

Agenda Item 8: Appendix 1

EAST SUSSEX COUNTY COUNCIL

SCHEME FOR FINANCING SCHOOLS



The Scheme for Financing Schools

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SECTION 1: INTRODUCTION

1.1 The funding framework

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

Under this legislation, authorities determine for themselves the size of the 'LA Budget but must spend the full amount of the Dedicated Schools Grant on the 'Schools Budget'. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an Authority's maintained schools. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the Authority, subject to any limits or conditions prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).

Local education authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act.

The financial controls within which delegation works are set out in a scheme made by the LA in accordance with s.48 of the Act and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one. This document is the scheme for financing schools in East Sussex.

Subject to any provision made by or under the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50, including the provision of community facilities or services under Section 27 of the Education Act 2002 which are now treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act).

The LA may suspend a school's right to a delegated budget if the provisions of the scheme for financing schools (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State if delegation is suspended for these reasons.

Under s.17 of the School Standards and Framework Act 1998 a school's rights to a delegated share may also be suspended in any circumstances where:



- a) the school has received a formal warning notice, but the matter has not been remedied to the LA's satisfaction;
- b) the school has been found by Ofsted to be failing or to have serious weaknesses.

If delegation is suspended for these reasons, the school has no specific right of appeal to the Secretary of State, who would become involved only if the school made a complaint under s.496 of the Education Act 1996 that the LA was acting unreasonably in suspending delegation.

Suspension of delegation should only happen in exceptional circumstances, to prevent or remedy situations which put at significant risk the standards, management or conduct of the school. It should only be used for a constructive purpose, and exercised in a way which strengthens the school's capacity to make its own decisions better in the future.

The Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year the Authority must publish a statement showing outturn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment, and each year's budget and outturn statements so far as they relate to that school or central expenditure.

1.2 The role of the scheme

The scheme sets out the financial relationship between the Authority and the maintained schools which it funds. The scheme contains the rules, requirements and regulations relating to financial management and associated issues which define the financial relationship and which are binding on both the Authority and the schools.

If in any circumstances the provisions of this scheme differ from the financial regulations of the County Council, the provisions of this scheme shall have precedence.

This scheme applies to all community, nursery, special, voluntary or foundation (including trust), foundation special schools and PRU's maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies. The schools maintained by the County Council and covered by this scheme are listed in Annex A.



1.3 Publication of the scheme

The financial relationship between the Authority and the schools must be open and transparent, and based on a clear understanding of respective responsibilities within the relationship. The scheme provides the essential framework for that relationship and will be made widely available.

A copy of the scheme and any approved revisions will be published on the Czone and on the County Council website.

1.4 Revision of the scheme

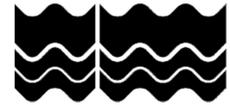
As part of the process of openness and clarity within the financial relationship, the scheme will be regularly reviewed, through the Schools Forum and through consultation with all schools and governing bodies of schools maintained by the authority. Any proposed revisions to the scheme will be the subject of formal consultation with schools and will require approval by members of the Schools Forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

1.5 Delegation of powers to the head teacher

Each governing body must consider the extent to which it wishes to delegate its powers to the head teacher, and to record its decision in the minutes of the governing body. In reaching a decision on this matter, the governing body should seek to balance the need to carry out the school's financial affairs effectively and efficiently with the need to ensure prudence and probity and to protect the head teacher and other staff from any questioning of their judgement or competence to manage the school's financial affairs.

Governing bodies are advised to delegate responsibility for day-to-day financial management to the head teacher and staff, including the right to incur and authorise expenditure and the right to vire sums from one budget heading to another, up to an agreed limit. The Authority does not seek to impose any particular pattern of delegation to head teachers but governing bodies are advised to have regard to the recommendations in the model scheme of delegation in deciding at what level to set the value of decisions delegated to head teachers. A copy of a model scheme of delegation is included in the Czone Finance pages.

These recommendations will be kept under review. Governing bodies are advised to review regularly their decisions regarding delegation of powers to head teachers. Any revisions must be recorded in the minutes of the governing body.



1.6 Maintenance of schools

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



SECTION 2: FINANCIAL AND AUDIT REQUIREMENTS

2.1.1 Application of financial controls to schools

The governing body of a school with delegated management powers must, in the exercise of these powers, take into account any conditions or requirements laid down by the LA. These requirements are not only those contained within this scheme but may be contained in more detailed publications referred to in the scheme, including the Financial Regulations and Standard Financial Procedures of the County Council. In framing them the LA has sought to achieve an appropriate balance between a school's freedom to exercise delegated Authority and the need for accountability and control over the use of public funds.

The Financial Regulations and Standard Financial Procedures of the County Council may be amended by the County Council from time to time. The Financial Regulations and Standard Financial Procedures of the County Council are applied to schools as if the governing body was a chief officer of the County Council.

The governing body has overall responsibility for the resources allocated to the school. The governors may choose to delegate some of their responsibilities for financial management and control to a finance committee or to the head teacher.

Governing bodies are advised to delegate responsibility for day-to-day financial management to the head teacher and staff, including the right to incur and authorise expenditure and the right to vire sums from one budget heading to another, up to an agreed limit. A copy of the LA's recommended scheme for delegation is included in the Czone Finance pages. It is strongly recommended that the scheme with any amendments is formally agreed by the governing body. The governing body should receive regular reports on the school's financial position.

2.1.2 Provision of financial information and reports

The Chief Finance Officer has duties under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 and is responsible for the proper administration of the County Council's financial affairs. To enable the Chief Finance Officer to carry out these duties, governing bodies must provide the Chief Finance Officer with such information as requested within any timescale set for the provision.

Schools must provide the Chief Finance Officer with a return giving details of actual expenditure and income. These returns must be provided at intervals and in a format specified by the Chief Finance Officer.

Where a school is using a payroll service, other than that offered by the County Council, information regarding payroll costs must be provided to the Chief Finance Officer at intervals and in a format specified by him.

Information on anticipated and actual income and expenditure will not normally be required more often than once every three months unless the LA has notified a school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. Information connected with tax or bank reconciliation may also be requested more frequently.

2.1.3 Payment of salaries and bills

When making any payments schools must follow the requirements outlined in the Financial Regulations and Standard Financial Procedures and the guidance set out in the Czone Finance pages.

With the exception of rates, payments relating to centrally agreed contracts and internal transactions, all non pay expenditure will be made from the school's bank account. The exceptions noted above will be paid centrally and charged against the school's budget share after appropriate notice.

If a school buys back a payroll service from the County Council then salaries, wages and other payments to employees will be made from the County Council's bank account.

If a school chooses to use a payroll service other than that operated by the County Council then all payments (apart from the exceptions noted above) including salaries, wages and other payments to employees will be made by the school from bank accounts operated by it. If a school uses a bank account operated within the County Council's banking arrangements then payments due to HM Revenue and Customs and other organisations where deductions are to be paid over by the LA will be deducted directly from the schools bank account on the day they are due. Schools will need to inform the Authority's payroll supplier of the correct amounts by dates specified. Payments to the teachers' pensions agency will always be the responsibility of the LA and come under these arrangements. If a school uses a different bank account the school will be responsible for having a PAYE scheme and making deductions and payments to HM Revenue and Customs and will be responsible for National Insurance contributions.

Any penalties imposed on the LA by HM Revenue and Customs as a result of a school's action or omission will be recovered from the school. If a school refuses to make or delays a payment, or is responsible for some other act or omission, which may lead to legal action, the County Council reserves the right, where in its opinion there is no reasonable excuse for the refusal, delay, act or omission, to make that payment and charge the cost to the school's budget share (see section 6 below).



2.1.4 Control of assets

All schools must maintain an inventory of moveable non-capital assets in accordance with Standard Financial Procedures.

Schools can determine their own arrangements for keeping a register of assets worth less than £1,000. However a register must be kept in some form.

2.1.5 Accounting policies

Schools must abide by all procedures issued by the LA, including those issued at the year end.

2.1.6 Writing off debts

Governing bodies may authorise the write off of debts up to £1,000. Debts between £1,000 and £2,500 may be written off by governing bodies after consultation with the Chief Finance Officer and Assistant Chief Executive . The write off of debts in excess of £2,500 shall only be authorised by the County Council's Cabinet Committee. A complete record of debts written off shall be maintained by the governing body and retained in accordance with Standard Financial Procedures.

2.2 Basis of accounting

The LA's accounts are kept on an income and expenditure basis, i.e. they take account of all income and expenditure relating to the financial year in question whether or not the income has actually been received or payments made by 31 March. Each school must keep commitment and expenditure records to enable it to control expenditure and income and it must provide the LA with information to enable the Authority to keep records on an income and expenditure basis.

2.3 Submission of budget plans

Schools will be notified of their budget allocations by the end of February. Schools must submit final budget plans by the end of April. Final budget plans must be approved by the full governing body or by a committee to which the power to approve the budget has been delegated. Revised budget plans may be requested from schools during the year. These will not be requested at intervals of less than three months.

Schools must take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

The LA may require schools to submit a financial forecast covering each year of a multi-year period. The number of years specified will not place undue burden on schools and will usually be 3 years. The forecasts will be used as evidence that schools are undertaking adequate financial planning and may be used in conjunction with the authority's balance control mechanism.

The LA will supply schools with income and expenditure information as follows:

Monthly	details of central payments
Quarterly	Details of local payments processed into the County Council's financial system
After month 13	Budgetary control statement for the year

2.4 Efficiency and value for money

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in Section 2.10.

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

2.5 Virement

Schools may move money (vire) from one budget heading to another within their delegated budgets, though not at the expense of their statutory duties, including, for example, the duty to use their best endeavours to secure appropriate provision for pupils with special educational needs.

Schools are free (subject to general requirements in relation to value for money and health and safety) to redeploy expenditure from their delegated budgets into capital projects, having first notified the LA (see paragraph 2.14).

2.6 Audit: General



The Accounts and Audit Regulations require the Chief Finance Officer to maintain adequate and effective arrangements for the internal audit of the Council's accounting records and control systems, and to operate in accordance with the Auditing Practices Board's (or other relevant) Auditing Guidelines.

Internal auditors appointed by the Chief Finance Officer shall have the Authority to:

- visit all schools to carry out audits of their activities;
- have access at all times to all property, documents and records considered relevant to the audit by the Chief Finance Officer;
- require any employee of the County Council to produce cash, stores or any other property of the Council or property of persons for whom the Council is responsible which is under his/her control.

Internal Audit will undertake visits to schools as outlined in the Schools Audit Strategy which can be found on Czone.

All employees are required to co-operate with audit enquiries and to provide any information and explanation considered necessary for the audit.

Rights of access must also be given to external auditors and such explanations as they require must be supplied.

2.7 Separate external audit

A governing body may spend funds from its budget share to obtain external audit certification of its accounts. This would be separate from any LA internal or external audit process.

2.8 Audit of voluntary and private funds

All voluntary and private funds must be audited and the audited statement presented to the governing body annually (see Czone Finance pages). The authority may require schools to provide audit certificates in respect of such funds. A school refusing to provide audit certificates to the authority as required by the scheme is in breach of the scheme and the authority can take action on that basis.

2.9 Register of business interests

The governing body of each school must establish a register of business interests. This register must list for each member of the governing body and all school staff any financial or non-financial interests they or any member of their immediate family have, which may bring about conflict with the school's



interests. The register must be kept up to date with notification of changes and annual review of entries. It must be available for inspection by governors, staff, parents and the LA and be published on the schools publicly accessible website

2.10 Purchasing, tendering and contracting requirements

Schools must abide by the County Council's Financial Regulations and Standard Financial Procedures and Standing Orders relating to contracts of governing bodies with delegated powers. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures. However, any section of the Financial Regulations and Standard Financial Procedures and Standing Orders shall not apply if it requires schools:

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

2.11 Application of contracts to schools

Schools can opt out of any LA arranged contract at the end of the contract life. However, if a school has agreed to participate in such a contract then they are bound by the contract until it comes to an end.

Although governing bodies are empowered under paragraph 3 of schedule 1 of the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. Some contracts may be solely on behalf of the governing body, when the governing body has a clear statutory obligation, for example, contracts made by aided schools for employment of staff.

2.12 Central funds and earmarking

The LA may make sums available to schools from central funds in the form of allocations which are additional to and separate from the schools' budget share. Such allocations will be subject to conditions setting out the purpose for which they may be used. If allocations are earmarked then they must be spent for the purpose for which they are given and must not be transferred into a school's budget share. If earmarked funds are not spent within the period over which schools are allowed to use funding then they must be given back to the LA unless the LA agrees otherwise.



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

2.13 Spending for the purposes of the school

Subject to the provisions of the scheme, governing bodies may spend their budget shares as they think fit for any purposes of the school. By virtue of Section 50(3A), amounts spent by the governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for the purposes of the school. Under Section 50(3B) schools are allowed to spend their budgets on pupils who are on roll of other maintained schools or academies.

2.14 Capital spending from budget shares

Governing bodies may use their budget shares to meet the cost of capital expenditure. The Chief Finance Officer has decided that only purchases of a capital nature (*Capital expenditure is defined as the purchase, creation or enhancement of an asset. Expenditure on new or enhancement of existing assets can be recognised as capital if it is probable that future economic benefits or service potential will flow to the entity and the cost of the item can be measured reliably. Generally, (and there are exceptions) assets are items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one financial year.*) which are greater than £20,000 and expenditure funded from the Devolved Formula capital grant will be treated as capital in the County Council's accounts. Capital expenditure is recorded separately from revenue expenditure in the County Council's accounts and the County Council's capital programme will need to be varied to show the intention to spend more on capital assets. Capital expenditure on building improvements will need to be notified in writing to the Children's Services Capital Strategy Team before any work is carried out, for other capital expenditure schools should notify Children's Services Finance. More details are contained in the Czone Finance pages.

2.15 Schools Financial Value Standard (SFVS)

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

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable,



ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the form to the local authority's finance department before the 31 March annually.

2.16 Fraud

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

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

2.17 Notice of concern

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

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

These may include

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

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

2.18 Suspension or withdrawal of delegated powers

The County Council reserves its powers under Sections 17 and 51 of the School Standards & Framework Act 1998 to suspend or withdraw a governing body's right to a delegated budget and to apply those powers not only in relation to budgetary mismanagement but also to persistent failures to meet the requirements of the scheme, or in circumstances where a school has received a formal warning notice, or has been identified by Ofsted as failing or having serious weaknesses.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE AND BANKING ARRANGEMENTS

3.1 Instalments to schools' bank accounts

For the purpose of allocating instalments to schools' bank accounts, separate estimates will be made, based on each school's expenditure pattern and budget plan for the previous year, of payroll and non-payroll costs. For the purposes of this section, Budget Share includes any place led funding for special schools or pupil referral units.

3.1.1 Instalments to Budget Share for High Needs Pupils

Monthly top up payments will occur unless agreed otherwise with Schools Forum.

3.2 Non-payroll costs

Schools will be advanced 100% of the estimated non-payroll costs on 1 April each year, net of those items which will be paid centrally (see paragraph 2.12). Adjustments will be made in July and January to take account of schools' budget plans and end of year information. The information used for the calculation of the advance and of adjustments is as follows:

1st working day in	Percentage of local payments	Information source
April	100% (net of items paid centrally)	Pri/Sec/Spec previous years expenditure patterns and budget plans
July	Adjustments	School budget plan and year end information
January	Adjustments	School budget plan

3.3 Payroll costs

Where a school chooses to use the payroll contract arranged by the County Council, payroll costs will be paid through the County Council's bank account and charged directly against the school's budget share.

Where a school has chosen to use a payroll service other than that provided by the County Council the school will receive monthly advances of the estimated pay costs. These instalments will be advanced on the last working day of each month.

The instalments for April and May will be based on the instalment made in the March prior to the end of the financial year. The instalments made each month for the rest of the year will be based on 1/12 of the estimated payroll costs as shown in the school's budget plan. Instalments may be adjusted for additional payments for pay awards funded from the County Council's contingency and for phased pay awards. Where the profile of actual payments is significantly different the Authority may consider using these instead.

3.4 Interest clawback

As schools are being advanced money for non-pay expenditure to their local bank accounts at the beginning of the year, there is a resulting loss of interest or higher interest charges to the County Council than if payments had been made centrally.

The advance therefore has a discount factor that adjusts for the amount of interest the County Council will lose. It is based on the historic pattern of schools' relevant expenditure.

The current pattern used is:

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
%	%	%	%	%	%	%	%	%	%	%	%
11.90	7.65	9.70	7.00	4.45	6.80	8.90	7.85	7.30	8.05	8.45	11.95

The amount of interest lost is calculated daily with reference to the base rate. The discount rate is calculated with reference to the base rate and cost of borrowing by the County Council.

Advances for payroll costs will also be discounted to reflect any time delays in making payments to HM Revenue and Customs and Teachers' Pensions.

The LA will add interest to late payments of budget share instalments, where such late payment is the result of LA error. The interest rate used will be the same as that used for the clawback calculation.

3.5 Budget shares for closing schools

A school that is closing will normally have money advanced in the same way as other schools. However the LA reserves the right to make changes to the pattern of advances.



3.6 Bank and building society accounts

All schools will have a bank account into which their budget share advance will be paid.

If a school chooses to use an account operated within the County Council's banking arrangements then the school's account will attract interest on a daily basis on the cash balances in that account and interest will be charged on overdrawn balances. Schools may choose to bank with a bank or building society other than that within the County Council's contract (a list of banks and building societies that a school may use is contained in Annex C). In these cases the school will retain all interest earned on cash balances and be responsible for any charge for overdrawn accounts. A school will be able to have a bank account for budget share purposes that is in the name of their school rather than in the name of the LA.

All schools will be responsible for all bank charges on their accounts, whether they are held within the County Council's contract or with a bank or building society on the approved list. Schools must give a minimum of two months' notice to the County Council if they intend to change their bankers.

If a school opens an external bank account the LA will, if the school desires, transfer immediately to the account an amount agreed by both the school and the LA as the estimated surplus balance held by the LA in respect of the school's budget share. There will be a correction when the accounts for the relevant year are closed.

The estimated amount transferred to a new external bank account will be based on the amount shown on a new budget plan requested at the time of transfer less any expenditure to date. Any items outstanding from the old bank account will also be taken into account.

If a school has an account with a bank or building society other than that within the County Council's contract, the account mandate should provide that the LA is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the LA.

3.7 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State.

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



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

4.1 The right to carry forward surplus balances

All unspent balances on budget shares will be carried forward to the following financial year. A school's surplus at 1 April will be equal to that at the preceding 31 March.

Three year budgets

At the same time as issuing its budget statement as required by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009 the Authority will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the LA for the two financial years following the year for which the statement is being issued. The estimate will be provided in a format determined by the Authority and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the Authority at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the Authority to fund the school at the level shown in the estimate. The Authority may issue additional budget estimates from time to time.

4.2 Controls on surplus balances

- 1) The balance will be calculated as at 31 March and will be the recurrent balance as defined in the Consistent Financial Reporting Framework.
- 2) The following will be deducted from the surplus balance:
 - a) commitments made in the prior year in the school's accounting system to make payments from the surplus balance (e.g. where goods or services were ordered but not received by 31 March)
 - b) any sums declared by the governing body to be assigned for approved purposes permitted by the Authority. These sums must be spent for the stipulated purpose within an agreed period so that schools cannot defer implementation indefinitely. Funding not used within the period is subject to claw back. The suggested list of approved purposes is:
 1. Additional staffing costs for April – August for specific projects/tuition (to complete the academic year)
 2. Funds set aside by the governing body in the school's long term contingency for specific building projects (either managed locally or a contribution towards a



County Council scheme) and/or furniture and equipment (including ICT) notified to the Authority in the final budget plan of the financial year (early February). Copies of the governing body minutes agreeing to the planned project, the likely start date and approving the sum set aside must be provided to support such allocations

3. Funds not provided by the Authority (e.g. PTA contributions)

The expectation will be that in most cases except possibly for major building projects, the funding for these approved uses will be spent by the following 31 March. Documentary evidence will be required to support applications for amounts to be excluded for approved purposes including where appropriate copies of governing body minutes showing intention of the carry forward prior to the end of the financial year.

- 3) If the surplus balance after allowable deductions is more than 8% of the current year's budget share for primary schools, 5% for secondary schools or £10,000 (where that is greater than either % threshold) the excess may be deducted by the Authority and applied to the Schools Budget.

4.3 Interest on surplus balances

Surplus balances will be advanced to schools and held in their own bank account, and any interest earned on this balance will be retained by the school.

4.4 Obligation to carry forward deficit balances

All deficit balances will be carried forward to the following financial year as a deduction from the school's budget share. A school's deficit balance at 1 April will be equal to that at the preceding 31 March.

Any scheduling of repayments of deficits that already exists at 31 March will continue.

4.5 Planning for deficit budgets

Schools are expected to manage within the resources available to them in each financial year and are not normally allowed to plan for a deficit budget. In certain circumstances however a school may apply for a licensed deficit (see paragraph 4.9 below)



4.6 Charging of interest on deficit balances

Deficits will be reflected in the cash advanced to schools according to their own budget plan.

4.7 Writing off deficits

The LA cannot write off the deficit balance of any school. Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools, or a central budget for special schools and PRUs.

4.8 Balances of closing and replacement schools

When a school closes or amalgamates any balance (whether surplus or deficit) reverts to the LA. However the LA may give any school which is a successor to the closing school the benefit of additional sums which are equal or less than the balances of relevant closing school. Extra funding for new schools may be abated to recognise the deficit of a preceding school, however a sum equal to the deficit will not be set against any normal funding of the new school.

Where a school converts to academy status under section 4 (1) (a) of the Academies Act 2010 the surplus balance of the closing school will transfer to the Academy.

4.9 Licensed deficits

4.9.1 If a school overspends in one year the deficit will be carried forward and deducted from the following year's budget share.

4.9.2 The LA recognises that there may be circumstances where it would be unreasonable and educationally damaging to expect schools to:

- a) recover a significant deficit in one year or
- b) make significant reductions in expenditure in one year to match a major change in level of resources e.g. unexpected drop in pupil numbers.

In these instances a school can apply to the LA for approval to overspend its budget. Any application must be supported by budget plans detailing how the school proposes to repay the deficit and bring its budget back into balance.

4.9.3 Detailed arrangements for the operation of the licensed deficit scheme are contained in the Czone Finance pages. The main elements are as follows:



- a) the scheme relies on there being a collective surplus of school balances held by the Authority on behalf of schools;
- b) a licensed deficit must be repaid as soon as possible with a maximum repayment period of three years. In exceptional circumstances and where a school has significantly falling roll numbers the repayment period may be greater. If there is a significant change in a school's financial circumstances during this period the LA may agree a one-year extension provided it is satisfied that the school's proposals will achieve repayment by the end of that year;
- c) a deficit will only be agreed in the circumstances outlined in paragraph 4.9.2 and where the Authority is satisfied that the school has taken reasonable steps to plan ahead and is not seeking to defer difficult financial or personnel decisions;
- d) a licensed deficit will not be approved where a school is seeking to fund developments by anticipating future years' resources;
- e) the maximum deficit will be 15% of a school's budget share;
- f) the total licensed deficits and loans (see paragraph 4.10 below) will not be allowed to exceed 40% of the collective surplus of school balances held within the County Council's accounts as at the beginning of the financial year in question;
- g) licensed deficits must be approved by both the Director of Children's Services and the Chief Finance Officer.

4.10 Loan Scheme

4.10.1 Schools are not allowed to borrow from external lenders because this would count against the Authority's own borrowing approvals (see paragraph 3.5). However the Authority is able to use the collective surplus of school balances held by the Authority on behalf of schools to fund an internal borrowing arrangement.

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

4.10.3 Detailed arrangements for the operation of the loan scheme are contained in the Czone Finance pages. The main elements are as follows:

- a) as the scheme relies on balances actually held by the Authority on behalf of schools, only those schools using bank accounts arranged through the Authority are eligible;



- b) all loans must be repaid in full on the date of conversion if a maintained school converts to Academy status;
- c) the maximum period of a loan is eight years but must not exceed the expected useful life of the asset to be acquired through the loan;
- d) a loan will only be approved for items of a capital nature. They may not be used for day to day running costs of the school;
- e) the minimum loan will be £10,000 and the maximum £100,000 subject to annual repayments not exceeding 2% of a school's budget share;
- f) a school may be in receipt of one or more loans provided the combined total does not exceed £100,000 or the 2% limit on repayments;
- g) the total loans and licensed deficits (see paragraph 4.9 above) at any time will not be allowed to exceed 40% of the collective surplus of school balances as at the beginning of the financial year in question. Where applications exceed the 40% limit those for licensed deficits will be given priority;
- h) all loans must be approved by the Lead Member for Children's Services'. Schools will be charged interest at a rate determined by the Chief Finance Officer.



SECTION 5: INCOME

5.1 Income

5.1.1 Schools are free to raise income from fees, charges and fund raising activities, subject to any relevant statutory controls. Income accruing from lettings will be credited to the school, subject to alternative provisions from any joint use or PFI agreements. Schools may cross subsidise lettings for community and voluntary use with income from other lettings provided there is no net cost to the budget share.

Where a school derives income from the sale of an asset for which responsibility is delegated, or which was purchased by virement from the delegated budget, that income is retained by the school. However, income from the sale of items purchased from funds retained centrally by the LA, or from the sale of land or buildings forming part of the school premises reverts to the LA.

5.1.2 Neither the LA nor a governing body may charge for anything unless it has drawn up a statement of general policy on charging. A link to the DfE guidance on charging is included in the Czone Finance pages and governing bodies are advised to consider it when framing their own policies. A policy statement will take into account each type of activity which can be charged for, and will explain when charges are to be made. Parents have a right to know how the charge will be worked out and who might qualify for help or make no payment at all. A summary of the policy must be included in the school prospectus.

5.1.3 Where schools undertake new initiatives for the benefit of the school (e.g. workplace nurseries) which rely on income generation, any financial loss will be borne by the school budget share.

5.2 Administrative procedures for the collection of income

Administrative procedures for the collection of income are contained in the Czone Finance pages.



SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

The LA must charge the salaries of school based staff to the budget share of a school at actual cost. Otherwise the LA will not normally charge the budget share of a school without the consent of the governing body. However where a cost is incurred by the LA because of action or inaction of a governing body the Authority has the right to charge the school. Circumstances in which a charge may be made are outlined in 6.2 below.

Before any charge is made the LA will consult schools as to the intention to charge and will notify the school when it has been done.

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 schools forum.

6.2 Circumstances in which charges may be made

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

6.2.2 Other expenditure incurred to secure resignations where the school had not followed LA advice.

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

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

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

6.2.6 Expenditure incurred by the LA 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 LA.



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

6.2.8 Recovery of penalties imposed on the LA by HM Revenue and Customs, Teachers' Pensions, the Environment Agency, or regulatory authorities as a result of school or their agent's negligence (e.g. external payroll providers).

6.2.9 Correction of LA errors in calculating charges to a budget share (eg pension deductions).

6.2.10 Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.

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

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

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

6.2.14 Costs incurred by the LA due to submission by the school of incorrect, incomplete or late data, where the reason for non-compliance is under the direct control of the school.

6.2.15 Recovery of amounts spent from specific grants on ineligible purposes.

6.2.16 Costs incurred by the LA as a result of the governing body being in breach of the terms of contract.

6.2.17 Where a governing body has failed to make the provision required in an Educational Health and Care plan for a pupil at the school in circumstances where the funding for such provision has been delegated to the school's budget share in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs, the LA shall, after consultation with the governing body, be entitled to make the identified provision itself and charge the cost of doing so to the school's budget share. Where the LA incurs legal and other expenses arising from such failure by a governing body, it may after consulting with the governing body, charge these costs in part or in whole to the school's budget share also.

6.2.18 Expenditure incurred by the LA in carrying out financial work, where a school has failed to fulfil its financial responsibilities.



6.2.19 Where a governing body has failed to fulfil its safeguarding responsibilities, the LA shall after consultation with the governing body, be entitled to make the identified provision itself and charge the cost of doing so to the school's budget share. Where the LA incurs legal and other expenses arising from such failure by a governing Body, it may after consulting with the governing body, charge these costs in part or in whole to the school's budget share.

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

6.2.21 Charges in respect of the Carbon Reduction Commitment levy

6.2.22 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

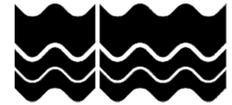
6.3 Payroll

6.3.1 The LA is responsible for paying over pensions contributions for teachers' and support staff pensions for all schools. Where a school uses a payroll service other than that operated by the County Council this may mean that the LA incurs extra costs in order for these payments over to be made. These charges will be passed on to schools. The charge will be the minimum to cover any additional costs.

6.3.2 In some circumstances the LA will retain the responsibility for having a PAYE scheme and making deductions for PAYE and NI even where a school uses a payroll service other than that operated by the County Council. Any additional charges incurred by the LA in administering the PAYE scheme and making deductions for NI will be passed on to schools.

6.3.3 The consequences of schools choosing not to buy the Authority's payroll service, and choosing an alternative supplier instead, will be additional work, mainly of a one-off nature, for the Council and for the Authority's payroll supplier. In such circumstances the Council will charge for undertaking that additional work, in order to recover their costs, and the payroll supplier will charge in accordance with their contractual rates.

6.3.4 Where a school uses a performance related pay structure / scale that is significantly different to that operated by the County Council this may mean that the LA incurs extra costs in order for these payments to be made. In such circumstances the Council will charge for undertaking that additional work, in order to recover their costs.



SECTION 7: TAXATION

7.1 Value added tax

Local Authorities, and therefore schools, have a special position under the VAT laws. This means that VAT can be reclaimed on expenditure relating to non-business activities. Any amounts so reclaimed by a school will be passed back to the school. Further guidance on VAT is contained in the Czone Finance pages.

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

8.1 Provision of services from centrally retained budgets

The LA will provide centrally those services that fall within the categories of strategic management, access, school improvement and special needs. It is the LA's responsibility to determine on what basis services from these centrally retained funds will be provided to schools.

The Authority will not discriminate in providing these services on the basis of categories of school except where

- a) funding has been delegated to some schools only, or
- b) such discrimination is justified by differences in statutory duties.

(The term "services" in this paragraph includes PRC and redundancy payments).

8.2 Timescales for the provision of services bought back from the LA using delegated budgets

Any arrangement with a school to buy back services from the LA will be for a maximum of three years from the date of the agreement. Any subsequent agreement relating to the same services will not exceed five years. An exception to these time limits is contracts for supply of catering services and structural maintenance which may initially be for a period of up to five years with subsequent extension of contracts not exceeding seven years in total.

8.2.1 Packaging

The LA may offer a package of services for schools to purchase. However, individual services may also be bought back singly.

8.2.2 Pricing

When the LA provides a service for which expenditure is not retainable centrally under Regulations made under section 45A of the Act the price charged to schools will be such that the total income generated will not be less than the cost of providing the service. The total cost of the service will be met by income even if schools are charged differently.

8.3 Service level agreements

8.3.1 Where services are provided under a service level agreement the terms of the agreement will be reviewed at least every three years if the agreement lasts longer than that.

Services offered by the LA will normally be on the basis of a fixed annual charge or pay as you use.

(Centrally arranged premises and liability insurance are excepted from the requirements in paragraphs 8.2 and 8.3).



SECTION 9: PUBLIC PRIVATE PARTNERSHIPS (PPP) AND THE PRIVATE FINANCE INITIATIVE (PFI)

The Authority may, in partnership with a governing body or a group of governing bodies, enter into a contract for the provision of buildings related services with a private sector company. Such contracts are entered into in accordance with regulations and guidance governing such contracts which may be in force at the time, and typically they involve the provision by the private sector company of new or replacement school premises and of facilities management services for an agreed contract period. Other PPP or PFI contracts may involve the provision by a private sector company of buildings maintenance services to a school or group of schools.

Save in the case of new schools, the Authority may not enter into a contract of this kind without the agreement of the governing body or bodies of the school(s) concerned. This agreement will be in the form of a legal contract between the Authority and the governing body or bodies, which states among other things the respective contributions to the annual charge made to the private sector contractor, the payment mechanisms and the way in which appropriate deductions will be made from the school's or schools' budgets, the allocation between the Authority and the governing body or bodies of any penalties incurred by the private sector company, and the respective responsibilities of the Authority and the governing body or bodies for monitoring contract performance.

In the case of a new school:

- a) the Authority may not enter into a contract of this kind without having first consulted the temporary governing body of the school concerned;
- b) following such consultation the Authority shall be entitled to determine among other things the respective contributions to the annual charge made to the private sector contractor, the payment mechanisms and the way in which appropriate deductions will be made from the school's budget, the allocation between the Authority and the governing body of any penalties incurred by the private sector company, and the respective responsibilities of the Authority and the governing body or bodies for monitoring contract performance; and
- c) the Authority shall be entitled, following the opening of the school, to charge against the school's budget share the amounts determined as mentioned in paragraph b. above without the consent of the governing body.



SECTION 10: INSURANCE

10.1 Insurance cover

The County Council arranges certain insurances centrally, which are referred to in the Czone Finance pages. Certain other insurances detailed in the Czone Finance pages are additional optional insurances which schools purchase out of delegated budgets. With effect from 1 April 2001 the budget for all insurance premiums is delegated and schools will be able to arrange their insurance locally after those contracts in existence at that date come to an end. If they choose this option they will have to demonstrate that the cover they obtain is no less than that currently purchased centrally both with regard to the limits of liability and the scope of the cover. If this is not the case the County Council will have to arrange top up cover centrally and allocate the cost of this to the school concerned (see Section 6). The level of cover purchased by the County Council takes account of the incidence of risk.

If a school does purchase insurance locally it will entail the school handling its own claims and negotiating with insurers, insurance brokers, loss adjusters and/or solicitors as necessary. It would also be for the school to maintain a reasonable programme of risk management and fund it accordingly.

Schools wishing to arrange their own insurance must give a minimum of two months' notice to the County Council.

10.2 Insurance of governors

The County Council has arranged full cover with its insurers indemnifying governors acting within the scope of their office in respect of any potential liability in negligence that they may incur towards staff, pupils and third parties.



SECTION 11: MISCELLANEOUS PROVISIONS

11.1 Right of access to information

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

In particular:

- i) A school's accounts and financial records will be subject to inspection at any time by representatives of the Director of Children's Services and Chief Operating Officer.
- ii) Right of access must be accorded by schools to the Authority's internal audit staff and to external auditors, and such explanations as they require must be supplied.

11.2 Liability of governors

The governing body of a school is a corporate body. In accordance with the terms of s.50(7) of the School Standards & Framework Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; nor is rejection of LA advice as to financial management. Where, however, a governing body resolves to act in a way which is contrary to LA advice, the reasons for that decision must be recorded in the minutes of the governing body.

11.3 Governors' expenses

Under Section 50(5) of the School Standards & Framework Act 1998, governors are entitled to receive such allowances, payable at such rates, as the governing body may determine in accordance with regulations made under section 19 of the Education Act 2002. Such allowances will be paid from the school's budget share. It is for each governing body to decide whether allowances should be paid, and if so at what rate. The governing body must also decide the factors in respect of which expenses or allowances may be paid, but only within the provisions of the regulations (still to be determined). These factors may include, for example:

- Travelling expenses



- Compensation for time lost at work
- Childcare costs

Governing bodies may not make payment from their budget share of any other allowances than those specified in regulations.

11.4 Responsibility for legal costs

The Authority may charge to a school's budget share any legal costs incurred by the governing body, unless the governing body has acted in accordance with the advice of the Authority. The Authority may decide to meet such charges itself, if it believes this to be desirable or necessary in the circumstances.

Where the governing body of a school requires legal advice in circumstances where a question arises as to whether there is a conflict of interest between the LA and the governing body, the matter shall be determined by the Assistant Director, Legal and Democratic Services who, if he determined that a conflict of interest does exist, shall be consulted by the governing body about possible sources of independent advice. The cost of any such independent legal advice must be met by the governing body unless the Authority considers, at its discretion, that it would be desirable to do otherwise.

11.5 Health and safety

In their management of the budget share, governing bodies must have due regard to duties placed on the LA as well as on the governing body in relation to health and safety, and to the Authority's policy on health and safety matters, which is contained in the Schools Handbook.

The governing body must address any health and safety matters falling within its responsibility which are identified to it by the Authority. If such matters are not addressed, and the Authority concludes that this failure may result in action against the Authority itself as owner of premises or the employer of staff, the Authority may take such steps as are necessary to remedy the matter and make reasonable deductions from the school's budget share to meet these costs. This provision does not apply to aided schools, at which the governing body is the owner of the premises and the employer of staff.

11.6 Right of attendance for Chief Finance Officer

Governing bodies must permit the Chief Finance Officer of the Authority, or his or her representative to attend any meeting of the governing body at which any agenda item(s) are relevant to the exercise of his or her responsibilities. Examples of items which might require the Chief Finance Officer's attendance include issues of probity or overall financial management.



11.7 Child protection

The Children's Services department is a constituent member of the Area Child Protection Committee and as such all staff, whether in schools, support services or LA administration are expected to help to improve the quality of child protection work and of inter-agency working through contributing as necessary to child protection investigations, child protection conferences, core group (protection plan) activity and appropriate departmental and inter-agency training.

The Education Welfare service provides training and guidance to all staff and contributes to interagency training and development. As well as representation at ACPC from the Assistant Director, Children and Young People and the Principal EWO, the Education Welfare Service provides a full time Child Protection Trainer/Advisor, who provides free training to schools, support staff and departmental administrators.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

The LA will delegate all funding for repairs and maintenance to schools and Governing Bodies are expected to finance all costs for repairs and maintenance from their budgets, except that which is defined as being 'for capital purposes'. This will fit the definition of capital used by the Local Authority for accounting purposes in line with the CIPFA Code of Practice on Local Authority accounting. Please refer to 2.14 for further guidance on capital spending.

The LA currently deems work of a capital nature which is greater than £20,000 (subject to LA review) as capital and is treated as such in the County Council's accounts. All Devolved Formula Capital is treated as capital in the County Council's accounts

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 the other maintained schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by the DfE to categorise such work, not the de minimis limit used by the LA.



SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

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

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

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

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

The aim of the extension to the scheme is to provide an adequate basis for regulating the financial aspects of the exercise of the power. Detailed guidance on specific areas, for example, childcare and full service schools will be provided in separate documents.

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

13.1.1 Budget share

The LA could find itself liable to meet any shortfall in funding on community facilities which it cannot recover if the governing body has insufficient resources. In such cases the LA may have to carry forward the shortfall into the following financial year and fund it from resources that could have been distributed to all schools through formula funding.

In order to protect the interests of all schools, the governing body must inform the LA immediately that it is considering exercising the community facilities power, and subsequently ensure that all requirements set out in this Scheme in relation to operation of the power are met.

13.1.2 Suspension or withdrawal of delegated powers

The LA reserves its powers of Sections 17 and 51 of the Schools Standards and Framework Act 1998 to suspend or withdraw a governing body's right to a delegated budget if community facilities funds are mismanaged.

13.2 Consultation with the LA – financial aspects

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the Children's Services Authority, and have regard to advice given to them by their LA. In practice the governing body must submit the full business case for the community facility to their school contact officer before the power is exercised. Further guidance can be found in the Czone Finance pages.

The LA will provide its advice to the governing body within 20 working days of the receipt of the information. The LA will not charge for this advice. Schools must inform the LA what action has been taken following the LA's advice.

13.3 Funding agreements

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

The Czone Finance pages contain guidance on bidding and donations. This guidance should be followed by any school using external funding when exercising the community facilities power. Any proposed agreement must be submitted to your school finance contact officer for comments before it is entered into.

13.3.1 Agreements concluded against the wishes of the LA

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



13.4 Other prohibitions, restrictions and limitations

The LA may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the Authority by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA. This requirement will only be used where the LA has good reason to believe that the proposed project carries significant financial risks.

13.4.1 Limited company

To protect the financial interests of the Authority the LA may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to run the community facility through the vehicle of a limited company formed for the purpose. This requirement will only be used where the LA has good reason to believe that the proposed project carries significant financial risks.

13.5 Supply of financial information

Schools which exercise the powers under S27 of the Education act 2002 (community facilities) must provide the Authority with the following returns in a format specified by the LA.

- Final budget plans by the end of April. These plans must be approved by the full governing body or by a committee to which the power to be approve the budget has been delegated.
- Revised budget plans may be requested from schools during the year. These will not be requested at intervals of less than three months.

The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, may require such financial statements to be supplied more frequently and, if the Authority sees fit, require the submission of a recovery plan for the activity in question.

13.6 Audit

The school must 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.



When schools conclude funding agreements with other persons in exercising the community facilities power, they must ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those 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 surpluses and deficits

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

A school can carry retained net income over from one financial year to the next as a separate community facilities surplus.

If there is a deficit on a school's extended school community facility account the Authority can

- Recover the funds from any accumulated surplus
- Agree a Community Facility Licensed Deficit with a recovery plan for the community facility with a maximum repayment period of 3 years. Approval of Licensed deficits will be in accordance with the provision of section 4.9.3 paragraphs a, d, f, g of this Scheme

If the deficit in any financial year exceeds the deficit agreed in the Community Facility Licensed deficit recovery plan, the excess will be charged to the school's budget share.

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

13.8 Health and safety matters

The health and safety provisions contained in paragraph 11.5 of the main scheme for financing schools are extended to the community facilities power.

13.8.1 Disclosure and Barring Service clearance

The governing body is responsible for the costs of securing Disclosure and Barring Service (formerly CRB) 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

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

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

13.10 Taxation

13.10.1 Value added tax

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

13.10.2 PAYE and National Insurance

If any member of staff employed by the school in connection with community facilities at the school is paid from funds held in a school's own bank account (community facilities), the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules. Further guidance on PAYE and national insurance is contained in the Czone Finance pages

13.11 Banking

Schools must maintain a separate bank account for community facilities and account for the expenditure and income in relation to the facility separately from other school expenditure

The provisions on bank accounts are the same as in the Scheme for Financing Schools. Schools should ensure that they comply with paragraph 3.6 of the scheme except where a bank account is set up specifically for community facilities, the account mandate should not imply that the LA is the owner of the funds in the account except insofar as those funds have been provided by the LA itself.

13.11.1 Borrowing by schools

Schools may not borrow money without the written consent of the Secretary of State. This prohibition extends to the exercise of the community facilities powers. This requirement does not extend to monies lent to schools by the County Council.



ANNEX A

SCHOOLS MAINTAINED BY THE COUNTY COUNCIL AND COVERED BY THIS SCHEME (as at 1 April 2017)

Primary Schools	EFA number
Alfriston School	2050
All Saints & St. Richard's C.E. Primary School, Heathfield	3327
All Saints C.E. Primary School (Bexhill)	3006
Ashdown Primary School	2057
Barcombe C.E. Primary School	3002
Battle & Langton C.E. Primary School	3003
Beckley C.E. Primary School	3004
Blackboys C.E. Primary School	3320
Bodiam C.E. Primary School	3076
Bonnars C.E. Primary School	3042
Bourne Primary School	2151
Brede Primary School	2054
Broad Oak Community Primary School	2055
Burwash C.E. School	3009
Buxted C.E. Primary School	3011
Catsfield C.E. Primary School	3012
Chantry Community Primary School	2095
Chiddingly Primary School	2056
Chyngton School	2094
Cradle Hill Community Primary School	2104
Cross In Hand C.E. Primary School	3015
Crowhurst C.E. Primary School	3016
Dallington C.E. Primary School	3017
Danehill C.E. Primary School	3018
Denton Community School	2103
Ditchling (St. Margarets) C.E. Primary School	3019
East Hoathly C.E. Primary School	3022
Etchingham C.E. Primary School	3023
Firle C.E. Primary School	3068
Five Ashes C.E. Primary School	3071
Fletching C.E. Primary School	3026
Forest Row C.E. Primary School	3028
Framfield C.E. Primary School	3323
Frant C.E. Primary School	3029
Groombridge St Thomas' C.E. Primary School	3332



Grovelands Community School	2059
Guestling-Bradshaw C.E. Primary School	3324
Hamsey Community Primary School	2060
Hankham Primary School	2061
Harbour Primary School	2112
Harlands Primary School	2166
Haven C. E. Methodist School	3094
Hellingly Community Primary School	2062
Herstmonceux C.E. Primary School	3032
High Hurstwood C.E. Primary School	3033
Holy Cross C.E. Primary School	3335
Hurst Green C.E. Primary School	3035
Icklesham C.E. Primary School	3072
Iford & Kingston C.E. Primary School	3077
Langney Primary School	2130
Laughton Community Primary School	2071
Little Common School	2099
Little Horsted C.E. Primary School	3330
Manor Primary School	2107
Mark Cross C. E. Primary School	3331
Mayfield C.E. Primary School	3043
Maynards Green Community Primary School	2074
Meridian Primary School	3041
Meridian Primary School	2153
Motcombe Community School	2136
Netherfield C.E. Primary School	3045
Newick C.E. Primary School	3074
Ninfield C.E. Primary School	3046
Northiam C.E. Primary School	3047
Nutley C.E. Primary School	3048
Park Mead Primary School	2076
Parkland Infant School	2141
Parkland Junior School	2140
Parkside Community Primary School	2160
Pashley Down Infant School	2137
Peacehaven Heights School	2005
Peasmarsh C.E. Primary School	3049
Pevensey & Westham C.E. Primary School	3050
Plumpton Primary School	2078
Polegate School	2105
Punnetts Town Community Primary School	2082



Ringmer Primary School	2083
Rocks Park Primary School	2149
Rodmell C.E. Primary School	3334
Roselands Infant School	2135
Rotherfield Primary School	2084
Sacred Heart Catholic Primary School	3354
Salehurst C.E. Primary School	3055
Sandown Primary School	2120
Seaford Primary School	2087
Sedlescombe C.E. Primary School	3058
Shinewater Primary School	2154
South Malling C.E. Primary School	3040
Southover C.E. Primary School	3041
St Andrew's C.E. Infants School, Eastbourne	3092
St John's C.E. Primary School, Crowborough	3322
St John's Meads C.E. Primary School	3360
St Mark's C.E. Primary School, Hadlow Down	3325
St Mary Magdalene's Catholic Primary School, Bexhill on Sea	3339
St Mary Star of the Sea Catholic Primary School, St Leonards on Sea	3353
St Mary the Virgin C.E. Primary School, Hartfield	3326
St Mary's Catholic Primary School, Crowborough	3340
St Michael's C.E. Primary School, Playden	3051
St Michael's Primary School, Withyham	2091
St Pancras Catholic Primary School, Lewes	3342
St Peter & St Paul C.E. Primary School, Bexhill	3338
St Peters C.E. Primary School, Chailey	3013
St Philip's Catholic Primary School, Uckfield	3343
St Thomas C.E. Primary School, Winchelsea	3336
St Thomas a Becket Catholic Primary School, Eastbourne	3362
Stafford Junior School	2145
Staplecross Methodist Primary School	3080
Stone Cross School	2162
Stonegate C.E. Primary School	3062
Telscombe Cliffs Community Primary School	2088
Ticehurst C.E. Primary School	3063
Tollgate Community Junior School	2131
Wadhurst C.E. Primary School	3081
Wallands Community Primary School	2072
West Rise Community Infant School	2142
West Rise Junior School	2143
Western Road Community Primary School	2073

Westfield School	2089
Willingdon Primary School	2090
Wivelsfield Primary School	2092

Secondary Schools

Chailey School	4042
Claverham Community College	4025
Heathfield Community College	4028
Peacehaven Community School	4000
Priory School, Lewes	4047
Robertsbridge Community College	4035
St Richards Catholic College, Bexhill-on-Sea	4606
The Causeway School	4074
Uckfield Community Technology College	4037
Uplands Community Technology College	4038
Willingdon Community School	2083

Special Schools

Grove Park School	7021
Hazel Court School	7032





ANNEX B

BEST VALUE AND SCHOOLS

- 1) This statement is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share.
- 2) Best value is a statutory duty to deliver services to clear standards, covering both cost and quality, in the most effective, economic and efficient means available. Legislation places a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions which are exercised by the governing bodies of LA maintained schools. However, schools are encouraged to adopt the best value performance management framework.
- 3) In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:
 - a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-Ofsted inspection plans can be developed to satisfy the requirements for review. The reviews should include:
 - challenging how and why a service is provided (including consideration of alternative providers);
 - comparison of performance against other schools taking into account the views of parents and pupils;
 - mechanisms to consult stakeholders, especially parents and pupils;
 - embracing competition as a means of securing efficient and effective services;
 - b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;
 - c) that the following are included in school development plans -

- a summary of objectives and strategy for the future;
 - forward targets on an annual and longer term basis;
 - description of the means by which performance targets will be achieved;
 - a report on current performance;
- d) that internal and external audit takes place ensuring that performance information is scrutinised.
LA oversight of school finances provides external review.
- 4) The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.

ANNEX C

LIST OF BANKS AND BUILDING SOCIETIES THAT A SCHOOL MAY USE

RBS Group (Inc Nat West)
Lloyds HBOS Group
Barclays Bank

ANNEX E RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

THE LEGAL POSITION

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).

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

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.

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.

WHO FUNDS THE COSTS OF REDUNDANCIES IN EAST SUSSEX?

In line with the Education Act 2002, costs incurred as a result of a redundancy will be covered by the Local Authority (LA) unless the LA has good reason to deduct these costs (or part of the costs) from a school's budget share.

To explain this further, the LA would support the redundancy costs where a staffing reduction is made proportionate to and as a result of falling pupil numbers. This is classified as a financial imperative. The LA may also consider covering redundancy costs where a staffing reduction is required as an educational imperative, but this is subject to prior agreement and to available budget. However, the LA would not support the redundancy costs where a staffing reductions arise from a deficit caused by factors within the school's control.

Should a school make staffing reductions in addition to those agreed by the LA, the excess redundancy costs will be charged to the school's budget share. In such a situation, a discussion will need to take place to agree which redundancy costs will be covered by the school and



which will be covered by the LA. A fair approach will need to be taken in these circumstances i.e. If the school is required to make two employees redundant but chose to make three redundant, it is not expected that the LA automatically pick up the redundancy costs of the two most expensive employees.

PREMATURE RETIREMENT COSTS

Schools will need to refer to the Redundancy and Premature Retirement Policy for Teachers (effective September 2014) for full guidance on the apportionment of costs arising from redundancies with premature retirement entitlements, In principle the County Council will cover the redundancy costs only where a staffing reduction is made proportionate to and as a direct result of falling pupil numbers, but any enhancement to pension will be payable by the school itself.

In ESCC, schools are not required to adopt the redeployment policy. It is at the Governing Body's discretion whether to adopt the policy or not. All schools are encouraged to adopt the policy which is part of the Managing Change Suite of Policies available on c-zone. However, if schools do not adopt the redeployment policy no early retirement costs will be met by the authority.

Governing bodies can choose to allow teachers to access premature retirement benefits either with or without actuarial reduction. In the event that an actuarial reduction is waived, the school will need to meet the one off and any on-going financial costs associated with this process where teachers cease their employment on grounds of redundancy or efficiency of the service. Schools will need to be aware that they may be entering into an agreement that incurs a liability for them at some future point.

In agreeing access to premature retirement benefits, governing bodies of schools must pay the cost of this to the Teachers' Pension Scheme. Information about these two forms of compensation is set out on the Teachers' Pension website.

<http://www.teacherspensions.co.uk/employer-guide/member-management/types-of-retirement.aspx>

Please note that once employees have been identified for redundancy, if they are entitled to premature retirement there needs to be written confirmation that the LA will cover the costs. The Personnel Advisory Team will co-ordinate this. Without this confirmation, the school's budget share can be charged for premature retirement costs. Please be assured that this is confirmation rather than approval of the costs i.e. if the restructuring process has been undertaken with LA support, funding will not be withdrawn after staff have been identified for redundancy.