

# **Scheme for Financing Schools**

Effective from October 2020

Revised August 2020

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Annex A: Schools Covered by the Scheme

Annex B: Glossary

## **1. Introduction**

### **1.1. *The Funding Framework***

The funding framework for maintained schools is based on the provisions in Sections 45-53 of the [School Standards and Framework Act \(SSAF\) 1998](#) (the Act).

Under this legislation, local authorities determine the size of their Schools Budget and Local Authority Education Budget – although the Authority must allocate its entire Dedicated Schools Grant (DSG) to 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 except for capital and certain miscellaneous items. Local authorities may retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of [the Act](#). The amounts to be retained centrally are decided by the Authority concerned, subject to any limits or conditions which may include gaining the approval of their Schools Forum in certain instances, in accordance with regulations made by the Secretary of State. The balance of the Schools Budget remaining after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).

Local authorities must distribute the ISB amongst their maintained schools using a formula that accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school that has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of [the Act](#). The financial controls within which delegation works are set out in this Scheme which is made by Oxfordshire County Council (OCC) in accordance with s.48 of [the Act](#). All revisions to the scheme must be approved by the Schools Forum before they come into effect.

Subject to provisions of this Scheme, governing bodies of schools may spend budget shares as they determine for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of [the Act](#).

The Authority may suspend a school's right to a delegated budget if the provisions of this Scheme (or rules applied under the Scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (S17 of [the Act](#)) but in that case there is no right of appeal.

Each authority is obliged to provide on a publicly available web site each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and the funding delegated to schools. 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. Both types of statement are published in a format specified in regulations made by the Secretary of State, are subject to audit certification, and information in them is collated and published by the Secretary of State.

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## **1.2. *The Role of the Scheme***

This Scheme sets out the financial relationship between the Authority and the schools maintained by the Authority. The Scheme contains requirements which are binding on both the Authority and on its maintained schools.

## **1.3. *Application of the Scheme***

This Scheme applies to all community, nursery, voluntary, foundation, community special and foundation special schools and pupil referral units maintained by the Authority. The annually published statement of the budget share for each school maintained by the Authority constitutes a definitive list of all schools to which this Scheme applies as at the 1 April of each financial year.

Any new maintained school opening after 1 April or any other school becoming a maintained school after 1 April of each financial year is covered by this Scheme by virtue of s.49 of [the Act](#).

## **1.4. *Publication of the Scheme***

The detailed publication requirements for the Scheme are set out in regulations made by the Secretary of State. The Scheme must be published on a publicly available web site showing the date at which that version became effective.

Where the Authority deems it appropriate, a copy of the scheme will be supplied to each governing body covered by the scheme.

## **1.5. *Revision of the Scheme***

The scheme will be kept under annual review. Amendments to the Scheme may be proposed by the Authority and will be subject to consultation with the Schools Forum. Schools Forum will decide whether the proposed revisions are of such significance that they should be subject to a general consultation with all schools, and if so then all maintained schools with a right to a delegated budget will be consulted on those proposed revisions. Revisions to the scheme proposed by the Authority may only be implemented after the Schools Forum or (in cases where the authority and the Schools Forum cannot agree) the Secretary of State has approved them. In the event that a vote is necessary when deciding whether to agree changes to the Scheme, only members of the Schools Forum representing maintained schools will be entitled to vote.

## **1.6. *Delegation of Powers***

The governing body of a school must consider what powers it wishes to delegate for the financial management of the school to the Headteacher, who is responsible for the day to day management of the school. Similarly powers may be delegated to a committee of the governing body, such as a finance committee, which may meet more frequently than the full governing body and therefore be in a position to respond more quickly to issues which arise in the financial management of the school.

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The governing body can delegate authority to carry out these and other tasks, but cannot delegate the responsibility. The governing body remains ultimately accountable. Where such delegation is made, it is important that all parties are aware of the extent of their delegated powers, which should be clearly set out and minuted at a meeting of the full governing body. Such decisions by the governing body are subject to any requirements set out in regulations made by the Secretary of State under S.38 and Schedule 11 of [the Act](#). The level and extent of any delegation must be reviewed at least annually, and completion of the review and any revisions must be recorded in the minutes of the full governing body.

The first formal budget plan for each financial year must be approved by the full governing body and this responsibility cannot be delegated to a committee or individual. Approval of the first budget plan must be recorded in the minutes of the appropriate meeting.

### **1.7. *Maintenance of Schools***

The Authority is responsible for maintaining the schools covered by the scheme, and this includes defraying the expenses of maintaining them (though in the case of a voluntary aided school the costs of capital works 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 Act](#). This is deemed in law to provide all the resources required by the governing body to meet the expenses of operating the school.

### **1.8. *Delegation of Additional Responsibilities to Schools***

Costs related to the education of pupils are present in both the Schools Budget and the Non-Schools Education Budget of the Authority. The majority of the Schools Budget is delegated to individual schools. Where schools are well placed to manage the operational responsibilities, the Authority may decide to delegate additional responsibilities from either the Schools Budget or Education Budget to schools. Where the Authority proposes to make further delegations it will consult with the Schools Forum, and would expect to consult all schools on the changed responsibilities unless the Schools Forum advises this is not necessary. The Authority will have regard to the advice of Schools Forum and the results of consultation with schools in making any decision about further delegations. Where additional responsibilities are delegated to schools then the associated resources from the Authority's budgets will also be delegated to schools.



## **2. Financial Requirements and Audit**

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

In addition to the specific requirements of the Scheme, schools must follow the requirements of the Authority's [Financial Manual of Guidance](#) in the management of their delegated budgets. Schools must follow any additional guidance given by the Authority which has been approved as mandatory by the Schools Forum, and should also have regard to advice given by the Authority in respect of any financial matters not covered by the Scheme or by the [Financial Manual of Guidance](#).

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

Schools are required to provide financial information and reports to the Chief Finance Officer as specified in the Authority's [Financial Manual of Guidance](#).

The Schools Forum will approve the frequency of financial reports and will be consulted on any significant changes to the content of financial reports, except where reports are connected with tax or banking reconciliation in which case the Authority will determine the necessary arrangements. Financial monitoring reports will not be requested more frequently than 4 times per year unless the Authority has notified the school, in writing, that in its view the school's financial position requires more frequent review, or where the school is in its first year of operation.

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

Payment of salaries and bills must be made in accordance with arrangements detailed in the [Financial Manual of Guidance](#).

### **2.4. *Control of assets***

Schools must maintain an inventory of their moveable non-capital assets, and comply with instructions on the form of this inventory, and the procedures for disposal of assets, set out in the [Financial Manual of Guidance](#). Schools determine their own arrangements for keeping a register of assets worth less than £2,000, but they must keep a register in some form. This is particularly important for moveable ICT equipment therefore schools may wish to consider a separate register for ICT equipment.

### **2.5. *Accounting policies***

Schools must follow the accounting policies and procedures issued by the Chief Finance Officer and detailed in the [Financial Manual of Guidance](#). The format and content of accounts and a timetable for providing the necessary information will be agreed with the Schools Forum and published on a publicly available web site.

## **2.6. *Writing off debts***

The [Accounts and Audit Regulations 2015](#)<sup>1</sup> require all write-offs to be approved by the Chief Finance Officer or representative. The governing body must be informed of any accounts proposed for write-off. All accounts proposed for write off must be submitted to the Authority for approval in accordance with the [Financial Manual of Guidance](#).

## **2.7. *Submission of budget plans***

From the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. The date by which budget plans must be submitted will be agreed between the Chief Finance Officer and the Schools Forum and any change will be published in advance by the most appropriate means also as agreed with the Schools Forum.

The budget plan must be in a form prescribed by the Chief Finance Officer and based on any assumptions which have been supplied by the Chief Financial Officer and the Director of Children's Services. Schools should include their best estimate of their balances (deficit/surplus) as at the previous 31 March in their budget plan. Schools may also be required to submit provisional plans prior to the final budget plan in a form prescribed by the Chief Finance Officer. Revised budget plans must be supplied to the Chief Finance Officer where there has been a significant change in the allocation of funds as specified in the [Financial Manual of Guidance](#).

The Chief Finance Officer and Director of Children's Services undertake to supply schools with all income and expenditure data held by the Authority which is necessary for effective planning by schools. The dates at which such information will be available will be agreed between the Authority and the Schools Forum and shown on a publicly available web site.

## **2.8. *Multi-year budget forecasts***

The Authority will require schools to submit a budget plan and updated financial forecasts covering each year of a multi-year period for which schools have been notified of actual or indicative budget shares. It is good practice for schools to prepare a multi-year financial forecast even where the Authority has not provided indicative budget shares, which would only occur where the government has not provided multi-year financial settlements for schools.

## **2.9. *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.

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

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<sup>1</sup> Statutory Instruments ref. 2015/234: Document replaced the Accounts and Audit Regulations 1996 (ref. 1966/590), Accounts and Audit Regulations 2003 (ref. 2003/533) and Accounts and Audit Regulations 2011 (ref. 2011/817)



There are significant variations in efficiency between similar schools, and so it's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.

### **2.10. *Virement***

Schools may vire funds between budget heads in their delegated budget share in accordance with their internal delegation of powers as approved by the full governing body under paragraph 1.6 of this Scheme.

### **2.11. *Audit: General***

Schools are included within the Council's internal audit regime, as determined by the Chief Finance Officer, and in the external audit regime which applies to the Authority from time to time.

The Chief Finance Officer is required to carry out a continuous internal audit and appraisal of accounting and financial operations throughout the Authority in accordance with the [Accounts and Audit Regulations 2015](#). For such purposes the Chief Finance Officer shall have access to all records and computer held data appertaining in any way to the finances of the Authority. The Council's external auditors have similar rights of access to this information.

### **2.12. *Separate external audits***

A governing body may spend funds from its budget share to obtain external audit certification of its accounts. Where this is done a copy of the certification and any accompanying comments must be sent to the Chief Finance Officer within 1 month of being prepared.

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

Schools must provide audit certificates for all private and voluntary funds held and for the accounts of any trading organisations controlled by the school. Audit certificates (and any accompanying reports) must be reported to the governing body and sent to the Chief Finance Officer within 1 month of being prepared and in all cases within 6 months of the accounting year- end.

## **2.14. Register of business interests**

The governing body of the school must maintain a register which list the business interests of each governor and the headteacher and their immediate family<sup>2</sup>. In addition, the register must include details of any other educational establishments that they govern and any relationships between school staff and members of the governing body, business or otherwise. This register is to be annually reviewed and publicly available.

Detailed guidance on the register is given in the [Financial Manual of Guidance](#) - Declaration of Pecuniary Interests. The register should be reviewed at least annually with governor's resigning and dating their current declarations or amending their declarations prior to signing and dating, as appropriate.

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

Schools must follow the requirements contained in the [Financial Manual of Guidance](#) in respect of purchasing, tendering and contracting matters. This includes a requirement to assess, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

Whilst the [Financial Manual of Guidance](#) includes advice on Best Financial Practice it does not:

- a) Require schools to do anything incompatible with any of the provisions of this Scheme, or any statutory provision, or any European Union (EU) Procurement Directive;

N.B. Where an Oxfordshire County Council contract has been let in accordance with EU procurement procedures this does not in itself make it possible to bind a school into being part of that contract. For the purposes of the Procurement Directives, schools are viewed as discrete units;

- b) Require schools to seek officer countersignature or approval for any contracts for goods or services for a value below £100,000 in any one year, however where the Authority has issued a Notice of Concern to an individual school in accordance with paragraph 2.21 then that notice may include notification of a lower value above which officer approval is required;
- c) Require schools to select suppliers from an approved list;
- d) Allow schools to seek fewer than three quotations in respect of any contract with a value exceeding £25,000 in any one year.

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<sup>2</sup> For this purpose, immediate family includes, governor's or employee's parents, children, spouse, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, co-habitee and anyone (other than domestic employees) who shares the governors or employee's home.

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- e) The Authority may issue lists of approved suppliers and point out the advantages of using these lists. Although schools will not be compelled to use these lists it is strongly recommended that they do so.

### **2.16. Application of contracts to schools**

Schools can opt out of contracts arranged by the Authority except where they have agreed in writing to the terms and conditions of the contract in which cases they are bound into the contract for its duration. In some cases a contract might contain clauses allowing variation of its terms and conditions.

Governing bodies are empowered under Paragraph 3 of Schedule 10 of [the Act](#) to enter into contracts with other organisations. In most cases they do so as agent of the Authority which is legally the owner of the funds included in the budget share.

Contracts may also be made by the governing body when it has clear statutory obligations, for example, contracts made by aided or foundation schools for the employment of staff.

### **2.17. Earmarked Funds**

The Authority may make resources available to schools from central funds or Authority funds as allocations which are additional to and separate from the schools budget share. In the case of grants this may be a requirement specified by the Secretary of State or other grant making body.

Such additional allocations will be subject to terms and conditions setting out the purpose or purposes for which funds may be used, and the accounting requirements which must be followed. Any such allocation must be spent only on the purposes for which it was given, and within the period over which schools are allowed to use the funds. Where earmarked funds are not spent in the period for which they were given, the balance must be returned to the Authority. The Authority will, when necessary, return the funds to the grant making body.

These conditions do not preclude virement of funds between any purposes for which the allocation can validly be spent.

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

Section 50(3) of [the Act](#) permits governing bodies to spend budget shares for the purposes of the school. "Purposes of the school" is defined as being for the education of the school's pupils and the operation and management of the school. Under section 50(3)(b) of [the Act](#), the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur, and these include services for pupils from other maintained schools or academies. Amounts spent by governing bodies on community facilities under S.27 of the [Education Act 2002](#) will be treated as spent for the purposes of the school from April 2011.

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Governing bodies may not spend any part of their budget share on activities or items which fall outside the above definitions. This general restriction does not apply to any earmarked funds as described in paragraph 2.17.

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

Governing bodies may use their budget share to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on works which are their responsibility under paragraph 3 of Schedule 3 of [the Act](#).

Where the premises are owned by the Authority, or the school has voluntary controlled status, the governing body must notify and take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure if it exceeds £15,000. The governing body must seek the consent of the Authority to the proposed works; however such consent will be withheld only on health or safety grounds. Detailed procedures are set out in the [Financial Manual of Guidance](#).

### **2.20. Schools Financial Value Standard**

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.

Maintained schools that did not achieve the Financial Management Standard in Schools (FMSiS) must submit the form to the local authority before 31 March 2012, and annually thereafter. All other maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

### **2.21. Notice of Concern**

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

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include but are not limited to:

- a) Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- b) Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body, or (if no finance committee exists) leads the governing body on finance matters;
- c) Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority or the setting of a lower approval level above which a transaction must be approved by the Authority;
- d) Insisting on regular financial monitoring meetings at the school attended by officers of the Authority;
- e) Requiring a governing body to buy into the Authority’s financial management systems, or into other services provided by the Authority which are relevant to financial management difficulties at the school; and
- f) 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.

## **2.22. 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.

### **3 Instalments of the Budget Share, Banking Arrangements**

The Authority has adopted the [CIPFA Code of Practice for Treasury Management in Local Authorities](#).

For the purposes of this section Budget Shares include any place-led funding for special schools, special units or pupil referral units.

#### **3.1 Bank Accounts**

Schools making use of the Authority's banking arrangements are provided with a local bank account specific to the school into which any income can be paid, a local bank account specific to the school from which local payments can be made, and access to the Authority's central banking arrangements from which most payments are made either via the SAP payroll or via the SAP accounts payable system.

#### **3.2 Right to a separate bank account**

Schools have a right, if they so choose, to operate their financial affairs through a bank account of their own choosing.

##### **3.2.1 Approved Bankers**

If schools choose to operate their own bank account then they must choose from a list of banks and building societies approved by the Authority as appropriate for the purpose of school banking. The main criteria by which banks / buildings societies will be approved for the list will be whether they appear on the Authority's panel of approved institutions for banking or investment purposes, whether they are of good financial stability, and whether the approved List offers an appropriate degree of choice for schools. Any request to move to separate banking arrangements must be made by the end of September of each year so that the new bank account can come into operation from the 1 April of the next financial year.

Budget share funds held in school bank accounts remain the property of the Authority until spent (s49(5) of the Act). Therefore where a school has such an account, the account mandate must provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

##### **3.2.2 Frequency of instalments**

The Authority will pay a proportion of the non-pay budget share into schools' bank accounts in three instalments on the first banking day of the relevant term as follows:

40%	in April
32.5%	in September
27.5%	in January

Scheduled instalments may be suspended where local bank account operating balances exceed £400,000.



### **3.2.3 Interest**

The Authority receives funds for school budget shares in 25 approximately fortnightly instalments. The Authority will therefore deduct from schools budget share instalments an amount equal to the estimated interest lost by the Authority in making available the budget share in advance using the current bank base rate.

The payment of devolved or special grant will not be subject to any deduction of claw-back in respect of interest costs to the Authority (see paragraph 2.17).

In the event that an instalment of budget share or of earmarked grants is paid late, due to an error of the Authority, then interest will be added at the current bank base rate.

### **3.2.4 Budget shares for closing schools**

For closing schools the Authority may at its discretion insist that the school joins central payment arrangements or pay instalments on a monthly basis net of estimated pay costs.

## **3.3 Borrowing by schools**

Governing bodies may not borrow money from external lenders (including the use of finance leases, credit cards and overdrafts) unless they have the express written permission of the Secretary of State to do so. A detailed set of requirements must be demonstrated in any application. Any application to the Secretary of State must be made through the Chief Finance Officer, but consent is likely to be given only where the Authority is able to reduce its own credit requirement to maintain public expenditure neutrality. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. However, where borrowing schemes are made available by the Secretary of State schools will be able to access without requiring specific approval.

Trusts and Foundations are able to borrow, provided that their constitutional documents empower them to do so. Interest on their debts and repayment of the loan may not be made directly from the delegated budget share, but schools are free to agree a charge for services which the Trustees or Foundation provide. Trusts and Foundations act in their own capacity as incorporated bodies when repaying loans.

This prohibition does not apply to the school loan scheme run by the Authority or to amounts advanced by the Authority to cover deficits run up by schools whether licensed or unlicensed.

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### **3.4 Partnership Bank Accounts**

In some cases it may be inappropriate for funds held by partnerships of schools to be managed through bank accounts of the authority. This would particularly apply where the provider of the funds has placed conditions on funding which require that they are identified as the owner until the funds are spent.

Where the Authority agrees that a separate bank account is necessary or expedient then it must be opened with a bank or building society on the list of approved bankers specified above (or with the bank approved by the provider of the funds).

The Authority must be provided with an audited annual statement of all accounts managed through such separate bank accounts.

### **3.5 Procurement Cards**

All schools with a delegated budget share are encouraged to make use of procurement cards to minimise transaction costs.

Schools must not obtain or use credit cards as these constitute borrowing, which is not permitted.

### **3.6 Other provisions**

Any other provisions are detailed in the [Financial Manual of Guidance](#).

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## **4 Surplus and Deficit Balances Arising in Relation to Budget Shares**

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

Schools carry forward from one financial year to the next any under-spend relative to the schools budget share for the year plus/minus any balance brought forward from the previous year. The amount of any surplus balance will be as shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

### **4.2. *Controls on surplus balances***

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

- a) the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the [Consistent Financial Reporting \(CFR\) Framework](#).
- b) the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and, where relevant, any unspent earmarked grant for the previous financial year;
- c) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the Authority, and which the Authority is satisfied are properly assigned. Amounts must not be retained beyond the period stipulated for the purpose in question without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
- d) if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Authority shall consider the deduction from the current year's budget share an amount equal to the excess.
- e) in determining whether to make a deduction the Authority will recognise that schools should be moving toward greater autonomy; will not penalise schools which make early efficiency savings in a tighter financial climate, will seek to minimise bureaucracy, and will focus attention on schools which have built up excessive balances over a significant period.

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**4.3. Reporting on the intended use of surplus balances**

Governing bodies must report to the Chief Finance Officer the use which the school intends to make of surplus balances in all cases where total balance exceeds a specified percentage of the school's budget share. Any change to the percentage will be published in advance by appropriate means also as agreed with the Schools Forum.

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

Schools are required to carry forward deficit balances, and deficits will be deducted from the following year's budget share. In some cases the Authority may agree to convert a deficit balance into a loan within the school loan scheme on the basis that the school has agreed with the Authority an appropriate recovery plan for the deficit.

The amount of a deficit balance will be as shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

**4.5. Planning for deficit budgets (Licensed Deficits)**

Schools will normally be required to plan and submit a balanced budget. However, the Director of Children's Services and Chief Finance Officer will consider approving a deficit budget where the school can demonstrate, in writing, that there are sound educational and financial reasons to do so, e.g. that the school has a rising roll and the proposed deficit can be repaid from additional funding anticipated in future years, or the school has need to replace a major item of equipment etc. The school will be required to submit a multi-year budget plan, setting out clearly its assumptions as to how the deficit will be repaid and over what period. Schools are permitted to spend earmarked grants and allocations on purposes other than reducing the approved deficit, unless, in the view of the Authority the proposed expenditure is unreasonable in the school's financial circumstances.

The repayment period for a licensed deficit may not exceed three years. The repayment period for an agreed loan will usually be three years, though in cases where the Authority deems it necessary a loan may be repaid over five years.

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021.

The aggregate amount of licensed school deficit budgets should not exceed 50% of the aggregated surplus balances held by schools at the 31 March preceding the financial year in question.

Where a deficit budget is licensed, any restrictions or reporting provisions imposed by the Authority will apply.

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#### **4.6. *Loan Scheme***

The Authority operates a loan scheme funded from the collective balances held by schools. All maintained schools are eligible to apply for a loan that can be for:

1. Purchase or replacement of equipment, including computer hardware
2. Contribute funding toward premises projects
3. Repair and maintenance responsibilities
4. Energy and environmental improvements

The maximum loan will be up to 5% of the schools budget share excluding earmarked grants, or 10% where the loan is in respect of property repairs and maintenance. Subject to a detailed budget plan the Authority may approve a loan in excess of this limit for new building works, provided it is satisfied that the ongoing commitment can be met.

Equipment loans will normally be for a maximum period of three years and only in very exceptional circumstances will such loans be extended to five years. Loans for funding property works and for historic deficits will be for a maximum period of five years.

No school will be allowed to have simultaneously a licensed deficit and a loan. No extension to either a licensed deficit or loan will be considered except in circumstances where the Authority has used its statutory powers to intervene in the activities, powers or membership of the governing body.

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

Interest will not be charged on licensed deficits, providing the conditions of the approval are met.

Interest will be charged on unapproved deficits at 3% above base rate, based on the deficit accruing evenly over the financial year.

Any agreement to make a loan under the school loan scheme will include specific arrangements for interest charges.

#### **4.8. *Writing off deficits***

Under current legislation the Authority is not permitted to write off the deficit balance of any school except where the school is closed.

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

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

The arrangements for maintained schools converting to academies under the [Academies Act 2010](#) specify that the final balance of the predecessor school will, when agreed by the Authority, transfer to the academy whether surplus or deficit.

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## **5. Income**

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

Governing bodies are empowered to approve the occasional use of school buildings and facilities for other purposes and may retain any income charged for this use. Governors must ensure that such uses are not subsidised by the school budget share and that adequate insurance arrangements are in place for the activities involved.

Where the school buildings are owned by the Authority then any regular use for other purposes (eg lettings) can only be agreed by the Authority as Landlord. Schools are allowed to retain income from such agreed lettings of school premises, which would otherwise accrue to the Authority, subject to alternative provisions from any joint use or Private Finance Initiative (PFI) agreements. Schools may cross subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of education and achievement.

Income from lettings of school premises owned by the Authority must not be paid into voluntary or private funds held by the school. Schools are required to have regard to the directions issued by the Authority as to the use of school premises, as permitted under of [the Act](#) for various categories of schools. Schools will be liable for any additional costs and responsible for any arrangements associated with external use of their premises, e.g. gaining an entertainment licence if appropriate.

School premises which are not owned by the Authority do not require permission from the Authority before alternative uses are agreed by the governing body, however the owner of the buildings may impose their own requirements. In all cases the budget share must not subsidise non-school use of the premises and facilities.

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

Schools are allowed to retain income from fees and charges except where the services being charged for are provided by the Authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the Authority and must note that the law does not permit charges to be levied for education in line with the national curriculum.

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

Schools retain any income generated from their fund-raising activities.



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

Schools are allowed to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds. In these cases it is for the Authority to decide whether the school should retain the proceeds or any part of the proceeds. If the asset concerned is land or buildings forming part of the school premises and owned by the Authority then the school will only be able to retain proceeds in order to fund a capital project.

N.B. The retention of proceeds of sale of premises not owned by the Authority is not a matter for this scheme.

Income from the sale of assets purchased from delegated funds, or School Budget Share, can only be spent for the purposes of the school.

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

Schools must follow the prescribed guidance in respect of all income that accrues to the Authority (e.g. where a school has contracted with the Council meal service). Schools must follow guidance given in [the Authority's Tax and VAT Manual](#) when invoicing for lettings and services which lead to fees and charges.

## **6. The Charging Of School Budget Shares**

### **6.1. *General provision***

- 6.1.1 The budget share of the school can be charged by the Authority, without the consent of the governing body, only in circumstances expressly permitted by this Scheme. The Authority is required to consult schools as to the intention to so charge and to notify schools when it is being done.
- 6.1.2 The Authority must charge the salaries of school based staff to school budget shares at actual cost including National Insurance, pension contributions and any other directly attributable costs.

### **6.2. *Costs incurred in securing the termination of employment contracts***

- 6.2.1 Any school considering the termination of the employment contract of a member of staff employed to work at the school must seek the specific advice of the Authority before making any formal commitment to terminate the employment contract whether or not the school has access to any other source of relevant advice.
- 6.2.2 Costs incurred in respect of the premature retirement of any member of staff of a maintained school shall be met from the budget share of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the retirement occurs that it will meet part of the cost. It should be noted that enhanced pensions associated with premature retirements give rise to long term commitments which must be honoured by the school until the pension ceases to be payable.
- 6.2.3 Costs incurred in securing the termination of employment of any member of school staff employed for community purposes shall be met by the governing body of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the termination occurs that it will meet part of the cost.
- 6.2.4 At the request of the Schools Forum and with effect from 1 September 2011, the Authority's budget for the costs of school redundancies and terminations of employment is delegated to schools as part of their budget shares. The costs arising from any termination of employment determined by governing bodies will be met from this element of the delegated budget share, spread if necessary over a number of years. No ring-fencing will be applied to this additional element of budget share and it may be spent for any lawful purpose of the school.
- 6.2.5 The Authority may offer a contribution to any redundancy cost at its sole discretion where it deems that it would be unreasonable in all the circumstances to expect the school budget share and other income of the school to meet the whole cost of a particular redundancy.

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6.2.6 Where a partnership agreement relevant to the particular employment is in force the termination costs will be charged proportionately against the budget shares of the partner schools as specified by the partnership agreement or in the absence of such a specification in proportion to the respective numbers of pupils at the schools.

6.2.7 School budget shares will be charged for the costs arising from any termination of employment where one or more of the circumstances set out below is applicable:

- any expenditure incurred to secure an agreement with the employee to terminate their contract of employment (usually known as a compromise agreement);
- any expenditure incurred to secure resignations where the school has not followed the Authority's advice;
- an offer intended to secure a resignation has been made by the school at terms which vary from the Authority's current policy;
- it appears to the Authority that the proposed termination is aimed at avoiding the need to deal with a performance or capability issue which should be or should have been managed through other processes;
- staffing reductions arising from a deficit caused or made worse by factors mainly or wholly within the school's control;
- excessive staffing reductions arising from a failure to respond to changes to the funding or cost context of the school in a timely fashion;
- staffing reductions which the local authority does not believe are necessary to set a balanced budget or to meet the conditions of a licensed deficit;
- where the school receives an income stream from a grant making body which in principle includes the resources necessary to cover any costs arising from terminations of employment of staff associated with activities supported by that funding stream;
- the post is, has been in the past, or should be supported by the generation of traded income or income generated from a source other than the Authority's budget allocations to the school;
- the school has not actively engaged with the Authority's redeployment policy and redeployment processes;
- where the school is receiving a salary protection factor, or has received the salary protection factor for the maximum period specified in the school funding formula for the individual at risk;
- the school held a surplus revenue balance at the previous financial year end;

- the school reached the end of the previous financial year with an unplanned deficit which arose during the year;
- the school's budget per pupil for the new financial year has increased in real terms over the budget per pupil for the previous year;
- the school's pupil roll at the most recent annual census count has increased over the census count for the preceding year;
- the school receives an allocation within its budget share to bring the budget share up to the government's guaranteed minimum funding level;
- the school receives any additional funding allocation from the Authority above the budget share generated by the funding formula;
- the revenue savings anticipated to be achieved within the three full academic years following the termination of employment are equal to or greater than the costs incurred;
- the school has appointed to a permanent post with broadly similar responsibilities within the last three years;
- the school appoints to a post with broadly similar responsibilities within one year after the termination;
- a temporary employment contract could be validly terminated or reduced in accordance with advice from the Authority as an alternative to the termination of a permanent employment contract;
- the liability to pay redundancy or termination costs has arisen from a repeated rolling renewal of a temporary employment contract;
- the school has a licensed deficit and the termination of employment has not been identified as necessary within the agreed deficit recovery plan;
- the school has a licensed deficit but has failed to achieve the outcomes specified by the license or otherwise failed to act in accordance with the terms of the license;
- the school has not informed the authority at the earliest practicable opportunity of changed circumstances which give rise to the need to reduce employee numbers and the proposed change in employee numbers;
- any termination of the employment of a newly qualified teacher for reasons other than gross misconduct or continued failure to meet minimum acceptable standards;

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- the school has not over time effectively managed and reviewed the structure of Teaching and Learning Responsibility allowances and / or the leadership structure of the school;
  - the selection criteria specified by the governing body appear to the Authority not to select the most appropriate post(s) for termination;
  - the local authority determines that the school has not made all practicable efforts to avoid the need for termination of an employment contract;
  - the staffing reduction is an element of a package of changes which taken as a whole would be likely to increase the costs of operating the school;
  - there is a permanent saving to the Schools Budget of the Authority;
  - the post holder was appointed to the post proposed for deletion by the school after 31 August 2010 i.e. within or after the academic year in which delegation took place.

6.2.8 Due notice of the charge and details of any calculation made will be given by the Authority and in the event of any error a correction will be made, however the governing body will not be entitled to reject the charge.

### **6.3 *Other circumstances in which charges may be made***

School budget shares may be charged after due notice but whether or not the governing body agree in the following circumstances:

- awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice;
- expenditure incurred by the Authority in carrying out health and safety work or capital expenditure where funds have been delegated to the governing body for such work, but the governing body has failed to carry out required work;
- expenditure incurred by the Authority in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;  
N.B. the Authority will need to consider whether it has an insurable interest in any particular case;
- 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 the Financial Manual of Guidance, and the result is that monies are owed by the school to the Authority;
- recovery of penalties imposed on the Authority by H M Customs and Excise, the Environment Agency, Teachers' Pensions, the Local Government Pension Scheme or other regulatory authorities as a result of school negligence;
- where appropriate, correction of any errors in calculating charges to a budget share (e.g. pension deductions);
- additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs;
- legal costs which are incurred where the governing body did not accept the advice of the Authority;
- costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training has not been carried out in a reasonable time;
- compensation paid to a lender where the school enters into a contract for borrowing and the contract is therefore of no effect;



- home tuition costs where a pupil has been temporarily excluded by a school;
- recovery of any allocation made to the school in respect of grant earning expenditure where a school has failed to observe the conditions specified in the guidance/instructions accompanying the devolved budget allocation;
- cost of work done in respect of teacher pension remittance and records for schools using payroll contractors other than the Authority, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations:
- costs incurred by the Authority in securing provision specified in a statement of SEN or in an Education Health and Care Plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SN and/or specific funding allocations for a pupil with High Needs;
- costs incurred by the Authority due to submission by the school of incorrect data;
- recovery of amounts spent from specific grants on ineligible purposes;
- costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract;
- correction of identified accounting errors whereby schools have overstated capital expenditure and understated expenditure which should be met from the budget share,
- costs incurred by the Authority or by another school as a result of the school withdrawing from a cluster or partnership arrangements other than in line with the terms of that agreement,

For the avoidance of doubt, the local 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 Schools Forum.

## **7. Taxation<sup>3</sup>**

### **7.1. Value Added Tax**

Schools are required to follow procedures laid out in the [Authority's Tax and VAT Manual](#), which provides guidance on the treatment of expenditure and income that may incur an element of VAT. Following these procedures and Financial Instructions will also enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts so reclaimed will be passed back to the school.

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

Schools are required to abide by any Financial Instructions and procedures issued by the Authority in connection with the [Construction Industry Scheme](#) as it applies to schools.

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<sup>3</sup> Taxation and VAT Services are delivered by Hampshire County Council

## **8. The Provision of Services and Facilities by the Authority**

### **8.1. *Provision of Services from Centrally Retained Budgets***

The Authority is required to determine the basis on which services including Premature Retirement Compensation and redundancy payments from centrally retained funds will be provided to schools.

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

### **8.2. *Timescales for the Provision of Services Bought Back from the LA Using Delegated Budgets***

The maximum period for any agreement with a school buying services or facilities from the Authority is three years from the inception of the scheme or the date of the agreement whichever is the later. Subsequent agreements relating to the same services may have a maximum period of five years. These timescales may be extended to five or seven years respectively for contracts for the supply of catering services.

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

### **8.3. *Packaging***

The Authority is required to provide any service for which funding has been delegated, and the Authority is offering the service on a buyback basis, in a way which does not unreasonably restrict schools' freedom of choice among the services available. Where practicable, this will include provision on a service by service basis as well as in packages of services.

### **8.4. *Service Level Agreements***

Where services or facilities are provided under a service level agreement - whether free or on a buy back basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

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

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

## **8.5. *Teachers' Pensions***

The payroll service provided by the Authority ensures that arrangements are made for the deduction and remittance of teachers pension contributions and where applicable Additional Voluntary Contributions in respect of any teacher(s) who have not made an election against membership of the teachers pension scheme.

If governing bodies choose to enter into a contract for payroll services with any other provider they must ensure that any such arrangement or agreement requires that service provider to supply the salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. Schools must meet any consequential costs from the budget share.

A governing body of any maintained school which directly administers its payroll must similarly supply salary, service and pensions data to the Authority in accordance with the Authority's requirements, and must meet any consequential costs from the budget share.

**9. Private Finance Initiative (PFI) and Public Private Partnerships (PPP)**

- 9.1. In the event a PFI/PPP scheme is developed the Authority will issue regulations and consult with schools in the authority.

## **10. Insurance**

### **10.1. *Insurance cover***

All insurance funds are delegated to schools. Where schools opt out of the Authority's insurance arrangements, they must demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority. Schools must give at least 12 months' notice of their intention to seek alternative insurance to that offered by the Council.



## **11. Miscellaneous**

### **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 (e.g. earmarked funds) by the school.

There are also statutory rights of access to financial information vested in the Chief Finance Officer, the Authority's External Auditors, HM Revenue and Customs Inspectors and other statutory officers.

### **11.2. *Liability of Governors***

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

### **11.3. *Governors' Expenses***

The Authority may provide to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Under section 50 of the Act only allowances in respect of purposes specified under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. In essence these are limited to the reimbursement of costs wholly and necessarily incurred in the course of governors' duties. Schools are forbidden from paying any other allowances and from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

### **11.4. *Responsibility for Legal Costs***

The early identification of potential conflicts of interest and close liaison with the Authority should assist all parties. Any legal costs incurred by the governing body may be charged to the school's budget share, including costs awarded against the Authority, unless the governing body acts in accordance with the advice of the Authority. The outline procedure is:

- where a conflict arises or is likely to arise (for example, in a dispute between a school and the Authority itself) then the Director of Children's Services and Legal Services Department at County Hall should be informed;
- the school governors may then be advised to obtain independent advice;
- the school will be responsible for the costs of obtaining this advice;
- the Authority may charge an individual school's budget where awards have been made by courts and Industrial Tribunals against the Authority arising from action or inaction by the governing body contrary to the Authority's advice.

### **11.5. Health and Safety**

In spending the school's budget share governing bodies must have due regard to health and safety, and the Authority's Health and Safety policies, practice standards and client requirements in the management of the budget share. Under Section 39(3) of [the Act](#), the Authority may issue directions to the governing body and Headteacher of a community, community special or voluntary controlled school on health and safety matters; these directions are enforceable, so far as governing bodies are concerned, under Section 497 of the [Education Act 1996](#), if not complied with.

### **11.6. Right of Attendance for Chief Finance Officer**

The Chief Finance Officer, or his/her representative, is permitted to attend meetings of the governing body at which any agenda items are relevant to the exercise of his/her responsibilities. Prior notice of such attendance will be given unless it is impractical to do so.

### **11.7. Whistle Blowing**

Schools are required to abide by the Authority's procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial proprietary at the school and as to how such complaints are to be dealt with.

### **11.8. Child Protection**

Schools are required to release staff to attend child protection case conferences and other related events. Funding for this is delegated to schools through the schools Dedicated Schools Grant formula funding.

### **11.9. Special Educational Needs**

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

### **11.10. Interest on Late Payments**

The terms of this Scheme do not affect the statutory requirements concerning payment periods. Schools are not exempt from the duty to pay on time or payment of interest resulting from late payment.

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

### **12.1. Repairs and Maintenance**

For Primary, including Nursery and Special Maintained Schools, from 1 April 2016 and for Secondary Schools since 1 April 2015 the local authority delegates all funding for repairs and maintenance to all schools. Delegation to individual schools puts the responsibility for these works on the school previously identified in this document along with items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control (this list is not exhaustive).

For All Maintained Schools: All costs relating to the repair and maintenance of ICT equipment must be met from the school budget share (funded from Dedicated Schools Grant), while replacement may be met from school budget share, Devolved Capital or a combination of both.

Capital expenditure, met through funding streams other than the Dedicated Schools Grant (DSG) and Devolved Formula Capital is retained by the local authority and is available to all maintained schools. Allocations will be made in accordance to the local authority's asset management priorities, these priorities may include categories of work normally met in full or in part from schools' revenue budget. Expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes which is in line with the CIPFA Code of Practice on Local Authority Accounting.

If the expenditure meets the capital definition, then the following de minimus limits apply. If the expenditure is below these limits, then expenditure will be treated as revenue.

### **12.2. De Minimus Limit**

A de minimus level of £50,000 is applied for land and buildings (£20,000 for revaluations undertaken since 1994/95) and £10,000 for vehicles and plant. A de minimus level of £2,000 applies in respect of all other types of asset which is particularly relevant to ICT equipment.

Expenditure at or above the de minimus level should be treated as capital expenditure. Expenditure below the de minimus level must not be treated as capital expenditure, and must therefore be met from the delegated budget share.

## **13. Community Facilities Powers**

### **13.1. Introduction**

Sections 27 and 28 of the [Education Act 2002](#) set out the power of the governing body of a maintained school to provide community facilities and the limits applied to such powers. Under Section 27, the governing body has power to provide any facilities or services whose provision furthers any charitable purposes to pupils at their schools or their families or people who live or work in the locality in which the school is situated.

These powers will enable the governing body to incur expenditure, enter into arrangements or agreements with any person, co-operate with or facilitates or co-ordinate the activities of any person and provide staff, goods, services and accommodation to any person. These powers are subject to Chapter 3 of Part 6 of the [Education Act 1996](#). The main element of Chapter 3 is to prohibit schools charging any person of compulsory school age for education during school hours.

Further limits to the powers under Section 27 are set out in Section 28 of the [2002 Act](#). A governing body cannot do anything prohibited, limited or restricted by the school's instrument of governance or any scheme under Section 48 of the of [the Act](#). In this respect attention is drawn to Section 51A of [the Act](#) which states that no expenditure incurred for community purposes be met from the school's budget share. Additionally, such powers should not interfere to a significant extent with the performance of the duties placed on the school by other Education Acts and the governing body must consult with the Authority before exercising them.

### **13.2. Consultation with the Authority**

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

The Authority requires that governing bodies comply with Section 28(4) of [the Act](#) and in so doing provide the Authority with information concerning:

- the name of the group/person using the school facilities
- the purpose of the use
- the length of agreement, and
- other terms of the agreement.

Such information must be provided to the Authority at the earliest opportunity in the development of the proposal, but no later than six weeks before the commencement of the agreement, this period also being the maximum permitted time for the Authority to respond. Additionally the governing body must inform the Authority what action it proposes to take following any advice given by the Authority.

### **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 are potentially involved. Where such an agreement is being considered, the governing body must give notice to the Authority at the earliest opportunity, but no later than a minimum of six weeks, in order for the Authority to give comment. If an agreement has or is to be concluded against the wishes of the Authority, or concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, suspension of the Governing Body's right to a delegated budget may be considered. Additionally, where the Governing Body are not managing the expenditure used in the exercise of their community facilities power in a satisfactory manner, delegation may be suspended.

### **13.4. Supply of Financial Information**

Schools which exercise the community facilities power are to provide the Authority with a summary statement in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis for the next six months. The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power will require such financial statements to be supplied every three months.

Schedule 3 of the [2002 Act](#) inserts a new provision into Schedule 15 of [the Act](#) to make mismanagement of funds received for community facilities a basis for the suspension of the right to delegation of the budget share.

### **13.5. Audit**

The school must provide access to the school's records connected with the exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure. In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, such agreements should contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.6. Treatment of Income and Surpluses**

Schools shall retain all income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person. The school can carry such retained income over from one financial year to the next as a community facilities surplus, or, subject to the agreement of the Authority, transfer all or part of it to the budget share balance.

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

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**13.7. Health & Safety Matters**

In exercising community facilities power the school must comply with the Authority's [Health & Safety and Fire precaution policies and procedures](#).

**13.8. Insurance**

It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of community facilities power. Such insurance must not be funded from the school budget share. The LA is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

Advice on insurance can be sought from the Authority's Insurance Officer.

**13.9. Taxation**

Schools may only make use of the Authority's VAT reclaim facility for expenditure on community facilities when this expenditure is funded from funds provided by the Authority. The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49(5) of [the Act](#) are the property of the Authority. This facility also applies to funding given by the Authority to schools outside the budget share. However, it cannot apply to expenditure from funds obtained direct by schools from private (or indeed, central government sources).

Schools are reminded that if any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in the school's own bank account, the school is likely to be held liable for payment of income tax and national insurance in line with Inland Revenue rules.

Advice on taxation can be sought from the [Authority's Tax and VAT Manual](#).

**13.10. Banking**

There is no requirement for schools to maintain a separate bank account for community facilities. However, adequate internal accounting controls must be in place to ensure separation of funds.

Where a separate bank account is held for community facilities the requirements for bank arrangements as set out in Section 3 of the scheme apply, save that where a bank account is set up specifically for community facilities, the account mandate should not imply that the Authority is the owner of the funds in the account except in so far as those funds have been provided by the Authority itself.

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



## Annex A

### Schools Covered by the Scheme

School	DfE
All Saints CE (Aided) School	3859
Appleton CE (A) School	3850
Ashbury with Compton Beauchamp CE (A) School	3851
Aston and Cote CE School	3120
Aston Rowant CE School	3180
Badgemore C School	2513
Barley Hill School	2463
Bishopwood	7030
Bladon CE School	3146
Bletchington Parochial CE School	3141
Bloxham CE School	3064
Brookside School	2202
Bure Park School	2610
Caldecott School	2605
Carswell C School	2595
Carterton Community College	4041
Carterton School	2252
Chadlington CE School	3043
Charlton-on-Otmoor CE School	3081
Checkendon CE (A) School	3801
Chesterton CE Aided School	3082
Chilton County School	2555
Church Cowley St James CE (Controlled) School	3210
Clanfield CE School	3100
Clifton Hampden CE School	3183
Combe CE School	3142
Comper Foundation Stage School	1005
Cropredy CE School	3000
Crowmarsh Gifford CE School	3200
Cumnor CE School (Voluntary Controlled)	3223
Dorchester St Birinus CE School	3186
Drayton CP School	2560
Dry Sandford School	2565
Ducklington School	3122
Dunmore Infants' School	2553
Dunmore Junior School	2552
Dunmore Primary School	3861

School	DfE
East Oxford School	2525
Edward Feild School	2590
Enstone School	2103
Ewelme CE School	3752
Five Acres School	2200
Frank Wise	7010
Fringford CE School	3083
Fritwell CE School	3065
Gateway School	2254
Goring CE Aided School	3803
Grandpont Nursery School	1010
Great Milton CE School	3187
Great Rollright CE (Aided) School	3408
Great Tew County School	2104
Greenmere School	2559
Hagbourne CE School	3249
Hailey CE School	3123
Harwell School	2563
Headington Nursery School	1006
HES	7017
Hook Norton CE School	3044
John Hampden School	2591
John Watson	7011
Kingham School	2106
King's Meadow School	2210
Kirtlington CE School	3500
Langford Village C School	2608
Launton CE School	3085
Lewknor CE School	3184
Little Milton CE School	3755
Long Furlong School	2602
Long Wittenham CE School	3233
Longfields and Nursery School	2207
Longworth School	3234
Lydalls Nursery School	1017
Mabel Prichard	7020
Marcham CE (VC) School	3235
Marsh Baldon CE (Controlled) School	3188
Mill Lane School	2465
Milton CE School (Abingdon)	3260

School	DfE
Nettlebed C School	2504
New Hinksey CE School	3213
North Kidlington School	2357
Orchard Fields C School	2055
Peppard CE School	3205
Queensway School	2057
Radley CE School	3238
RAF Benson C School	2450
Sacred Heart Catholic School (Henley-on-Thames)	3820
Shellingford CE (Voluntary Aided) School	3853
Shenington CE School	5200
Shiplake CE School	3810
Slade Nursery School	1011
Sonning Common School	2506
South Stoke C School	2507
Springfield	7012
SS Mary & John CE School	3834
SS Philip & James' CE Aided School	3835
St Aloysius' Catholic School	3842
St Amand's Catholic School	3855
St Andrew's CE School	3211
St Andrew's CE School, Chinnor	3182
St Barnabas' CE (Aided) School	3832
St Ebbe's CE (Aided) School	3833
St Edburg's CE (VA) School	3505
St Edmund's Catholic School	3856
St Francis CE School	3253
St John The Evangelist CE (A) School	2613
St John's Catholic School	3350
St Joseph's Catholic School (Oxford)	3838
St Kenelm's C of E (VC) School	3125
St Laurence CE (A) School	3760
St Leonard's CE School	3262
St Mary's Catholic School (Bicester)	3824
St Mary's CE (Aided) School (Chipping Norton)	3858
St Michael's CE School	3216
St Michael's CE School (Steventon)	3241
St Nicholas	2352
St Nicolas CE School (Abingdon)	3247
St Swithun's CE School	3258

<b>School</b>	<b>DfE</b>
Stanford in the Vale CE School	3240
Stephen Freeman School	2594
Stockham School	2583
Stoke Row CE School	3206
Stonesfield School	2353
Sunningwell CE School	3242
Tetsworth School	2456
The Ace Centre	1019
The Grange School	2058
The Ridgeway CE (C) School	3231
Thomas Reade School	2587
Trinity CE School	3254
Uffington CE School	3251
Valley Road School	2512
West Oxford C School	2533
West Witney County School	2601
Wheatley Nursery School	1031
Whitchurch County School	2208
William Fletcher School	2354
Windmill School	2527
Wood Farm School	2589
Woodcote School	2510
Woodeaton Manor	7002
Woodstock CE School	3145
Wootton St Peter CE School	3854
Wychwood CE School	3257

## Annex B

### Glossary

Chief Finance Officer	<p>The most senior financial officer of the Authority regardless of current job titles, including any member of the finance department authorised by the Chief Finance Officer to carry out specific responsibilities. This is a term with a specific meaning in law.</p> <p>In practice most responsibilities of the Chief Finance Officer which are relevant to schools are discharged by Finance Business Partner team (Children's) and Corporate Finance. Appropriate contact details for particular purposes can be found on the Authority's web pages for schools and are always set out in any specific correspondence with schools.</p>
Director of Children's Services	<p>The most senior officer of the Authority with responsibility for children's' services regardless of current job titles, including any member of the Children's Services directorate authorised by the Director of Children's Services to carry out specific responsibilities. This is a term with a specific meaning in law.</p> <p>In practice many responsibilities of the Director of Children's Services which are relevant to schools are carried out by other officers. Appropriate contact details for particular purposes can be found on the Authority's web pages for schools and are always set out in any specific correspondence with schools.</p>
The Authority	Oxfordshire County Council is the local authority with responsibility for maintained schools within the county of Oxfordshire.
DfE	<p><a href="#">Department for Education</a> - The national government department with responsibility for education of children from 0-16 and 16+ in maintained schools known at October 2010 as the Department for Education, including its successors and its predecessors such as DES, DfEE, DfES, &amp; DCSF.</p>