



THE LONDON BOROUGH
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To: Members of the
SCHOOLS' FORUM

- | | |
|-------------------------------|--|
| Andrew Downes (Chairman) | Secondary Academy Governor |
| David Bridger (Vice-Chairman) | Non-School Representative (Church of England) |
| Matthew Apsley | Primary Academy Headteacher |
| Geoff Boyd | Primary Academy Governor |
| David Dilling | Primary Academy Governor |
| Richard Edmunds | Primary Academy Head Teacher |
| Patrick Foley | Primary Maintained Head Teacher |
| Izabela Lecybyl | Non-School Representative (Catholic Church) |
| Angela Leeves | Non-School Representative (Early Years) |
| Neil Miller | PRU Head Teacher |
| Bill Mitchell | Primary Academy Governor |
| Paul Murphy | Secondary Academy Head Teacher |
| Sam Parrett | Non-School Representative (14-19 Partnership) |
| Karen Raven | Secondary Academy Head Teacher |
| Andrew Rees | Secondary Maintained School Acting Head Teacher |
| Keith Seed | Special Head Teacher/Governor |
| David Wilcox | Secondary Academy Governor |
| 1 x vacancy | Primary Academy Head Teacher |
| 1 x vacancy | Non-School Representatives (Joint Teacher Liaison Committee) |

A meeting of the Schools' Forum will be held at the Bromley College of Further and Higher Education, Rookery Lane, Bromley, BR2 8HE on **THURSDAY 12 JULY 2018 AT 4.30 PM** *

*** PLEASE NOTE STARTING TIME AND VENUE**

MARK BOWEN
Director of Corporate Services

A G E N D A

- 1 APOLOGIES FOR ABSENCE**
- 2 DECLARATIONS OF INTEREST**
- 3 MINUTES OF THE MEETING HELD ON 11 JANUARY 2018 (Pages 3 - 10)**

- 4 SPENDING BY PRIMARY, SECONDARY AND SPECIAL MAINTAINED SCHOOLS
2017/18 (Pages 11 - 22)**
- 5 PROPOSED REVISIONS TO BROMLEY SCHEME FOR FINANCING SCHOOLS
(Pages 23 - 60)**
- 6 ANY OTHER BUSINESS**
- 7 DATE OF NEXT MEETING**

All meetings are at Bromley College unless otherwise stated.

20th September 2018

29th November 2018

17th January 2019

SCHOOLS' FORUM

Minutes of the meeting held at 4.30 pm on 11 January 2018

Present:

Andrew Downes (Chairman)	Secondary Academy Governor
David Bridger (Vice-Chairman)	Non-School Representative (Church of England)
Matthew Apsley	Primary Academy Governor
David Dilling	Primary Academy Governor
Richard Edmunds	Primary Academy Head Teacher
Patrick Foley	Primary Maintained Head Teacher
Neil Miller	PRU Head Teacher
Karen Raven	Secondary Academy Head Teacher
Andrew Rees	Secondary Maintained School Acting Head Teacher
Keith Seed	Special Head Teacher/Governor
David Wilcox	Secondary Academy Governor

Also Present:

David Bradshaw	Head of ECHS Finance
Amanda Russell	Head of Schools Finance Support

25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Sam Parrett, Councillor Peter Fortune, and Paul Murphy. Sunil Chotai attended as alternate for Paul Murphy.

26 DECLARATIONS OF INTEREST

There were no additional declarations of interest.

The Chairman noted that new Members would need to complete the relevant declaration of interest form.

27 MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2017

The minutes of the meeting held on 23 November 2017 were approved, and signed as a correct record.

28 2018/19 DEDICATED SCHOOLS GRANT Report ED18041

The Schools' Forum considered a report outlining the proposed Dedicated Schools' Grant budget for 2018/19 and the options for funding formula allocations. The Department for Education had confirmed the Dedicated Schools Grant (DSG) Allocation for 2018/19 as follows:

High Needs Block	Early Years Block	Schools Block	Central School Services Block	Total
£39,021,736	£21,149,813	£205,351,587	£1,964,910	£267,488,046

*NB: figures do not reflect the disapplication request to move £1million from the Schools' Block to the High Needs Block

The Local Authority (LA) had reviewed each of the four blocks individually to identify any financial pressures. The Early Years block was shown to be self-funding, although there were some areas deemed to be overspent but were being supported by underspends within the same block. The High Needs Block was projecting an overspend of £2million. Following the decision of the Schools' Forum at its last meeting, the LA submitted an application to the Secretary of State to formally request a disapplication of the regulations which would allow £1million funding to be moved from the Schools' Block to the High Needs Block without the support of the Forum. The Head of Schools' Finance Support reported that the Local Authority had very recently been notified (via a telephone call) that the Secretary of State had approved the application. It was therefore proposed that the remaining £1million overspend would be funded by a contribution of £1million from the Revenue Support Grant, subject to the final approval of Members. SEND4change would continue to carry out a full review of current SEND spend and any savings identified would be invested in the transition period as the LA moved towards a more cost effective and more sustainable High Needs Block position.

As a result of the decision from the Secretary of State £202.4million would be allocated to schools. The LA had the option to either move to the National Funding Formula (NFF) for 2018/19 (and 2019/20) prior to the planned introduction of the NFF in 2020/21, or to remain with the Bromley Funding Formula (BFF).

In the Central School Services Block there was a projected overspend of £173,000. Expenditure in this Block had been reviewed and no immediate short-term savings had been identified. It was therefore proposed that the projected overspend in this Block would be met from any commensurate underspend of DSG in 2017/18.

In response to a question from the Vice-Chairman concerning whether the application to the Secretary of State made by the Local Authority had included an indication of how the remaining £1million would be met, the Head of ECHS Finance reported that the application itself had not. However, at its meeting on 10th January 2018, the Council's Executive had agreed £1million to be taken from the RSG to help relieve cost pressures in the High Needs Block, this was in addition to the £1million disapplication. The Chairman reported that he was aware that across London a number of authorities had been considering moving funds from the Schools' Block to the High Needs Block.

In response to a question, the Head of ECHS Finance confirmed that the £1million funding from the RSG for the High Needs Block had been included in the Council's 5 year budget. A Member noted that the disapplication was for only one year and that it would not be possible to quickly implement the recommendations from SEND4change.

The Vice-Chairman also noted that there was no inflationary increase in the Early Years Block and Early Years providers also had to manage the added pressure of the 30 Hours funded provision. As yet there was no sign of PVI providers dropping out however any additional financial pressure could put this position at risk.

A Member of the Forum noted that the decision taken by the Secretary of State was disappointing as it resulted in £1million less for schools. It was recognised that most schools were underfunded and the unfairness to Bromley schools of the financial situation had already been well rehearsed. The discussion point for the meeting was how the funding would now be allocated and it was suggested that the debate should focus on this issue.

The Primary Sector representatives emphasised that the responses to the consultation that had been received were clearly polarised between primary and secondary schools, with schools favouring the option that maximised the benefit to their own sector. It was highlighted that in terms of representation on the Schools' Forum, there were 2 vacancies for primary representatives that had not yet been filled which was unfortunate as there were more primary pupils than secondary pupils in the Borough. As this was a divisive issue it was the view of the Primary representatives on the Forum that having a vote at this time would be problematic. The Head of ECHS Finance stressed that the Schools' Forum was not being asked to take a decision, as decision making powers rested with the Education, Children and Families Portfolio Holder. The Schools' Forum was being asked to recommend a funding formula for the Portfolio Holder and the Education, Children and Families Budget and Performance Monitoring Sub-Committee to consider at the meeting on 17th January 2018. Ideally the Schools' Forum would vote on the issue however if the feeling of the Forum was that a vote could not be taken, the discussions from the Forum would still be fully reported to the meeting on the 17th January 2018 to enable Members to understand the views of the Schools' Forum.

A Secondary Head Teacher representative expressed concern that by consulting with schools a problem had been opened up when a decision had already been taken by the Schools' Forum. It was suggested that the mood of the previous meeting of the Schools' Forum had been to move to the NFF. It was noted that as the existing BFF did not fully allocate the amount of funding available AWPU levels had been increased and this would lead to a greater drop back for primary schools when the NFF was introduced. Concerns were expressed that this exercise was undertaken with no further consultation of any sort with the Schools' Forum or school representatives. In response, the Head of Schools Finance Support reported that the funding settlement had not been received until 15th/16th December 2017, and this had left no time for consultation with school due to the Christmas holidays. Officers confirmed that they had not been aware of this issue

when the Schools' Forum met on 23rd November 2017, and that a mechanism needed to be found to get the additional funding to schools. It was noted that as a percentage based on current AWPU the changes that had been made gave less to secondary schools. The impact on Key Stage 4 of the proposed distribution of the AWPU would immediately affect GCSE results. It was stressed by Secondary Head Teachers that the stripping of the Key Stage 4 AWPU would decimate what schools could deliver in September 2018 and would impact on GCSE results. The challenge faced by secondary schools at 16+ had not been reflected. It was noted that all schools, whether they be primary or secondary, faced the same issues in terms of inflationary pressures and the need to review levels of staffing in light of reduced funding.

Another Secondary Head Teacher expressed surprise at the division between primary and secondary schools noting that 80% of primary schools stood to lose between 2k and 5k as a result of the NFF. It was suggested that this was not a great deal in percentage terms. It was noted that the NFF was being introduced in order to bring in fairer funding and the view was expressed that the impact of the new NFF on a very small number of schools should not be allowed to outweigh the interest of the vast majority of children in the Borough. It was also noted that there were issues around deprivation which were not reflected in the BFF and as a result of these there was a clear need to move in the direction of the NFF as this would allow redistribution into disadvantaged groups.

Primary Head Teacher representatives highlighted one positive which was that the funding settlement received was £5-6million more than had been expected. It was noted that the Secretary of State had indicated that every school would gain by at least 0.5% per child. The only option currently under consideration that did this was the BFF. It was suggested that it would therefore be perverse not to pursue this option when it was available. It was further suggested that for the vast majority of schools the sums of money under consideration were tiny however for a small number of schools disproportionate turbulence would be caused by an immediate move to the NFF. The BFF would minimise this at a time when there were other significant pressures facing schools. It was noted that in real cash terms the primary schools had borne the brunt of the savings that had been required in the previous financial year. This had resulted in a number of staffing cuts which had undoubtedly had an impact on children. A number of the consultation responses had highlighted the excellent early intervention work that was being undertaken in primary schools and reductions in funding would put this work at risk. A Primary Head Teacher noted that it was not the intention of the Government that the NFF was introduced immediately. The NFF was not 'set in stone' and there was a possibility that it could change as there had recently been a change in Secretary of State. To this end the BFF should be used for 2018/19 to enable all schools to prepare for the transition to the NFF.

A Primary Head Teacher highlighted that whatever formula was eventually decided upon, support should be provided to the small number of schools that had been affected by the significant drop in pupil numbers and the resultant reduction in funding.

A Primary Academy Governor stressed the need to look at those schools that were set to lose as well as those that were set to gain. It was noted that the primary/secondary ratio for the NFF was 1:1.29 and that was the split that Bromley should be moving to. Work should begin to address issues of deprivation as soon as possible and in order to do this there would need to be a trajectory that was closer to the NFF.

The Vice-Chairman noted that the role of the Schools' Forum was to review the position for all schools in Bromley. Both the primary and secondary representatives had eloquently stated the case for their individual sectors however it was clear that some degree of compromise would be needed as it was apparent that the two sectors would not reach agreement. One compromise could be to agree to recommend the BFF for 2018/19 with assurances that the NFF would definitely be implemented in 2019/20. The suggested compromise was not supported by other members of the Schools' Forum and therefore did not go to the vote.

It was agreed that the Schools' Forum would vote on the two options that had been presented – Option 1a the NFF, and Option 5a the BFF. It was noted that two Members present were non-voting Members.

The options were put to the vote:

Option 1a – 6 in favour

Option 5a – 4 in favour

2 Members abstained from the vote.

RESOLVED: That the Portfolio Holder for Education, Children and Families be recommended to:

- 1. Note the discussion of the Schools' Forum; and**
- 2. Implement the National Funding Formula (Option 1a) in 2018/19.**

29 SCHOOLS FORUM CONSTITUTION

Report ED18040

The Schools' Forum considered a report which provided an overview of the representation of the Forum. Representation on the Schools element of the Forum was derived in the main from pupil numbers. There were thirteen members made up of Heads and Governors. Whilst current pupil numbers had not changed significantly there had been further movement towards Academy conversion in the Special and PRU areas resulting in small amounts of pupils in these areas being in both Academy and Maintained settings. Advice from the DfE was that there needed to be a representative for Maintained and Academy in Special and PRU settings if there were settings within the Borough. This meant that there needed to be an increase in the schools element membership of the Schools' Forum by two members from thirteen to fifteen, a Special Academy

representative and a PRU Academy representative. All other representation would remain the same. The overall membership of the Schools' Forum would increase from eighteen to twenty:

CONSTITUTION			
	OLD	NEW	VACANT
SCHOOLS			
Special Maintained school representative governor/head	1	1	1
Special Academy school representative governor/head	0	1	0
PRU Maintained representative head/governor	1	1	1
PRU Academy representative head/governor	0	1	0
Primary Academy head representative	2	2	1
Primary Academy governor representative	3	3	2
Primary Maintained head representative	1	1	0
Secondary Maintained head/governor representative	1	1	0
Secondary Academy head representative	2	2	0
Secondary Academy governor representative	2	2	0
	13	15	5
NON SCHOOLS			
Early year provider (PVI)	1	1	0
14-19 partnership**	1	1	0
Diocese CofE**	1	1	0
Diocese Catholic**	1	1	1
Joint Teacher Liaison**	1	1	1
	5	5	2
OTHER NON- VOTING ATTENDEES			
Portfolio Holder/Portfolio Holder Assistant	1	1	
Director of Education/Schools	1	1	
Head of Finance	1	1	
Head of Schools Finance Support	1	1	
Clerk of the Forum	1	1	
	5	5	

Members of the Schools' Forum asked the Head of ECHS Finance to further review the Head Teacher/Governor split in terms of representation as it was felt that Head Teachers were more likely to volunteer to sit on the Schools' Forum.

The Head of ECHS Finance was also asked to undertake a more comprehensive review of the Schools' Forum constitution in order to enable a better understanding of the implications of Multi Academy Trusts on the membership of the Schools' Forum. The Head of ECHS Finance highlighted that the intention had always been to ensure cross representation across different types of schools.

The Head of ECHS Finance confirmed that any vacancies would be advertised via the Schools' Circular.

The Schools' Forum agreed that, subject to some further minor amendments to address the comments that had been made concerning the Head Teacher/Governor split, the amendments would be put to the Education, Children

and Families Budget and Performance Sub-Committee meeting on 17th January 2018 with a full review of the Constitution to be undertaken within the year.

RESOLVED: That the Education, Children and Families Portfolio Holder be recommended to approve the revised Schools' Forum Constitution, subject to the amendment outlined above.

30 ANY OTHER BUSINESS

It was noted that new Members of the Schools' Forum would have to receive some training and the Head of ECHS Finance confirmed that this could be done either individually or in small groups.

31 DATE OF NEXT MEETING

Dates for the next municipal year had not yet been confirmed and these would be circulated to Members as soon as they were available.

The Meeting ended at 6.08 pm

Chairman

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Report No.
ED18057

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **Schools' Forum**

Date: **12th July 2018**

Decision Maker: **Children, Education and Families Budget and Performance Monitoring Sub-Committee**

Date: **18th July 2018**

Decision Type: Non-Urgent Non-Executive Non-Key

TITLE: SPENDING BY PRIMARY, SECONDARY AND SPECIAL MAINTAINED SCHOOLS IN 2017/18

Contact Officer: Mandy Russell, Head of Schools' Finance Team
Tel: 020 8603 3572 E-mail: amanda.russell@liberata.com

Chief Officer: Executive Director of Education, Care and Health

Ward: Boroughwide

1. Reason for report

- 1.1 This report provides information on all revenue and capital balances held by Primary, Secondary and Special Maintained Schools as at 31 March 2018, and also provides a comparison to the balances held at the same time in the previous year.

2. **RECOMMENDATION(S)**

- 2.1 **The Committee is invited to consider the financial position of Primary, Secondary and Special Maintained Schools at the end of the 2017/18 financial year and to identify any matters for specific comment and referral to the Portfolio Holder.**
- 2.2 **The Schools' Forum is asked to note the balances for information.**

Corporate Policy

1. Policy Status: N/A
 2. BBB Priority: Children and Young People
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Dedicated Schools Grant 2017/18
 4. Total current budget for this head: £267m (before recoupment of primary and secondary)
 5. Source of funding: DSG
-

Staff

1. Number of staff (current and additional) – N/A
 2. If from existing staff resources, number of staff hours – N/A
-

Legal

1. Legal Requirement: Non-statutory - Government guidance:
 2. Call in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected) - N/A
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 This report highlights the financial position of Primary, Secondary and Special Maintained Schools as at 31 March 2018 the end of the 2017/18 financial year.
- 3.2 Balances are reported in accordance with the DfE Consistent Financial Reporting (CFR) Regulations. This is a framework for reporting income and expenditure and balances. It provides schools with a benchmarking facility for comparison between similar schools to promote self-management and value for money. A CFR return is produced for all schools maintained by the Local Authority as at 31 March 2018.
- 3.3 The CFR framework consists of five balances, which provide an overall picture of a school's resources available from one year to the next, and gives information on balances carried forward. The balances are categorised as follows:
- BO1 Committed Revenue Balances
 - BO2 Uncommitted Revenue Balances
 - BO3 Devolved Formula Capital Balances
 - BO5 Other Capital Balances
 - BO6 Community Focused Extended Schools Balances
- 3.4 The average level of revenue balances (BO1 and BO2) both committed and uncommitted for Maintained Primary School stands at 9% of School Budget Shares compared to 11% at the end of 2016/17, which is a decrease of 2%. Secondary school balances have also decreased by 3% to currently stand at 7%. Special School balances have increased from 8% to 10%.
- 3.5 A comparison of the levels of school balances as at 31 March 2018 to the previous year is shown in the table below.

	Primary Schools £000	Secondary Schools £000	Special Schools £000
Revenue balances only as at: 31.03.18			
Committed Revenue Balances (BO1)	82 (1%)	28 (0%)	169 (2%)
Uncommitted Revenue Balances (BO2)	641 (8%)	333 (7%)	727 (8%)
	723 (9%)	361 (7%)	896 (10%)
Revenue balances only as at: 31.03.17			
Committed Revenue Balances (BO1)	289 (1%)	40 (1%)	66 (1 %)
Uncommitted Revenue Balances (BO2)	504 (10%)	461 (9%)	539 (7 %)
	793 (11%)	501 (10%)	605 (8%)

- 3.6 Full details of schools balances can be seen at **Appendix 1**
- 3.7 All schools with balances in excess of 8% have been asked to complete a proforma detailing the reason for holding a high balance and their plans for reducing the balance in year
- 3.8 The DFE also require further analysis to be undertaken in relation to this data. LAs are required to provide information on how they are proposing to address the issue if:

A: LA has overspent its Dedicated Schools Grant by 2% or more (ie it is 2% or more in deficit)

B: LA has underspent its Dedicated Schools Grant by 5% or more (ie it is 5% or more in surplus)

C: LA has 2.5% of its schools that have been in deficit of 2.5% or more for the last 4 years and their individual deficit must have been at least £10,000 each year. We will only ask LAs for more information where at least three schools in the LA meet the criteria

D: LA has 5% of schools that have had a surplus of 15% or more for the last 5 years and their individual surplus must have been at least £10,000 each year. LAs will only be asked for more information where at least three schools in the LA meet the criteria.

Schools that would fall into these categories have been highlighted on the table at **Appendix 2**.

- 3.9 In accordance with DfE requirements the SFT will work with schools with schools with high balances to ensure that they are being used effectively. Schools are advised that revenue funding is allocated on an annual basis to support the cost of education for their current pupils and therefore it is not acceptable for schools to retain high levels of revenue funding to protect against possible funding reductions in future years.
- 3.10 **Appendix 3** shows a statement from each of the schools with large uncommitted surplus balances outlining the reasons for this and the management action to be taken to reduce the balances to a reasonable level.

4. FINANCIAL IMPLICATIONS

- 4.1 Whilst this report provides details of school balances, there are no financial implications to be considered.

Non-Applicable Sections:	Policy, Legal and Personnel Implications
Background Documents:	

(Access via Contact Officer)	
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	2017-18						2016-17				Appendix 1			
	BO1 Committed Revenue Balances	BO2 Uncommitted Revenue Bal 31/03/2018	B02 Rev Bal as % of 2018/19 SBS	BO1 & B02 Rev Bal as % of 2018/19 SBS	School Budget Share 2018-19	BO3 Devolved Formula Cap Balances	BO5 Other Capital Balances	BO6 Community Focussed Ext Schools	Total Balance C/fwd as at 31-Mar-18	BO1 Committed Revenue Balances	BO2 Uncommitted Revenue Bal 31/03/2017	B02 Rev Bal as % of 2017/18 SBS	BO1 & B02 Rev Bal as % of 2017/18 SBS	
Primary Schools														
Bickley Primary	28,157	84,683	112,840	5%	7%	1,650,699	0	0	0	112,840	129,354	71,699	4%	12%
Downe Primary	0	28,224	28,224	6%	6%	455,863	351	4,911	0	33,486	0	658	0%	0%
Edgebury Primary	0	76,655	76,655	7%	7%	1,168,959	0	0	0	76,655	0	82,699	8%	8%
Poverest Primary	18,993	185,828	204,820	11%	13%	1,619,695	0	162,000	2,408	369,228	157,634	90,529	7%	18%
Southborough Primary	10,320	133,757	144,077	7%	8%	1,851,828	3,847	35,000	0	182,923	2,393	176,854	10%	10%
St Pauls Cray Primary	24,703	132,081	156,784	10%	12%	1,309,169	0	0	0	156,784	0	81,954	6%	6%
Sub-total	82,173	641,228	723,400	8%	9%	8,056,213	4,197.45	201,911.00	2,408	931,916	289,381	504,393		
Secondary Schools														
St. Olaves	28,000	333,248	361,248	7%	7%	5,116,108	0	29,150	0	390,397	40,000	460,677	9%	10%
Sub-total	28,000	333,248	361,248	7%	7%	5,116,108	0.00	29,150	0.00	390,397	40,000	460,919		
Special Schools														
Marjorie Mcclure	105,989	95,547	201,536	4%	8%	2,428,165	0	0	0	201,536	66,273	107,303	4%	7%
Riverside	62,946	501,556	564,502	8%	9%	6,206,389	0	0	0	564,502	0	431,123	8%	8%
Nightingale	0	130,220	130,220	35%	35%	376,500	0	0	0	130,220	0	0	0%	0%
Sub-total	168,935	727,323	896,258	8%	10%	9,011,054	0	0	0	896,258	66,273	538,426		
TOTAL	279,108	1,701,798	1,980,906	8%	9%	22,183,375	4,197	231,061	2,408	2,218,571	395,654	1,503,738		

	2017-18 BO1 & B02 Combined Rev Bal	BO1 & B02 Rev Bal as % of 2018/19 SBS	2016/17 BO1 & B02 Combined Rev Bal	BO1 & B02 Rev Bal as % of 2017/18 SBS	2015/16 BO1 & B02 Combined Rev Bal	BO1 & B02 Rev Bal as % of 2016/17 SBS	2014/15 BO1 & B02 Combined Rev Bal	BO1 & B02 Rev Bal as % of 2015/16 SBS	2013-14 BO1 & B02 Combined Rev Bal	BO1 & B02 Rev Bal as % of 2014/15 SBS
Primary Schools										
Bickley Primary	£112,840	7%	£201,053	12%	£112,840	7%	£211,532	13%	£149,009	11%
Downe Primary	£28,224	6%	£658	0%	£28,224	6%	£21,322	4%	£42,901	10%
Edgebury Primary	£76,655	7%	£82,699	8%	£76,655	7%	£165,309	16%	£76,555	10%
Poverest Primary	£204,820	13%	£248,163	18%	£204,820	13%	£234,088	12%	£172,861	15%
Southborough Primary	£144,077	8%	£179,247	10%	£144,077	8%	£149,406	8%	£252,806	15%
St Pauls Cray Primary	£156,784	12%	£81,954	6%	£156,784	12%	£51,310	4%	£104,040	10%
Secondary Schools										
St. Olaves	£361,248	7%	£500,677	10%	£361,248	7%	£460,919	9%	£837,518	18%
Special Schools										
Marjorie McClure	£201,536	8%	£173,576	7%	£201,536	8%	£136,847	2%	£90,514	2%
Riverside	£564,502	9%	£431,123	8%	£564,502	9%	£354,630	7%	£400,292	8%
Nightingale	£130,220	35%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Primary Schools over 8%

Appendix 3

Poverest Primary School

Balance at 31/3/18 £185,828

11%

Reason for High Balances:

Planned Academy conversion cancelled

Description of planned expenditure to reduce balances

Replace trim trail	£10,000
Remaining ASD SEED challenge	£14,210
Roofing works	£5,000
Telephone system for new build	£5,100
Other new build associated costs	£10,000
Calming room padding	£4,205
Lockers	£5,300
Office refurbishment	£7,000
Chrome books	£12,000

Management Comment

Planned expenditure would bring the balance to below the 8% guideline

St Paul's Cray Primary School

Balance as at 31/3/18 £132,081

10%

Reason for High Balances:

Delays in the start of confirmed capital projects (new server and Early Years playground improvements)

Description of planned expenditure to reduce balances

Early Years playground improvements (now complete)	£24,703
New server	£5,500
New server installation and licensing	£1,540
Upgrade of ICT suite	£6,400

Management Comment

Planned expenditure would bring the balance to below the 8% guidelines

Special Schools over 8%

Nightingale PRU

Balance as at 31/3/18 £130,220

35%

Reason for High Balances

Nightingale is in the process of transferring to an academy trust. We anticipate that there will be significant costs associated with this including restructuring costs and the costs of moving to new accommodation.

Description of planned expenditure to reduce balances

Fencing and security	£10,000
IT infrastructure	£12,000
Furniture and equipment	£18,000
Porta cabin hire	£15,000
Ground and electrical works	£5,000
Refurbishment and upgrade	£8,000
Curriculum enrichment	£4,000
Removal costs	£5,000
Reorganisation and redundancies	£33,000

Management Comment

If all planned expenditure is achieved then 2017/18 balances should be well below the 8% threshold.

Riverside School

Balance as at 31/3/18 £501,556

8%

Reason for High Balances

Riverside has continued to expand and had a number of uncertainties during the year including changes to therapy provision and the introduction of a nursery class which have had a significant impact on budget levels and expenditure. At budget time it was anticipated that the nursery would be opening from September 2017, however delays in the decision making process meant that it did not open until April 2018. Budget provisions had been made for equipment, transitional support and early recruitment, delays led to a reduction in this expenditure during the year and funds being carried forward. In year changes to staffing and levels of maternity also led to a reduction in expenditure against budgeted costs. Future full year costs of staffing with annual increases and pension costs require healthy reserves for forward planning.

An end of year refund on the staff absence scheme of £8,962 which was not notified until the end of March and therefore had not been taken into account resulted in the reserves just exceeding 8%.

Brief description of planned expenditure to reduce balances

Additional works identified for improving playground areas to remove obsolete equipment, address safety concerns and improve learning outside the classroom	£25,868
Additional costs associated with equipment and planned recruitment for nursery and expansion of school roll	£15,000
School development plan priorities – introduction of SCERTS framework to develop curriculum model, specifically around emotional regulation and positive behaviour support	£10,000
Summer holiday redecoration and maintenance works – 4 classrooms, corridor area and performing arts hall	£12,000
Remedial works following fire risk assessment – fire door integrity and fire break works	£15,000
Development of Beckenham early years outside learning area	£30,000
Development of sensory garden at St Paul’s Cray to provide new safe, stimulating environment for pupils with the most complex needs	£25,000

Management Comment

Planned expenditure would bring the balance to below the 8% guideline

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Report No.
ED18056

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **SCHOOLS' FORUM**

Date: **Thursday 12 July 2018**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **PROPOSED REVISIONS TO BROMLEY SCHEME FOR FINANCING SCHOOLS**

Contact Officer: Amanda Russell, Head of Schools Finance Support
Tel: 020 8313 4806 E-mail: Amanda.Russell@bromley.gov.uk

Chief Officer: Executive Director of Education, Care and Health Services

Ward:

1. Reason for report

This report outlines the proposed changes to the Bromley Scheme for Financing Schools to be issued in September 2018

2. **RECOMMENDATION(S)**

The Schools Forum is asked to agree the proposed changes

3. COMMENTARY

- 3.1 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. Statutory guidance sets out what local authorities must do to comply with the law.
- 3.2 The Bromley Scheme was last updated in 2013. Since then there have been only very minor changes to the scheme as proposed by the DfE and due to the reducing number of maintained schools the Bromley Scheme has not been updated on an annual basis.
- 3.3 The LA has now carried out a full review of the Scheme and is proposing that a new Scheme be issued in September 2018.
- 3.4 Appendix 1 provides an overview of the changes to the Scheme and the full Scheme with tracked changes is attached at appendix 2.
- 3.5 The Schools Forum has the authority to agree any changes to the Scheme. This does not have to be approved by the Secretary of State.
- 3.6 The Schools Forum is asked to review the document and to agree the proposed changes so that the revised Scheme can then be issued to all maintained schools in September 2018.

Non-Applicable Sections:	Finance, personnel and legal
Background Documents: (Access via Contact Officer)	n/a

Changes to the Bromley Scheme for Financing Schools 2018

The Bromley Scheme for Financing Schools has not been updated since 2013 – during this time there have not been any significant changes to the content of the scheme and therefore many of the changes simply reflect changes of terminology that have taken place during that time. Below is a brief synopsis of the main changes.

- The Funding Framework – whilst it looks as there are a lot of changes here most of them are just changes to terminology. One real change is in paragraph 3 which is to allow for all revisions to the scheme to be approved by the Schools Forum as opposed to the Secretary of State. LAs are now also required to publish a copy of the scheme on their website
- 2.4 Best Value – this section is now called Efficiency and Value for Money and provides more guidance for schools as to how this might be achieved
- 2.6 Audit – removes the references to the Audit Commission
- 2.16 Schools Financial Value Standard – outlines the requirement for maintained schools to comply with this annually
- 3.6 Borrowing by schools – provides specific mention that schools can participate in approved schemes such as Salix loan scheme
- 6.2.16 Statement of SEN replaced by Education Health and Care Plan
- 12.2 Responsibility for Repairs and Maintenance - Specific reference to CIPFA Code of Practice removed

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London Borough of Bromley
Education, Care and Health Services

Scheme for Financing Schools

Section 48
Schools' Standards and Framework Act 1998

September 2018

THE BROMLEY SCHEME FOR FINANCING SCHOOLS: SECTION 48 OF THE SCHOOLS STANDARDS AND FRAMEWORK ACT 1998

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ANNEX A: The Funding Framework – Main Features

ANNEX B: Responsibility for Redundancy and Early Retirement Costs

ANNEX C: Application of Schemes for Finance Schools to the Community Facilities Power

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

Local 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 Local Authority in accordance with s.48 of the Act and regulations made under that section. . All proposals to revise the scheme must be approved by the Schools Forum, although the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to provisions of the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any 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.

A Local Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. . A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998)

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

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

Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date

1.2 The role of the scheme

This scheme sets out the financial relationship between London Borough of Bromley as the Local Authority and the maintained schools which it funds. This scheme contains requirements relating to financial management and associated issues which are binding on both the Authority and on the individual schools.

1.2.1 Application of the scheme to the Authority and maintained schools

This scheme applies in respect of all community, voluntary, foundation, community special schools and PRUs maintained by the authority. It contains requirements relating to financial management and associated issues, binding on both the Authority and schools.

1.3 Publication of the scheme

A copy of this scheme will be supplied to the Head Teacher and to the Governing Body of each school covered by the scheme, it and any approved revisions will be notified to each such school and placed on the Bromley website.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of 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 Local Authority may apply to the Secretary of State for approval.

1.5 Delegation of powers to the Head Teacher

Governing Bodies must consider the extent to which it wishes to delegate its financial powers to the Head Teacher, and should record its decision, and any revisions, in the minutes of the Governing Body.

The first formal budget plan of each financial year must be approved by the Governing Body. The Governing body is ultimately responsible for the annual budget and must approve and submit this to the Local Authority each year.

1.6 Maintenance of schools

The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the 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.

2. FINANCIAL CONTROLS

2.1.1 Application of financial controls to schools

In managing their delegated budgets, schools are required to abide by the Authority's requirements on financial controls and monitoring.

Certain of these are directly referred to in this scheme while others are included in the Financial Regulations for Schools and Colleges (2010).

2.1.2 Provision of financial information and reports

Schools are required to provide the authority with details of anticipated and actual expenditure and income in a format, and at times determined by the Authority. The Local Authority may not require such details more than once every three months except for those connected with tax or banking reconciliation, unless the Local Authority has notified the 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. For the purposes of this scheme, all operating schools are required to submit financial monitoring returns to the authority. Returns will be submitted in the format specified at and in accordance with the timetable set by the LA. Schools are also required to submit a covering written note with their Returns to explain any significant variations on position to date and the year end forecast.

The Local Authority may require financial returns more frequently than the timetable set out in the above document if the school is in deficit. Notification of this requirement will be made to the relevant school in writing.

2.1.3 Payment of salaries; payment of bills

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll system.

The procedures, which apply to schools, are documented as follows:

For schools with standalone bank accounts:

- The Agreement between the School and the Authority.
- Financial Regulations for Schools and Colleges (2010)

2.1.4 Control of assets

Schools are required to maintain an inventory of their moveable non-capital assets. The format of the required inventory and the basis authorisation procedures for disposal of assets are set out in the Authority's Financial Regulations for Schools and Colleges (2010). However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. Schools must keep a register in some form.

2.1.5 Accounting Policies (including year-end procedures)

Schools are required to abide by the procedures issued by the Authority in respect of accounting policies and the year end procedures.

The procedures are set out in the Financial Regulations for Schools and Colleges (2010) and any guidance that is issued on an annual basis.

2.1.6 Writing off of debts

Governing Bodies are authorised under the terms of this scheme to write off debts for amounts not exceeding £1000. Thereafter, permission must be sought by the Director of Finance and proof must be provided that reasonable steps have been taken to collect the debt.

2.2 Basis of accounting

Reports and accounts furnished to the authority must be on an accruals basis. The provision of financial information will be in the format prescribed by the Director of Finance

2.3 Submission of budget plans

The Local Authority is required to provide Schools with details of their budgets by no later than 31 March. Schools are required to submit formal budget plans to the Authority by no later than 30 June.

The budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The format of the budget plan is determined by the Authority and should be consistent with the format of financial returns to the LA. All schools should take account of estimated deficits/surpluses at the previous 31 March in their budget plan.

2.3.1 Submission of Financial Forecasts

The Local Authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. These may be used to support the balance control mechanism, as detailed in Para 4.2.

2.4 Efficiency and Value for Money

Given the very high proportion of Local Authority spending which flows through delegated budgets, the government considers it desirable that 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 how to secure better value for money. There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

2.5 Virement

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

2.6 Audit: General

Schools will be subject to internal audit on a regular basis by the Authority or his appointed representatives. Accounts will need to be available for inspection by external auditors as and when required. The external auditors may also wish to undertake such reviews of financial and other operations of schools as they deem necessary for the discharge of their statutory functions. Schools requirements under the terms of this scheme are also detailed in the Financial Regulations for Schools and Colleges 2010

2.7 Separate external audits

Governing Bodies may, if they so wish, spend funds from the budget share to obtain external audit certification of its accounts, separate from any Local Authority internal or external process.

2.8 Audit of voluntary and private funds

Schools are required to provide audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school in accordance with the Financial Regulations for Schools and Colleges (2010) and Guidance notes for Local Authority School Voluntary Funds.

2.9 Register of business interests

Governing bodies are required to establish, (if it does not already have one) a register which lists for each member of the Governing Body and the Head Teacher, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by Governors, staff, parents and the authority's auditors.

More detailed guidance in the maintenance of such a register is detailed at Annex D.

2.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the Authority's Financial Regulations for Schools and Colleges (2010) in purchasing, tendering and contracting matters, and are strongly advised to apply the provisions of the Council's contract code or in the case of the purchase of goods the Corporate Order policy. This should include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

However, schools are disapplied from following any regulations which would require schools:

- (a) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- (b) to seek Local Authority officer countersignature for any contract for goods or services for a value below £60,000 in any one year;
- (c) to select suppliers only from an approved list.

Or, would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

The authority's approved List of Contractors is available to schools and Governing Bodies who may wish to use this option when selecting suppliers in order to safeguard the interests of the school.

Schools are also invited to nominate suppliers for inclusion on the Approved List of Contractors.

2.11 Application of contracts to schools

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

Governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts. In most cases Governing Bodies enter into contracts on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. However the Governing Body will have clear statutory obligations in some areas for example contracts made by aided or foundation schools for the employment of staff.

2.12 Central funds and earmarking

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

This scheme requires that such earmarked funding from centrally retained funds is spent only for the purposes for which it was given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share.

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

Schools must be able to demonstrate through their financial monitoring returns that these requirements have been complied with.

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

Governing bodies may spend budget shares for the purposes of the school, subject to any provisions in this scheme. Amounts spent by governing bodies on community facilities or services under section 50 (3A) of the Education Act 2002 will be treated as if spent for any purposes of the school.

*Under s.50(3)(A) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. **He/she has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010(SI 2010/444190).*** These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.14 **Capital spending from budget shares**

Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. However, if the expected capital expenditure from the budget share exceeds £15,000 in any one year, the Governing Body must notify the Local Authority and take into account any advice from the Director of Education as to the merits of the proposed expenditure. If the premises are owned by the LA, or the school has voluntary controlled status, then the Governing Body should seek the consent of the Local Authority to the proposed works, such consent may only be withheld on health and safety grounds.

2.15 **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 Director of Finance and the Director of Education, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the Governing Body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the LA;

- insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
- requiring a Governing Body to buy into a LA's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

2.16 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 which time of 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 the specified deadlines.

All maintained schools must submit the form to the local authority on an annual basis.

2.17 **Fraud**

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. The governing body and 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 the induction for new school staff and governors.

3. INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

3.1 Frequency of instalments

- 3.1.1 If schools no longer require the use of the LA's centralised systems and wish to opt to make their own payments from school accounts they may opt to have their budget share paid to them monthly. Any budget share would be subject to deduction of any items which may continue to be met centrally, ie payroll. This cash deduction profile should reflect the current spending profile of the school. Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

3.2 Proportion of the budget share payable at each instalment

The proportion of the budget share made available to schools shall be one twelfth of the School Budget Share paid monthly in advance.

3.3 Interest clawback

The Local Authority will make no deduction from individual budget share instalments to cover the estimated interest lost by the Local Authority in making available the budget share in advance.

3.3.1 **Interest on late budget share payments**

The Local Authority will add interest to late payments of budget share instalments, where such late payments are the result of Local Authority error. The interest calculation used is identified below:

1. **Estimated Average Bank Balance**

Determined by the amount of the advance divided by two.

2. **Rate of Interest**

This is the base rate applying at the time of each advance.

3. **Period of Interest**

This will be for a month calculated on the number of days in the month divided by 365.

Example Calculation

Advance of £50,000 on: 1 April.

Base Rate: 7%.

Calculation			
Advance	Interest Rate	Period	Interest Charge
£50,000/2	7%	30/365	143.84

3.4 **Budget share for closing schools**

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

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

3.5 **Bank and building society accounts**

All schools may have bank accounts into which their budget share instalment is paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account.

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

New banking arrangements may only be made with effect from the beginning of each financial year.

3.5.1 **Restriction on accounts**

The banks and building societies which may be used for the purpose of receiving budget share payments are specified below:

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

The accounts for budget share purposes will be in the name of the school.

Accounts may be opened in the name of the school rather than the LA. However the mandate should provide that the Local Authority is the owner of the funds in the accounts, 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. Advice on bank signatories can be found in section 12 of the Financial Regulations for Schools and Colleges (2010).

3.6 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State. Schools are not permitted to use credit cards as a form of borrowing. However, schools are encouraged to use procurement cards, as these can provide a useful means of facilitating electronic purchase. Schools are allowed the use of any scheme that the Secretary of State has said is available to schools without specific approval, for example the Salix loan scheme designed to support energy saving. An up to date list is available from the Government website.

3.7 Other provisions

The Local Authority has separate detailed rules and guidance in respect of other aspects of banking arrangements. These are set out in the Scheme for School Bank Accounts.

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

4.1 The right to carry forward surplus balances

Schools may carry forward from one year to the next, any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

A school's surplus balance at 1 April should be equal to that at 31 March.

4.2 Controls on surplus balances

It will no longer be a requirement for schemes to have a balance control mechanism. However, the Local Authority will continue to monitor school's balances at the end of the financial year and will report to Members on all revenue balances in excess of 8% for Primary, Secondary and Special Schools

4.3 Interest on surplus balances

Balances held by the authority on behalf of schools will not attract interest.

4.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward and deducted from the following year's budget share. A school's deficit balance as at 1 April must be equal to that at 31 March for which special provisions apply.

By prior agreement with the LA, it may be possible to reschedule any repayment of deficit balances over a larger period of time, although this should not exceed 5 years.

4.5 Planning for budget deficits

This scheme precludes the planning for any budget deficits.

4.6 **Charging of interest on deficit balances**

Deficit balances held by the Authority will attract interest until such a time as the deficit is cleared. As this is a variable factor each school will be advised prior to the commencement of each financial year the amount of charge, if any, and the basis for calculation.

4.7 **Writing off deficits**

The authority cannot under any circumstances write off the deficit balance of any school. If an authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by the Schools Forum.

4.8 **Balances of closing and replacement schools**

If a school closes any balance (whether surplus or deficit) reverts to the LA; it cannot be transferred as a balance to any other school, even when the school is a successor to the closing school, except that a surplus transfers to an Academy where a school converts to Academy Status under section 4 (1) (a) of the Academies Act 2010.

4.9 **Licensed deficits**

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

Where in EXCEPTIONAL circumstances deficits cannot be avoided, then such deficits NEED to operate under licence. This requires the school to agree a recovery plan with the LA.

The plan should establish:

- (a) the maximum length over which the school will repay the deficit (ie reach at least a zero balance). The maximum length of the repayment should be no more than five years;
- (b) the purpose for which the deficit arrangement has been agreed;
- (c) the maximum agreed deficit will be no more than 7.5% of the school's budget share for the year in question;
- (d) no more than 15% of collective schools balances will be used to pay back the deficit;
- (e) arrangements for individual schools in terms of the above will be agreed by the Director of Education, Care and Health Services and the Chief Finance Officer.

4.10 **Loan schemes**

The authority will not operate any loan schemes. The Governing Body has the power to borrow such sums as it considers necessary, but only with the permission of the Secretary of State. However, loans may not be secured against core assets of the school. Governing bodies are strongly advised to seek a professional opinion (legal and/or financial) prior to entering into any arrangements.

4.10.1 **Credit union approach**

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. The LA, however, will not act as the administrator for any such arrangements. Where this occurs, therefore, schools are required to produce the appropriate audit certification on an annual basis detailing all financial activity.

5. INCOME

5.1 Income from lettings

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

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

Schools are, nevertheless required to have regards to directions issued by the Local Authority as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools. In particular, the LA's policy on community use. *Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.*

5.2 Income from fees and charges

Schools may retain income from fees and charges except where a service is provided by the Local Authority from centrally retained funds. However, the provisions of the Financial Regulations for Schools and Colleges (2010) shall apply. Schools should seek at all times to maximise their income and to recover all costs.

5.3 Income from fund-raising activities

Schools may retain income generated from fund-raising activities.

5.4 Income from the sale of assets

Schools may retain the proceeds of the sale of assets, except in cases where the asset was purchased with non-delegated funds or the asset concerned is land or buildings forming part of the school premises and is owned by the LA. In these cases, it will be a matter for the Local Authority to determine whether the school should keep the proceeds. Schools should consider the provisions of the Financial Regulations for Schools and Colleges (2010) when dealing with the sale of assets.

5.5 Administrative procedures for the collection of income

The provisions set out in the Financial Regulations for Schools and Colleges (2010) shall apply in the collection, recording and accountability for income.

The treatment of VAT is identified in the Guidance notes on the administration of VAT. However, more specific advice on VAT should be sought on specific issues, particularly with regard to the VAT implications of fund raising activities, the sale of assets and the letting of premises.

5.6 Purposes for which income may be used

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

6. THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

6.1.1 The budget share of a school may be charged by the Local Authority without the consent of the Governing Body in the circumstances detailed below at paragraph 6.2 of this scheme. In any such event, the authority will consult schools as to the intention to charge and notify schools accordingly when the charges have been made. Schools will have the right to dispute any such charges and Governing Bodies should place any grievances in writing to the Director of Education. Any disputes will be carefully reviewed and, where necessary, passed to the City Solicitor for arbitration. The outcome of all reviews will be placed in writing and forwarded to the Governing Body. For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

6.1.2 This scheme requires the authority to charge the salaries of school-based staff to school budget shares at actual cost.

6.2 Circumstances in which charges may be made

6.2.1 Where premature retirements costs have been incurred without the prior written agreement of the Local Authority 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 Local Authority advice.

6.2.3 Awards by courts and industrial tribunals against the Local Authority or out of court settlements arising from action or inaction by the Governing Body contrary to the LA's advice.

6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the Governing Body for such work but the Governing Body has failed to carry out the required work.

6.2.5 Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Local Authority or a school that has voluntary controlled status.

6.2.6 Expenditure incurred by the Local 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 LA. See also Section 10.1.

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 Local Authority by the Board of Inland Revenue, the Contributions Agency or HM Customs and Excise, Teachers' Pensions, the Environment Agency or regulatory authorities as a result of school negligence.

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

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

6.2.11 Legal costs which are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority (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 is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.2.16 Costs incurred by the Local Authority in securing provisions specified in a Education Health and Care Plan (EHCP) where the Governing Body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.17 Costs incurred by the Local Authority due to submission by the school of incorrect data.
- 6.2.18 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.19 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- 6.2.20 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.

7. TAXATION

7.1 Value Added Tax

The Council has established procedures that ensure it is able to reclaim all VAT on expenditure. These are set out in the Financial Regulations for Schools and Colleges (2006) and the Guidance notes for bank account schools on VAT administration.

7.2 CIS (Construction Industry Scheme)

Schools are required to follow the guidance detailed in the Contracts Code (Appendix V) in respect of CIS.

8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of services from centrally retained budgets

The Local Authority will determine on what basis services from centrally retained funds will be provided to schools. Governing bodies will have no input to this process.

In determining these services the Authority may not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

For the purposes of this scheme, existing PRC and redundancy payments are included as services.

8.2 **Provision of services brought back from the Local Authority using delegated budgets**

Any arrangement with a school to buy services or facilities from the Local Authority will be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later. Any subsequent agreement relating to the same services will be limited to a period not exceeding five years.

When a service is provided for which expenditure is not retainable centrally by the Local Authority under Regulations made under section 46 of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differently.

The scheme excludes centrally funded premises and liability insurance from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

8.2.1 **Packaging**

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

8.3 **Service level agreements**

8.3.1 If services or facilities are provided under a service level agreement, whether free or on a buyback service, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years.

8.3.2 If services are offered at all by the Local Authority they will be available to schools on a basis which is not related to an extended agreement as well as on the basis of such agreements. Where any services are provided on an ad-hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

8.3.3 Service level agreements must be in place, as a minimum, one month prior to the commencement of the financial year.

8.4 **Teachers' Pensions**

In order to ensure that the performance of the duty on the Authority to supply Teachers' Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and Governing Bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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

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

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

9. PFI/PPP

- 9.1 The Local Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the Governing Bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.
- 9.2 The Local Authority is empowered to charge to the school's budget share, amounts agreed under a PFI/PPP agreement entered into by the Governing Body of a school. See Section 6.2.15.
- 9.3 In the absence of an agreement on charging the school for PFI service provision, the Local Authority may, at its discretion, charge the school's delegated budget to reflect changes to service provision under a PFI arrangement.

10. INSURANCE

10.1 Insurance cover

If funds for insurance are delegated to a school, the Local Authority will require that school to demonstrate that cover relevant to the LA's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the LA, either paid for from central funds or from contributions from schools' delegated budgets.

The Local Authority will have regard to the actual risks which might reasonably be expected to arise at individual schools when brokering insurance cover.

Details of the Authority's insurance are available in the document Insurance for Schools.

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 a school's management of its delegated budget share, or the use made of any central expenditure by the Authority (eg earmarked funds) on the school. The type and frequency of information will be at the discretion of the Director of Children and Young People and the Authority's auditors.

11.2 Liability of Governors

As the Governing Body is a corporate body, and because of the terms of s.50(7) of the SSAF 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 Local Authority can delegate funds to meet Governors' expenses to a Governing Body of a school yet to receive a delegated budget. Under schedule 11 of the School Standards and Framework (SSAF) Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school's delegated budget share. The payment of any other allowances is forbidden. This includes the payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by Governing Bodies, although the responsibility of the Local Authority as part of the costs of maintaining the school (unless they relate to the statutory responsibility of aided school Governors for buildings) may be charged to the school's delegated budget share unless the Governing Body acts in accordance with the advice of the Authority.

Where a conflict of interest arises between the Local Authority and the Governing Body, the prior agreement of the Local Authority must be sought before seeking any legal advice. Where the Local Authority agrees to meet the costs of legal advice sought, the Governing Body must seek to minimise costs by obtaining estimates in advance based on fixed daily rates and fixed total days.

11.5 Health and Safety

In expending the school's budget share, Governing Bodies should have due regard to duties placed on the Local Authority in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

11.6 Right of attendance for Chief Finance Officer

Governing Bodies should permit the attendance of the Chief Finance Officer of the authority, or any officer of the authority nominated by the Chief Finance Officer to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of his responsibilities.

Attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.

11.7 **Special Educational Needs (SEN)**

The Local Authority has a statutory responsibility for supporting the needs of pupils as outlined in their EHC Plans. This scheme requires that schools will use their best endeavours in spending their budget share to meet the SEN of their pupils. Failure to meet the SEN of their pupils may result in the Local Authority recharging a school delegated budget with additional costs incurred in discharging its statutory responsibility.

11.8 **“Whistleblowing”**

The Local Authority has produced a policy contained in the Financial Regulations for Schools and Colleges (2006) in relation to complaints about financial management or financial propriety, and how such complaints will be dealt with. Governing bodies should have due regard to this document and ensure school staff are fully aware of its existence.

11.9 **Child Protection**

The Local Authority recognises the paramount importance for the need to release school staff to attend child protection case conferences and other related events. Costs in this regard are met from school delegated budgets.

11.10 **Redundancy/Early Retirement Costs**

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the Authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made.

12. **RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

12.1 The Local Authority should delegate all funding for repairs and maintenance to schools. Only capital expenditure will be retained by the LA. For these purposes expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority accounting.

12.2 .

12.2 VA Governors will continue to be eligible for grant from the DfES in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.

12.3 The de minimis level of £2,000 shall be applied by the Local Authority for the definition of capital and revenue in the final accounts.

13. COMMUNITY FACILITIES

13.1 The Application of the Scheme for Financing Schools to the Community Facilities powers

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 Local Authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

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

- (a) those contained in schools' own instruments of government if any; and
- (b) in the maintaining 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.

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 education and community learning

For the avoidance of doubt, this chapter covers the provision of childcare and other "community focused" activities, in children's centres, where run directly by the school's Governing Body acting in that capacity. It also covers similar activities run by the school through a network or confederation, where the risks of those activities ultimately lie with the school or with the Local Authority (ie the school enters into contracts or employs staff).

In exercising their community facilities power, schools may not use their budget share to fund community facilities - either start-up costs or ongoing expenditure - or to meet deficits arising from such activities.

Schools should be aware that mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

13.2 Consultation with the Local Authority: Financial Aspects

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, Governing Bodies must consult the Local Authority, and have regard to advice given to them by their authority.

The Local Authority is required to provide advice to schools within six weeks of being consulted, but will aim to respond sooner depending on the complexity of the arrangements consulted upon.

Any legal costs arising from community facilities projects are not covered by existing buyback arrangements.

13.3 **Funding agreements: Local authority powers**

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

Any such proposed agreement should be submitted to the authority for its comments and should allow the authority six weeks' notice.

The authority has no power of veto over such agreements, either directly or through requiring a right to countersign the agreement.

If the third party requires the authority's consent to the agreement for it to proceed, such a requirement and the method by which the authority's consent is to be signified is a matter for that third party, not for the scheme.

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

13.4 **Other Prohibitions, Restrictions and Limitations**

In considering proposals put forward by schools, the authority will form a view of the risks associated with the project in question. Where the risks are considered to be significant, the Governing Body will be required to make arrangements to protect the financial interests of the Authority. This will be achieved by either carrying-out the activity concerned through the vehicle of a limited company formed for that purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority.

13.5 **Supply of Financial Information**

Schools which exercise the community facilities power should provide the Authority every six months 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.

If the Authority believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, it will require on giving notice to the school such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question. Where a school is running a Children's Centre, financial monitoring statements for that centre will routinely be required at intervals more frequent than every six months, as determined by the authority from time to time.

13.6 **Audit**

Schools are required to co-operate with any internal and external audit inspection and provide access to the school's records connected with the exercise of the community facilities power.

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

13.7 Treatment of income and surpluses

Schools shall retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or any other person.

Any retained net income may be carried forward from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, the school may transfer all or part of it to the budget share balance.

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

13.8 Health and Safety Matters

Health & Safety responsibilities detailed in section 11.5 of the main scheme text applies equally to activities carried out under the community facilities power.

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

13.9 Insurance

It is the responsibility of the Governing Body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. Schools should seek the Authority's advice before finalising any insurance arrangements for community facilities. (In principle, the insurance issues arising from the use of community facilities power are the same as those which already arise from non-school use of school premises.)

The Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. If it judges those arrangements to be inadequate, the Authority may 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

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

If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in the school's own bank account (whether a separate account is used for community facilities or not — see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools are required to follow the Local Authority advice in relation to the Construction Industry Scheme (CIS) where this is relevant to the exercise of the community facilities power.

13.11 Banking

Schools are required to ensure that there are adequate internal accounting controls (including separate sources of funds) to maintain separation of funds between school funds and community purposes funds. They may find a separate bank account useful for this purpose, but they are not required to maintain separate bank accounts for community purposes.

If schools choose to use a separate bank account, or accounts, for community purposes, including confederations and children's centres, they should note that expenditure and income from those accounts should still be reported to the authority as expenditure and income. The only exception is expenditure and income relating to private funds, which does not relate to activities involving Local Authority owned assets or to staff employed by the Governing Body in that capacity. In particular the transfer of funds to or from a separate bank account should not be reported to the authority as expenditure/income.

All schools may have an external bank account. Schools have a choice between a free-standing external bank or an umbrella account with the County's banker the HSBC. Under the free-standing option schools are able to receive their budget share into the bank account and retain any interest earned. Similarly, the school's umbrella account with the HSBC will be credited with the school budget share and receive interest calculated on a daily basis and credited quarterly at base rate less 0.5% (see section 3.5 above). Further details of the local bank account scheme are contained in section G of the LMS Finance Manual and summarised in Annex E. For the avoidance of doubt, schools may maintain separate umbrella accounts for children's centres and other community purposes, so long as they are largely funded from public sources or from income for services which DCSF expects extended schools to provide.

Accounts may only be held at the banks or building societies: listed in section 3.5.

Bank accounts for community purposes are subject to all the other conditions in s3.5.1 of the Scheme. In particular, the authority is the owner of the funds and has the right to receive statements, unless the funds in the account are demonstrably not public funds. Signatories for bank accounts are restricted to Local Authority employees and school employees. Governors who are not members of staff cannot be signatories.

Governing Bodies can only borrow money externally with the written permission of the Secretary of State. This restriction includes borrowing by the Governors, in their capacity as a Governing Body, for community purposes. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts.

THE FUNDING FRAMEWORK: MAIN FEATURES

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

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

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the Governing Body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the schools forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, Governing Bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a Governing Body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

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

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

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

Regulations also require a Local Authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

- (4) *costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the Governing Body in writing (whether before or after the retirement occurs) that they shall not be so met;*
- (5) *costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share;*
- (6) *the fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).*

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

Charge of dismissal/resignation costs to delegated school budget

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

Charge of premature retirement costs to Local Authority non-schools budget

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

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

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

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

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

(7) Where a local education authority incur costs—

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

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the 45 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.

For staff employed under the community facilities power, the default position is that any costs must be met by the Governing Body, but not from the delegated budget. Section 37 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 agrees with the Governing Body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*
- (8) *Any amount payable by virtue of subsection (7) by the Governing Body of a maintained school to the local education authority shall not be met by the Governing Body out of the school's budget share for any financial year.*
- (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.*

(We will review this provision in the context of the forthcoming changes which will allow other community facilities costs to be charged to delegated budgets from 1 April 2011, but this remains the legal position for the time being).

**APPLICATION OF SCHEMES FOR FINANCING SCHOOLS
TO THE COMMUNITY FACILITIES POWER**

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that. However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of Governing Bodies to provide community facilities.

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

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

REGISTERS OF BUSINESS INTERESTS

Declaration of Interests

The following points are offered as guidance to Governors in the Declaration of Interests:

In general terms, if a Governor has a pecuniary (ie financial interest) in any matter being considered by the Governing Body the he or she should declare the interest as soon as possible. This applies whether:

- you stand to lose or gain by the decision;
- your interest is direct or indirect.

The same procedure applies to clear and substantial non-pecuniary interests, i.e. personal or private interests even where you may not be directly affected, but a friend, member of your family, or a club or society or other organisation of which you are a member or a client may be affected.

The interests of a spouse or partner should also be treated as your own.

Register of Interests

The following categories of interest should be disclosed and registered accordingly. £Nil entries may be made where appropriate:

- **Employment, office, trade, profession or vocation**
 - Governors should show every employment, trade, profession or vocation and give a short description of the activity concerned, ie accountant.
 - If an employee the name of the employer should be given. If employed by a company, the name of the company paying your salary or wage should be given, not that of the ultimate holding company.
 - If you are a partner, state the name of the firm.
 - Where you hold office give the name of the person or body which appointed you. In the case of public office, this will be the authority which pays you. In the case of a teacher in a maintained school, the local education authority; in the case of a maintained school, the Governing Body.
- **Sponsorship**
 - You should declare the names of any person or body who has made any payments to you in sponsorship in the last twelve months. The amounts do not have to be disclosed.

- **Contracts with the Council**

- You should describe all contracts which are not fully discharged and which are:
 - contracts for the supply of goods, services or works to the Council or on the Councils behalf;
 - between the Council and either yourself or a company in which you have a beneficial interest (ie a relative/partner/friend is involved with the company) or of which you are a director, or a firm in which you are a partner.
- You need not say what the financial arrangements are but should specify the length of the contract.
- **Interests in companies and securities**

You should list the names of any companies or other bodies corporate that are actively involved with the school or the Council and in which you have an interest. This includes money lent or deposited with an industrial or provident society (including co-operative society). You need not show the extent of your interest.