

Scheme for Financing Schools

London Borough of Enfield

April 2025

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1. INTRODUCTION

1.1. THE SCHEME OUTLINE

1.1.1. The regulations state that schemes must deal with the following matters:

- the carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget shares.
- amounts which may be charged against schools' budget shares.
- amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
- the imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the Local authority (LA) which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
- terms on which services and facilities are provided by the Local authority for schools which it maintains.
- the payment of interest by or to the LA
- the times at which amounts equal in total to the school's budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
- the virement between budget heads within the delegated budget
- circumstances in which a Local Authority may delegate to the governing body the power to spend any part of the authority's non-school's education budget or schools' budget in addition to those set out in section 49(4)(a) to (c) of the act.
- the use of delegated budgets and of sums made available to a governing body by the Local authority which do not form part of delegated budgets.
- borrowing by governing bodies
- the banking arrangements that may be made by governing bodies.
- a statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the act.
- a statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the Local authority for the purposes of section 519 of the Education Act 1996
- the keeping of a register of any business interests of the governors and the head teacher
- the provision of information by and to the governing body
- the maintenance of inventories of assets
- plans of a governing body's expenditure
- a statement as to the taxation of sums paid or received by a governing body.
- insurance.

- the use of delegated budgets by governing bodies to satisfy the LA's duties imposed by or under the Health and Safety at Work etc Act 1974
- the provision of legal advice to a governing body
- funding for child protection issues
- how complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.
- expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the Education Act 2002

1.2. THE FUNDING FRAMEWORK

- 1.2.1. The London Borough of Enfield Scheme for Financing Schools (the scheme) is based on the funding framework from the Department for Education (DfE) which replaces the Local Management of Schools and is set out in the legislative provisions in sections 45 to 53 of the School Standards and Framework Act 1998 ("the Act").
- 1.2.2. Under this legislation, Local Authorities (LAs) determine for themselves the size of their schools' budget and their non-school's education budget – although at a minimum a Local authority must appropriate its entire Dedicated Schools Grant to their schools' budget.
- 1.2.3. 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 a LAs maintained schools except for capital and certain miscellaneous items.
- 1.2.4. LAs 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).
- 1.2.5. The amounts to be deducted for these purposes are decided by the Local 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.
- 1.2.6. The balance of the schools' budget left after deduction of the centrally retained expenditure is termed the individual school's budget (ISB). Expenditure items in the non-schools' education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.2.7. LAs must distribute the ISB amongst their maintained schools using a formula, which accords with regulations made by the Secretary of State, and it enables the calculation of a budget share for each maintained school.
- 1.2.8. 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.
- 1.2.9. The financial controls within which delegation works are set out in a scheme made by the Local authority in accordance with s.48 of the Act and regulations made under that section.
- 1.2.10. All proposals to revise the scheme must be approved by the schools' forum, though the Local authority may apply to the Secretary of State for approval in the event of the schools' forum rejecting a proposal or approving it subject to modifications that are not acceptable to the LA.
- 1.2.11. Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school, and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act.

- 1.2.12. 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).
- 1.2.13. The Local authority may suspend a school's right to a delegated budget if the provisions of the LA's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.
- 1.2.14. A school's right to a delegated budget share may also be suspended for other reasons (under schedule 17 to the Act).
- 1.2.15. The Local authority is obliged to publish each year a statement setting out details of its planned school's 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 Local authority must publish a statement showing outturn expenditure.
- 1.2.16. The detailed publication requirements for financial statements are set out and follow directions issued by the Secretary of State
- 1.2.17. A copy of each year's budget and outturn statement is accessible to all schools.
- 1.2.18. Regulations also require the Local authority to publish its scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.
- 1.3. THE ROLE OF THE SCHEME
- 1.3.1. The scheme sets out the financial relationship between the Local authority and the maintained schools which it funds and describes requirements relating to financial management and associated issues, binding both on the Local authority and on Schools.
- 1.4. APPLICATION OF THE SCHEME TO THE LOCAL AUTHORITY AND MAINTAINED SCHOOLS
- 1.4.1. The provision of the scheme applies to all schools maintained by Enfield. A schedule of such schools is outlined in Annex A.
- 1.4.2. The scheme covers all community, nursery, special, voluntary, foundation (including trusts), foundation special schools and pupil referral units (PRUs) maintained by the LA, whether they are located within its boundaries or elsewhere. It does not apply to schools located in its area maintained by another LA, nor does it apply to academies.
- 1.5. PUBLICATION OF THE SCHEME
- 1.5.1. The scheme will be published on the council's website, accessible to the general public, and any revised versions will be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date.
- 1.6. REVISION OF THE SCHEME
- 1.6.1. Any proposed revisions to the Scheme will be the subject of consultation with the Governing body and the head teacher at every school maintained by the Local authority before they are submitted to the school's forum for approval.
- 1.6.2. All proposed revisions must be submitted to the schools' forum for approval by members of the forum representing maintained schools. Where the schools' forum does not approve them or approves them subject to modifications which are not acceptable to the LA, the Local authority may apply to the Secretary of State for approval.

- 1.6.3. It is also possible for the Secretary of State to make directed revisions to the Scheme after consultation. Such revisions become part of the scheme from the date of direction.
- 1.7. DELEGATION OF POWERS TO THE HEAD TEACHER
- 1.7.1. Schools' governing bodies must formally consider the extent to which financial powers should be delegated to the head teacher and record its decisions (and any subsequent revisions) in its minutes of the governing body. There are some powers which are not permitted to be delegated to head teacher. The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body. The Local authority can only suggest to the schools what might be a desirable level of delegation to head teachers.
- 1.7.2. Head teachers are responsible to the Governing body for the management of the schools' budget share within the parameters set by the Governing body and such regulations that apply from time to time.
- 1.7.3. It is a matter for each Governing body to consider and approve:
- a) Its own requirements for a Scheme of Delegation within the school.
 - b) The first formal budget plan (Working Budget) of each financial year.
- 1.7.4. A Guidance paper on 'Schemes of Delegation' for schools is included in the Finance Manual.
- 1.8. MAINTENANCE OF SCHOOLS
- 1.8.1. The Local authority is responsible for maintaining the schools covered by the scheme and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way a Local authority maintains Schools is through the funding system put in place under s.45 to s.53 of the Standards and Framework Act 1998.

2. FINANCIAL CONTROLS

2.1. APPLICATION OF FINANCIAL CONTROLS TO SCHOOLS

- 2.1.1. Schools must comply with the LA's requirements in the management and monitoring of their delegated budgets. This includes those requirements within this scheme, and those obligations contained in more detailed publications referred to in the scheme.
- 2.1.2. In managing their delegated budgets schools, it must abide by not only the requirements embodied in this Scheme but also by the Authority's requirements on financial controls and monitoring as set out in the following documents:
 - a) Statutory Financial Regulations for Schools
 - b) Finance Manual for Schools which incorporates accounting practice for schools.
 - c) Council's Procurement Rules

2.2. PROVISION OF FINANCIAL INFORMATION AND REPORT

- 2.2.1. The Scheme requires schools to provide the Local authority with details of anticipated and actual expenditure and income, in a prescribed format detailed by the LA. Such information is to be provided every three months and monthly for those connected with tax and banking reconciliation unless, the school's financial position is such that it requires more frequent submission, or that the school is in its first year of operation. Guidance will be available from the Local authority on this matter. Schools are required to use the reporting format provided by the Local authority which is in accordance with the Consistent Financial Reporting (CFR) framework.

2.3. PAYMENT OF SALARIES & PAYMENT OF BILLS

- 2.3.1. The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the LAs payroll system.
- 2.3.2. Where payroll services are carried out by the Local authority provider, the payment of all salaries, wages, pensions and other emoluments to employees or former employees of the Local authority shall then be made by the Chief Finance Officer, under arrangements approved and controlled by him/her. Each head teacher shall notify the Chief Finance Officer as soon as possible, in a prescribed form, of all matters affecting payment of emoluments.
- 2.3.3. If the payroll service is carried out by the school or an external provider, all statutory returns are completed and/or signed by the school. Any penalties levied by HM Revenue & Customs (HMRC) for non-compliance are a charge against the schools' budget share.
- 2.3.4. From 1st November 1998, the Late Payment of Commercial Debts (Interest) Act 1998 came into force. The Act is aimed at imposing severe penalties upon organisations which fail to pay their bills on time.
- 2.3.5. The responsibility for meeting interest costs of any late payments, when claimed, will fall to the school who are deemed not to process the respective invoice on time and make payment in time.
- 2.3.6. Schools will be expected to treat invoices from the Local authority and other Local authority service providers in the same way as external providers. Any delay in payment may be subject to interest charges in the same manner as described above.

2.4. CONTROL OF ASSETS

- 2.4.1. Each school is required to maintain an inventory of its movable non-capital assets with a value more than £1,000 in a form that may be specified by the LA. It should also set out the basic authorisation

- procedures for disposal of assets. Schools can determine their own arrangements for assets worth less than or equal to £1,000 but must keep a register in some form.
- 2.4.2. Schools are encouraged to register anything that is portable and attractive, such as a camera or a tablet.
- 2.4.3. The asset register should include the following information:
- a) Date of acquisition
 - b) Description of the asset, including serial number or unique identification mark
 - c) Cost (excluding VAT)
 - d) Details of leasing arrangements including the source of funding
 - e) Location of asset
 - f) Record of disposal or write off.
- 2.4.4. Assets funded by the Authority, as defined in the Finance Manual, must not be sold, destroyed, or disposed of without the authority of the Governing body, who must inform the Director of Education of any disposals and the proceeds. As there are difficulties with leased assets, schools should consult the Finance Manual before proceeding. The Governing body is responsible for determining value for money in asset disposals.
- 2.5. ACCOUNTING PROCEDURES (including year-end procedures)
- 2.5.1. All maintained Schools must abide by procedures issued by the Local authority on accounting policies and year-end procedures, which includes both revenue and capital.
- 2.6. WRITING OFF DEBTS
- 2.6.1. Governing Bodies may write off debts owed to the school up to a value of £500. Individual debts above that level, but not exceeding £2,500, may be written off with the approval of the Director of Education.
- 2.6.2. All debts above £2,500 may only be written off with the additional approval of the Director of Education and the Chief Finance Officer. For reporting arrangements and write off requests, please refer to the Finance Manual.
- 2.6.3. It is a requirement of the scheme that schools draw up a policy for dealing with debts, including the eventuality of writing off any debts.
- 2.7. BASIS OF ACCOUNTING
- 2.7.1. The Scheme does not impose a basis of accounting on schools' internal systems. However, returns to the Local authority should be done on a cash basis i.e., what the school has actually paid or received during that period.
- 2.8. SUBMISSION OF BUDGET PLANS
- 2.8.1. The Local Authority requires Schools to set an approved balanced budget. Schools cannot set, and Governing Bodies cannot approve, deficit budgets.
- 2.8.2. The Local authority will provide annual budget share information to each school and guidance on planning assumptions by no later than the 28th of February preceding the start of the next financial year.

- 2.8.3. It is a requirement of the scheme that each school must submit an annual budget to the Local authority by no later than 31st May of that financial year. This budget should have been ratified by the full Governing body and signed by the Chair of Governors. The budget should set out the school's intended expenditure for the financial year and the assumptions which underlie it. Any amendments to the budget may be submitted quarterly.
- 2.8.4. Forecasts will be used in conjunction with the LAs balance control mechanism and in the assessment of the SFVS of each school.
- 2.8.5. Schools' total planned expenditure for the financial year shall not exceed the budget share, plus or minus amounts carried forward from the previous year, plus any external income receivable, and any in-year adjustments which may be made in accordance with the scheme for financing of schools. Full account must be taken of estimated deficits or surpluses as at the end of the previous financial year in schools' budget plans.
- 2.8.6. Where, due to unforeseen circumstances, a school cannot set a balanced budget, they must inform the Local authority immediately and seek further guidance.
- 2.8.7. The Local authority will provide guidance on and specify the format of the budget plan. Budgets should be in a format prescribed and advised by the Local authority in line with the CFR framework.
- 2.9. SUBMISSION OF FINANCIAL FORECASTS
- 2.9.1. Schools are required to submit an annual three-year budget forecast alongside the annual budget by 31st May.
- 2.9.2. If the three-year plan shows a deficit in future years, the documents and minutes must be annotated by the phrase "The Governing body is aware of the future year deficit as shown on this plan and will take remedial action to address the deficit".
- 2.9.3. These forecasts will assist the Local authority in supporting the school's position in achieving the SFVS, and to help determine any appropriate actions required relating to the impact on brought forward surplus or deficit reserve balances.
- 2.10. SCHOOL RESOURCE MANAGEMENT
- 2.10.1. 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 to maximise pupil outcomes. Schools should consider the LA's purchasing, tendering and contracting requirements.
- 2.10.2. It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money.
- 2.10.3. 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 consider how to make improvements. A useful resource is the DfE (DfE) Financial Benchmarking and Insight Tool: <https://financial-benchmarking-and-insights-tool.education.gov.uk/>
- 2.11. VIREMENT
- 2.11.1. The scheme allows schools to vire freely between budget heads in the expenditure of their budget shares, to more accurately reflect the actual cost expenditure of the school in line with the CFR framework.
- 2.12. AUDIT: GENERAL

- 2.12.1. Schools shall be a part of the internal and external audit arrangement of the Local authority as determined by the Chief Finance Officer for internal audit and determined by the Local Audit and Accountability Act 2014 for external audit.
- 2.12.2. It is a requirement of the scheme that schools co-operate with all requirements of the auditors - both internal and external - and provide full access to the school's records.
- 2.12.3. All schools should receive some form of internal audit coverage at least once every four to five years. The scope and timing of each school's audit will be agreed with the school. All reports will be discussed and cleared with the Headteacher or other nominated person prior to the issue of the final report. The final report will include timelines for implementing agreed actions to mitigate any risks identified.
- 2.12.4. The following escalation process has been agreed:
 - a) Findings from the internal audit will be reported to the Council's Assurance Board and the General Purposes Committee.
 - b) Follow up emails and/or visits will be undertaken by the Internal Audit team in accordance with the target dates agreed within the report.
 - c) If it is deemed that insufficient responses have been received and/or unsatisfactory progress has been made in implementing the agreed actions, Internal Audit will follow this up with the Director of Education. Any actions undertaken as a result will be reported to the Assurance Board.
- 2.12.5. In their determination of any non-compliance, the Director of Education will consider whether the Headteacher and/or the Chair of Governors should attend a future Assurance Board meeting to advise the Board of the action being taken by their school to address the findings from the internal audit report.
- 2.12.6. Schools are also required to comply with the requirements of the LA's external audit arrangements and provide access to the school's records for both internal and external auditors.
- 2.13. SEPARATE EXTERNAL AUDITS
 - 2.13.1. The scheme permits the Governing body of each school to charge expenditure from its budget share to obtain external audit certification of its accounts, separate from any Local authority internal or external audit process. This is to allow schools to seek an additional source of assurance at their own expense.
- 2.14. AUDIT OF VOLUNTARY AND PRIVATE FUNDS
 - 2.14.1. The scheme requires schools to provide audit certificates in respect of voluntary and private funds held by schools and the accounts of any trading organisations controlled by schools.
 - 2.14.2. The purpose of this requirements is to allow the Local authority to satisfy itself that public funds are not being misused. A school refusing to provide audit certificates to the Local authority as required by the scheme is in breach of the scheme and the Local authority may act on that basis.
 - 2.14.3. The Local authority will not impose the right to audit such funds themselves, or otherwise access the accounts of the private funds, but it does reserve the right to request the necessary certificates to comply with the scheme.
- 2.15. REGISTER OF BUSINESS INTERESTS
 - 2.15.1. The scheme requires the Governing body of each school to establish a register which lists for each member of the Governing body and the head teacher:

- a) Any business interests they or any member of their immediate family have
 - b) Details of any other educational establishments that they govern.
 - c) Any relationship between the school staff and members of the GOVERNING BODY
- 2.15.2. The register must be kept up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents and the LA, and to publish the register, such as a publicly accessible school website.
- 2.16. PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS
- 2.16.1. The scheme requires each school to abide by the LA's financial regulations and standing orders in respect of purchasing, tendering and contracting matters. This includes assessment of the health and safety competence of contractors, taking account of the LA's policy and procedures.
- 2.16.2. The financial regulations and standing orders will not apply where they would require schools:
 - a) To do anything incompatible with any of the provisions of the scheme, or any statutory provision, or anything which does not comply with The Public Contracts Regulations.
 - b) To seek the Chief Finance Officer or his/her representative 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
 - d) Or would permit schools to seek fewer than three tenders or quotations in respect of any contact with value exceeding £10,000 in any one year.
- 2.16.3. For details on the quotation and tendering arrangements, schools should access the LAs Contract Standing Orders and Financial Regulations in the Council's Constitution.
- 2.16.4. The fact that a Local authority contract has been let in accordance with Public Contracts Regulations procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement directives schools are viewed as discrete contracting authorities.
- 2.17. APPLICATION OF CONTRACTS TO SCHOOLS
- 2.17.1. Schools have the right to opt out of Local authority arranged contracts.
- 2.17.2. Governing Bodies should be aware that they are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts and in most cases, they do so on behalf of the Local authority as maintainer of the school and the owner of the funds in the budget share.
- 2.17.3. Other contracts may 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.
- 2.18. CENTRAL FUNDS AND EARMARKING
- 2.18.1. The Local authority is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from schools' budget share. These allocations will be subject to conditions setting out the purpose for which these funds can be used; these conditions do not exclude virements, except for where the funding is supported by a specific grant which the Local authority itself is not permitted to vire.
- 2.18.2. The scheme requires that such earmarked funding (for example SEN initiatives) from centrally retained funds is spent only on the purpose for which it is given, or on other budget heads for which

- earmarked funding is given and is not vired into the budget share. The school is expected to demonstrate that this requirement has been met in its accounting arrangements.
- 2.18.3. Earmarked funds must be returned to the Local authority if not spent within any period stipulated by the Local authority over which schools can use the funding.
- 2.18.4. The Local authority cannot make any deduction, in respect of interest costs, from payments to schools of a devolved specific grant.
- 2.19. SPENDING FOR THE PURPOSES OF THE SCHOOL
- 2.19.1. Section 50(3) of the School Standards and Framework Act allows Governing Bodies to spend budget shares for the purposes of the school. This is subject to regulations made by the Secretary of State and any provisions of this scheme.
- 2.19.2. By section 50(3A) 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.
- 2.19.3. Under section.50 (3)(b), the Secretary of State may prescribe additional purposes for which expenditure of the budget share may be used. This is 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). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.
- 2.20. CAPITAL SPENDING FROM BUDGET SHARES
- 2.20.1. The Scheme does not preclude governing bodies from using their budget shares to fund the cost of capital expenditure on their school premises. This may also include the liability of Governing Bodies of Voluntary Aided schools to meet the cost of their responsibilities under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998. All expenditure that the Governing body wants to treat as capital must meet the capital criteria as defined in the Consistent Financial Reporting guidance.
- 2.20.2. Where schools wish to fund new capital expenditure, in full, from delegated budgets, the Director of Education should be notified of proposals in all instances so that:
- a) where the expenditure exceeds £20,000 in primary and special schools, and £30,000 in secondary schools in any one year, the Director of Education can advise on the merits of the proposed expenditure in terms of the provision of education at the school.
 - b) where the premises are owned by the LA, the Director of Education and Chief Finance Officer can advise as to the technical aspects of the planned works.
 - c) the Director of Education can consider the funding of any additional revenue costs arising from the project within the Individual Schools Budget, where this is the case.
 - d) the Chief Finance Officer can correctly record the expenditure in the LA's accounts.
- 2.20.3. All capital expenditure incurred by the Authority on its schools and in meeting the LA liability of Schemes at Voluntary Aided Schools, must be recorded in the LA's central accounts, and reported as part of the Authority's overall capital programme, however the expenditure is actually financed. The Finance Manual sets out the circumstances in which schools will have some responsibility for capital expenditure and the process schools should follow.
- 2.21. NOTICE OF CONCERN

- 2.21.1. The Local authority may issue a notice of concern to the Governing body of any maintained school where, in the opinion of the Director of Education and the Chief Finance Officer, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local authority or the school.
- 2.21.2. The Local authority is to ensure that the notice sets 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.
- 2.21.3. These may include:
 - a) Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
 - b) Insisting that an appropriately trained/qualified person chairs the finance committee of the Governing body;
 - c) Placing more stringent restrictions or conditions on the day-to-day financial management of a school than the scheme requires for all schools, such as the provision of monthly accounts to the LA;
 - d) Insisting on regular financial monitoring meetings at the school attended by Local authority officers.
 - e) Requiring a Governing body to buy into a LA's financial management systems; and
 - f) Imposing restrictions or limitations on the way 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.
- 2.21.4. The notice must clearly state these requirements and the manner and timescales for compliance to allow it to be withdrawn. The notice must also state the actions that the Local authority may take where the Governing body is not being compliant.
- 2.21.5. 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.
- 2.21.6. The notice is not to be used as a substitute for withdrawal of financial delegation where this is judged to be the appropriate course of action by the LA, however, it will provide a way to make the Governing body aware of the LA's concerns and identifies the actions a Governing body should take to improve their financial management to avoid withdrawal.
- 2.21.7. The Local authority is expected to withdraw the notice once it is satisfied that the Governing body has complied with all the imposed requirements.
- 2.22. SCHOOLS FINANCIAL VALUE STANDARD (SFVS)
 - 2.22.1. 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. The SFVS should be completed by 31st December each year, sent to the council, copied to both the head teacher and the chair of governors.
 - 2.22.2. 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.

- 2.22.3. The Related Party Transactions (RPT) must also be completed and submitted alongside the SFVS by 31st December each year.
- 2.22.4. All maintained schools with a delegated budget must submit the form to the Local authority before the end of financial year and the Local authority will issue notification as part of the year-end closing timetable.
- 2.23. FRAUD
 - 2.23.1. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
 - 2.23.2. 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 school staff and governors.

3. INSTALMENTS OF BUDGET SHARES: BANKING ARRANGEMENTS

3.1. ARRANGEMENTS FOR ADVANCES TO SCHOOLS

- 3.1.1. The Local authority has adopted the CIPFA Code of Practice for Treasury Management in LAs. For this section, budget shares include any place-led funding for special schools or Pupil Referral Units.
- 3.1.2. Top up payments for children and pupils with high needs are to be paid monthly unless alternative arrangements have been agreed with the provider.
- 3.1.3. Schools are to be paid in equal 12 monthly instalments. The instalment will be made on or around the 25th of the month, or at least two days before staff payroll deadline requirements, as required.
- 3.1.4. The arrangement for allocating budget shares to each school will depend upon on whether the school:
 - a) is part of the Authority's HSBC banking contract;
 - b) all other schools.
- 3.1.5. All delegated and devolved resources will be advanced to schools and inclusive of pay costs.
- 3.1.6. A school may request an advance to be increased by bringing forward resources from a future instalment due to be made later in the same financial year. This will assist those schools with temporary cashflow needs arising from major developments at the school and can be arranged following a written request to the Chief Finance Officer.
- 3.1.7. For Schools with Planned Licensed Deficits the school may have a rolling credit agreement with the local authority providing a cash advance to cover the cash deficit as detailed in the application.
- 3.1.8. A condition of the rolling credit agreement is that the school holds all their funds in an HSBC bank account for the full financial year.
- 3.1.9. When it is necessary to recover overpaid advances from schools, for example for prior year adjustments, VAT, rates, exclusions and the EFA, this will be done by deducting the amount to be repaid from the next monthly advance. If this is insufficient, then any remaining balance will be deducted from subsequent monthly advances. If there are still sums due to be repaid by schools after the March advance has been made, an invoice will be raised on the school prior to the end of the financial year.

3.2. INTEREST CLAWBACK

- 3.2.1. Where the Authority has a rolling credit agreement supported by an agreed licensed or deficit recovery plan and cashflow statement with individual schools the interest charge on the amount of the credit agreement will be deducted from the school's advance payment on a monthly basis.
- 3.2.2. Lending to Schools with the HSBC Banking Scheme: Where LA schools with an HSBC bank account are in a structural overdraft position then the Council will provide a credit facility to ensure the school(s) remain in a credit position. Interest will be charged at 1% above the prevailing bank rate.

3.3. INTEREST ON LATE BUDGET SHARE PAYMENTS

- 3.3.1. The Local authority will pay interest for late payments of budget share instalments on any school bank account where said late payment is the result of Local authority error. The interest rate used will be the current daily Bank of England base rate. This is to be applied to the instalment value and the number of working days of delay.

3.4. BUDGET SHARES FOR CLOSING SCHOOLS

- 3.4.1. Budget shares will continue to be made to those schools where it has been agreed they will close or amalgamate or close to convert to an academy. Budget shares will be made monthly up until the point the school closes, and the school will have to account for all cash payments made at the point of closure and any subsequent payments that need to be made and the accounts updated accordingly.
- 3.5. BANK AND BUILDING SOCIETY ACCOUNTS
- 3.5.1. All schools can have their budget share paid into an external bank account. Any interest earned from such an account will be retained by the school. All bank accounts must have the London Borough of Enfield and the school's name as part of the description. Money paid by the Local authority and held in such accounts remains Local authority property until spent (s.49(5) of the Act).
- 3.5.2. Where a school opens an external bank account the Local authority must, if the school so desires, transfer immediately to the account an amount agreed by both school and LA, as the estimated surplus balance held by the Local authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.
- 3.5.3. Schools can use any High Street Bank or major Building Society. Alternatively, the Authority's own bankers (HSBC) offer a specific scheme for Enfield schools.
- 3.5.4. Only accounts with an approved bank or building society may be held with the purpose of receiving budget share payments and other income and holding reserves. Schools must review their choice of banker annually each spring term to ensure it conforms to the approved list for the following financial year.
- 3.5.5. The scheme allows schools to have accounts for budget share purposes in their own name. However, if a school has such an account the scheme should require that the account mandate provides that the Local 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 LA. The Local authority will continue to have arrangements negotiated with certain banks from time to time whereby the accounts are in the name of the Local authority but specific to each school and will continue to offer such arrangements to schools.
- 3.6. BORROWING BY SCHOOLS
- 3.6.1. Governing Bodies are only allowed to borrow money (which includes the use of finance leases) solely upon and 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.
- 3.6.2. The introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent.
- 3.6.3. The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#). Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives.
- 3.6.4. Schools can use any scheme that the Secretary of State has said is available to schools without specific approval.

- 3.6.5. The use of interest-bearing credit cards and overdrafts as regarded as borrowing. The use of procurement cards by schools are acceptable as a useful means of facilitating electronic purchase. This extends to credit or charge cards where no interest will be incurred by the school and balances are fully cleared on a monthly basis. The maximum limit recommended for these cards held by a school is £10,000.
- 3.6.6. These restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, make 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.
- 3.6.7. Governing Bodies do not act as agents of the Local authority when repaying loans.
- 3.6.8. This provision does not apply to loan schemes run by the LA.
- 3.6.9. Further guidance on this is included in the Finance Manual.
- 3.7. OTHER PROVISION
- 3.7.1. Schools may use their cheque books to make payments for all items related to the delegated and earmarked budget.
- 3.7.2. Where a school uses the Local authority payroll system, expense claims from school employees (e.g., car mileage) must be processed through payroll to ensure that any statutory deductions for national insurance, etc. are made from the individual's salary.
- 3.7.3. Schools are required to make monthly reconciled VAT returns to the LA. VAT returns should be made in accordance with the schedule issued each year by the LA. Any such loss of interest or charges on late returns are chargeable to a school's budget.
- 3.7.4. Schools may send in monthly bank reconciliation returns to the LA. However, Schools are expected to perform monthly bank account reconciliations and be required to make quarterly returns in the format determined by the LA.

4. THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES
- 4.1. RIGHT TO CARRY FORWARD SURPLUS BALANCES
 - 4.1.1. Schools can carry forward from one financial year to the next any shortfall in expenditure relative to their budget share for the year, plus or minus any balance brought forward from the previous year.
 - 4.1.2. Where a school opens a new bank account, the amount provisionally transferred must be agreed with the Local authority having regard for immediate liabilities on an agreed date, subject to a later reconciliation.
 - 4.1.3. Schools are reminded of the necessity of differentiating between revenue and capital balances, and to ensure that these are not aggregated for budget-setting purposes.
 - 4.1.4. The amount of surplus balance will need to be shown in the relevant outturn statement published in the CFR, together with a note of commitments, in accordance with the directions by the Secretary of State under S251 of the Apprenticeship, Skills, Children and Learning Act 2009.
- 4.2. CONTROLS ON SURPLUS BALANCES
 - 4.2.1. Governing Bodies are required to report on the intended use of balances where the total accumulated balances exceed 5% and £100k of that financial year's budget share.
 - 4.2.2. The criteria for retaining balances above these limits are as follows to:
 - a) support prior year's financial commitments that have not been charged to the accounts by the preceding 31 March,
 - b) fund specific purposes as assigned by the Governing body and permitted by the Authority, as detailed below, which the Authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question without the consent of the Authority.

NB: This last provision is intended to ensure that schools can build up reserves towards projects but cannot defer implementation indefinitely.

 - 4.2.3. Schools may declare balances to be assigned for specific purposes only within the permitted categories given below. Such declarations must be set out in the minutes of the Governing body and information on such declarations given to the Authority in a format determined by the Authority. The Authority may take such steps as appropriate to determine that such declarations are properly assigned.
 - 4.2.4. If schools are projecting surplus balances as at 31st March above 5% and £100k, then these schools are required to seek the written permission of the Authority on the retention and use of the surplus balances against the criteria for retaining balances, as detailed above. The request must be submitted to the Authority in the first half of the Spring term preceding the end of the financial year. If written permission is not sought or is not within the required timescale, then any balances above the percentages stated in the table below will be recycled. Following a discussion with Education Resources Group, the Authority will confirm if the schools may retain any balances above the stated thresholds.
 - 4.2.5. Control of surplus balances:
 - a) The Authority shall calculate each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be recurrent balance category as defined in the Consistent Financial Reporting Framework;

- b) Then the prior year's commitments as reported by the school shall be deducted from the calculated surplus balance. This relates solely to financial commitments that the school has entered prior to the end of the financial year, e.g., placed an order, but the goods or services were not received by 31 March and no invoice has been paid, nor an accrual raised;
 - c) Then the amount assigned for specific purposes as reported by the school and permitted by the Authority (as detailed above) shall be deducted from the calculated surplus balances;
 - d) If the result of steps (a) to (c) above is that the school has surplus balances of more than 5% of the current year's budget share, then the amount above these thresholds will be deducted from the current year's budget share.
- 4.2.6. If the school does not send in their information on surplus balances as required under this Scheme and does not provide the Authority with a reason for not providing the information, then any balance above 5% shall be deducted from the current year's budget share.
- 4.2.7. Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share of the school, whether under provisions of this Scheme or otherwise.
- 4.2.8. Funds held in relation to a school's powers under section 27 of the Education Act 2002 (community facilities) will not be taken into account, unless added to the budget share surplus by the school as permitted by the Authority.
- 4.2.9. Individual schools will continue to have the right to appeal against any decision to recycle their balances. The Schools Forum will consider any appeals. Any balances that are recycled will be added to the Schools Budget in the following financial year.
- 4.3. INTEREST ON SURPLUS BALANCES
- 4.3.1. All schools operating local banking arrangements and as such interest will be earned and paid into their accounts directly by their bankers.
- 4.4. OBLIGATION TO CARRY FORWARD DEFICIT BALANCES
- 4.4.1. The Schools should not plan for a deficit balance.
- 4.4.2. When a school is forecasting a deficit balance at the end of the current financial year, they should discuss the matter with the Council at the earliest opportunity and in advance of Governors approving a deficit budget plan.
- 4.4.3. Where the setting of a deficit budget plan for the current financial year seems unavoidable, the procedures are:
 - a) that the school should produce a deficit recovery plan in a format specified by the Authority to clear the deficit within three years in deficit or, in exceptional circumstances, a period agreed with the Authority.
 - b) The deficit recovery plan must be approved by governors at the same time as the budget plan and both submitted to the Authority by 31 May
- 4.4.4. Where expenditure in any financial year exceeds the budget share, after adjustment for any surplus or deficit carried forward from the previous financial year, the deficit will be carried forward and deducted from the school's following year's budget share.
- 4.4.5. In exceptional circumstances, it will be possible to extend the recovery period. Such requests will need to be approved by the Director of Education in consultation with the Chief Finance Officer, who will need to be satisfied that the circumstances are indeed exceptional, and that all reasonable action will be taken to clear the deficit at the earliest opportunity. Exceptional circumstances may

include managing a temporary reduction in pupil numbers or a situation in which the Governing body's duty to provide the curriculum would be affected.

4.4.6. Once the deficit recovery plan has been approved, schools will be required to submit a cashflow statement that support the plan to the Authority. The Authority will then agree a funding agreement to ensure the school's account remains in debit.

4.4.7. Schools in deficit will be required to close all other external accounts to support their planned deficit. If a school requires a specific external account to remain open whilst in deficit, then this will require the explicit approval of the Director of Education and Chief Finance Officer.

4.4.8. Where the school has a change of circumstances which results in a deviation from the agreed deficit recovery plan, the school must discuss the situation with the Authority at the earliest opportunity.

4.4.9. In all instances of deficits, including forecast deficits for future years in the three-year strategic plan, schools may be required to provide information and/or cooperate with local authority officers with a view to ensure that the deficit is managed and monitored in an appropriate manner.

4.5. PLANNING FOR DEFICIT BUDGETS

4.5.1. The Scheme does not allow Governing Bodies to plan and approve a deficit budget for their school in any financial year. Exceptionally, deficit budgets may be only allowed and approved by the Local authority in certain defined circumstances (see section 4.9).

4.5.2. In such cases, the Governing body shall be required to formally notify in writing, the Director of Education, and the Chief Finance Officer of the plan to recover such a deficit in the new financial year by adjustment to that year's budget.

4.5.3. Where a school is in financial difficulty, the Local authority will determine what financial monitoring system is to be used by the school.

4.6. CHARGING OF INTEREST ON DEFICIT BALANCES

4.6.1. The Local authority will not charge interest on deficit balances.

4.7. WRITING OFF DEFICITS

4.7.1. The Local authority cannot write off the deficit balance of any school.

4.7.2. Any assistance towards elimination of a deficit balance would be through the allocation of a cash sum, from the LA's schools budget, taken from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by schools forum. These provisions do not currently exist at LBE.

4.8. BALANCES OF CLOSING AND REPLACEMENT SCHOOLS

4.8.1. The Local authority may add an amount to the budget share of the new and enlarged school to reflect all or part of the unspent budget share of the closing school. This may occur when a school has been established or is subject to a prescribed alteration because of the closure of a school within a funding period.

4.8.2. This amount added will include any surplus carried over from previous funding periods of the closing school for the funding period of closure and opening of the new and enlarged school.

4.9. LICENSED DEFICITS

- 4.9.1. The Local authority is permitted to include the provision for an arrangement whereby a school is allowed to plan for a deficit budget. The arrangement is funded through the collective surplus of school balances held by the LA. This is referred to as a licensed deficit.
- 4.9.2. The licensed deficit needs to specify the following:
- a) maximum length, not to exceed 3 years, over which schools may repay the deficit (reach at least a zero balance), with appropriate mechanism to ensure that the deficits are not simply extended indefinitely.
 - b) purposes for which the deficit arrangement may be agreed.
 - c) maximum size of the deficits which may be agreed; this may be by reference to the size of the budget share or in cash terms or some combination.
 - d) maximum proportion of the collective balances held by the Local authority which will be used to back the arrangement.
 - e) role of the Director of Education and the Chief Finance Officer of the Local authority in agreeing any arrangements for individual schools
- 4.10. LOAN SCHEMES
- 4.10.1. Loans will only be granted by the Local authority 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 including brought forward surpluses.
- 4.10.3. If loans are made to fund a deficit, 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. Balances held by schools in external bank accounts remain the property of the Local authority (if initially made available by the LA) and therefore may legally be considered by the Local authority in assessing the total level of loan support to give to schools. The Secretary of State expects schools to be asked on their views on allowing the Local authority to take these bank accounts into such calculation.
- 4.10.5. There will be an absolute limit of three years on any continuous period during which the school remains indebted before full repayment, including any levied interest charges that may be agreed between the school and the LA.
- 4.10.6. The Local authority will disclose in its budget statements the amount centrally retained as a devolved payment to Schools. The Loan payment will appear in the statement of accounts at outturn.
- 4.11. CREDIT UNION APPROACH
- 4.11.1. The Local authority does not currently recognise a credit union approach. Schools wishing to adopt this approach should contact the Director of Education.

5. INCOME

- 5.1.1. The basic principle to which this scheme adheres is that schools are able retain income except in certain specified circumstances.

5.2. INCOME FROM LETTINGS

- 5.2.1. Schools may retain all income from lettings of the school premises that would otherwise accrue to the LA, subject to any alternative provisions arising from any joint-use or Private Finance Initiative (PFI) agreement. Schools can 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 significantly with the performance of any duties imposed by the Education Acts. This includes the requirement to conduct the school in such a way to promote high standards of educational achievement.
- 5.2.2. Schools are required to consider any directions issued by the LA, on the use of school premises owned by the LA, as permitted under the School Standards and Framework Act 1998 for various categories of Schools. All schools are recommended to produce an annual hiring and letting policy, ratified by the GOVERNING BODY.
- 5.2.3. Income from lettings of schools' premises is not payable into voluntary or private funds held by the school. However, where the land is owned by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

5.3. INCOME FROM FEES AND CHARGES

- 5.3.1. The Scheme allows schools to retain income from fees and charges, except where a service is provided by the Local authority from centrally retained funds.
- 5.3.2. Schools are required to consider policy statements on charging produced by the LA.
- 5.3.3. Income from boarding charges is collected on behalf of the Local authority and should not exceed the cost of providing board and lodging for the pupils concerned.

5.4. INCOME FROM FUND-RAISING ACTIVITIES

- 5.4.1. Schools can retain income from fund-raising activities.

5.5. INCOME FROM THE SALE OF ASSETS

- 5.5.1. The scheme allows schools to 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 Local 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. Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to use of proceeds.
- 5.5.2. The retention of proceeds of sale for premises not owned by the Local authority will not be a matter for the scheme.

5.6. ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME

- 5.6.1. Any income generated from the use of school premises collected in relation to expenditure that has been incurred from the school delegated budget should be credited to an appropriate budget heading within the school delegated budget.

5.7. PURPOSES FOR WHICH INCOME MAY BE USED

- 5.7.1. Income from sale of assets purchased with delegated funds must only be spent for the purposes of the school.
6. THE CHARGING OF SCHOOL BUDGET SHARES
 - 6.1. GENERAL PROVISION
 - 6.1.1. A school's budget share may only be charged by the Local authority without the GOVERNING BODY's permission in the circumstances permitted by this Scheme. The Local authority will consult the Schools as to the intention to so charge and will notify schools when it has been done.
 - 6.1.2. The Local authority reserves the right to protect its financial position from liabilities caused by the action or inaction of Governing Bodies by charging budget shares. The Scheme makes clear to schools the circumstances in which this may happen.
 - 6.1.3. The Local authority cannot act unreasonably in the exercise of power given by the Scheme, or it may be the subject of a direction under section 496 of the Education Act 1996.
 - 6.1.4. In each circumstance the Local authority would be required to demonstrate that it necessarily incurred the expenditure charged to budget shares. Where the statutory responsibility rests elsewhere, the Local authority cannot incur a liability and will be unable to charge budget shares. This means the position of charging will vary between categories of schools.
 - 6.1.5. The Local authority is expected to take steps to provide prior advice to the Governing Bodies whenever possible before charging budget shares.
 - 6.1.6. LAs 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 Local authority will charge salaries of school-based staff to school budget shares at actual cost. In this instance the school did not chose to administer its own staff salaries using an external payroll provider.
 - 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 Local 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 (see [Responsibility for Redundancy and Early Retirement Costs](#)).
 - 6.3.3. Awards by courts and employment tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the authority's advice. Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the Local 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 with the authority expenditure protects the authority's position. Local 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 Local 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 Local 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 Local authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority. The Local 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 LA.
- 6.3.8. Recovery of penalties imposed on the Local authority by His Majesty's Revenue and Customs (HMRC), Teachers' Pensions, the Environment Agency, or other regulatory authorities as a result of school negligence.
- 6.3.9. Correction of Local authority errors in calculating charges to a budget share; for example, pension deductions. Before applying any such provision, the Local 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 Local authority arising from decisions by the governing body on the length of the school day, or failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
- 6.3.11. Legal costs which are incurred by the Local 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 LA, where funding for training had 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-LA 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 Local authority in securing provision specified in an education, health, and care (EHC) plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low-cost high incidence SEN or specific funding for a pupil with high needs.
- 6.3.16. Costs incurred by the Local 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 Local authority as a result of the governing body being in breach of the terms of a contract.
- 6.3.19. Costs incurred by the Local 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 Local authority in administering admissions appeals, where the Local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

7. TAXATION

7.1. VALUE ADDED TAX (VAT)

- 7.1.1. HMRC has 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 authority.
- 7.1.2. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.
- 7.1.3. Schools are required to provide a monthly return, provided by the LA, showing the amounts of VAT paid out and charged. Sufficient evidence will be necessary to validate the claim.
- 7.1.4. The Local authority will reclaim the net VAT on non-business activities and the reclaimed amount will be paid into the schools' bank account in the following monthly advances payment cycle.
- 7.1.5. Schools are required to submit the VAT claims by the 10th day of the subsequent month. Any late submissions will be processed in the following monthly cycle.
- 7.1.6. Any penalties or interest charges levied by the HMRC for late school returns will also be charged to schools.

7.2. CONSTRUCTION INDUSTRY SCHEME (CIS)

- 7.2.1. Schools are required to abide by the procedures laid down by the Local authority regarding Construction Industry Taxation <https://www.gov.uk/what-is-the-construction-industry-scheme>

8. PROVISION OF SERVICES AND FACILITIES BY THE LA

8.1. PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS

- 8.1.1. The Scheme provides the Local authority the right to determine on what basis it will provide services from centrally retained funds to schools. This includes Premature Retirement Compensation (PRC) and redundancy payments, not ordinarily thought of as services.
- 8.1.2. The Local authority cannot discriminate in its provision of services to schools based on their category except in circumstances where (a) it would be permitted under School and Early Years Finance (England) Regulations or (b) the DSG conditions of grant.

8.2. PROVISION OF SERVICES BOUGHT BACK FROM THE LA USING DELEGATED BUDGETS

- 8.2.1. The Scheme specifies the term of any agreement between the Local authority and a school to buy services or facilities from the Local authority to be limited to a maximum span of 3 years initially. Where there is a subsequent provision of the same service, the maximum period is 5 years.
- 8.2.2. Exceptionally, the supply of catering services is limited to a maximum span of 5 years initially, while the maximum term upon extension is 7 years.
- 8.2.3. The prices for the supply of services must be at rates to generate income, which is at least equal to the cost of providing those services. This is the case where service expenditure is not retainable centrally by the Local authority according to regulations under section 45A of the Act.
- 8.2.4. The total cost of the services should be met by total income, even where there is differential pricing to schools. It is the LA's responsibility to ensure that the pricing policy does not lead to a central subsidy of services.
- 8.2.5. 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 local authority to show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

8.3. PACKAGING AND SERVICE LEVEL AGREEMENTS

- 8.3.1. The Local authority can provide any service to schools for which funding has been delegated, and the offer can be on a buyback basis in a way which does not unreasonably restrict schools' freedom of choice among the services available. Schools are to be offered a provision on a service-by-service basis as well as in packages of services.

8.4. TEACHERS' PENSIONS

- 8.4.1. Governing Bodies of any maintained school which directly administers its own payroll shall supply salary, service, and pensions data to the Local authority monthly. Any levied interest or penalties because of late submission will be a charge to the school's budget.
- 8.4.2. A governing body shall also ensure that additional voluntary contributions (AVCs) are passed to the Local authority within the time limit specified in the AVC scheme.
- 8.4.3. In order to ensure that the performance of the duty on the local authority to supply Teachers' Pensions with information under the Teachers' Pension Scheme 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.

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the local 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.

The local 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 AVCs are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply salary, service, and pensions data to the local authority which the authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The local 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 AVCs are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

9. PRIVATE FINANCE INITIATIVE (PFI) & PUBLIC PRIVATE PARTNERSHIP (PPP)
9.1. PFI / PPP CONTRACTS

9.1.1. Where services are being provided to a school under a PFI/PPP contract the Authority will discuss with the Governing body the basis of apportionment of the annual charge between the Authority and the school.

9.1.2. The apportionment of the charge will be calculated by the Authority and will be based on the following general principles:

- a) The school's share of the annual charge will be related specifically to the elements of the service provision for which the school holds the delegated budget.
- b) The school's share will be calculated with reference to the cost information provided by the PFI/PPP operator.
- c) The indexation of the school's share will be calculated in accordance with the PFI/PPP contract and the elements of the costs subject to indexation.
- d) The school will benefit from payment deductions relating to performance and availability in so far as they relate to delegated services and also from any income sharing arrangements.
- e) The school's share of the unitary charge will be adjusted to take account of increases or decreases in costs that arise from agreed variations where these relate to services for which the school has delegated responsibility.

9.2. CHARGING SCHOOL BUDGET SHARES

9.2.1. The Authority will charge to the school's delegated budget that part of the annual charge to be paid by the school, calculated by the Authority in accordance with the principles in 9.1 above. The Authority will discuss the proposed charge with the school's Governing body before any charge is made. However, the Authority retains the right to make such a charge against the school's delegated budget without the permission of the Governing body.

10. INSURANCE

10.1. INSURANCE COVER

- 10.1.1. If funds for insurance are delegated to any school, the local authority may require the 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 scheme requires the local authority to 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. Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA.
- 10.1.4. The scheme allows schools to join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires, and the Local authority encourages them to do so.
- 10.1.5. An alternative to taking out insurance with another provider, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA. Where all primary and/or secondary schools join the RPA collectively, then the phase representatives on the Schools Forum may agree to de-delegate funding.

11. MISCELLANEOUS

11.1. RIGHT OF ACCESS TO INFORMATION

- 11.1.1. As well as specific requirements listed above, Governing Bodies must supply all financial and other information which might be reasonably required to enable the Local authority to satisfy itself as to schools' management of their delegated budget share, or the use made of any central expenditure by the Local authority (e.g., earmarked funds) by the school.

11.2. LIABILITY OF GOVERNORS

- 11.2.1. The Governing body of a School is a corporate body. Section 50 (7) of the Act confirms that Governors of Schools cannot incur personal liability in the exercise of their powers to spend the budget share, provided that they have acted in good faith.
- 11.2.2. An action of fraud is an example of not acting in good faith. Breaches of the Scheme and rejection of Local authority advice for financial management are not deemed to be 'Failures to act in good faith'.

11.3. GOVERNORS' EXPENSES

- 11.3.1. 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 can be paid to governors from a school's delegated budget share. Schools are not allowed to pay for any other allowances.
- 11.3.2. The Local authority can set the amount of allowances. Governing Bodies and schools do not have this discretion.
- 11.3.3. Schools with delegated budgets should only pay reasonable expenses. Schools may be required to provide details of expense claims to the LA. Expenses paid to additional governors to schools appointed by the Secretary of State under special measures must not be paid from a school's delegated budget share.
- 11.3.4. The Local authority may publish a guide on what might be defined as reasonable expenses. This is not a Local authority obligation under the Scheme.
- 11.3.5. Provision may be made to delegate funds for governor's expenses to a school (maybe a new school) yet to receive a delegated budget.

11.4. RESPONSIBILITY FOR LEGAL COSTS

- 11.4.1. Legal costs incurred by the Governing body may be charged to the school's delegated budget, unless the Governing body acts in accordance with Local authority advice, including costs relating to maintaining the school. The Local authority will not be responsible for the legal costs relating to the statutory responsibility for buildings of the Governing body of voluntary aided schools.
- 11.4.2. Schools cannot be expected to be reimbursed for the cost of legal action against the Local authority itself. However, the Local authority has the discretion to do so should this be desirable or necessary in the circumstances.
- 11.4.3. The costs referred to are those of legal actions, including costs awarded against the LA; not the cost of legal advice provided.
- 11.4.4. Schools should seek the LAs advice before incurring legal costs. The Local authority may recharge to the school's delegated budget any legal costs, which arise because of the Governing body not following Local authority advice.

- 11.4.5. Where there is a potential conflict of interest, problems could arise for the Local authority and the Governing body in obtaining proper legal advice. In this situation, the Local authority should be consulted, and the Governing body should consider obtaining independent legal advice.
- 11.5. HEALTH AND SAFETY
 - 11.5.1. The Governing body in spending the school's budget should have due regard to duties placed on the Local authority in relation to health and safety, and the LAs policy on health and safety matters in the management of the budget share.
- 11.6. RIGHT OF ATTENDANCE FOR CHIEF FINANCE OFFICER
 - 11.6.1. Governing Bodies must permit the Chief Finance Officer, or any officer nominated by the Chief Finance Officer, to attend meetings of the Governing body at which any agenda items are relevant to the exercise of their responsibilities.
 - 11.6.2. Attendance of the Chief Finance Officer at meetings should be limited to items which relate to probity or overall financial management. Attendance should not be regarded as routine. The Local authority should give prior notice of attendance, unless impracticable.
- 11.7. SPECIAL EDUCATIONAL NEEDS
 - 11.7.1. Schools should use their best endeavours in spending the budget share to secure the special educational needs of their pupils.
 - 11.7.2. Although this is a statutory requirement, it remains possible to suspend delegation only where a situation is serious enough to warrant it; this would not normally relate to an individual pupil.
- 11.8. WHISTLEBLOWING
 - 11.8.1. Schools are required to have a Whistleblowing Policy, enabling people to raise concerns about serious misconduct or malpractice at work, without fear of any retribution, if the concerns are raised in good faith.
 - 11.8.2. If there are any circumstances where financial irregularity is suspected, the Governing body, or the individual member of staff, must inform the Director of Education immediately. This includes instances of fraud or where the Council's Standing Orders, Financial Regulations or Scheme of delegation are not complied with. The Authority will take all precautions to protect the confidentiality of the individual raising the concern.
- 11.9. CHILD PROTECTION
 - 11.9.1. All Schools should be aware of the need to release staff to attend child protection case conferences and other related events. Costs should be met from schools' delegated budget shares.

12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1. DELEGATION OF FUNDING

12.1.1. This section details the categories of work which Governing Bodies must finance from their budget. This covers both revenue (maintenance) and capital.

12.1.2. Generally, schools have delegated revenue funding for repairs and maintenance; only capital funding is to be retained by the LA, except for DFC.

12.1.3. Expenditure may be treated as capital only if it fits the definition of capital used by the Local authority for accounting purposes in line with the Chartered Institute for Public Finance and Accountancy (CIPFA) code of practice on Local authority accounting.

12.1.4. Where schools are intending to incur capital expenditure, they are required to use their external capital funding including DFC allocations before making revenue contributions from their budget shares.

12.1.5. In line with the guidance from the DfE, under the funding framework the LA has delegated all repairs and maintenance responsibilities to schools except for capitalised repairs. Capitalised repairs are defined in accordance with the CIPFA Code of Practice and relate to works that will:

- Lengthen substantially the useful life of the building;
- Increase substantially the open market value of the building;
- Increase substantially the extent to which the building can be used for local authority purposes.

12.1.6. If appropriate, low value works can be amalgamated into a single project, which can then be considered for capitalisation.

12.1.7. There are agreed de minimis limits which are used for the definition of capital and revenue in assigning responsibility for types of work. In accordance with DfE requirements, these de minimis limits must also be used in defining what is delegated.

12.1.8. The agreed de minimis limits, which will be applied for the period of this Scheme for Financing Schools, are sums greater than:

- £15,000 for Primary Schools and SEN Schools
- £25,000 for Secondary Schools

12.1.9. However, in addition to revenue works, schools continue to retain responsibility for various works, irrespective of the cost. These are:

- Internal painting;
- External redecoration;
- Drainage;
- Playgrounds;
- Boundary fencing and walls.

13. COMMUNITY FACILITIES

13.1. INTRODUCTION

- 13.1.1. 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.
- 13.1.2. 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 local 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.
- 13.1.3. Under section 28(1), the main limitations and restrictions on the power will be those contained in the maintaining local 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.
- 13.1.4. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.
- 13.1.5. 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 local authority and schools to secure the provision of adult and community learning.

13.2. CONSULTATION WITH THE LA - FINANCIAL ASPECTS

- 13.2.1. Due to changes made by the Children and Families Act 2014, a school is no longer required to consult before establishing community facilities, and there is no longer a need for a school to be mindful of a LA's advice, under section 27 of the Education Act 2002.
- 13.2.2. However, as public bodies, schools are expected to act reasonably, and this includes consulting with all affected stakeholders.

13.3. FUNDING AGREEMENTS – LA 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 (as opposed to funding agreements with the Local authority itself) should be submitted to the Local authority for its comments prior to the governing board signing any such agreement so that the Local authority can ensure that any agreement is not seriously prejudicial to the interests of the school or the LA.
- 13.3.3. The Secretary of State does not consider that it is appropriate for LAs to have the power to veto these arrangements.
- 13.3.4. If an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the Local authority is seriously prejudicial to the interests of the school or the LA, that may constitute grounds for suspension of the right to a delegated budget.

13.4. OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS

- 13.4.1. Although the Local authority has no right of veto either to funding agreements with third parties, or for other proposed uses of the communities facilities power, it requires that in a specific instance of use of the community facilities power by a GOVERNING BODY, the Governing body concerned shall make arrangements to protect the financial interests of the Local 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 LA, after making an assessment of risks.
- 13.4.2. The Local authority must act reasonably in making any such request to the GOVERNING BODY, where there is good reason to believe that the proposed project carries significant financial risk.
- 13.5. SUPPLY OF FINANCIAL INFORMATION
- 13.5.1. Schools which exercise the community facilities power are required to provide the Local authority every 6 months with a summary statement, in a form determined by the LA, showing the income and expenditure for the school arising from the facilities in question for the previous 6 months and on an estimated basis, for the next 6 months.
- 13.5.2. The Local authority may, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, require such financial statements to be supplied every 3 months and, if the Local authority sees fit, to require the submission of a recovery plan for the activity in question.
- 13.5.3. Financial information relating to community facilities will be included in returns made by schools under the CFR framework. This should be the main source of information for the financial aspects of community facilities.
- 13.5.4. Schedule 15 of the Act provides that mismanagement of funds spent or received for community facilities can be a basis for suspension of the right to delegation of the budget share.
- 13.6. AUDIT
- 13.6.1. The Governing body is required to grant access to the LA, to all records connected with the community facilities provided to facilitate internal and external audit of income and expenditure.
- 13.6.2. In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools must ensure that such agreements contain adequate provision for access by the Local 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, for the Local authority to satisfy itself as to the propriety of expenditure on the facilities in question.
- 13.7. TREATMENT OF INCOME AND SURPLUSES
- 13.7.1. Schools can retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local authority or some other person.
- 13.7.2. Schools can carry forward such net income from one financial year to the next, retaining it as a separate community facility surplus.
- 13.8. HEALTH AND SAFETY MATTERS
- 13.8.1. Any health and safety provisions of the main Scheme are also extended to the community facilities power.
- 13.8.2. The Governing body is responsible for the costs of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day.

13.8.3. Governing Bodies can pass on such costs to a funding partner as part of an agreement with that partner.

13.9. INSURANCE

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

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

13.9.3. The Local authority may undertake its own assessment of the insurance arrangements made by the Governing Board in respect of community facilities. If the Local authority judges that the arrangements made by the school are inadequate, the Local authority may decide itself and require Schools to meet the additional cost. This is to protect the Local authority from possible third-party claims.

13.9.4. As stated above, a school may join the RPA for risks that are covered by the RPA.

13.10. TAXATION

13.10.1. Schools should seek the advice of the Local authority and the local Value Added Tax (VAT) office on any issues relating to the possible imposition of VAT on expenditure about community facilities, including the use of the Local authority VAT reclaim facility.

13.10.2. If any member of staff employed by the school or Local authority relating to community facilities at the school and 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 likely to be held liable for payment of income tax and national insurance, in line with HMRC rules.

13.10.3. Schools must follow Local authority advice in relation to the CIS where this is relevant to the exercise of the community facilities power.

13.11. BANKING

13.11.1. Schools must choose to either keep separate bank accounts for budget share and community facilities or have sufficient internal controls to ensure adequate separation of funds.