies.

## **2.9 Submission of Financial Forecasts**

- 2.9.1 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 Authority may use these forecasts to:
- Confirm that schools are undertaking effective financial planning,
  - To assist the school in financial recovery of deficit budgets,
  - As evidence to support the schools' adherence to the Schools Financial Value Standards,
  - To support the Authority's balance control mechanism.

## **2.10 Efficiency and Value for Money**

- 2.10.1 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.
- 2.10.2 It is for the heads and governors to determine at school level how to secure better value for money.

## **2.11 Virement**

- 2.11.1 Schools are free to vire 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.<sup>11</sup> It is recommended that virements are requested on a termly basis following approval, where necessary, from the governors' committee responsible for finance.
- 2.11.2 The Authority will not allow funds to be vired between a school's revenue account and its balance sheet, in accordance with standard accounting conventions.

## **2.12 Audit: General**

- 2.12.1 Schools are required to provide access to school records, to enable auditors employed by the Authority (Telford & Wrekin Audit Services – Internal Audit) and the Authority's external auditors.
- 2.12.2 With regard to internal audit, all schools come within the audit regime determined by the Authority. This regime is defined in section 9 of the Authority's Financial Regulations for

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<sup>11</sup> Governing bodies are advised to refer to the School Governing Bodies: The Establishment of Committees for LA guidance - terms of reference (Finance Matters). For those schools using Agresso, approved budget virements will be set up on Agresso in accordance with the service defined in the Authority's Services to Schools booklet.

Schools with Delegated Budgets. In relation to external audit, all schools come within the Authority's external audit regime..

- 2.12.3 Section 49 (5) of the SSAF Act 1998 states that any amount made available by a Local Authority to the governing body of a maintained school:
- Shall remain the property of the Authority until spent by the governing body or the headteacher. When spent by the governing body or headteacher, shall be taken to be spent by them as the Authority's agent.
- 2.12.4 All schools operating their own bank accounts must provide audited accounts to the Governing Body, with a copy to the Finance Team Leader responsible for schools within three months of the end of their financial year. Auditors must be CCAB qualified accountants.
- 2.12.5 Also, schools operating their own bank accounts will be responsible as described in the Schools Services booklet, for the payment of additional audit fees for work over, and above the normal Authority audit. This will include all associated costs, relating to inception audits when setting up the bank account arrangement and final account audits.

## **2.13 Separate external audits**

- 2.13.1 Where a school's governing body wishes to seek an additional source of assurance at its own expense, the governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Authority internal or external audit process.
- 2.13.2 Any external audit, commissioned by the school would have to take into account the status of the school as a spender of Authority funds. For this reason, where a school chooses to seek such an additional audit, it does not remove the requirement that the school must also co-operate with the Authority's internal and external auditors.

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

- 2.14.1 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.
- 2.14.2 An unofficial or voluntary fund is defined as any fund, other than an official fund for the Authority, which is controlled wholly or in part by a member of staff, by reason of his or her employment by the Authority. In the context of schools, it includes Private School Funds controlled by Headteachers.
- 2.14.3 Annual accounts, audited by suitably qualified auditors, as defined by the Authority's procedure note on school funds (see also the Financial Regulations for Schools with Delegated Budgets), must be submitted within three months of the end of the accounting period to the governing body.
- 2.14.4 The governing body must submit a copy to the Authority's Governor Support team, and certify that the accounts have been presented to parents.

## **2.15 Register of business interests**

- 2.15.1 The governing body of each school is required to establish a register, that lists for each member of the governing body and the headteacher, any business interests they or any member of their immediate family have; to keep the signed register up to date, with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff and parents.<sup>12</sup>

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<sup>12</sup> The Authority's Governance Support team will remind school governing bodies of this legal requirement each Autumn term.

2.15.2 This register must also be made available for inspection by the Authority.

## **2.16 Schools Financial Value Standard (SFVS)**

2.16.1 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.

2.16.2 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.

2.16.3 Maintained schools that did not achieve the Financial Management Standard in Schools (FMSiS) must submit the form to the local authority before 31 March 2012, and annually thereafter.

2.16.4 All other maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

## **2.17 Fraud**

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

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

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

2.18.1 Schools are required to abide by the Authority's Financial Regulations for schools with delegated budgets, and the Standing Orders for schools with delegated budgets relating to purchasing, tendering and contracting matters<sup>13</sup>.

2.18.2 Schools are required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures set out in section 11.5, and the Education health and Safety manual.

2.18.3 Whilst the Authority may issue lists of approved suppliers schools must not be compelled either directly or indirectly to use them, providing assurance is sought on health & safety issues in accordance with guidance given in the Education Health and Safety manual in Section C "Working safely with Contractors".

2.18.4 Schools are invited to nominate suppliers for inclusion on the list for approved suppliers.

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<sup>13</sup> However, any section of the Authority's financial regulations and standing orders shall not apply if it requires schools:

- a. to seek LA officer countersignature for any contracts for good or services for a value below £60,000 in any one year;
- b. to select suppliers only from an approved list; Schools may nominate suppliers not currently included on the approved list
- c. to seek fewer than three tenders in respect of any contract with a value exceeding £25,000 in any one year
- d. to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive.

## **2.19 Application of contracts to schools**

- 2.19.1 Schools have the right to opt out of Authority arranged contracts except where the scheme provides otherwise.
- 2.19.2 Although school governing bodies are empowered, under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998, to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share.
- 2.19.3 Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations. This includes contracts made by aided or foundation schools for the employment of staff.

## **2.20 Central funds and specifically allocated funds**

- 2.20.1 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 schools' individual budget shares.
- 2.20.2 Such allocations, shall be subject to conditions setting out the purpose or purposes for which the funds may be used, and these conditions need not preclude virement (except where stated in the conditions of grant) but these allocations may not be assimilated into the school's budget share. Such funding does not form part of the school budget share and must be accounted for separately<sup>14</sup>.
- 2.20.3 Such allocations, for example, are sums for SEN and other initiatives funded from the central expenditure of a Authority's School Budget or other Authority budget. Such earmarked funding from centrally retained funds, may only be spent on the purposes for which it is given and may not be vired into the budget share.
- 2.20.4 The Authority may require that earmarked funds be returned to the Authority if not spent within any period stipulated by the Authority, or for the purposes intended.
- 2.20.5 Schools will be expected to certify proper application of specific and targeted funds, and submit a termly statement to the Authority as set in Annex G.
- 2.20.6 The Authority will not make any deduction, in respect of interest costs to the Authority, from payments to schools of devolved specific or special grant.
- 2.20.7 Schools will be subject to external audit inspection, to demonstrate that specifically allocated funding has been spent for the defined purpose.

## **2.21 Spending for the purposes of the school**

- 2.21.1 Governing bodies are free<sup>15</sup> to spend budget shares 'for the purposes of the school', subject to any provisions of this scheme.<sup>16</sup> By virtue of section 50(3A) (which came into force on 1<sup>st</sup> 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. These budget shares will be devolved to schools from the Authority's Individual Schools Budget (ISB) as determined under s.47 of the SSAF Act 1998.

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<sup>14</sup> The termly submission dates will be published by 31<sup>st</sup> May and will give due consideration to any delays in grant notification that are beyond a school's control. Schools using the Authority's Agresso will be advised as to the appropriate account codes to be used.

<sup>15</sup> In accordance with s.50(3) of the School Standards and Framework Act 1998 (the SSAF Act 1998)

<sup>16</sup> Amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) regulations 2004 (SI 2004/444). Extends prescribed purposes to apply to the governing bodies of maintained nursery schools.

2.21.2 Allocated funds, devolved to schools from budgets held outside of the Authority's ISB, must be spent in accordance with the rules specified in section 2.12

## **2.22 Capital spending from budget shares**

2.22.1 Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises<sup>17</sup>. Where the Authority owns the school premises, or the school has voluntary controlled status, then the governing body shall seek the consent of the Authority to the proposed capital project. Such consent can be withheld only on health & safety grounds.

2.22.2 If the expected capital expenditure from the budget share in any one year will exceed £15,000, the governing body must notify the Authority and take into account any advice from the Director responsible for Children and Young People as to the merits of the proposed expenditure.

2.22.3 All schools must notify the Authority of any capital spending from individual budget shares.

2.22.4 All schools are required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Education Health and safety Manual.

2.22.5 The above conditions ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health & safety legislation.

## **2.23 Notice of Concern**

2.23.1 The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Authority, the school has failed to comply with the provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

2.23.2 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 appropriate 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;
- Insisting on regular financial monitoring meetings at the school attended by local authority officers;
- Requiring a governing body to buy into the local 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.

2.23.3 The notice will clearly state what these requirements are, 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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<sup>17</sup> This includes expenditure by the governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

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

### **3.1 Frequency of instalments**

- 3.1.1 Budget share instalments will be made available to governing bodies on a monthly basis. The time and the manner of these payments, will be consistent for all schools unless a request for a specific payment date, is made prior to the start of the financial year. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.
- 3.1.2 Please also refer to Annex I (Page 51) regarding payment of contingency funds in specific circumstances relating to the number of Key Stage 1, or significant in-year growth in pupil numbers, or in circumstances relating to the amount of AEN need in a school compared to the formula funding
- 3.1.3 The Authority will adhere to section 50(2) of the SSAF Act 1998, with regard to the frequency of budget share payments. Any changes to payment dates will require both the Authority's and schools' approval.

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

- 3.2.1 The method to be used to calculate budget share instalments is set in Annex D (page 40).  
*Schools with bank accounts*
- 3.2.2 Instalments of the total budget share will be made available by payment into the school bank account via BACS
- 3.2.3 Governing bodies may request a specific payment date, other than that notified by the Authority prior to the start of the financial year (subject to interest claw-back conditions as set out in Annex E page 41).
- 3.2.4 The payment date once approved will be fixed for the financial year, and any subsequent changes must be requested at least three months prior to the start of the next financial year.  
*Schools without bank accounts*
- 3.2.5 Notional transfer of a school's total budget share, by instalment, will be made into school accounts within the Authority's On-Line Accounting System – Agresso.

### **3.3 Interest claw-back**

- 3.3.1 The Authority will 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 calculation of the deduction will take account of the frequency options offered by the scheme, is set out in Annex E.

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

- 3.4.1 The Authority will add interest to late payments of budget share instalments, where such late payment is the result of Authority error. The interest rate used will be that used for claw-back calculations.

### **3.5 Budget shares for closing schools**

- 3.5.1 Budget shares of schools that are closing may be made available until closure, on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

- 3.5.2 The Authority will notify the governing body of any closing school of this action before implementing such a change.

### **3.6 Bank and building society accounts**

- 3.6.1 All schools may, subject to the discretion afforded to the Head of Finance as specified in section 17 of the Authority's financial regulations, have their own external bank account into which their budget share is paid.
- 3.6.2 Schools with approved bank accounts will be allowed to retain all interest payable on the account, unless they choose to have an account within an Authority contract that makes other provision. The school will meet any charges or interest suffered on independent accounts.<sup>18</sup>
- 3.6.3 New bank account arrangements will commence at the beginning of each financial year, and for new/changes of bank accounts a minimum of four calendar months notice is required.
- 3.6.4 Schools without bank accounts at the start of the scheme will not be allowed to open such accounts until any deficit balance being carried is cleared.
- 3.6.5 If a school opens an external bank account the Authority must, if the school desires, transfer immediately to the account an amount agreed by both school and Authority as the estimated surplus held by the Authority in respect of the school's budget share. This agreement is made on the basis that there is then a subsequent correction when accounts for the relevant year are closed.
- 3.6.6 Similarly, if a school with an external bank account chooses to revert to the Authority's banking arrangements then budget share BACS payments will cease as at 31<sup>st</sup> March. A transfer of the estimated surplus held by the school must then be paid to the Authority, if specified by the Authority, until such time the school's final accounts are certified and the external account closed.
- 3.6.7 Where schools choose to open an account, or change the banking institution used, approval must be sought from the S151 Officer. The new banking institution must be selected from the approved list of banks and building societies available on request from the Authority's Corporate Finance team.

### **3.7 Restrictions on accounts**

- 3.7.1 Schools having bank accounts with other banks prior to 1<sup>st</sup> April 2001 will be allowed to retain these accounts, where an existing account is held at a bank that is not on the Authority's approved lending list, the school should contact Corporate Finance for consideration and advice.
- 3.7.2 Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.
- 3.7.3 Schools may nominate banks or building societies not on the approved list and their inclusion will be subject to the approval of the S151 Officer.
- 3.7.4 Schools are allowed to have accounts for budget share purposes that are in the name of the school rather than the Authority; but the Authority can continue to have arrangements negotiated with banks whereby the accounts are in the name of the Authority but specific to each school.
- 3.7.5 Where a school has an account in its own name, the Authority may request a mandate that entitles the Authority to receive statements, has a provision that states that the

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<sup>18</sup> Schools opting to use the Local Authority Bank Account can take advantage of the Local Authority School Investment Scheme referred to in paragraph 4.3 of the Scheme

Authority is the owner of funds in the account, and allows the Authority to take control of the account if the school's right to a delegated budget is suspended by the Authority.

- 3.7.6 Cheques drawn on the Authority's banking account shall bear the facsimile signature of the Head of Finance or be signed by him/her or such other senior member of staff as he/she may from time to time designate in writing.
- 3.7.7 Where schools operate their own bank accounts, the governing body must ensure that appropriate cheque signatory arrangements are in place. Procedures for giving the school's bankers instructions should be clearly defined. These should include arrangements for standing orders, direct debits and transfers between accounts.
- 3.7.8 Budget share funds paid by the Authority and held in school accounts remains the property of the Authority until spent.<sup>19</sup>

### **3.8 Borrowing by schools**

- 3.8.1 Governing bodies may borrow money only with the written permission of the Secretary of State<sup>20</sup>. Schools may not use credit cards as these are regarded as borrowing; however schools are encouraged to use procurement cards as these can be a useful means of facilitating electronic purchases.

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<sup>19</sup> As specified by s.49(5) of the SSAF Act 1998

<sup>20</sup> This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, 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 LA when repaying loans.

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

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

- 4.1.1 Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.
- 4.1.2 For any school choosing to set up its own bank account from 1<sup>st</sup> April, both the school and the Authority will agree a provisional projected outturn balance that will be paid over to the new account no later than the last working day of the first week in April. When the financial accounts have been reconciled and closed for the previous financial year, any residual balance either due to or from the new account will be transferred no later than the last working day of the first week in June.

### **4.2 Reporting on and the control of the use of surplus balances**

- 4.2.1 In order to allow the Authority to monitor excessive balances, governing bodies are required to report to the Authority on the use that the school intends to make of surplus balances. The use of balances should form part of school's approved budget plans, and should be matched to educational priorities set out in the school's development plan. A statement of the intended use of balances must be submitted to the Authority, along with the initial budget plan, as set out in paragraph 2.3 of the Scheme. Schools should also provide the Authority with a statement in the autumn term that demonstrates what progress has been made to reduce or commit surplus balances (paragraph 2.1.2).
- 4.2.2 Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1<sup>st</sup> April 2007:
- a) The authority shall calculate by 31<sup>st</sup> May each year the surplus balance, if any, held by each school as at the preceding 31<sup>st</sup> 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 commitment to pay from the surplus balance and any unspent ring fenced grant for the previous financial year;
  - c) The authority shall then deduct from the resulting sum any amounts which the governing body of the schools 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 allow changes in planned assignment, where appropriate. Such formal approval (which will not automatically be granted) will be retained on file and if a school fails to follow through on the revised plans by the time that the next year's survey is undertaken, then unless there are exceptional circumstances, no further change of plans will be accepted.
  - d) If the results of steps a) to c) is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £20,000 (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.
- 4.2.3 For the purposes of the balances survey:
- a) Assigning revenue balances to capital projects is only acceptable, if any accumulated capital balance, together with the allocation in the new financial year, has already been allocated to the project and the revenue balance is necessary to make up the shortfall.

- b) Pupil Premium Grant and Additional Grants for Schools and non ring-fenced funds are not considered to form part of the year end balance, i.e. are considered to have been spent within the financial year.

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

- 4.2.4 Funds held in relation to a school's exercise of powers under s.27 for 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.
- 4.2.5 If a decision is made to deduct excess balances from a school, the school has the right to appeal to a panel, consisting of three members of the Schools Forum. No member of the panel will have a connection (e.g. as a governor, member of staff or parent) to any of the schools appealing. The decision of the appeals panel is final.
- 4.2.6 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**

- 4.3.1 Schools, which do not operate their own bank accounts, will not attract interest on over or under spending throughout the year.
- 4.3.2 It is acknowledged, however, that there will be occasions when schools wish to set aside sums to meet significant future costs which cannot be contained within a single year's budget.
- 4.3.3 Where such an item is identified by a governing body and their decision notified to the Authority at a date to be confirmed within the closedown process, the funding identified will be moved at the schools direction into the schools investment account and interest would be payable from 1 April of the next year and continue until the sum is removed from the investment account. Interest would be payable at the local authority seven day rate and would be applied to sums of no less than 1% of the school's annual budget or £1,000 for primary/nursery or special schools and £5,000 for secondary schools, whichever is the lower.<sup>21</sup>

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

- 4.4.1 Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

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

- 4.5.1 Schools may only plan for a deficit budget if approved in advance as part of the school's budget plan by the Assistant Director Education & Skills. The school will be required to demonstrate, via an approved three-year budget plan, how the planned deficit will be eliminated. The approved plan should be signed by the governing body and the Assistant Director and reviewed in the autumn term as part of the school's financial monitoring requirements. Any planned deficit must comply with the terms of paragraph 4.9 below.

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

- 4.6.1 The Authority may charge interest on any unauthorised deficit balance, except for those schools operating their own bank accounts. Interest will be determined in accordance with

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<sup>21</sup> The Authority's Investment scheme is only available to schools using the Authority's own bank account. Interest on deposits will be adjusted if the school's revenue balance falls into deficit during the financial year.

the local authority seven-day rate and be calculated on the deficit balance accruing at the end of the financial year.

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

4.7.1 The Authority has no power to write off the deficit balance of any school.

4.7.2 If the authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum).

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

4.8.1 When a school closes any balance (whether surplus or deficit) shall revert 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 or deficit transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

#### **4.9 Licensed deficits**

4.9.1 For schools without bank accounts any planned deficits will be offset against the collective surplus of school balances held by the Authority. No borrowing facility will be available to schools to manage any deficit balance. Plans to eliminate the deficit must however be approved as stated in paragraph 4.5.

4.9.2 For schools with bank accounts the Authority will not offer a borrowing facility unless specifically requested prior to the start of a financial year.

4.9.3 If a school feels that it is necessary to set a deficit budget it must contact the Authority for approval:-

- a) A licensed deficit will not normally exceed 3 financial years before returning to a balanced position. In order to return to a balanced position a three year plan will be put in place.
- b) The three year plan will provide detailed budgets for the period covered, highlighting the reasons/purpose for the proposed deficit.
- c) The Authority may specify a maximum level at which a deficit may be set. (£75,000 or 5% of ISB, whichever is the highest)
- d) The Authority may only support deficit balances up to a value of 40% of the collective balances held by the Authority.
- e) Licensed deficits will be agreed subject to approval by the Assistant Director Education & Skills.

4.9.4 Under a licensed deficit scheme the only effect on budget and out-turn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this deficit reduces to zero by the end of the repayment period because the school has to constrain its expenditure to effect the repayment. No 'payment' to the school is recorded.

## **SECTION 5: INCOME**

Schools shall be able to retain income except in certain specified circumstances;

### **5.1 Income from lettings**

- 5.1.1 Schools may retain income from lettings of the school premises that would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or Private Finance Initiative (PFI) agreements.
- 5.1.2 Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement and there is no net cost to the budget share. However, schools shall be required to have regard to directions issued by the Authority as to the use of school premises<sup>22</sup>, as permitted under the Schools Standards & Framework Act 1998 for various categories of schools.
- 5.1.3 Income from lettings of school premises may not be paid into voluntary or private funds as directed under section 15.3 of the Financial Regulations for Schools with delegated budgets.

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

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

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

- 5.3.1 Schools may retain income from fund-raising activities. In most cases fund-raising should be administered through a Private School Fund. No costs should be incurred by the schools budget as a result of such activities.

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

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

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

- 5.5.1 Schools are responsible for establishing appropriate administrative procedures for the collection of income. Such procedures must correctly account for VAT arising from the income. VAT procedures and guidance are available from the Corporate Finance Division.

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

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

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<sup>22</sup> Guidance regarding lettings and the use of school premises is available from the Capital and Facilities team.

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

### **6.1 General provision**

- 6.1.1 The budget share of a school may be charged by the Authority without the consent of the governing body only in circumstances set out in 6.2 below.
- 6.1.2 The Authority shall consult a school as to the intention to so charge, and shall notify a school when it has been done.
- 6.1.3 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 s.496 of the Education Act 1996.
- 6.1.4 The Authority will only impose charges where it can be shown that it has a statutory interest and has incurred expenditure which should now be met by the Schools Budget share.
- 6.1.5 The Authority shall make arrangements for a disputes procedure where such charges are questioned.
- 6.1.6 The Authority will charge the salaries of school based staff to school budget shares at actual cost.
- 6.1.7 The Authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the School Forum.

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

- 6.2.1 Charges to maintained schools will be made by the Authority under the following circumstances;
- 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.
  - 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 is 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.
  - 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, and the result is that monies are owed by the school to the Authority.

- h) Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions Agency, the Environment Agency or regulatory authorities as a result of school negligence.
- i) Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions).
- j) Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- k) Legal costs that 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 has 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 provision despite the delegation of funds in respect of that statement.
- p) costs incurred by the Authority due to the submission by the school of incorrect data.
- q) Recovery of amounts spent from specific grants for 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.

## **SECTION 7: TAXATION**

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

- 7.1.1 Schools with their own bank accounts must submit a VAT return (and documentation, as described in Annex F, (page 42) to the Authority within seven working days of the month end. The Authority will reclaim/pay VAT on the schools behalf. Reimbursement/payment will be made to schools using their own Bank Accounts following receipt/payment to/from HM Customs and Excise in the following months by cheque.<sup>23</sup>
- 7.1.2 Schools will be liable for the costs, including any penalties and interest charged for incorrect tax treatment. Schools must ensure that their private school funds correctly account for VAT if appropriate.<sup>24</sup>
- 7.1.3 Guidance for schools when dealing with Value Added Tax (VAT) can be obtained from the Corporate Finance Team.

### **7.2 Construction Industry Scheme (CIS)**

- 7.2.1 Schools maintained by the Authority are exempt from CIS and do not have to operate the scheme providing the contract is with the school/school governors i.e. the services are ordered by the school. If however; the Authority procures the works then all contracts exceeding £1,000 must be included in the scheme with tax deducted as necessary. The Authority can only make payments to CIS contractors once they have been verified with HM Revenue & Customs and their tax status has been determined.

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<sup>23</sup> This information will be collected automatically for those schools which subscribe to the Authority's Financial Management Processes Package identified in the Services for Schools Booklet

<sup>24</sup> For those schools subscribing to the Authority's Financial Management Processes Package advice and support will be available.

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

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

- 8.1.1 The Authority shall determine on what basis services from centrally retained funds will be provided to schools. This will include existing premature retirement costs and redundancy payments that may not ordinarily be considered as services.
- 8.1.2 The Authority is debarred from discriminating in its provision of services on the basis of categories of schools except where;
- a) funding has been delegated to some schools only,
  - b) such discrimination is justified by differences in statutory duties.

### **8.2 Timescales for the provision of services bought back from the Authority using delegated budgets**

- 8.2.1 The term of any arrangement with a school, starting on or after 1 April 1999, to buy services or facilities from the Authority shall be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. These periods may be extended to five and seven years respectively for contracts for supply of catering services.
- 8.2.2 When a service is provided for schools for which expenditure is not retainable centrally by the Authority<sup>25</sup>, it must be offered at prices which are intended to generate income that 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.

### **8.3 Packaging**

- 8.3.1 Any service that the Authority provides on a buy-back basis will be offered in a way that does not unreasonably restrict schools' freedom of choice among the services available.
- 8.3.2 The Authority will offer packages of services to schools where agreed and will consider individual agreements with schools where necessary.

### **8.4 Service statements**

- 8.4.1 The Authority will ensure that service level agreements are in place by the end of February prior to implementation in the forthcoming financial year, and that schools will be given until the last working day in March to consider the terms of the agreement.
- 8.4.2 Service statements should be read in conjunction with the Directory of Services for Schools, which sets out for each service:
- Statutory duties; for which funding is retained
  - Entitlement duties; services for which budgets are delegated and to which schools are entitled in return for published buyback fees
  - Additional duties; irregular or ad-hoc services provided above the entitlement level and for which schools would be expected to pay an additional fee. Schools may be able to negotiate individual service specifications with service managers.

### **8.5 Teachers Pensions**

- 8.5.1 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

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<sup>25</sup> As directed by regulations made under section 46 of the Act

conditions are imposed on the authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

- 8.5.2 The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the authority to provide payroll services.
- 8.5.3 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.
- 8.5.4 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**

- 9.1 The Authority shall have the power to issue regulations from time to time relating to Private Finance Initiative (PFI)/Public Private Partnership (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.
- 9.2 The authority is empowered to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.
- 9.3 In the absence of an agreement on charging the school for PFI service provision the authority may, at its discretion, charge the school's delegated budget to reflect changes to service provision under a PFI arrangement.

## **SECTION 10: INSURANCE**

- 10.1 The budget for insurance is delegated to schools. This enables all schools to buy insurance outside the Authority but the Authority will require the school to demonstrate that cover relevant to the Authority's insurable interests is at least as good as the relevant minimum cover arranged by the Authority. Please contact the Authority's Risk and Insurance Manager for advice and guidance.
- 10.2 The Authority will have regard to the actual risks that might reasonably be expected to arise at the school in question in operating such an arrangement, rather than applying an arbitrary minimum level of cover for all schools.
- 10.3 The Authority will review and publish annually the insurance arrangements made by the Authority on behalf of schools. This guidance will set out arrangements under which foundation and voluntary aided schools may purchase insurance via the Authority.

## **SECTION 11: MISCELLANEOUS**

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

- 11.1 Governing bodies shall supply to the Authority all financial and other information which might reasonably be required to enable the LA to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. specifically allocated funds) at the school.<sup>26</sup>
- 11.2 Headteachers are responsible for the security of all information within their school and must conform to the requirements of the Data Protection Act 1998.
- 11.3 The Financial Regulations for Schools with Delegated Budgets sets out the requirements with regard to information held at schools.

### **11.2 Liability of governors**

- 11.2.1 Because the governing body is a corporate body<sup>27</sup>, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.
- 11.2.2 An example of behaviour that is not in good faith is the carrying out of fraudulent acts.

### **11.3 Governors' expenses**

- 11.3.1 The Authority shall have the power to allocate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. These will be determined by the Authority and not the governing body.
- 11.3.2 Only allowances in respect of purposes specified in regulations<sup>28</sup> may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.
- 11.3.3 Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

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

- 11.4.1 Legal costs incurred by the governing body, although the responsibility of the Authority as part of the cost of maintaining the school - unless they relate to the statutory responsibility of aided school governors for buildings - may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority (refer to section 6)<sup>29</sup>.
- 11.4.2 The costs referred to are those of legal actions, including those awarded against an Authority, not the cost of legal advice provided.
- 11.4.3 In the event of a conflict of interest arising in any matter upon which a Governing Body is seeking legal advice from the Authority, then the Authority will inform the Governing Body of the existence of a conflict of interest, and will cease to provide the legal advice in that matter. The Governing Body should then seek separate legal advice from an independent source of its choice.

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<sup>26</sup> Annex H page 41 sets out the financial returns that schools are required to submit to the LA

<sup>27</sup> and because of the terms of s.50(7) of the SSAF Act 1998

<sup>28</sup> Refer to schedule 11 of the SSAF Act 1998,

<sup>29</sup> The Authority will set out the legal advice offered to schools within the Services for Schools booklet

## **11.5 Health and Safety**

- 11.5.1 Governing bodies are required to have due regard to duties placed on the Authority in relation to health and safety<sup>30</sup>, and the Authority's policy on health and safety matters in the management of the budget share.
- 11.5.2 The Authority's Health & Safety policy is set out in the Education Health and Safety manual.

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

- 11.6.1 Governing bodies are required to permit the S151 Officer or his/her nominated officer to attend meetings of the governing body at which any agenda items relevant to the exercise of her or his responsibilities are to be considered.
- 11.6.2 The attendance of the S151 Officer shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine. The Authority will give prior notice to schools of such attendance unless this is impracticable.

## **11.7 Special Educational Needs**

- 11.7.1 The Authority requires schools in receipt of delegated and/or earmarked allocations to provide support to pupils with statements of special educational need (SEN) to apply spending for such purposes. The Authority may suspend financial delegation from school governing bodies refusing to apply funding for such purposes.

## **11.8 Redeployment protection**

- 11.8.1 The Authority will operate a redeployment protection scheme, as a retained function, to provide financial support for the relocation of staff where approved by the Authority.
- 11.8.2 The entitlement of each individual teacher is prescribed by the School Teachers' Pay and Conditions Document. Non-teaching staff receive protection from relevant local agreements. In cases of redeployment the Authority will pay travelling or relocation expenses as detailed in the current local agreement.
- 11.8.3 In all cases where a protected salary arises prior to the implementation of the scheme the costs will be met by the school.
- 11.8.4 In those cases where a school has closed, or a member of staff has been redeployed or affected by statutory re-organisation after the start of the scheme, the Authority will pay the difference between the substantive and protected salary if the latter is outside the school's staffing structure.
- 11.8.5 As members of staff leave it will be expected that the receiving school will make every effort to absorb the costs of safeguarding within their normal structures, at which point safeguarding will cease. The Authority's protection of schools' budgets from the effect of safeguarding will cease with the end of safeguarding for the individual, or after 4 years from the start of the period of protection, whichever is the sooner.

## **11.9 Whistle-blowing**

- 11.9.1 The Authority has a corporate Confidential Reporting Policy which aims to:
- Provide avenues for employees, Members and Governors to raise concerns and receive feedback on any action taken;
  - Allows employees, Members and Governors to take the matter further if they are dissatisfied with the Authority's response; and

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<sup>30</sup> The LA may issue directions under s.39(3) of the Act to the governing body and headteacher of a community, community special or voluntary controlled school on health & safety matters

- Reassure employees, Members and Governors that they will be protected from reprisals or victimisation for confidential reporting in good faith.
- 11.9.2 There are existing procedures in place to enable employees to lodge a grievance relating to their employment. The Confidential Reporting policy is intended to cover concerns that fall outside the scope of other procedures.
- 11.9.3 Concerns must be raised when members, employees or governors reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- A criminal offence
  - A failure to comply with a statutory or legal obligation
  - Improper unauthorised use of public funds or other funds
  - A miscarriage of justice
  - Maladministration, misconduct or malpractice
  - Endangering of an individual's health and safety
  - Damage to the environment
  - Deliberate concealment of any of the above
- 11.9.4 Examples of concerns about malpractice may include possible fraud and corruption, financial irregularities, dangerous procedures risking health and safety, abuse of clients/pupils, evasion of statutory responsibilities, damage to the environment or other unethical conduct. The overriding concern should be that it would be in the public interest for malpractice to be corrected and, if appropriate, sanctions applied.
- 11.9.5 Employees concerns should be raised within the Authority with either:-
- a) Supervisor or Business Manager
  - b) Head of Establishment or Headteacher
  - c) The Audit Services Manager
  - d) The Corporate Director or the Chief Executive or the Authority's Monitoring Officer
  - e) External Auditor, who depending on the nature of the concern will liaise with the Audit Services Manager.
  - f) Trade Union representative
- 11.9.6 For Members and School Governors concerns must be raised with the S151 Officer or Corporate Director: Children & Young People, the Audit Services Manager or the Chief Executive.<sup>31</sup>

## **11.10 Child Protection**

- 11.10.1 The Authority recognises the need from time to time to release staff to attend child protection case conferences and other related events. In such cases the headteacher should contact the Education Personnel Manager who will offer advice and cover any payments made from the school budget share to help meet associated costs.

## **11.11 Ex-gratia Payments**

- 11.11.1 In the event of an uninsured loss or damage to personal property, school employees may wish to make a claim against the Authority. Details of the Authority's ex-gratia payment scheme can be obtained from the Capital and Facilities Unit.

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<sup>31</sup> Advice is available from Education Personnel and the full policy is available on the intranet.

## **11.12 Permanently Excluded Pupils**

- 11.12.1 In the event of a pupil being permanently excluded the Authority makes an AWPU deduction and an additional pupil retention charge for each exclusion during the course of a financial year. Details can be found in Annex J to the Scheme.

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

- 12.1 The scheme should include a statement showing the categories of work which governing bodies must expect to finance from their budget.
- 12.2 Authorities should delegate funding for repairs and maintenance to schools. Only capital expenditure is to be retained by authorities. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. Schemes should state any de minimis limit the authority intends to use for the definition of capital and revenue in assigning responsibility for types of work. Where authorities do use de minimis limits for what expenditure is treated as capital and what is revenue in their financial accounts, the same de minimis limits should be used in defining what is delegated.
- 12.3 For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by DfE to categorise such work, not the de minimis limit used by the authority.

## **SECTION 13: COMMUNITY FACILITIES**

### **13.1 Introduction**

- 13.1.1 Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its Authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.
- 13.1.2 However, under s.28(1), the main limitations and restrictions on the power will be
- a) those contained in schools' own instruments of government, if any; and
  - b) in the maintaining Authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of governing bodies to provide community facilities.
- 13.1.3 Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share.
- 13.1.4 Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.
- 13.1.5 The Authority may suspend a school's right to a delegated budget if:-
- a) A funding agreement relating to community facilities is entered into with a third party against the advice of the Authority which is subsequently considered by the Authority to be prejudicial to the interests of the school or the Authority.
  - b) There is evidence of the mismanagement of funds received for community facilities.
- 13.1.6 This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

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

- 13.2.1 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the Authority, and have regard to advice given to them by the Authority.
- 13.2.2 Schools are required to seek Authority advice in connection with the setting up and ongoing running of community facilities. The contact for such advice is the Finance Team Leader responsible for schools who shall provide an initial response within 2 weeks of a request for advice. No charge will be made by the Authority for this advice.

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

- 13.3.1 Funding agreements entered into between a school and a third party must also be submitted to the Authority at least one month before the agreement comes into affect. This will enable the Authority to comment on the details of the agreement. Agreements made without consultation with the Authority which are considered to be prejudicial to the interests of the school or the Authority, may constitute grounds for the suspension of the right to a delegated budget (Schedule 3 of the Education Act 2002).

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

- 13.4.1 In specific instances the Authority may require the governing body of a school to make arrangements to protect the financial interests of the school. This may include carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question as specified by the Authority.

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

- 13.5.1 Schools which exercise the community facilities power shall 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.
- 13.5.2 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, it may require such financial statements to be supplied every three months and, if the Authority sees fit, to require the submission of a recovery plan for the activity in question.
- 13.5.3 Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework.

### **13.6 Audit**

- 13.6.1 Schools are required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.
- 13.6.2 Schools, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, 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**

- 13.7.1 Schools shall retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person.
- 13.7.2 Schools are permitted to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.
- 13.7.3 If the Authority ceases to maintain any community or community special school, any accumulated retained income obtained from exercise of the community power reverts to the Authority unless otherwise agreed with a funding provider.

### **13.8 Health and Safety Matters**

- 13.8.1 Health and Safety issues within this scheme apply equally to activities undertaken within the community facilities power.
- 13.8.2 The governing body are responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.9 Insurance**

- 13.9.1 It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. Schools are required to seek the Authority's advice before finalising any insurance arrangement for community facilities.
- 13.9.2 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.
- 13.9.3 The Authority reserves the right to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

### **13.10 Taxation**

- 13.10.1 Schools should seek the advice of the Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the local authority VAT reclaim facility.
- 13.10.2 Schools are reminded that if any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not – see section 13.11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.
- 13.10.3 Schools are required to follow Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

### **13.11 Banking**

- 13.11.1 Schools operating their own bank account should either maintain separate bank accounts for budget share and community facilities, or have one account but with adequate internal accounting controls to maintain separation of funds.
- 13.11.2 Schools operating accounts through the Authority will be required to set up accounts in such a way that provides adequate separation of such funds from the school budget share and other Authority funds.
- 13.11.3 Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the Authority.

## **ANNEX A: LIST OF SCHOOLS TO WHICH THIS SCHEME APPLIES**

Admaston PRU	Muxton Primary School
Apley Wood Primary School	Newdale Primary School
Aqueduct Primary School	Newport Church of England Voluntary Controlled Junior School
Blessed Robert Johnson Catholic College	Newport Infant School
Captain Webb Primary School	Old Park
Charlton School	Queenswood Primary School and Nursery
Church Aston Infant School	Randlay Primary School
Coalbrookdale and Ironbridge C E (Voluntary Aided) Primary School	Redhill Primary School
Crudgington Primary School	Saints Peter and Paul Catholic Primary School
Dawley Church of England Primary School with Nursery	Short Wood Primary School
Donnington Wood Church of England Voluntary Controlled Junior School	Sir Alexander Fleming Primary School
Donnington Wood Infant School and Nursery Centre	Southall Special School
Dothill Primary	St George's Church of England Primary School (Controlled)
Ercall Wood Technology College	St Lawrence Church of England Voluntary Controlled Primary School
Grange Park Primary	St Luke's Catholic Primary School
Haughton Special School	St Mary's Catholic Primary School
High Ercall Primary School	St Matthew's Church of England Primary School
HLC Primary School	St Patrick's Catholic Primary School
HLC Secondary School	St Peter's Church of England (Controlled) Primary School
Hollinswood Primary School	St Peter's Church of England (Controlled) Primary School, Bratton
Holmer Lake Primary School	Teagues Bridge Primary School
John Fletcher of Madeley Primary School	The Bridge Special School
John Randall Primary School	The Burton Borough School
King Street PRU	The Phoenix School
Ladygrove Primary School	Tibberton Church of England School
Lawley Primary School	William Reynolds Junior School
Lightmoor Primary	Windmill Primary School
Lilleshall Primary School	Wombridge Primary School
Meadows Primary School	Woodlands Primary School
Millbrook Primary School	Wrekin View Primary School
Moorfield School	Wrockwardine Wood Church of England Junior School
Mount Gilbert Special School	Wrockwardine Wood Infant School and Nursery

## 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, the central Schools Budget or the local authority's non-schools budget.

Section 37 of the 2002 Education Act says:

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

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

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

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

#### *Charge of dismissal/resignation costs to delegated school budget*

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

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

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

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

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

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

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

*(7) Where a local education authority incur costs—*

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

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

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

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

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

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

## **ANNEX C: APPLICATION OF SCHEMES FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER**

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

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

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

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.

## **ANNEX D: PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT**

### **Schools with Bank Accounts**

The Authority will use a standard profile of one twelfth of the total school budget share per month except in April and March. In April an extra payment will be made on the first working day of the month equivalent to 1/36 of the total school budget share. A corresponding reduction will be made to the March payment

It is assumed that pay costs are equal throughout the year for the purpose of calculating instalments due.

Instalments will be made net of pay costs where a school opts to purchase the Authority's Payroll Service.

Payment will be made on the day prior to the last working day of each calendar month.<sup>32</sup>

### **Schools Using Local Authority Bank Account**

The Authority will use a standard profile of twelve equal instalments notionally transferred into the school account on Agresso.

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<sup>32</sup> Schools may for administrative convenience opt to receive instalments on one date in the month i.e. 15<sup>th</sup> with interest being charged on the sum paid.

**ANNEX E: INTEREST CLAWBACK PROVISIONS**

Interest will be charged on the amount of the instalment at Base Rate plus 1% calculated on a daily basis.

The number of days of charge will be the difference between the date opted for payment and the date the payment would be due under the standard conditions of the scheme, set out in Annex D.

**ANNEX F: EXAMPLE OF SCHOOL VALUE ADDED TAX (VAT) RETURN**

**SCHOOLS' VAT RETURN .....School**

**For the period 1-30 April 201x**

**Period 0x/0y**

**Final date for return to Corporate Finance Division,  
Telford and Wrekin Council**

**7 May 201x**

		£	P
VAT due in this period on sales and other outputs	<b>1</b>		
VAT due in this period on acquisitions from other EC Member States	<b>2</b>		
Total VAT due (the sum of boxes 1 and 2)	<b>3</b>		
VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	<b>4</b>		
Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	<b>5</b>		
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.	<b>6</b>		
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.	<b>7</b>		
Total value of all supplies of goods and related services, excluding any VAT, to other EC Member states	<b>8</b>		
Total value of all acquisitions of goods and related services, excluding any VAT, from other EC Member States	<b>9</b>		

**DECLARATION**

**I ..... declare that the information given above is true and complete.**

**Date.....**

**Notes**

**Box 2.** Show the VAT due (but not paid) on all goods and related services you acquired in this period from other EC Member States. By quoting the Authority's VAT number, 162 3321 00, on your order a trader from another EC Member State will be able to zero rate his supply to the school. To complete this box you will need to calculate the VAT (at 20%) on the cost of such supplies.

**Box 4.** In addition to your normal tax you should also include the figure you calculated for inclusion in box 2.

If you have any questions on the completion of this form please contact Corporate Finance.

## ANNEX G: SCHOOLS FINANCIAL RETURNS

All Telford & Wrekin schools are required to produce summary financial returns, authorised by two signatories, one of which should be the governor with the most financial responsibility (this will normally be the Chair of the finance or similar committee with responsibility for finance), for LA inspection<sup>33</sup>

Schools should adopt the Consistent Financial Reporting (CFR) Framework when submitting information to the Authority and DFE, as set out in the School Finance Pack 'Promoting benchmarking and accountability in schools' issued by the DFE (November 2001 DCSF 0777/20001)

### Format for a Schools Revenue Budget Statement<sup>34</sup>

Revenue Budget Statement of (School Name) for Year Ended 31 <sup>st</sup> March 201X		
Expenditure	CFR Reference	£k
Teaching Staff Salaries	E01 – E02, E26	
Education Support Staff Salaries	E03	
Support Staff Salaries	E04 – E07	
Non-Pay Staff Related Costs	E08 – E11	
Premises and Site Costs	E12 – E18, E23	
Learning Resource Costs	E19 – E21, E27	
Other Supplies & Services	E22, E24 - E25, E28, E29	
<b>Total Expenditure</b>		
<b>Income</b>		
Funds Delegated by LA	I01	
Specific Central Funds	I02 – I07	
Other Receipts	I08 – I12	
Donations and Private Funds	I13	
<b>Total Income</b>		
<b>Surplus/(Deficit) year ended 31/03/1X</b>		

Analysis of Unspent Balances	CFR Reference	£k
Balance brought forward		
Surplus/(Deficit) year ended 31/03/1X		
Budgeted carry forward		
% of budget allocation		

<sup>33</sup> Schools subscribing to the Financial Advice and Support package offered through the Directory of Services to School booklet will be entitled to support in preparing these statements.

<sup>34</sup> Minimum requirement

### Plans for Spending Budget Surplus<sup>35</sup>

Planned Commitment / Description of work	School Development Plan Priority No.	Total Estimated Cost £k	2010/11 Estimated Cost £k	2011/12 Estimated Cost £k
1.				
2.				
3.				
4.				

Approved by the governing body on (insert date) and signed on its behalf by <sup>36</sup>

.....  
(Signed) (Insert name in capitals) **Chair of Governing Body<sup>37</sup>**

.....  
(Signed) (Insert name in capitals) **Headteacher**

Separate budgets may be established for activities funded from standards fund (revenue only) and capital (including standards fund capital).

### Format for a Schools Capital Budget (Programme) Statement<sup>38</sup>

Capital Programme Statement of (School Name) for year Ended 31 <sup>st</sup> March 201X		
Expenditure	CFR Reference	£k
Acquisition of Land & Existing Buildings	CE01	
New Construction, conversion, and renovation	CE02	
Vehicles, plant, equipment and machinery	CE03	
Information and communications technology (ICT)	CE04	
<b>Total Expenditure</b>		
<b>Income</b>		
Capital Income	CI01	
Loans	CI02	
Private Income	CI03	
Direct Revenue Financing (Revenue contribution to Capital)	CI04	

<sup>35</sup> The Authority has a duty to satisfy itself that funds delegated to schools are being managed properly without imposing unnecessary bureaucratic burden upon schools in so doing. To enable the LA to satisfy this requirement, schools are requested to include a statement setting out how they intend to spend any surplus balance, where that balance exceeds 5% of their budget allocation (secondary schools) or 8% (all other schools). A suggested format is shown.

<sup>36</sup> The school budget statement should be accompanied by a statement setting out what steps they will be taking to ensure that expenditure reflects the principles of the best value regime, schools should refer to the relevant section of the Scheme for Financing Schools

<sup>37</sup> An alternative governor, such as Chair of Finance sub committee, may authorise the return

<sup>38</sup> Minimum requirement

<b>Total Income</b>		
<b>Surplus/(Deficit) for the year ended 31/03/1X</b>		

<b>Analysis of Unspent Balances</b>	<b>CFR Reference</b>	<b>£k</b>
Balance brought forward		
Surplus/(Deficit) for the year ended 31/03/1X		
Budgeted carry forward		
% of budget allocation		

**Format for a Schools Income and Expenditure Account (Final Account)<sup>39</sup>**

Income & Expenditure Statement of (School Name) For Year Ended 31 <sup>st</sup> March 201X		
<b>Expenditure</b>	<b>CFR Reference</b>	<b>£k</b>
Teaching Staff Salaries	E01 – E02, E26	
Education Support Staff Salaries	E03	
Support Staff Salaries	E04 – E07	
Non-Pay Staff Related Costs	E08 – E11	
Premises and Site Costs	E12 – E18, E23	
Learning Resource Costs	E19 – E21, E27	
Other Supplies & Services	E22, E24 - E25, E28, E29	
<b>Total Expenditure</b>		
<b>Income</b>		
Funds Delegated by LA	I01	
Specific Central Funds	I02 – I07	
Other Receipts	I08 – I12	
Donations and Private Funds	I13	
<b>Total Income</b>		
<b>Surplus/(Deficit) for the year ended 31/03/1X</b>		

<b>Analysis of Unspent Balances</b>	<b>CFR Reference</b>	<b>£k</b>
Balance brought forward		
Surplus/(Deficit) for the year ended 31/03/1X		
Budgeted carry forward		
% of budget allocation		

<sup>39</sup> Minimum requirement

## Format for a Schools Balance Sheet

<b>School Balance Sheet</b>		
<b>Description</b>	<b>2012/13 £K</b>	<b>2013/14 £K</b>
Current Assets <sup>40</sup>		
School Investments (Note 1)	20	40
Cash at Bank (Note 2)	25	25
Total Current Assets (Note 3)	45	65
Current Liabilities		
Overdraft at Bank	0	0
Net Current Assets	45	65
Represented By:		
General Purposes Fund	45	65

**Net increase (+) /decrease (-) in financial year 2013/14 (Note 4)**

**£20k-**

### Notes to Balance Sheet

1. Balances held in Local Authority or School investment account.
2. Surplus revenue balances held in local authority or school current account
3. Deficit revenue balances held in Local Authority or school current account
4. Net over/under spend on school revenue account for financial year 2013/14

### Represented By:

- Standards Fund
- Other Revenue Balances
- Devolved Formula Capital Balances
- Other Standards Fund

For the year ended 31<sup>st</sup> March 201x schools will be required to prepare and publish the following items:

- ❖ An Income and Expenditure Statement for the year ended 31<sup>st</sup> March 201x based on the DFE CFR framework (see above)
- ❖ A Controls Assurance Statement giving stakeholders assurance that funds delegated to, donated to, raised for or entrusted by any other means to the school were properly controlled in the year to 31<sup>st</sup> March 201x

## Format for a Schools Revenue Budget Monitoring Statement<sup>41</sup>

Revenue Budget Monitoring Statement of (School Name) for Year Ended 31 <sup>st</sup> March 201X (Term: Autumn/Spring/Summer) <sup>42</sup>				
<b>Expenditure</b>	<b>CFR Ref.</b>	<b>Annual Budget £k</b>	<b>Projected Spend £k</b>	<b>Variance £k</b>
Teaching Staff Salaries	E01 – E02, E26			
Education Support Staff Salaries	E03			
Support Staff Salaries	E04 – E07			

<sup>40</sup> Current assets might also include stores, debtors, prepayments and accrued income.

<sup>41</sup> Minimum requirement

<sup>42</sup> Delete as appropriate

Non-Pay Staff Related Costs	E08 – E11			
Premises and Site Costs	E12 – E18, E23			
Learning Resource Costs	E19 – E21, E27			
Other Supplies & Services	E22, E24 - E25, E28, E29			
<b>Total Expenditure</b>				
<b>Income</b>				
Funds Delegated by LA	I01			
Specific Central Funds	I02 – I07			
Other Receipts	I08 – I12			
Donations and Private Funds	I13			
<b>Total Income</b>				
<b>Surplus/(Deficit) for the year ended 31/03/0X</b>				

Approved by the governing body on (insert date) and signed on its behalf by

.....  
(Signed) (Insert name in capitals) **Chair of Governing Body**<sup>43</sup>

.....  
(Signed) (Insert name in capitals) **Headteacher**

<sup>43</sup> An alternative governor, such as Chair of Finance sub committee, may authorise the return

## **ANNEX H: PAYROLL RETURNS & INFORMATION REQUIREMENTS**

Where a school is the legal employer of staff, responsibility for the payment of payroll contributions and the return of payroll information to the respective agencies remains with the school.<sup>44</sup>

These arrangements however do not apply to the payment of Teachers pension contributions where the Authority has responsibility for remittance of contributions for schools maintained by it, even when an independent provider administers the payroll (refer to C below).

For those schools where the Authority continues to be the statutory employer of staff, the following payroll information is required. This information is produced automatically for schools subscribing to the Authority's Payments Division support service.

### **A. Payroll**

Payroll analysis by pay period.

#### **Analysis of:**

- payments making up gross, including statutory payments;
- all non-statutory deductions;
- all statutory deductions including full breakdown of NI;
- pension and related deductions, by scheme, including employers contributions;
- cumulative values to date.

#### **End of Year Report**

On completion of the final years payment the following will be required:

- summary of totals as per Inland Revenue form P35;
- summary of totals as per Inland Revenue form P60/P13;
- details of any benefits received by employees by a means other than their payslip.

#### **Travel and Subsistence Report**

Details of the following will be required each pay period, by employee and vehicle used:

- actual miles travelled;
- miles paid and the rate and scheme applied;
- value and type of subsistence paid.

#### **Statistical information**

Information as required to produce corporate statistical returns.

**NB** The facility to produce the above information on disk must be available. Additional information must be available in the requested format if required to satisfy statutory obligations.

### **B. Invoices- if not using the Authority's Purchase Ledger system**

Details required for the completion of Inland Revenue form P38, i.e. payments made to individuals outside of payroll that may be liable to Income Tax.<sup>45</sup>

### **C. Teachers Pensions Contributions**

For those schools who contract payroll administration to a provider other than the LA specific payment arrangements and information are required as follows:

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<sup>44</sup> Providing emoluments are made from an account that is independent from any Telford & Wrekin Council bank account

<sup>45</sup> Refer to the requirements of the Construction Industry Taxation Scheme (CITS) set out in Section 7.2 of the Scheme

To facilitate the payment of teachers pension contributions to the Teachers Pensions agency, the Authority will require payment as soon after the end of the month to which the salary relates, but in any event **no later than first working day of the following month**. If a penalty is imposed by the Teachers Pensions Agency for late payment of contributions, and this is incurred through no fault of the LA, then this penalty will fall to the school.

To support the monthly contributions the following information is required<sup>46</sup>;

**a). Monthly remittance details<sup>47</sup>**

- Total contributory salary
- Teachers basic contributions
- Additional contributions (exclude AVCs that are payable to the Prudential)
- Employers contributions
- Total gross contributions
- Pension payments made to a teacher's widow
- Refunds of incorrectly deducted contributions in respect of a previous financial year
- Under/overpayments ie. adjustments that relate to the current financial year

To satisfy audit requirements at the financial year end, the Authority will also require the following details;

**b) A Financial Year end statement<sup>48</sup>**

Year end cumulatives confirming the following;

- Total contributory salary
- Summary of contributions (as detailed above)
- Number of teachers
- Certification of the above given by the officer with financial responsibility for the employer

**D). Local Government Pensions Scheme (LGPS)**

For those schools who contract payroll administration to a provider other than the Authority, specific payment arrangements and information are required to facilitate the payment of Local government pension contributions to the LGPS administrators. The Authority will require payment as soon after the end of the month to which the salary relates, but in any event **no later than the 15th day of the following month**.

To support the monthly contributions the following information is required<sup>49</sup>;

**a). Monthly remittance details**

- Total contributory salary
- Employees basic contributions
- Employers contributions
- Total gross contributions

**b) A Financial Year end statement**

Year end cumulatives confirming the following;

- Total contributory salary
- Summary of contributions – employees & employers
- Number of teachers

Any other year end information as directed by the administering authority or the Authority.

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<sup>46</sup> This information is produced automatically for schools subscribing to the Authority's Payments Division support service.

<sup>47</sup> A copy of the teachers pensions remittance advice forms normally submitted directly to Capita will provide these details and support the payment of monthly contributions to the LA

<sup>48</sup> The LA requires the completion and submission of the TR17A year end statement to give audit assurance that the annual cumulative contributions are correct

<sup>49</sup> This information is produced automatically for schools subscribing to the Authority's Payments Division support service.

## **ANNEX I: CONTINGENCY FUNDS**

### **Key Stage 1**

Additional funds to assist schools to meet Key Stage 1 class size requirements will only be disbursed to schools that can demonstrate:

- Key Stage 1 pupil numbers that are less than a multiple of 30 plus 10 (e.g. between 31 and 39; 61 and 69; 91 and 99 etc); and
- A statutory requirement to employ an additional teacher to comply with class size regulations.

The calculation of the amount to be distributed will be based on the costs of a teacher at the top of the main teachers pay scale, a division of these costs between 30 pupils and funding the per pupil cost pro rata for the remainder of the financial year. Additional funding will only be provided up to the cost of a maximum of 8 additional pupils, e.g. for a school with 31 KS1 pupils,  $8/30^{\text{th}}$  of the pro-rata'ed cost of a teacher, for a school with 32 pupils  $7/30^{\text{th}}$  of the pro rata-ed cost of a teacher, etc, etc. No additional funding will be provided for schools with KS1 pupil numbers that are equal to or more than a multiple of 30 plus 10.

Calculation of allocations to schools will be completed upon receipt of the autumn census data and schools, and the school Forum, will be notified as soon as possible.

### **Pupil Growth**

Additional funds for pupil growth will be distributed in the following circumstances:

- Growth in the school's pupil numbers of more than 5% since the October census used to allocate their current years funding; and
- Within the school's existing Pupil Admission Number (PAN); or
  - a result of an increase in the PAN which has been agreed as required by the LA due to demographic pressures; or
  - a result of successful appeals against initial refusals of a place.

Additional funds provided will be calculated using the basic per pupil formula funding rate for the relevant pupil pro-rata'ed to the remainder of the financial year after the 5% threshold has been exceeded.

Calculation of allocations to schools will be completed upon receipt of the autumn census data and schools, and the school Forum, will be notified as soon as possible.

### **AEN**

Additional funds for mainstream schools will be distributed to schools using the following calculations.

- Take the number of unfunded statemented hours per pupil for each school (i.e. the first 15 hours of each statement) and rank schools by this measure;
- Take the number of pupils eligible for free school meals and the number of pupils of low prior attainment in each school, rank the schools on each measure, then combine the two ranks to produce a combined rank for both measures;

- Compare the two rankings to produce a ranking difference

Where schools show a significant negative difference between the number of stated hours and amounts of low prior attainment and deprivation (significant defined as any secondary school with a variance of 3 or more and any primary school with a variance of 11 or more) a proportion of the amount of unfunded hours will be allocated to these schools. The proportion will be determined by the available funds.

An initial calculation to distribute 80% of the available funds will be carried out using data as at the date of the initial determination of the forthcoming financial year's stated funding. The remaining 20% of the available funds will be held back to fund any schools that move above or further above the calculation described above due to additional statements in-year.

Calculations of entitlement will be made for the 80% element based upon the baseline statements information which is set in mid March. Schools, and the School Forum, will be notified of allocations as soon as is practicably possible.

## **ANNEX J: Permanently Excluded Pupils**

In the event of a permanent exclusion, the budget for the excluding and receiving schools will be re-determined in accordance with the formula factor for excluded pupils.

For the excluding school the re-determination will include a pro-rata AWPU adjustment, plus a pupil retention charge per permanently excluded pupil. The pupil retention charge rates for 2013/14 are:

- Exclusion in Summer Term      £6,000
- Exclusion in Autumn Term      £4,000
- Exclusion in Spring Term      £2,000

The effective date for calculating the applicable pupil retention charge to the school will be the 'relevant date' as defined in current School Finance Regulations.

The maximum charge may not exceed the schools total formula allocation for deprivation under sub-formula 40.

In the event of the excluded pupil being placed at an alternative school, the budget of the receiving school will be re-determined to credit the receiving school with the balance of the pupil retention charge, less an adjustment for the period that the pupil was educated outside of school, plus the pro-rata AWPU adjustment.

This policy may be subject to review following the introduction of the 'Managed Moves' protocol. The approval of the School Forum to any changes will be required.