



# Lambeth Scheme for Financing Schools

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## SECTION 1: INTRODUCTION

### 1.1 The Funding Framework Main Features

- 1.1.1 The London Borough of Lambeth Scheme of Financing Schools is a formal document which describes the main features of the funding framework, which is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act, (SSAF) 1998.
- 1.1.2 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.
- 1.1.3 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 Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.4 Local authorities must distribute the ISB amongst their maintained schools using a formula in accordance with the regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained School.
- 1.1.5 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 approved by the Secretary of State. 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
- 1.1.6 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 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.).

1.1.7 The 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).

1.1.8 The 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.

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

1.1.10 Regulations also require the authority to publish their scheme and any amendments to it in a manner they determine.

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

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

## **1.3 Application of the Scheme to the Authority and Maintained Schools**

1.3.1 This scheme applies to all community, nursery, voluntary, foundation (including trust) community special, foundation special schools in the area of the Authority and PRUs maintained by the authority. Appendix 3 lists school maintained by the Authority.

1.3.2 It will not apply to any academies within the borough or schools situated in the authority's area which are maintained by another authority

## **1.4 Publication of the scheme**

1.4.1 A copy of the scheme will be published on the Lambeth Council website

## **1.5 Revision of the Scheme**

1.5.1 Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority

before they are submitted to the schools forum for their approval. All proposed revisions to the scheme must be submitted to the schools forum for approval by members representing maintained schools. Where the schools forum does not approve or approves them subject to modifications which are not acceptable to LB of Lambeth, the LA may apply to the Secretary of State for approval.

## **1.6 Delegation of Powers to the Head teacher**

1.6.1 Each Governing body is required to consider the extent to which it wishes to delegate its financial powers to the head teacher and to record its decision (and any revisions) in the minutes of the governing body.

1.6.2 The scheme should state the responsibilities of the head teacher and governing body in respect of the annual budget plan; the first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body.

1.6.3 All governing bodies have full responsibility for the management of the school's budget and for the appointment and dismissal of all staff taking into account the professional advice of the AD Children Services and their head teacher.

1.6.4 Governing bodies are required to:

- Spend their budgets in a manner that is consistent with the implementation of the National Curriculum; with the statutory requirements relating to the curriculum as a whole, (including religious education and worship), to secure provision for children with additional educational needs and use their best endeavours to secure the provision set out in the statement of special educational need of any pupil registered at the school insofar as that provision is not made from central resources retained by the LA for that purpose;
- operate an effective and efficient education service within the strategic framework set by the LA for the benefit of their pupils;
- operate within their budget share;
- meet the actual cost of all expenditure from their delegated budget, any devolved funding (e.g. Standards Funds grants) and any income accruing to the governors.
- approve the first formal budget plan of each financial year. This may be done by a committee of the governing body.

1.6.5 This scheme requires each governing body to consider the extent to which it wishes to delegate financial powers to their head teacher. The LA has no wish to impose uniformity on schools but has set out a model scheme and code of practice for delegation to head teachers, which sets out reasonable parameters

that governing bodies are asked to consider. It is a suggestion only and governing bodies are free to determine arrangements appropriate to their circumstances.

1.6.6 However it is likely that the following will be included:

- appointment of teachers and non-teaching staff, the remuneration of headteachers,
- securing supply teaching and other staff cover in the event of staff absence or vacancy,
- employment of casual staff,
- virement between budget heads up to £5,000 in primary and £10,000 in secondary schools (all uses of this power must be reported to the governors as they remain responsible for the overall management of the budget),
- authority to order goods and services as necessary,
- negotiations with bankers,
- income matters, such as setting charges for one off activities,
- taking of corrective action to ensure budget plans are achieved,
- write off of debts up to a limit set by Lambeth's financial control with the agreement of the AD Children Service as required; these limits are set out in the Schools Financial Procedures Manual

1.6.7 Disposal of assets. The level of delegation decided upon by the governors of the school and any subsequent revisions should be agreed by the full governing body and duly detailed in the minutes of the governing body. Such decisions will be subject to any requirements of regulations made under Section 38 and Schedule 11 of the School Standards and Framework Act.

1.6.8 Whatever their decision governors should delegate at least the day-to-day administration and management of the school finances to the head teacher. The arrangements must also make clear the respective responsibilities of the governors and the head teacher for the Annual Budget Plan and delegated budget.

1.6.9 The head teacher may, in turn, delegate certain tasks and responsibilities to other members of staff (Deputy Head teacher or Bursar). Where such further delegation takes place the overall responsibility is deemed to remain with the head teacher.

- The resource committee may Authorise the disposal of assets with value between £500 - £5,000 (secondary) and £250 - £2,500 (other);
- The Governing Board may Authorise the disposal of assets (where the value of the assets is greater than £5,000 in a secondary school or £2,500 in other schools);
- The Headteacher may Authorise the disposal of assets up to a value of £5,000 (secondary) and £2,500 (other) – The school governing board may choose to set these limits at a lower level if it so chooses.



## **1.7 Maintenance of Schools**

1.7.1 The 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 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 Act 1998.

## **SECTION 2: FINANCIAL CONTROLS**

### **2.1.1 Application of Financial Controls to Schools**

2.1.1.1 In managing their delegated budgets schools must 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 School Financial Procedures Manual.

### **2.1.2 Provision of Financial Information and Reports**

2.1.2.1 Schools are required to provide the Authority with details of expected and actual expenditure and income (I and E), in a form and determined by the Authority (generally in line with Consistent Financial Reporting Framework), to ensure that the local authority's role in ensuring proper use of public funds is achieved. Information will normally be required once every 3 months (except for information connected with tax or banking reconciliation).

2.1.2.2 However, it may be more frequent if the LA has given the school notice in writing that it is concerned about its financial management or the school is in its first year of operation, submission of information may be required on a monthly basis.

2.1.2.3 All schools may submit information for reimbursement of VAT on a monthly basis. (See Section 9).

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

2.1.3.1 The procedures for these will vary according to the choices schools make about the buying back of the authority's payroll service. The procedures which, apply to different choices made by schools are as follows:

2.1.3.2 For schools that choose to purchase the Council's payroll service payments will be made monthly to employees on the 15th of each month (or on the last working day before the 15th where this falls either on a Saturday, Sunday or Public Holiday).

- 2.1.3.3 For schools that purchase payroll service from an external provider, or provide their own payroll service the arrangements are for schools to determine. The Authority will make transfers of funds on or before the 13th of each month.

#### **2.1.4 Control of Assets**

- 2.1.4.1 Each school must maintain an inventory of its moveable non-capital assets and setting out the basic authorisation procedures for disposal of assets. Schools are encouraged to keep a register of assets worth less than £1000 and register anything that is portable and attractive, such as a camera.
- 2.1.4.2 The format of the required inventory and the basic authorisation procedures for disposal of assets worth £1,000 or more are as set out in the School Financial Procedures Manual.

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

- 2.1.5.1 Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures and as outlined in the School Financial Procedures Manual.
- 2.1.5.2 Schools must comply with the accounting timetable. Circumstances, which prevent a school from achieving this must be notified to the Authority in writing prior to the timetable deadline.

#### **2.1.6 Writing off of debts**

- 2.1.6.1 Governing bodies are only authorised to write off debts up to £250. In the case of larger debts the school must consult with the School Finance Team.

### **2.2 Basis of accounting**

- 2.2.1 Reports and accounts furnished to the Authority must be on an accruals basis and in line with UK Generally Accepted Accounting Practice (GAAP). However, schools able to use what financial software they wish, provided they meet any costs of modification to provide output required by the authority.

### **2.3 Submission of budget plans and Financial Forecasts**

- 2.3.1 **Budget Plans.** Each school is required to submit a final 3 year budget plan, approved by the governing body to the Authority by the 1st of June each year. The budget plan should take full account of the estimated surplus or deficit as at the previous 31st March

- 2.3.2 The budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan.
- 2.3.3 The format of the budget plan (in line with the Consistent Financial Reporting framework) shall be as set out in the Authority's annual Budget Preparation Pack, which, is distributed to schools each January. The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.
- 2.3.4 If a school considers they are likely to have to set a deficit budget they must notify the Director of Education as soon as possible prior to June 1st.
- 2.3.5 The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months. Revised plans will be required where it is evident that the original approved budget plan is no longer sustainable.
- 2.3.6 The Authority will supply schools with all income and expenditure data which, it holds and which is necessary to efficient planning by schools.
- 2.3.7 Financial Forecasts. The LA requires that schools will need to submit a financial forecast covering each year of a multi-year period.
- 2.3.8 The format and content of such a forecast will communicated to schools at the relevant time.
- 2.3.9 Future-year financial forecasts indicate that a school is undertaking effective financial planning. For instance: they could be used as evidence to support the authority's assessment of Schools Financial Value Standards

## **2.4 School Resource Management**

- 2.4.1 Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the LA's purchasing, tendering and contracting requirements.
- 2.4.2 It is for heads and governors to determine at school level how to secure better value for money.
- 2.4.3 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**

2.5.1 4.5.1 Schools are free to vire between budget heads in the expenditure of their budget shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required.

## **2.6 Audit: General**

2.6.1 Schools are required to co-operate both with auditors employed by the Authority (internal audit) and the authority's external audit regime as determined by the Local Audit and Accountability Act 2014. Schools are required to give access to any and all records as requested by the auditors.

2.6.2 With regard to internal audit, all schools fall within the audit regime determined by the Authority. The council's auditors largely carry out the Council's internal audit function under contract. School audits are carried out on a cyclical basis.

2.6.3 It is a requirement that schools provide access to the schools records for both internal and external auditors.

## **2.7 Separate External Audits**

2.7.1 In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process.

2.7.2 Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the LA's internal and external auditors.

2.7.3 If a school chooses to exercise this discretion it should ensure that the appointed auditors are certified and competent.

## **2.8 Audit of Voluntary and Private Funds**

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

2.8.2 The purpose of such a provision is to allow the authority to satisfy itself that public funds are not being misused.

2.8.3 Authorities must not seek to impose through the scheme a right to audit such funds themselves or otherwise access the accounts of private funds. We do not believe that such access is required, or that the scheme can bestow it.

2.8.4 A school refusing to provide audit certificates to the authority as required by the scheme is in breach of the scheme and the authority can take action on that basis. Access to the accounts of such funds by other agencies is a matter for them. Any other requirement as to audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

## **2.9 Register of Business Interests**

2.9.1 The governing body of each school is required to establish and maintain a register that lists, for each member of the governing body and the head teacher and staff, any business and pecuniary interests they or any member of their immediate family have; details of any other educational establishments that they govern; and any relationships between school staff and members of the governing body.

2.9.2 The governors are also required to keep the register up to date with notification of changes through annual review of entries, and to make the register available for inspection by governors, staff and parents, and the LA; and to publish the register on a publically available website Nil returns from staff and governors should be included in the register.

2.9.3 Further details and a recommended format for the register are set out in the Schools Financial Procedures Manual.

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

2.10.1 Each school is required to abide by the authority's financial rules and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the authority's policies and procedures.

2.10.2 In adhering to these requirements, however, schools are not obliged to adhere to those rules or standing orders which would require them:

- to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU procurement directive
- to seek local authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year
- to select suppliers only from an approved list
- 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, subject to specific listed exceptions

2.10.3 Schools may seek advice on a range of compliant deals via [Buying for schools](#)

## 2.11 Application of Contracts to Schools

2.11.1 Schools have the right to opt out of Authority-arranged contracts except where they have lost that right for particular contracts (whenever started) in accordance with a specified written procedure: in which case they will be bound into the contract for its length (although the contract might contain clauses allowing variance of its terms and conditions). Schools may not opt out of:

2.11.2 However, any section of the Authority's financial regulations and standing orders shall not apply if it requires schools:

a) to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;

b). to seek LA officer countersignature for any contracts for good or services for a value below £60,000 in any one year;

c). to select suppliers only from an approved list or permit schools to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

2.11.3 Local Authority arranged contracts where they have agreed to be covered by in respect of services for which funding was delegated to the Authority prior to 1st April 1999

2.11.4 Local Authority arranged contracts where they agree to be covered by in respect of services for which funding is delegated by the Authority after 1st April 1999

2.11.5 Certain contracts listed in the scheme as approved by the Secretary of State for services for which funding is delegated after 1st April 2019, irrespective of the agreement of schools.

2.11.6 Although governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. The School Financial Procedures Manual sets out levels of contract, which require Local Authority approval.

2.11.7 Other contracts may however be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

## **2.12 Central funds and earmarking**

2.12.1 The Authority is authorised to make sums available to schools from central funds, in the form of allocations, which are additional to and separate from the schools' budget shares

2.12.2 Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used: and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the local authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

2.12.3 Such allocations might, for example, be sums for SEN or other initiatives funded from the central expenditure of an authority's schools budget or other authority budget.

2.12.4 The Authority will not make any deduction in respect of interest costs incurred by the Authority from payments of devolved specific or special grant.

2.12.5 Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. Where earmarked funds are not spent on the purposes for which they were given the Authority will recoup the monies.

2.12.6 To assist schools to demonstrate compliance with this requirement specific accounting guidance will be issued.

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

2.13.1 Governing bodies are free to spend budget shares 'for the purposes of the school', subject to any provisions of this scheme. By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

2.13.2 Under section 50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. They have done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190).

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

2.14.1 Governing bodies are permitted to 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 act

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

2.14.3 Where the Authority owns the premises, or the school has voluntary controlled status, then the governing body shall seek the consent of the Authority to the proposed works, but such consent will only be withheld on health and safety grounds.

2.14.4 The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

## **2.15 Notice of Concern**

2.15.1 The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Education, the school has failed 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.

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

2.15.3 These may include:

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



- insisting on regular financial monitoring meetings at the school attended by local authority officers;
- requiring a governing body to buy into a local authority'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.

2.15.4 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.

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

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

2.15.7 Where a local authority issues a notice of concern the scheme must provide for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

2.15.8 In placing this provision in their scheme, a local authority may wish to consider the way in which a dispute between it and the school it is issuing a notice to regarding any aspect of the notice may be resolved.

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

2.16.1 All 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.

2.16.2 Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the

progress of these actions to ensure that all actions are cleared within specified deadlines.

2.16.3 All maintained schools with a delegated budget must submit the form to the local authority before January 31st to enable the authority to comply the auditing of the forms prior to the end of the financial year

## **2.17 Fraud**

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

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

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

### **3.1 Frequency of Instalments**

3.1.1 The budget share will be made available to governing bodies monthly, on or before the 13th of each month. Payment will normally be by bank transfer (BACS).

3.1.2 Place-led funding is included in arrangements for payment by instalments. Top-up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

### **3.2 Proportion of Budget Share Payable at each Instalment**

3.2.1 The proportion of the budget share to be made available to schools shall be calculated as set out in Appendix 6.

### **3.3 Interest Claw back**

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

### **3.4 Interest on Late Budget Share Payments**

3.4.1 The Authority will add interest to late payments of budget share instalments, where such late payment is the result of Authority's error. The interest rate used will be the current Bank of England base rate.

### **3.5 Budget Shares for Closing Schools**

3.5.1 Budget shares of schools for which DfE approval for closure has been secured, will be made available until closure on a monthly basis even where a different basis was previously used.

### **3.6 Bank and Building Society Accounts**

3.6.1 All schools must have a bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within a local authority contract, which makes other provision.

3.6.2 New bank account arrangements may only be made with effect from the beginning of each financial year. If a school chooses to open an external bank account the Authority will, on request from the school, transfer immediately to the account an amount agreed by the school and Authority as the estimated surplus bank balance in respect of the school's budget share. These will then be adjusted when the accounts for the relevant financial year are closed and the final amount is known.

### **3.7 Restrictions on Accounts**

3.7.1 Schools are permitted to hold accounts for the receipt of budget share payments, at British high street banks or building societies:

3.7.2 Any school closing an account which used to receive its budget share, and opening another, must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

3.7.3 Schools are allowed to have accounts for budget share purposes, which are in the name of the school rather than the Authority. However, if a school has such an account the account mandate should provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

3.7.4 Budget share funds paid by the authority and held in school accounts remain authority property until spent (section 49(5) of the act).

3.7.5 The Authority will continue with the arrangements negotiated with National Westminster Bank whereby the accounts are in the name of the Authority but specific to each school, for schools who wish to use such arrangements.

### **3.8 Borrowing by schools**

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

3.8.2 The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

3.8.3 For the purposes of this document, "borrow" includes entry into any arrangement, which commits the school to payments over a period of more than twelve months.

3.8.4 Borrowing will include:

- Bank Overdraft
- Finance Leases
- Credit Arrangements
- Hire Purchase

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

3.8.6 **Credit Cards:** schools are explicitly barred from using credit cards. This restriction does not apply to debit cards, Government Procurement Cards or Purchasing Cards as these cards can be a useful means of facilitating electronic purchase. However, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis" If the Governing Body or Head teacher is in any doubt as to the effects of any financial arrangement they must contact the Assistant Director of Finance. Further details on use of P cards can be found in Chapter 3 of the Schools Procedures manual

3.8.7 **Removal of permissions:** The local authority has the right to remove permission for a school to hold a debit card or procurement card, where a school has infringed on any of the criteria for holding any card, including breaches of their own controls or infringements. Schools should ensure that all internal controls on cards are

reviewed annually and updated as necessary. All procedural changes need to be agreed with the local authority

**3.8.8 Leases:** Schools may not enter into a 'finance lease' or 'hire-purchase' unless the written permission of the Secretary of State has been obtained, since these are classified as borrowing.

**3.8.9** Schools may enter into an 'operating lease', as defined by the Local Authorities (Capital Finance) Regulations 1997 as these do not count as borrowing. The definition of an 'operating lease' is summarised as follows.

- The asset under lease must have a residual value at the end of the agreed lease period of at least 10% of its original cost.
- The lease cannot transfer ownership of the asset to the lessee (at any time during the agreed lease period or a renewal or continuation period).
- The lease cannot provide for renewal or continuation beyond the initial term at less than the "market value" for this provision at the commencement of the secondary arrangement.
- The lessee cannot share in the sale proceeds of the asset under lease.

### **3.9 Other Provisions:**

**3.9.1** The Authority may make other provisions from time to time, which affect the operation of school bank accounts. The Authority will seek to give at least one month's notice of any changes.

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

### **4.1 The right to carry forward surplus balances**

**4.1.1** Schools will carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. A school's balance at 1 April of any financial year is equal to the balance as at 31 March in the previous financial year.

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

**4.2.1** The Authority does not operate a balance control mechanism to clawback excess surplus balances.

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

4.3.1 Where balances are held by the Authority on behalf of schools, interest will be paid on the basis of negotiations with the Council's Treasury Manager.

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

4.4.1 Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share. The Authority has the power to schedule repayments of deficits that already existed at schools maintained by the Authority at the end of the financial year. A schools deficit balance at 1 April of any financial year is equal to the deficit balance as at 31 March in the previous financial year.

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

4.5.1 Schools may only plan for a deficit budget in accordance with the terms of paragraph 4.9 below.

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

4.6.1 The Authority will not charge interest on any deficit balance, except where the deficit has been incurred through the school ignoring advice of the Authority. The basis of the calculation of interest shall be on the basis of Base Rate plus 2%.

### **4.7 Writing off deficits**

4.7.1 The Authority has no power to write off the deficit balance of any school. The Authority if it wishes may give assistance towards elimination of a deficit balance through the allocation of a cash sum.

4.7.2 Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools, or a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by schools forum.

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

4.8.1 Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from

previous funding periods) of the closing school for the funding period in which it closes.

#### **4.9 Licensed deficits**

4.9.1 It is not permissible for schools to budget for a deficit, except in those circumstances set out below. School budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year. The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by the authority on behalf of schools. Although it is open to the Authority, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation

4.9.2 Where schools have reason to anticipate setting a deficit budget, the Director of Education and Chief Finance Officer must be informed immediately. Schools must submit a recovery plan to the local authority when their revenue deficit rises to be included as part of their budget submission.

4.9.3 A formal sign off of all arrangements will be required by the Director of Education and Chief Finance Officer (or their representative).

4.9.4 The maximum length over which schools may repay the deficit (i.e. reach at least a zero balance) is three years. The Director of Education or their nominated representative will meet at least termly with the Chair and Head teacher of each school with a licensed deficit to review progress against the agreed deficit repayment plan.

4.9.5 Deficits will normally only be agreed for items of a one off nature and may not be agreed to support recurrent spending.

4.9.6 The maximum deficit will normally be 2% of the school's formula funding for the year in which the deficit is applied for. Deficits will not be licensed for sums less than £3,000 – these must be contained by budget reductions. The total amount of licensed deficits will be backed by the collective balances of all schools. A maximum of 40% of the total surpluses may be used to support licensed deficits

4.9.7 Applications for licensed deficits will be copied to the Authority's Chief Finance Officer and he/she (or accredited representative) will have the right to attend any meetings to discuss licensed deficits with individual schools.

4.9.8 The detailed arrangements applying to this scheme are set out in the School Financial Procedures Manual.

4.9.9 If a school with a licensed deficit proposes to spend amounts received in respect of other specific grants on purposes other than reducing the deficit, the Authority will agree to such a proposal unless in its view the proposed expenditure is unreasonable in the school's financial circumstances.

4.9.10 Balances held by a school in an external bank account remain the property of the authority, if made available by the authority initially, and therefore may legally

be taken into account by the authority in assessing the total level of licensed deficit which it might wish to make to schools.

4.9.11 However, the Secretary of State believes that it is right that schools be asked to give a view as to whether the authority should take them into account in this way, and that this provides assurance for the authority as well as schools.

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

## **4.10 Loan Schemes**

4.10.1 Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

4.10.2 Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

4.10.3 If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy school.

4.10.4 **Credit Union approach** As an option schools may wish to group together to utilise externally held balances for a credit union approach to loans. In this instance the Authority would require audit certification of the arrangements, if the authority does not itself act as administrator of the arrangement.

## **SECTION 5: INCOME**

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

### **5.1 Income from lettings**

5.1.1 Schools may retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement



- 5.1.2 However, schools whose premises are owned by the Authority shall be required to have regard to directions issued by the Authority as to the use of school premises.
- 5.1.3 Income from lettings should not be payable into voluntary or private funds held by the school.
- 5.1.4 However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.
- 5.1.5 Schools are required to have regard to the directions issued by the LA as to the use of school premises owned by the LA, as permitted under the School Standards and Framework Act 1998 for various categories of schools.
- 5.1.6 **Voluntary Schools** The occupation and use of the premises of the following, both during and outside school hours, shall be under the control of the governing body, subject to any directions given by the local authority.
- 5.1.7 **Voluntary Controlled Schools** The governing body of a voluntary controlled school may determine the use to which the school premises (or any part of them) are put on a Saturday when not required for the purposes of the school or by the Authority for the provision accommodation in connection with the education and welfare of the young. Foundation governors may determine the use to which the premises are put on a Sunday.
- 5.1.8 **Voluntary Aided Schools** The Authority may direct the governing body of a voluntary aided school to provide **accommodation** when not needed for the purpose of the school, on any weekday for no more than three days for any purpose connected with the education and welfare of the young if it is satisfied that there is no suitable alternative accommodation in their area.
- 5.1.9 The accommodation is to be provided free of charge and governors of voluntary schools in exercising control, occupation and use of premises outside school hours shall have regard of those premises being made available for community use.
- 5.1.10 **Control Agreements** The governing body of any voluntary school shall have the power to enter into a transfer of control agreement with anybody or person if their purpose is to promote community use of the whole or part of the school premises.
- 5.1.11 The governing body of any voluntary school shall not enter into any transfer of control agreement which makes or includes provision for the use of the whole or any part of the school premises during school hours unless they have first obtained the Authority's consent to the agreement in so far as it makes such a provision.

## **5.2 Income from Fees and Charges**

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

## **5.3 Income from Fund-Raising Activities**

5.3.1 Schools may retain income from fund-raising activities.

## **5.4 Income from the Sale of Assets**

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

## **5.5 Administrative Procedures for the Collection of Income**

5.5.1 Because of the potential VAT implications of providing services, which lead to fees and charges, fund raising activities and the sale of assets, the Authority has established administrative procedures for the collection of income, which are set out in the School Financial Procedures Manual.

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

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

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

### **6.1 General provision**

6.1.1 The budget share of a school may be charged by the Authority without the consent of the governing body only in circumstances set out in 8.2 below.

6.1.2 The LA may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

### **6.2 Charging of salaries at actual cost:**

6.2.1 The Authority is required to charge school budget shares with the salaries of school based staff at actual cost. For schools using the Council's payroll provider

this will be done using the payroll systems employed and by adjustments to the schools' cash advances.

6.2.2 The Authority shall consult a school as to the intention to charge, and shall notify a school when it has been done.

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

6.2.4 The Authority will make arrangements for a disputes procedure to operate in relation to such charges.

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

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

6.3.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school/where the school had not followed authority advice (see Appendix 1).

6.3.3 Awards by courts and industrial tribunals or out of court settlements against the Authority arising from action or inaction by the governing body contrary to the Authority's advice. Awards made against a governing body directly would fail to be met from the budget share. Where the Authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking Authority advice the charging of the budget share protects the Authority's position. Authorities should ensure in framing any such advice that they have taken proper account of the role of aided school governing bodies.

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

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

6.3.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority. The authority itself needs to consider whether it has an insurable interest in any particular case.

6.3.7 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 Authority.

- 6.3.8 Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, Teachers Pensions, HM Customs and Excise or regulatory authorities as a result of school negligence.
- 6.3.9 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions). Before applying any such provision the authority should consider whether it is reasonable to do so. If the error dates back several years it may be questionable whether such charging is reasonable.
- 6.3.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.
- 6.3.11 Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority.
- 6.3.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training not carried out.
- 6.3.13 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.
- 6.3.14 Cost of work done in respect of teacher pension remittance and records for schools using non-local authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;
- 6.3.15 Costs incurred by the Authority in securing provision specified in An 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 low cost, high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.3.16 Costs incurred by the Authority due to submission by the school of incorrect data;
- 6.3.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.3.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.3.19 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.3.20 Costs incurred by the authority or another school as a result of a school local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation

## **SECTION 7: TAXATION**

### **7.1 Value Added Tax**

7.1.1 HM Revenue and Customs have agreed that VAT incurred by schools when spending any funding made available by the local authority is treated as being incurred by the authority and qualifies for reclaim by the local authority (separate provisions apply to VAT incurred by voluntary aided schools on capital expenditure –see below)

7.1.2 The Authority has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. These are set out in separate guidance in the School Financial Procedures Manual.

7.1.3 However, VAT incurred on expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings is reclaimed directly from the DFE and not through the monthly return to the Authority.

7.1.4 Schools are expected to submit regular monthly VAT returns detailing the VAT paid and collected during that period. The Authority will reimburse legitimate VAT expenditure to schools during the following period upon receipt of the VAT reports.

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

7.2.1 Schools are required to abide by procedures issued by the Authority in connection with CIS.

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

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

8.1.1 The Authority shall determine on what basis services from centrally retained funds will be provided to schools. This includes funding for existing Premature Retirement Costs (PRC) and redundancy payments, which may not ordinarily be thought of as services, may be included in the provision of services from centrally retained budgets.

8.1.2 The Authority will not discriminate in its provision of services to schools on the basis of their category except in circumstances where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

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

8.2.1 Centrally arranged premises and liability insurance are excluded from the requirements set out in this paragraph, as the limitations envisaged may be impracticable for insurance purposes.

8.2.2 The term of any arrangement with a school starting on or after 1 April 2019 to buy services or facilities from the Authority shall be for a minimum of two years and a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. However, schemes may contain an extension to five and seven years respectively for contracts for supply of catering services.

8.2.3 When a service is provided for which expenditure is not retainable centrally by the Authority under the Regulations made under section 45A 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 differentially.

8.2.4 This provision complements the implied requirements of the regulations on central retention of funds. It is recognised that absolute break-even or profit is not always achievable over fixed financial years; it is for the authority to show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services

## **8.3 Packaging**

8.3.1 The Authority may provide any services, for which funding has been delegated. This will be on a service level agreement/buyback arrangement. The Authority does not intend to offer such services in a way, which unreasonably restricts schools' freedom of choice among the services available. Schools will not have to receive one service as a condition of receiving another service that is available separately.

## **8.4 Service Level Agreements**

8.4.1 If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme:

- will generally be in place by the end of February to be effective for the following financial year, and schools will have at least a month to consider them;
- will be reviewed at least every three years.

8.4.2 Services, if offered at all by the Authority, shall be available on a basis, which is not related to an extended agreement, as well as on the basis of such agreements.

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

8.4.4 Services purchased from the Local Authority by schools will normally be charged through the provision of an invoice to the school and fees will be collected via deductions to the monthly budget share instalments with Governing Body agreement.

## **8.5 Teachers' Pensions**

8.5.1 In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 2014, 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.

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

8.5.3 A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

8.5.4 The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

8.5.5 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.

8.5.6 The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

## **SECTION 9: : PRIVATE FINANCE INITATIVE (PFI) /Public Private Partnership (PPP)**

### **9.1 Regulations**

9.1.1 The Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. The Authority will consult with schools on the content of any such regulations and, if required, will seek Department for Education approval. 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.

## **SECTION 10: INSURANCE**

### **10.1 Insurance cover**

10.1.1 The Authority may require any school to demonstrate that cover relevant to an Authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority if the Authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.

10.1.2 The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier

10.1.3 The Authority will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

10.1.4 They will also take into account the local authority Financial Guidance for schools issued by the Department in July 1999, where the following guideline cover levels were suggested for non-property insurance:

- Business interruption: £100,000 to £250,000
- Contract works: £500,000
- Money: £25,000 but cheques £250,000
- Fidelity guarantee: £250,000
- Employers and public liability: at least £10m any one incident
- Governors' liability: £500,000
- Libel and slander £100,000 any one incident
- Legal expenses: £100,000

10.1.5 These categories are not exhaustive.



## **SECTION 11: MISCELLANEOUS**

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

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

### **11.2 Liability of governors**

11.2.1 Because the governing body is a corporate body, 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 and because of the terms of s.50(7) of the SSAF Act 10 schedule 11 of the School Standards and Framework Act 1998,

### **11.3 Governors' expenses**

11.3.1 The Authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

11.3.2 Only allowances in respect of purposes specified under section 50(5) of the act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget. Schools are expressly forbidden from paying any other allowances to governors. The Authority will publish occasional guidance as to what it considers to be reasonable expenses.

11.3.3 Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

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

11.4.1 Legal costs (not the costs of legal advice) incurred by the governing body may be charged to the school's budget share, unless the governing body acts in accordance with the advice of the authority; although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings.

11.4.2 The effect of this is that a school cannot expect to be reimbursed for the cost of legal action against the authority itself; although there is nothing to stop an authority making such reimbursement if it believes this to be desirable or necessary in the circumstances.

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

11.4.4 Where advice is required that may result in a conflict of interest then the following procedure must be followed:

- The Authority or a school requiring advice may contact legal service for that advice
- A file note will be made that the advice or the case may lead to a conflict of interest
- Legal services will normally treat the authority as its main client and a school will be advised of a potential conflict of interest with the Authority and offered the use of the Council's main or reserve legal contractors.

11.4.5 If however advice has already been given to a school then the Authority will be offered the use of the Council's main or reserve legal contractors.

## **11.5 Health and Safety**

11.5.1 In expending the delegated budget Governing bodies are required to have due regard to duties placed on the authority in relation to health and safety, and the authority's policy on health and safety matters.

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

11.6.1 Governing bodies are required to permit 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 her or his responsibilities.

11.6.2 The Chief Finance Officer's attendance shall normally be limited to items, which relate to issues of probity or overall financial management and shall not be regarded as routine. Where possible prior notice will be given of attendance.

## **11.7 Special Educational Needs**

11.7.1 The Authority requires schools to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils, and reserves the right to suspend delegation where a situation is serious enough to warrant it (this would not normally relate to an individual pupil).

## **11.8 Interest on late payments**

11.8.1 Interest on late payments cannot affect the statutory requirements now introduced on this matter.

## **11.9 'Whistleblowing'**

11.9.1 If persons working at a school or school governors wish to complain about financial management or financial propriety at the school, they should follow the Authority's agreed procedure. The Council's Corporate Complaints Unit is the main point of contact for reporting an incident using the whistleblowing procedure.

## **11.10 Child Protection**

11.10.1 The Authority will release staff to attend child protection case conferences and other related events. The funding for school staff to attend child protection case conferences and other related events are included in the Schools S251 budget share.

## **11.11 Redundancy and early retirement costs**

11.11.1 Funding for premature retirement and redundancy costs are set out in the 2002 Education Act. However as the LA does not centrally retain funding for these costs, individual schools are expected to fund these costs from their Schools S251 budget share. Further guidance is provided at Appendix 1.

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

12.1.1 Funding for all repairs and maintenance is the delegated responsibility of schools. Only capital expenditure is retained by the local authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting.

12.1.2 The current de minimis limit for capital expenditure is £10,000 for vehicles and equipment and £20,000 for land and buildings. Schools are responsible for setting their own de minimis for capital expenditure.

12.1.3 For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by DfE to categorise such work, not the de minimis limit used by the authority.

## **SECTION 13: COMMUNITY FACILITIES**

### **13.1 Introduction**

- 13.1.1 Schools now have greater opportunities to provide services for the community. An extended school is one that provides a range of services and activities often beyond the school day to help meet the needs of its pupils, their families and the wider community.
- 13.1.2 Please see Appendix 2 for more detail.
- 13.1.3 The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### **13.2 Consultation with the authority – financial aspects**

- 13.2.1 In every school and community there will be key groups who need to be consulted about activities. They should be involved in the planning process to ensure that extended school programmes are in demand, well organised and meet local needs.
- 13.2.2 Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their authority.
- 13.2.3 However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.
- 13.2.4 Whatever their level of involvement, all school staff should be kept informed and involved in any decisions that relate to the school premises, staff or pupils.
- 13.2.5 Schools may still approach the Authority for a strategic view on potential programmes. The Authority is well placed to help in assessing the ability of schools to offer additional activities. The Authority will take into account the school's resources, financial management abilities and other considerations.

### **13.3 Funding agreements – authority powers**

- 13.3.1 The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved.
- 13.3.2 Any funding agreements with third parties should be submitted to the Authority for its comments prior to the Governing Body signing any such agreement so that the Authority can ensure that any agreement is not seriously prejudicial to the interests of the school or the Authority. Comments will be provided within six weeks of receipt. If the third party requires local authority

consent to the agreement for it to proceed, such a requirement and the method by which local authority consent is to be signified is a matter for that third party.

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

13.4.1 Although the authority has no right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power. Where the Authority believes it appropriate they may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned must make arrangements to protect the financial interests of the authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority.

13.4.2 Section 28 of the 2002 Education Act provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

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

13.5.1 Any school operating community activities must provide the Authority with a financial report identifying income and expenditure received, accumulated balance brought forward from the previous financial year and projected year-end financial position every six months.

13.5.2 If the Authority has concerns of the financial viability of any community activities a school may be required to provide a financial report identifying income and expenditure received, accumulated balance brought forward from the previous financial year and projected yearend financial position on a quarterly basis.

13.5.3 If the Authority continues to have concerns of the financial viability of any community activities a school will be required to submit a recovery plan for the activity in question.

13.5.4 Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by authorities as their main source of information for the financial aspects of community facilities.

13.5.5 However, the CFR timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk. (Schedule 15 of the Act provides that mismanagement of funds spent or received for community facilities is a basis for suspension of the right to delegation of the budget share).

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

## **13.6 Audit**

13.6.1 Schools community activities financial accounts must be made available for inspection by internal and external audit.

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

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

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

13.7.2 Such retained net income can be carried over from one financial year to the next as a separate community activities surplus.

13.7.3 Should the Authority close any community or community special school, any accumulated community activities surplus of the school reverts to the Authority unless otherwise agreed with a funding provider.

## **13.8 Health and safety**

13.8.1 The health and safety standards for community activities should be the same as those to any other activities undertaken at the school.

13.8.2 The Governing Body must ensure that any adults involved in community activities have Criminal Records Bureau clearance and the cost of such clearance should be met by the community activities accounts or funding partner as part of an agreement with that partner.

## **13.9 Insurance**

13.9.1 The Governing Body must ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share.

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

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

13.9.4 Schools may join risk protection arrangement (RPA) for risks that are covered by the RPA. From the 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires. Schools can provide for all primary and/or secondary maintained schools to join the RPA collectively by agreeing through the school's forum to de-delegate funding.

## **13.10 Taxation**

13.10.1 The Governing Body should seek the advice of the from the authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure and income in connection with community facilities, including the use of the Authority VAT reclaim facility.

13.10.2 The Governing Body must abide with the requirements of the Scheme for Financing Schools in relation to all aspect of taxation

13.10.3 If any member of staff employed by the school or authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not) the school is held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

13.10.4 Schools should follow authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

## **13.11 Banking**

13.11.1 Although it is necessary for the school to keep a separate financial account for community activities this does not necessitate community activities being held in a separate bank account.

13.11.2 If a school does decide to operate their community activities through a separate bank account, then it must be at a bank that is an approved institution as set out in requirement of the Scheme for Financing Schools. The signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters should mirror those in earlier parts of the scheme.

13.11.3 Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining authority.

## Appendix 1: Responsibility for redundancy and early retirement costs

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget:

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

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

- where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards



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

Costs of early retirements or redundancies may only be charged to the central schools services block of the schools budget, as a historic commitment, 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.

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree.

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

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

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education

Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs—

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

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

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

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

## **Appendix 2: Application of schemes for financing schools to the community facilities power**

Schools which choose to exercise the power conferred by section 27 (1) of the Education Act 2002 to provide community facilities will be subject to controls. Regulations made under section 28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Section 88 of the Children and Families Act 2014, has removed the requirements in section 28(4) and section 28(5) of the Education Act 2002 for maintained schools in England. Under section 28(4) a school was obliged to consult its authority and under section 28(5) a school must have regard to advice or guidance from the Secretary of State or their local authority when offering this type of provision.

Under section 28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002.

This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. This part of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between the authority and schools to secure the provision of adult and community learning

### Appendix 3: List of Schools covered by the scheme

URN	LAESTAB	School Name
100556	2082022	Ashmole Primary School
100560	2082115	Clapham Manor Primary School
100564	2082265	Granton Primary School
100566	2082292	Heathbrook Primary School
100567	2082295	Henry Cavendish Primary School
100572	2082331	Jessop Primary School
100574	2082359	Kingswood Primary School
100576	2082371	Lark Hall Primary School (Including Lark Hall Centre for Pupils with Autism)
100577	2082459	Paxton Primary School
100578	2082504	Richard Atkins Primary School
100584	2082575	Sudbourne Primary School
100585	2082578	Sunnyhill Primary School
100586	2082591	Telferscot Primary School
100588	2082617	Vauxhall Primary School
100589	2082626	Walnut Tree Walk Primary School
100591	2082664	Wyvil Primary School and Centres for Children With Speech and Language Impairment and Autism
100593	2082783	Crown Lane Primary School
100595	2082785	Fenstanton Primary School
100597	2082794	Elm Wood School
100598	2082808	Allen Edwards Primary School
100601	2082836	Glenbrook Primary School
100604	2082868	Herbert Morrison Primary School
100608	2082895	Streatham Wells Primary School
131247	2082897	Bonneville Primary School
131340	2082898	Hill Mead Primary School
131824	2082900	Hitherfield Primary School
131874	2082901	Henry Fawcett Primary School
100582	2082902	Stockwell Primary School
133315	2082903	Kings Avenue School
133584	2082905	Loughborough Primary School
133662	2083000	Jubilee Primary School
100609	2083307	Archbishop Sumner Church of England Primary School
100610	2083324	Christ Church Primary SW9
100612	2083375	Macaulay Church of England Primary School
100613	2083403	St Andrew's Church of England Primary School
100614	2083457	St John the Divine Church of England Primary School
100615	2083466	St John's Angell Town Church of England Primary School
100616	2083491	St Jude's Church of England Primary School
100619	2083502	St Mark's Church of England Primary School
100620	2083589	St Saviour's Church of England Primary School
100621	2083596	St Stephen's Church of England Primary School
100622	2083621	Holy Trinity Church of England Primary School

<b>URN</b>	<b>LAESTAB</b>	<b>School Name</b>
100623	2083641	St Helen's Catholic School
134507	2083642	The Orchard School
135614	2083643	Iqra Primary School
100628	2085200	St Bernadette Catholic Junior School
100629	2085201	St Anne's Catholic Primary School
100631	2085203	St Bede's Catholic Infant School
100632	2085204	St Andrew's Catholic Primary School
100633	2085205	Immanuel and St Andrew Church of England Primary School
100634	2085206	Reay Primary School
100636	2085208	St Mary's Roman Catholic Primary School
100602	2085209	Julian's Primary School
100624	2084223	Norwood School
100625	2084321	Lilian Baylis Technology School
100627	2084509	Saint Gabriel's College
100637	2085400	La Retraite Roman Catholic Girls' School
100638	2085401	Bishop Thomas Grant Catholic Secondary School
100642	2085405	London Nautical School
100590	2082657	Woodmansterne Primary School & Children's Centre

## **Appendix 4: Approved Banking Institutions for School Bank Accounts**

### **Clearing Banks**

- Barclays Bank
- Co-operative Bank PLC
- HSBC
- Lloyds
- Royal Bank of Scotland (National Westminster Bank)
- TSB

### **UK Incorporated Institutions Authorised by the Bank of England and Building Societies**

- Halifax PLC
- Nationwide
- Santander
- Woolwich PLC
- Yorkshire Building Society

This list is limited to major clearing banks, incorporated institutions and building societies, as the Assistant Director of Finance of the London Borough of Lambeth retains the responsibility to ensure that Local authority's funds are invested prudently. The list is reviewed from time to time by the Council.

## Appendix 5: Document Retention / EU Procurement Regulations

### Document Retention

Category	Document Title (local name)	Retention Period	Current Format
<b>Finance</b>	Annual budget	6 years from current year (CY)	Paper or electronic
	Annual statement of accounts	CY+6	Paper or electronic
	Bank Statements	CY+6	Paper
	Budget monitoring papers	CY+6	Paper or electronic
	Budget files	CY+6	Paper or electronic
	Changes to bank mandates	CY+6	Paper
	Contract documentation (including advert details, list of interested parties, list of who received tender documents)		
	- under seal	12 years from financial year end	Paper or electronic
	- not under seal	6 years from financial year end	Paper or electronic
	Correspondence files	CY+6	Paper or electronic
	Debtors records	CY+6	Paper or electronic
	Headteacher's budget reports	CY+1	Paper or electronic
	Information files	Until superseded	Paper or electronic
	List of Authorised signatories	6 years after person ceases to be signatory, or the list is suspended	Paper
	Orders and Delivery documentation	CY+6	Paper
	Petty cash vouchers, returned cheques, cheque stubs, monthly bank reconciliations	CY+6	Paper
	Requisitions for goods or services	CY+6	Paper
	Scheme of Delegation	Until superseded	Paper or electronic
	School development plans	CY+3	Paper
	Service level agreements	Until superseded	Paper or electronic
Outturn statements (including transaction reports)	CY+6	Paper or electronic	
Register of Tender and Quotations	CY+6	Paper or electronic	
Student Grant Applications	CY+3	Paper or electronic	
Successful tenders and quotations	Life of contract	Paper or electronic	
Unsuccessful tenders and quotations	2 Years	Paper or electronic	
<b>School Meals</b>	Dinner Registers	CY+3	Paper or electronic
	F.S.M. Authorisations	Whilst child attends school	Paper
	School Meals Summary Sheets	CY+3	Paper
	Tickets	1 term	Paper
	Till Rolls	CY+3	Paper
<b>School Funds</b>	Bank Statements, cheque book stubs, completed bank paying-in books, invoices, ledger, receipts.	CY+6	Paper

## EU Contract Thresholds

Contract Thresholds at and above which UK Regulations apply.

As at **1 January 2018**

The financial thresholds are set out below. (All values exclude VAT).

See Chapter 3 in the financial procedures manual for further detail

	<b>Supplies</b>		<b>Services</b>		<b>Work</b>	
	£	Euro	£	Euro	£	Euro
Contract threshold	118,133	144,000	118,133	144,413	4,551,413	5,548,000
Prior Indicative Notices (PIN)	615,278	750,000	615,278	750,000	4,551,413	5,548,000



## **Appendix 6: Payment To Schools Purchasing / Not Purchasing The Council's Payroll Service**

There will be two different arrangements depending on whether the school has purchased the Council's payroll service or not.

### **1. For schools not purchasing the Council's Payroll Service**

During the financial year the schedule of payments of school budget shares will be **made in equal instalments for each calendar month payable to each school on or before 13th of each month.**

### **2. For Schools purchasing the Council's Payroll Service**

As per (1) above but the monthly **payroll cost will be deducted at source from the monthly budget share before payment is made to the school.**