

hackney success in the making

SCHEME FOR FINANCING SCHOOLS



Effective October 2015

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SECTION 1: INTRODUCTION

1.1 The Funding Framework:

The funding framework is based on the legislative provisions in sections 45 and 47-51 of the School Standards and Framework Act 1998 (the **Act**) as amended.

Under this legislation, local authorities (LAs) determine for themselves the size of their Schools Budget and their non-schools education budget – although at a minimum a local authority must appropriate all of its Dedicated Schools Grant (DSG) to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools.

Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act, the current version being the School Finance(England) Regulations 2012 SI2012/335 (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

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

The financial controls within which delegation works are set out in a scheme made by the LA in accordance with s.48 of the Act and regulations made under that section. Governing Bodies must be consulted about all proposals to revise the scheme, which must also be approved by the Schools Forum (though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.)

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

A local authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently

breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (see s.66 Education and Inspections Act 2006.)

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

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State, but the statements must be made available on a publically accessible website ([www.learningtrust.co.uk/about us/financial statements and guidelines](http://www.learningtrust.co.uk/about-us/financial-statements-and-guidelines)).

1.2 The Role of the Scheme

The purpose of the scheme is to set out the financial relationship between the London Borough of Hackney (the LA) and its maintained schools. The scheme sets out the requirements for sound financial management and associated issues, these requirements are binding on all parties.

1.2.1 Application of the Scheme to the Authority and Maintained Schools

The scheme applies to all community, nursery, voluntary aided, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the authority. This scheme does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies. Schools included within the scheme are listed at Annex A.

New maintained schools opening after 1 April each year will be covered by the scheme.

1.3 Publication of the Scheme

This scheme must be published on a website which is accessible to the general public ([www.learningtrust.co.uk/about us/financial statements and guidelines](http://www.learningtrust.co.uk/about-us/financial-statements-and-guidelines)). The revised version must be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.4 Revision of the Scheme

All proposed revisions will be the subject of consultation with schools maintained by the authority before they are submitted to the Schools Forum for their approval. Periodically the Secretary of State directs that changes be made to authority's Schemes. These are not subject to the formal consultation process.

Only forum members representing maintained schools need to approve revisions. Where the Schools Forum does not approve them regulations may permit the authority may apply to the Secretary of State for approval.

1.5 Delegation of Powers to the Head teacher

All governing bodies have full responsibility for the management of the school's budget, including in particular the scrutiny and authorisation of procurement decisions, and ensuring compliance with the Finance Procedures Manual for Schools and for the appointment and dismissal of all staff taking into account the professional advice of Hackney's Director of Children's Services and their head teacher.

The governing body is required to consider and determine the extent to which it wishes to delegate its financial powers to the head teacher. This decision must be recorded (along with any revisions) in the minutes of the governing body. In coming to a decision, governors must take account of any requirements set out in regulations or guidance made by the Secretary of State. For example, among the powers that cannot be delegated is the approval of the annual budget.

The governing body also has the responsibility for agreeing the schools first formal budget each year and for monitoring the expenditure against this budget throughout the year.

1.6 Maintenance of Schools:

The authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an Authority maintains schools is through the funding system put in place under sections 45, and 47-51 of the School Standards and Framework Act 1998.

SECTION 2: FINANCIAL CONTROLS

2.1. Application of Financial Controls to Schools:

As far as possible, schools will be given the freedom to exercise choice that is compatible with exercising management autonomy over their budgets. The authority will seek only to impose regulations that are consistent with the need for accountability and control over the expenditure of public funds.

In managing their delegated budgets, schools are required to abide by the council's requirements on financial controls and monitoring. These are set out in the Financial Procedures Manual for Schools.

Should any inconsistency be detected between this scheme and any decision or other document produced by the council whether in exercise of its education powers or otherwise that purports to apply to schools with delegated budgets, this scheme takes precedence.

2.1.2 Provision of Financial Information and Reports

In order that the Director of Finance can fulfil the obligations to secure proper administration of finances under Section 151 of the Local Government Act 1972 schools must provide The Council with a copy of their budget monitoring report submitted to their governing body on a quarterly basis.

Information required on a three month basis being copies of expected and actual income and expenditure. Exceptions to this rule will be information connected with tax or banking reconciliation, or the LA feels particular financial risks are involved. Examples of exemptions include:

- Other relevant documentation in such form and at such times as required (this includes provision of information to Internal Audit & District Audit).
- Those returns connected with bank reconciliation or tax, (including for Customs and Excise and Inland Revenue)
- Where the council feels that a particular school's financial management requires more frequent reporting than every 3 months, in this case the school will be notified in writing.
- The school is in its first year of operation.
- Where the school is part of an on-line financial accounting system operated by the council.

The form for submission of information should so far as possible take account of, and be compatible with, the Consistent Financial Reporting framework.

Under Section 151 of the Local Government Act 1972, the Director of Finance is responsible for the probity and regularity of the council's financial activities. This function gives the LA the right to intervene in the financial affairs of a school where there are concerns about compliance with financial regulations or other guidance set out in this document or those to which it refers. In such an event the LA may withdraw delegation and any resultant costs arising will normally be charged to the school's budget.

2.1.3 Payment of Salaries; Payment of Bills

All salaries, wages, fees and other remuneration due to staff and other individuals, whether under formal contract of employment or not, must be paid through a payroll system approved by the council.

The procedures will vary according to the position on delegation of funds and any buyback of services which is in place. The procedures that apply to the different choices made by schools are as set out in the Financial Procedures Manual for Schools.

2.1.4 Control of Assets

Each school must maintain an inventory of its moveable non-capital assets valued over £1,000, in the form determined by the LA, and setting out the basic authorisation procedures for disposal of assets. The format of the required inventory and the basic authorisation procedures for disposal of assets is as set out in the Financial Procedures Manual for Schools (Section 7 – Asset Management).

Schools may determine their own arrangements for assets valued at less than £1,000 provided a register is maintained and must be in an acceptable form to the governing body.

2.1.5 Accounting Policies (Including Year-End Procedures)

Schools must abide by procedures issued by the council in relation to accounting policies and year-end procedures. These procedures are as set out in the Financial Procedures Manual for Schools (Section 6 Audit and Financial Reporting; Section 10 – School Bank Accounts).

2.1.6 Writing Off of Debts

Governing bodies are only authorised to write off debts (i.e. sums of money owed to them) up to a level stipulated from time to time as set out in the Financial Procedures Manual for Schools (section 4 Income & Collection).

Where debts are written off, schools will need to adjust their budget plans to ensure that they reflect the loss of income in their accounts properly and make such adjustments as may be necessary to keep their budget in balance. Advice can be sought from the Schools Finance Team who can advise on initiating legal action in respect of outstanding debts.

2.2 Basis of Accounting

The council's accounts are kept on an accruals basis such that costs and income are charged which relate to activities that have taken place during the period 1 April one year to 31 March the following year. Annual reports and accounts, including forecasts, furnished to the authority must be on such an accrual basis. Other reports and the schools own accounts may be on either an accruals or cash basis.

Further information is set out in the Financial Procedures Manual for Schools.

2.3 Submission of Budget Plans:

Each school is required to submit a formal budget plan to The Council by **1st May** each year. The formal budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The budget plan must take account of any credit or debit balance expected at the end of the financial year preceding that for which the plan is written. The plan must produce a balanced budget. The format of the budget plan, will be compliant with the Consistent Financial Reporting framework, as set out in Schools Annual Budget Plan Pro Forma in the Financial Procedures Manual for Schools.

The full governing body must formally approve the plan. However if the full governing body has not met by 1st May the formal approval may follow but must be given by 31st May. Any changes to the version submitted by 1st May must be notified to The Council immediately.

Such plans will be absolutely essential where schools are seeking licensed deficits or loans from the LA. The council may also require the submission of revised plans where it deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The authority will supply schools with all income and expenditure data that it holds that are necessary or helpful to efficient planning by schools. An annual statement will be issued by the LA informing schools when information should be available throughout the year.

Schools are encouraged to include carry forward deficits / surpluses in their budget plans.

2.3.1 Submission of Financial Forecasts

Schools are required to submit as part of their budget plans a financial forecast covering those years for which schools have been notified of their indicative budget beyond the current year. Further information can be found in the Financial Procedures Manual for Schools.

The financial forecasts will also be used by the LA in conjunction with the balance control mechanism outlined in section 4 below when considering the robustness of proposed surplus spending plans/deficit recovery plans', and as evidence to support the authority's assessment of Schools Financial Value Standards

2.4 Efficiency and Value for Money.

When submitting their annual budget plan, the governing body of each school must submit a statement setting out what steps it will be taking in the course of the year to achieve efficiencies and value for money, to optimise their resources and invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements outlined in section 2.10.

It is for heads and governors to determine at school level how to secure better value for money. To assist schools in doing this further information can be obtained from the LA Procurement department and on the DfE website:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/b0069984/vfm>

2.5 Virement.

Schools are free to vire between budget heads in the expenditure of their budget shares, as they deem necessary to ensure effective operation of the service. Governing bodies may delegate the power to make such transfers to head teachers. However, transfers made under delegated powers that affect the budget heads approved by the governing body, must be reported to the next meeting, as overall responsibility for the budget cannot be delegated. Further details are to be found in the Financial Procedures Manual for Schools.

This freedom to vire does not normally apply to earmarked funds devolved to the school from LA controlled budgets.

2.6 Audit: General.

All schools come within the internal audit regime determined by the council. Details of which are set out in the Financial Procedures Manual for Schools (Section 6 Audit & Financial Reporting). All schools come within the council's external audit regime as determined by the Audit Commission.

Schools are required to give internal and external auditors access for the purposes of audit to such premises, documents and assets as the auditors consider necessary. The governing body and school staff are required to provide auditors and inspectors with any explanations the latter consider necessary in the performance of their duties.

The criteria for setting the schedule for routine and non-routine school audits is set out in the attached **Addendum to the Scheme: 1. Audit Process**

2.7 Separate External Audits.

In instances where a school wishes to seek an additional source of assurance at its own expense a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any the LA's internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with LA's internal and external auditors.

2.8 Audit of Voluntary and Private Funds.

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary or private funds they hold and of the accounts of any trading organisations controlled by the school. The procedures for furnishing these audit certificates and advice on the handling of such voluntary and private funds and trading accounts is set out in the Financial Procedures Manual for Schools and complies with the audit requirements under Section 44 of the education Act 2002.

2.9 Register of Business Interests:

The governing body of each school is required to establish a register which lists, for each member of the governing body and the head teacher:

- Any business interests they, or any member of their immediate family have by, for example, association with a service provider.
- Details of any other educational establishments that they govern;
- Any relationships between school staff and members of the governing body;

The register must be kept up to date by notification of changes and through an annual review of entries. The register must be available for inspection by governors, staff, parents and LA staff, and the authority and to publish the register, for example on a publicly accessible website.

The statutory definition of pecuniary interest is very broad and will need to be applied to the facts of each particular case. To help in determining whether an individual has a pecuniary interest in a matter, they should consider whether they will potentially have a direct or indirect financial gain as a result of a procurement decision the school takes.

2.10 Purchasing, Tendering and Contracting Requirements.

The council's comprehensive procurement support pack for schools provides guidance on best practice processes together with templates to assist schools in preparing tenders and requests for quotations and in analysing responses.

Schools are required to comply with the EU Procurement Directives, all relevant statutory provision and the Financial Procedures Manual for Schools (section 3 Ordering and Purchasing) in purchasing, tendering and contracting matters.

For example, the Financial Procedures for Schools require that where the expenditure or total contract value exceeds £10,000 schools are required to obtain a minimum of three quotations or tenders.

Strict rules apply to all public bodies (including schools) spending more than the EU Procurement thresholds on 'Part A' services such as telecoms and computers, cleaning and maintenance, vehicles and transport and consultancy and professional fees. From January

2012, the threshold for supplies and services was £173,934. Capital works have a higher threshold of £4,348,350.

The threshold applies to the aggregate contract value, not the annual value of the contract. So, for example, a three year contract with an annual value of £60,000 would be subject to the regulations once the contract value reaches £173, 934. Similarly, rolling contracts are subject to the EU regulations once the total expenditure reaches the threshold value – regardless over what period of time payments have been made, and whether payments have been broken down into separate contracts.

Part A procurements that exceed the EU threshold need to be advertised on the Official Journal of the European Union (OJEU) and a defined process followed. Failure to comply with the process poses a risk of procurement challenges by unsuccessful bidders also third parties who would have been interested in being awarded the contract for breach of the Public Contracts Regulations 2006. Further information is available from the HLT procurement team.

NB: Educational services and school catering services are defined as Part B Services. This means they are not subject to the full extent of the EU regulations, but there are obligations regarding the advertisement of the contract opportunity and the contract award and the treatment of tenderers. Further information is available from the Council.

As heavy penalties apply to contraventions of these regulations it is thus essential that schools undertake procurements in a compliant manner and err on the side of caution.

Schools should note that as at Autumn 2013 the EU Procurement Directives are being revised. Schools should take advice (contact HLT procurement section), if they are uncertain as to their obligations under the Directives.

Schools are required to achieve value for money from all of their purchases. Value for money in this context means getting what is needed in the correct quality, quantity and time at the best price possible.

All contracts with self-employed providers should take into account the Council's procedures in relation to engaging sole traders, (for example, ensuring the self-employed provider has appropriate insurance.) All payments to building contractors should take into account The Council's procedures in connection with the Construction Industry Scheme.

2.11 Application of Contracts to Schools

Schools have the right to opt out of LA arranged contracts except where this scheme provides otherwise. Governing bodies entering contacts, do so on behalf of the LA, as the maintainer of the funds, and should abide by the LA requirements on financial controls.

Schools may not opt out of contracts approved by the Secretary of State for services for which funding is delegated after 1 April 1999, irrespective of the agreement of schools.

Any school choosing an alternative payroll contractor from 1 April 2000 will need to demonstrate to the satisfaction of the Schools Finance Team that the school's proposed contractor has the necessary expertise and capacity to deliver the contract in a satisfactory manner.

Further guidance can be found in the Financial Procedures Manual for Schools.

2.12 Central Funds and Earmarking

The Council is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used. While these conditions need not preclude virement, except, where the funding is supported by a specific grant which the LA itself is not permitted to vire. This should not be carried to the point of assimilating the allocations into the school's budget share.

In order that schools may demonstrate compliance with this requirement, the procedures set out in the Financial Procedures Manual for Schools, together with guidance on specific schemes that must be followed.

Schools will not normally be allowed to carry forward balances on devolved earmarked budgets, unless this is specified in any grant instruction. Any overspend of such a devolved allocation will normally be charged to a school's share of the ISB at the end of the financial year whether or not this causes the school to exceed its budget share for that year. However the LA may decide that it is in the council's interest for unused devolved allocations from other schools to be reallocated to the school in question to cover such an overspending.

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

2.13 Spending for the Purposes of the School

Governing bodies can spend their budget shares for the purposes of providing education for children on the school roll, subject to regulations made by the Secretary of State and any provisions of the Scheme.

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.

The purpose for which expenditure of the budget share may occur has been extended to allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.14 Capital Spending from Budget Shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Act.

All capital expenditure from the budget share must be notified to the council. If the total amount of such expenditure in any one-year will exceed £15,000, the governing body must take into account any advice from the council's Head of Property as to the merits of the proposed expenditure.

Where the LA owns the premises or where that is not the case but the proposed works affect items that are its liability, then the governing body shall seek the consent of the council to any proposed works of a capital nature to those premises but such consent can be withheld only on health and safety issues. Schools must complete the Education Property Teams Capital Project Approval Form to obtain consent.

2.15 Notice of Concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Children's Services and the Director of Finance, 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 LA or the school.

In issuing the notice of concern the LA will include the reasons and evidence for doing so. The notice will also place on the governing body of the school, restrictions and limitations in relation to the management of funds delegated to it which may include:

- Regular financial monitoring meetings attended by LA officers.

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

The notice of concern will set out the timescale by which the requirement must be complied with in order for the notice to be withdrawn. The notice will also include the actions that the authority will take where the governing body of a school does not comply with the notice.

The council also reserves its right to suspend financial delegation without notice, in accordance with Schedule 15 School Standards and Framework Act 1998

2.16 Schools Financial Value Standard (SFVS)

All maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

2.17 Fraud

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

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

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

3.1 Frequency of Instalments

The budget share will be made available to governing bodies on the following basis:

- One Quarter of each school's budget shares will be transferred to its bank account on 1st April each year (or the nearest bank day in April).
- One twelfth of each school's budget shares will be transferred to its bank account on the 1st day of each month (or the nearest bank day in the month) for the months of May through to the following January inclusive.
- Schools may elect instead to receive 12 equal monthly instalments, payment being made on the banking day closest to the 1st day in each month.

For the purposes of this section, Budget Share includes any place-led funding for special schools, Special Units attached to mainstream schools, and pupil referral units (PRUs).

Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangement is agreed with the provider.

Schools are not permitted to change the instalment arrangements for their school during the financial year. Requests to change arrangements must be made by the end of January to take effect from the beginning of the next financial year.

3.2 Proportion of Budget Share Payable at Each Instalment

The whole of each school's budget share is paid into the school's bank account in instalments in line with the frequencies set out in the paragraph above. The budget share includes all pay costs that are delegated to schools. All inflation and pay factors included in the budget share are set out in the budget information sent out to schools as discussed in the paragraphs above.

In the event of late payments of budget shares, the council will pay the school any loss of interest resulting from the late payment, at a rate no less than the current bank of England base rate.

3.3 Budget Shares for Closing Schools:

Where a date has been approved under the relevant sections of the Act for the schools closure, the payment of budget allocations will continue up to the date of closure in the same manner. However, the maximum amount that will be transferred to the governors will be the pro rata share of what would have been an annual share of the ISB had the school not been discontinued less any deductions in respect of deficits from earlier years together with any agreed additions to meet exceptional costs approved by the council from central budgets.

3.4 Bank and Building Society Accounts

All schools must notify the LA of all their banking requirements and arrangements. Schools are not permitted to set up bank accounts for official council fund's themselves. Nor are they permitted to deposit or invest council funds in any way other than in bank accounts set up by the LA to meet their banking requirements.

All Hackney's maintained schools may require the LA to set up external bank accounts in the name of the school into which their budget share instalments are paid.

Under Section 49(5) of the Act monies paid by the authority and held in such accounts remains LA property until spent. The LA is entitled to receive bank statements, and take control of the account where the LA has suspended a schools delegated budget.

Schools are allowed to retain all interest payable on their account whether or not the account is part of the pooled arrangement.

Hackney provides a pooling arrangement in which all schools may participate, details can be found in the Financial Procedures Manual for Schools (section 10 -School Bank Accounts).

3.4.1 Restrictions on Accounts

The banks or building societies authorised to be used by schools for the purpose of receiving budget share payments are listed in the Financial Procedures Manual for Schools (section 10 -School Bank Accounts). Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

New bank account arrangements may only be made with effect from the beginning of each financial year. Schools wishing to change to another bank must give four months notice to LA Schools Finance Team.

The school cannot alter the paying-in arrangements for school meals collections as set out in the Financial Procedures Manual for Schools (section 4 -Income and Collection). Schools must pay collections into the bank at least once each week.

Schools managing finances not considered their ISB delegated budget share, (for examples partnerships, or voluntary funds), must ensure a clear separation within their accounts to distinguish the funds.

3.4.2 Authorised Signatures

All schools will retain a list of authorised signatories for the bank account(s). This list must be restricted to employees of the school, and the Director of Finance or representative.

A school must have a minimum of two and a maximum of four cheque signatories, one of which must be the head teacher. A second signatory must be a senior member of staff e.g. deputy head teacher or a governor. No member of the governing body who is not an employee of the Authority or of the governing body may be authorised to sign cheques unless the school can demonstrate that it has arranged insurance to indemnify the Authority against loss.

3.4.3 Other Provisions

Schools are explicitly barred from using credit cards, since it is regarded as borrowing. The Government Procurement Card is not a credit card, it is a charge card and the balance is paid off in full every month. Procurement cards are widely used across the public sector and they can be a useful way to pay for ad hoc, low value purchases. Schools that use procurement cards should have a clear policy and controls, and monitor their usage on a monthly basis.

The Financial Procedures Manual for Schools (Section 10 – Schools Bank accounts), provides further guidance on banking issues.

3.5 Borrowing by Schools

Schools are not permitted to incur an overdraft, if a school anticipates that this is likely to occur it should immediately inform the LA. The Financial Procedures Manual for Schools provides further guidance and outlines the charges that schools will incur on borrowing.

Schools are not permitted to enter into finance leases or hire purchase agreements as they are form of borrowing. Schools must ensure that any lease or rental agreements entered into are operating leases.

Governing bodies may borrow money only with the written permission of the Secretary of State. This restriction does not apply to the Licensed Deficit and Loan Schemes provided for in paragraphs above.

The above borrowing restriction does not apply to Trustees and Foundations, whose borrowings, as private bodies, make no impact on Government accounts. Governing bodies do not act as agents of the LA when repaying loans. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service that the Trustees or Foundation are able to provide as a consequence of their own borrowing.

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

4.1 The Right to Carry Forward Surplus Balances:

The cumulative balance carried forward for each maintained school on 31st March at the end each year will be the same as that brought forward on 1st April of the new financial year. Such balances will be agreed with schools and published by the LA during the summer term.. Further information may be requested by the Secretary of State under 251 of the Apprenticeships, Skills, Children and Learning Act 2009 or the Local Government Act 1972.

Schools will automatically carry forward credit balances from their share of the ISB from one year to the next subject to the claw-back mechanism outlined below.

4.1.1 Reporting on the Intended use of Surplus Balances

Whilst decisions on how surplus balances are spent rest with the school, the Authority needs to be assured that, as part of its budget planning process, the surplus balance plan is robust, viable and being managed effectively.

In order to allow the Authority to monitor balances, governing bodies of all schools are required to report to the LA on their intentions for the use of surplus balances in excess of 5% (secondary) or 8% (primary, special and PRU).

Schools must report on the intended use of surplus balances as part of the school budget plan and supply a spending plan separately by 31st May.

Surpluses should be earmarked for specific future needs to ensure that pupils benefit from a planned approach to spending that does not deprive them of resources in a given year. These earmarked surpluses should be clearly linked to the School Development Plan or to cover possible pupil roll adjustments. Surpluses must be used within three years of the end of the financial year when they arose unless there are extraordinary circumstances. Any non-specific surplus balances should be kept to a minimum to cover any unexpected financial demands on the school budget.

4.2 Claw-back of excessive surplus balances

The lead in time to effective use of balances is usually 1-2 years which means that without the review of surplus spend plans by the Authority, a number of schools could become subject to an automatic claw-back.

All schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy.

However, the LA will apply a claw-back on surplus balances where a school has had a surplus balance of 15% or more for three successive years (the excess above 15% being the amount clawed back). This claw-back will be automatic, subject to the possibility of a dispensation being agreed in exceptional circumstances, as listed in the Schools Financial Procedures Manual.

4.3 Interest on Surplus Balances

School year-end balances will remain in the school's bank account and will earn interest for the school on the same basis as any other payment into the account. There are no restrictions on payments from accumulated reserves.

4.4 Obligation to Carry Forward Deficit Balances

Where a school incurs a deficit during the year it will be carried forward and set against the school's share of the following year's ISB thus reducing the resources available for spending in that year.

Schools in deficit at 31st March of any year will be required to plan to meet the recovery during the financial year following that in which the deficit arose unless there are specific extraordinary circumstances which would prevent this. Deficit recovery plans are required for all schools in deficit at the year end.

4.5 Planning for Deficit Budgets

Governing bodies must not set a deficit budget plan except with the express permission of the Director of Children's Services and the Council's Director of Finance only when:

- The school is due for closure; or
- The school has had a reduction in their gross School Budget Share of 5% or greater from one financial year to the next; or
- Other exceptional circumstances.

And only where the following procedures are followed:

- 1) A recovery plan is agreed between the governing body of the school and both the Director of Children's Services and the Director of Finance which consists of:
 - Details of the measures that will be taken to bring the school back into a balanced budget situation; and
 - A forecast of future pupil numbers, school expenditure and school budget shares; and
 - Forecast deficits at the end of each financial year and a timescale for bringing the budget into balance, usually not more than 3 years;

- 2) Monthly budget monitoring reports are provided to both the Director of Children's Services and the Director of Finance; and
- 3) The Director of Children's Services is consulted before any change to points of responsibility or the permanent staffing establishment; and
- 4) Any other such arrangements as the Director of Children's Services and the Director of Finance may require for the regular joint review of the plan.

The LA will provide appropriate management support to any school in deficit. The withdrawal of delegation may be considered if the terms of the recovery plan are not complied with.

4.6 Charging of Interest on Deficit Balances

The Regulations make provision for authorities, if they wish, to make allocations to new schools which have the effect of giving them the benefit of additional sums which are equal to or less than the balances of relevant closing schools. The regulations also provide for the amount of extra funding for new schools to recognise the deficit of a preceding school by being reduced; but they do not allow a sum equal to the deficit to be set against any 'normal' funding of the new school.

Schools with deficit balances will pay interest at the rates charged by the bank of their choice on the whole of the deficit. Such deficits may arise from the school's recourse to a licensed deficit or be something of short duration during the year if expenditure cash flow runs ahead of income cash flow.

4.7 Writing Off Deficits

The council cannot write-off the deficit balance of any school. However, the formal consultation document relating to school re-organisation may set out any arrangements for allocations to schools that have the effect of giving them the benefit of additional sums that are less than or equal to but not more than the balances of the relevant closing schools.

4.8 Balances of Closing and Replacement Schools

When a school closes any balance (whether surplus or deficit) reverts to the authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus may transfer to an academy where a school converts to academy status, in accordance with regulations made under the Academies Act 2010.

4.9 Licensed Deficits

Schools may apply for an advance under The LA's Licensed Deficit Scheme where planned developments are beyond the immediate overall resources of the school. Proposals must be discussed with and supported by the relevant LA officer. In particular the officer must be

satisfied that the deficit is necessary, that the purpose of the expenditure is satisfactory and the date by which the school will have eliminated the deficit is achievable.

The detailed arrangements are set out in Annex E. Licence arrangements are unlikely to be agreed for sums of less than 2% of the school's share of the ISB for the year in which the licence will first take effect. Schools will be expected to manage lesser sums within the financial year.

Any extra payments to a new school that is the successor to one or more schools that are closing may be abated in full or in part to no more than the extent the predecessor school or schools closed with a deficit balance.

The maximum length over which schools may repay should not exceed three years.

4.10 Loan Schemes

The authority does not operate a loan scheme.

4.10.1 Credit Union Approach

Schools may group together to form a credit union to make loans for education development purposes to each other. If schools wish to adopt this approach they should first inform the authority. The LA will wish to ensure that any such proposal is properly researched and will construct a working party of professional staff, including legal and finance staff, to provide advice. The cost of this advice will be chargeable to the credit union. Alternatively, the credit union may seek advice from another professional source but the council will require the scheme to be certified by its own appointed auditors. The cost of the audit will be chargeable to the credit union.

SECTION 5: INCOME

5.1 Income from Lettings

Schools are allowed to retain income from lettings of the school premises that have been authorised by the authority (as Landlord) that would otherwise accrue to the authority, subject to alternative provisions arising from any joint use or PFI agreements. No such income may be paid into voluntary or private funds held by the school.

Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided that there is no net cost to the school's share of the ISB. However, schools are required to have regard to directions issued by the LA as to the use of school premises.

Governing bodies should be satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

5.2 Income from Fees and Charges:

Schools can retain income from fees and charges except where a service is provided by the LA from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the authority. Details of the charging and remission policy can be found in the Financial Procedures Manual for Schools (section 4 Income and Collection and Section 11 VAT)

5.3 Income from Fund-Raising Activities:

Schools will retain all income from fund-raising activities.

5.4 Income from the Sale of Assets:

Schools can retain the proceeds of sale of assets except in cases where:

- The asset was purchased with non-delegated funds (in which case it will be for The Council 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 LA.

5.5 Administrative Procedures for the Collection of Income:

All schools should abide by the procedures outlined in the Financial Procedures Manual for Schools for the collection, accounting and banking of income accruing to the school; also advice on charging VAT and the implications of fund-raising activities and sale of assets.

5.6 Purposes for which Income may be used:

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

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.2 General Provision

The budget share of a school may be charged by the LA without the prior consent of the governing body. only in circumstances expressly permitted by the Scheme, and requires The Council to consult schools as to the intention to so charge, and notify schools when it has been done.

Schools are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under Section 496 of the Education Act 1996. The LA may only charge the actual cost incurred by the LA and the LA may incur a cost only for matters where it has a statutory duty to provide. If that statutory duty belongs to others, the council has no power to intervene.

In the case of a dispute about such charges the following procedure will be used.

- The Director of Finance who will let his or her view be known in writing to the school and the Director of Children's Services will first consider the matter.
- If the matter remains in dispute both parties may appoint a representative to consider the position together and make recommendations. These recommendations should be acceptable to both sides.
- If the matter remains unresolved, and the legal view is that there is not sufficient clarity to establish the rights of either party, the matter will be split equally. It is envisaged that the final course would only be contemplated where the amount involved is over £5,000.

The Council may charge interest on any sums due to it from the schools delegated budget if there is unreasonable delay on the part of the school to settle the account. By the same token the Council would be liable to pay interest to the school if it unduly delayed making payments it owed to a school. In either case the rate of interest would be that paid on the pooled bank accounts. Whilst the test of when the line is crossed between "reasonable" and "unreasonable" will always depend on the particular circumstances, 30 days might be a useful guide to have in mind.

Once a decision is made to make any of the charges set out in paragraphs below a deduction from the school's account will be made forthwith or, if appropriate, deducted from the next instalment of the school's budget share prior to it being deposited in the school's bank account.

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

6.1.1 The Council will charge the actual cost of school-based staff salaries to the school's budget on an actual cost basis.

6.2 Circumstances in which Charges may be made

- 6.2.1 Recovery of premature retirement costs that have been incurred without the prior written agreement of the council to bear such costs. The amount chargeable will be the amounts in excess over any amount agreed by the Council.
- 6.2.2 Recovery of other expenditure incurred to secure resignations where the school had not followed The Council's advice.
- 6.2.3 Recovery of awards by courts and industrial tribunals or out of court settlements against the LA arising from action or inaction by the governing body contrary to Council advice.
- 6.2.4 Recovery of expenditure by the Council in carrying out health and safety work or capital expenditure for which the Council 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 to a satisfactory standard.
- 6.2.5 Recovery of expenditure by the Council incurred in making good defects in building work carried out by Governing bodies to premises owned by the Council or where the liability for provision or repair of those elements of the premises affected, rests with the Council.
- 6.2.6 Recovery of expenditure incurred by the Council 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 Council.
- 6.2.7 Recovery of moneys due from a school for services provided to the school, where a dispute over moneys due has been referred to a disputes procedure set out in a service level agreement, and the result is that moneys are owed by the school to the Council.
- 6.2.7.1 Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a service level agreement (SLA) with The Council, but has failed to pay an amount due under the SLA. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure; or where the dispute procedure has held the school to be liable for a sum and it has not paid. Days in August will not count towards the 30 days. This will apply equally to requests for payment for both packages of services and "pay-as-you-use" services.
- 6.2.7.2 Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a contract managed by the LA, but has failed to pay an amount due under the contract. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure; or where the dispute procedure has

held the school to be liable for a sum and it has not paid. Although the LA will use its best endeavours to avoid a significant part of the 30 days falling in August, no general dispensation can be given since the disputes and payment period are likely to be conditions of the contract.

- 6.2.8 Recovery of penalties, including any interest, imposed on the LA by the Board of Inland Revenue, the Contributions Agency, Teachers Pensions, HM Customs and Excise or regulatory authority as a result of school negligence, or where governing bodies fail to comply with the requirements set out in the Financial Procedures Manual for Schools.
- 6.2.9 Recovery of sums to correct errors made by the LA in calculating charges to a budget share (e.g. pension deductions). No such deductions will take place if the error relates to a period for which the accounts have been closed for more than 2 years.
- 6.2.10 Recovery of additional costs incurred by the LA arising from decisions by the governing body on the length of the school day e.g. transport costs and failure to notify the LA of non-pupil days resulting in unnecessary costs.
- 6.2.11 Recovery of legal costs incurred by the LA because the governing body did not accept the advice of the LA
- 6.2.12 Recovery of the cost of necessary health and safety training for staff employed by the LA, where funding for training has been delegated but the necessary training not carried out.
- 6.2.13 Recovery of any compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-The Council payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- 6.2.16 Recovery of costs incurred by the LA where the school has failed to return information required by the council on time, or where the information has to be corrected. This will be charged in accordance with the list of charges under service level agreements for ad hoc work, where these are applicable.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes. In the event that a school that had received a grant failed to complete the project in a satisfactory manner, the LA would be required to return the funding. In such a case, the LA will recover the funds from the school's account.
- 6.2.18 Costs incurred by the authority as a result of the governing body being in breach of the terms of a contract.

- 6.2.18.1 Recovery of any compensation for costs incurred by the LA if a school fails to pay a debt and which subsequently fall upon the LA to pay. This will include interest payments as per the Late Payment of Commercial Debts Act 1998.
- 6.2.18.2 Recovery of penalties imposed on the Authority by copyright or similar agencies as a result of a governing body failing in its responsibility for copyright or similar compliance.
- 6.2.19 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20 Recovery of costs incurred by the Authority, because the governing body did not abide by the Scheme, resulting in additional work for Financial Services to Schools or Internal Audit beyond their regular programme of work.
- 6.2.21 Costs incurred by the Authority as a result of withdrawal of delegation (as laid out in the funding framework introduction).
- 6.2.22 At the end of the financial year, recovery of unspent balances of allocations from centrally held budgets.

SECTION 7: TAXATION

7.1 VAT (Value Added Tax)

Schools should abide by the LA's regulations in order to utilise the LA's ability to reclaim VAT on expenditure relating to non-business activity. Any amounts so reclaimed will be passed back to the school. The Financial Procedures Manual for Schools provides more detailed guidance including the timescale for reimbursement.

VAT may however be chargeable (and payable) for any activity where the school is seeking to raise money and the activity is beyond the normal educational work of schools. For instance, commission paid by a company for an activity organised by the school, for example commission paid by school photographers. The Financial Procedures Manual for Schools (section 11 – VAT) provides more detailed guidance.

7.2 CIS (Construction Industry Taxation Scheme)

Schools are required to abide by procedures issued in connection with CITS. The Financial Procedures Manual for Schools (Section 3.15) provides more detailed guidance.

7.3 Payments to individuals claiming to be self employed

Schools are required to abide by procedures issued by the Authority in connection with payments to individuals claiming to be self-employed. The Financial Procedures Manual for Schools provides more detailed guidance.

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

8.1 Provision of Services from Centrally Retained Budgets

The LA will not discriminate between categories of schools in its provision of services and facilities except where such discrimination is justified by differences in statutory duties or where funding has been delegated to some categories but not others.

Allocations from outside the DSG will only be available in very exceptional circumstances, and at the discretion of the authority.

8.2 Provision of Services Bought Back from the Council Using Delegated Budgets

The term of any arrangement with a school to buy services or facilities from the authority is limited to a maximum of three years from the date of the agreement. Any subsequent agreement relating to broadly the same services cannot exceed a period of five years. In respect of catering contracts these can be extended up to a period of between five to seven years.

When a service is provided for which expenditure is not retained centrally by the LA under the regulations made in section 45A of the Act, it must be offered at prices that are intended to generate income that is no less than the cost of providing those services. The total costs of the service must be met by the total income, even if schools are charged differently.

8.2.1 Packaging

Schools are free to choose to buy from the range of traded services offered by the LA in respect of areas of delegated funding or to make alternative arrangements where practicable, such services can be provided individually as well as part of a package of services.

The service packaging, contract period and pricing arrangements on offer will be a matter for the trading units to decide in the light of the demand from their clients.

8.3 Service Level Agreements

The terms of any service or facilities are provided under a service statement (free) or service level agreement (SLA) (on a buyback basis) .

The likely demand for service from the LA should be submitted with the schools draft budget plan if it has not already been submitted. To be effective during the financial year, service level agreements should be signed by the time the formal budget plan is submitted i.e. some time before 1st May.

SLAs will set out the service to be provided as agreed with the customer, the respective responsibilities, prices, contact points and how relationships are to be managed. A formal review of contracts will take place every three years but the management arrangements provide for regular feedback on a continuous basis and amendment by agreement.

Centrally arranged premises and liability insurance are specifically excluded from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

8.4 Teachers' Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 2010, 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.

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

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

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

SECTION 9: PFI/PPP

The authority may from time to time bring forward proposals and issue regulations for Private and Public Partnership (PPP) and PFI projects. The council would seek positive endorsement on a school-by-school basis for such schemes. These proposals might include variations to the scheme and would be subject to the agreement of governing bodies. Agreements may cover such matters as charges relating to such schemes and the treatment of monies withheld from contractors due to poor performance.

The Council may charge to a school's budget share amounts agreed under a PFI or PPP agreement entered into by the governing body of the relevant school.

SECTION 10: INSURANCE

Insurance is delegated to all schools. Schools will be able to buy back into the LA's corporate provision for insurance cover managed by the Director of Finance/council Insurance Manager.

Any school that accepts delegation of responsibility for property and liability insurance will be required to demonstrate that cover relevant to the Council's insurable interests under a policy arranged by the governing body, is at least as good as the relevant minimum cover of the London Borough of Hackney. Details of the minimum cover required and the recommended processes to follow can be found in Hackney's Insurance Handbook for Schools.

For schools who decide to arrange their own insurance cover, a deduction may be made at a rate not exceeding 20% of the amount delegated, to cover potential liabilities of the Council in the landlord / employers capacity.

Details of the minimum cover required are listed below along with suggested.

- Public liability (third party).
- Employer's liability and professional negligence.
- All risk losses such as theft, accidental & other damage to equipment machinery etc.
- Fidelity with respect to cash and valuable items and interests.
- Property construction and contents.
- Business interruption.
- Personal accident.
- Motor vehicle.
- Libel and slander.

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

Governing bodies are required to supply the LA with whatever information is required in order for the LA to satisfy itself that the school is managing its delegated finances satisfactorily and any additional funds provided. Statutory guidance on this issue is contained in the Code of Practice on Local Authority/School Relations. In normal circumstances the council will not require any more information than is set out at other sections of this scheme and this provision will only be followed where there are concerns about the state of a school's financial management arrangements.

11.2 Liability of Governors

Under Section 50 (7) of the School Standards and Framework Act the governors of a maintained school not incur personal liability in the exercise of their powers to spend the delegated budget share for school/prescribed purposes provided they act in good faith and in the exercise or purported exercise of their powers, e.g. a fraudulent act is an example of behaviour that is not in good faith.

11.3 Governors' Expenses

In exercising their powers to spend the school's budget share, Governors are not empowered to authorise the payment of allowances to governors otherwise than in accordance with regulations. The council is empowered to delegate moneys to meet governors' expenses where a school has not yet received a delegated budget. The council will determine the amounts payable.

However in coming to their conclusions governors must consider the advice on governor expenses issued by the LA and to be found in the Financial Procedures Manual for Schools (Section 2.9).

Schools may not pay any expenses that duplicate those that the Secretary of State has the power to pay to additional governors appointed by him to schools under special measures.

If governing bodies approve the reimbursement of such expenses, they must report this spending in the governors' annual report to parents.

11.4 Responsibility for Legal Costs

Schools will not normally be reimbursed for the cost of legal actions or costs awarded against the LA where the school has not followed the advice of the LA. However, the LA may consider making a grant to meet such legal costs if the burden of such costs is likely to have an adverse impact on the ability of the school to meet its educational objectives.

This is separate from the cost of legal advice provided which may be obtained by the school either through an SLA with the council or otherwise and will be paid for by the school in accordance with the arrangements the school has made for obtaining its legal advice.

Governors of voluntary aided schools are reminded that no legal costs relating to the governors statutory duties for buildings can be a charge on the LA for any reason as these are not part of the costs to the LA of maintaining a voluntary aided school.

Occasions might arise where the governors believe there is a conflict of interest between themselves and the LA. Where that is the case it is for the school to discuss this view with the LA in order to reach agreement that such a conflict does exist or might reasonably be expected to exist. Where agreement is reached on this point, the council will need to satisfy itself that the source of the Governor's legal advice was appropriate (the diocese for example in the case of a diocesan voluntary aided school). The council would need good reasons for rejecting any source of advice proposed by governors. Under these circumstances the school would not automatically be deemed not to be acting in accordance with the advice of the LA with the consequences set out in paragraph above. However if no such agreement were reached, or the school took advice from an unsatisfactory source, or did not act in accordance with the advice given by the agreed appropriate source, the school would normally be deemed to be acting contrary to the advice of the LA and the consequences set out in paragraph above would apply.

11.5 Health and Safety

When planning and expending the school's budget share, the Governing bodies must have due regard to their own and the council's duties with respect to health and safety by ensuring compliance. The LA will provide advice and guidance on an appropriate response to meet statutory requirements. An outline of general responsibilities is at Annex G.

11.6 Right of Attendance for Chief Finance Officer

Governing bodies are required to permit the attendance of the Director of Finance or his or her representative to meetings of the governing body where they judge such attendance is necessary. This power is only likely to be used where there are concerns about probity or overall financial management of a governing body or a specific matter has arisen requiring his or her attendance. The Director of Finance will normally give notice of his or her intention to attend and limit attendance to the duration of the relevant financial or probity items.

11.7 Special Educational Needs

Section 321 Education Act 1996 requires the local authority to use its best endeavours to ensure that the special educational needs of all pupils on roll are met. The Authority delegates significant levels of funding to schools for this purpose through the Basic Entitlement (or AWPU), and allocations based on the Income Deprivation Affecting Children

Index (IDACI), Prior Attainment and Pupil Mobility. Earmarked pupil funding is also made available through individual Statements of SEN.

Governors are reminded of their statutory duties in respect of making proper provision for pupils with special educational needs and in particular the requirement to spend the resources over which they have control to secure the necessary provision for those children. Failure on the part of governors to comply with this requirement could be sufficient reason to warrant suspending delegation.

Schools are expected to ensure that information about its policies and SEN support arrangements is available to staff and parents. This includes reporting in the Annual Governors' Report.

The LA has a duty to monitor pupil progress and the use of these resources. This work is generally undertaken by the LA Advisers with input from the SEN Advisers, Educational Psychologists and Operations Teams. In exceptional circumstances the council may need to consider withdrawal of delegation but every effort will be made to work with schools to avoid this.

11.8 Interest on Late Payments

Under the Late Payment of Commercial Debts (Interest) Act 1998 all small company creditors must be paid within 30 days of the receipt of the invoice, unless there has been a dispute registered with the creditor. The creditor can, after such period has elapsed, submit a surcharge, on the original amount outstanding, of the current bank rate plus 8%.

11.9 Whistle-blowing

All schools should refer to the “whistle blowing” framework published in the schools extranet. This policy is to be followed by school governors, employees, or persons working at a school who wish to complain about the financial management or financial propriety at the school. Further information can be found in the council policy on fraud and financial irregularity.

11.10 Child Protection

All maintained schools are required to have a designated member of staff for child protection (usually the head or deputy) and a named Governor (usually the Chair). These people are required to attend the basic awareness Foundation Child Protection training course arranged by ACPC. The courses are free to all schools, however, any supply cover costs has to be met from the schools delegated budget.

11.11 School Meals

Under the School Finance (England) Regulations 2012, the Council has delegated to schools funding for school meals. The governing bodies of all schools have the duty to provide

school lunches in accordance with section 512(3) and (ZB) of the 1996 Act (b) and the duty to provide school lunches free of charge in accordance with section 512(3) of the 1996 Act (c).

Under section 533(3) of the Education Act 1996, and the governing body have the power to determine prices and content of meals. This can result in different schools having different policies on pricing and content of meals, including content of free meals. Although, the governing body has the power to decide on the content of free meals The Council will pay a standard formula amount to schools. Any increase in the cost of free meals due to variance in the content agreed by the governing body has to be met from within the schools budget share.

The meeting of the minimum nutritional standards provided for in the Education (Nutritional Standards and Requirements for School Food) (England) Regulations 2007 are the legal responsibility of the governing body. The standards apply to free and paid meals. Schools also have a duty to provide facilities for pupils to eat their own packed lunch.

11.12 Information Management Strategy

Schools must ensure that at least one PC used for management purposes is linked to the Internet (web-enabled) and meets or exceeds the minimum specification required in connection with the pupil level annual schools census and consistent financial reporting.

Schools must ensure that they have an electronic information system that meets the schools needs and is compatible with the DFS's common basic data set.

11.13 Redundancy/early retirement costs

The Education Act 2002 and the School Finance Regulations 2012 set out how premature retirement and redundancy costs should normally be funded (i.e. whether by the LA or the school's budget share.) If the authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made. Further guidance is provided at Annex B.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

Annex C sets out the division of responsibilities between the London Borough of Hackney and governors for maintenance of school premises. It has been drawn up in line with the DFE's interpretation of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on what constitutes capital expenditure. The actual interpretation is for the council to determine and may lead to changes in the light of experience. However changes will be the subject of consultation and subsequent approval by the Secretary of State.

The LA delegates all funding for repairs and maintenance to schools. Only capital expenditure is retained by LBH. For these purposes expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. The actual interpretation of the Code is a matter for the council.

The LA use a de minimis limit for what expenditure is treated as capital and what is revenue in their financial accounts. The general council-wide de minimis limit for capital expenditure is £10,000 for vehicles and equipment, £20,000 for land and buildings (2013). However the Director of Finance has agreed a schools specific de minimis level of £6,000, as set out in the Schools Financial Procedures Manual.

Responsibility for certain areas of capital expenditure has also been devolved to schools through the allocation of devolved formula capital. This allows schools to undertake certain minor elements of capital repair, maintenance and improvement work agreed with the LA.

For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by DFE to categorise such work, not the de minimis limit used by the Authority. The Voluntary Aided de minimis level is £2,000.

SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

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

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998, as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are subject to prohibitions, restrictions and limitations as outlined in this Scheme.

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

13.2 Consultation with the LA – financial aspects

Section 28 (4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, staff at the school, parents of registered pupils, and any other persons the governing body regards appropriate. The governing body is then required to have regard to advice given to them by their LA, guidance provided by the Secretary of State, any relevant children and young person's plan and views of parents. A written proposal should be submitted to the LA and the LA will respond and provide advice within six weeks of receipt of the proposal. Governing Bodies must inform the LA of the action they have taken following this advice. The LA may not levy a charge to schools for such advice.

Schools should seek LA advice by writing to the Director of Finance, before any agreement or understanding (verbal or otherwise) is reached with the third party. The Director of Finance will be given at least 3 weeks to consider the implications and respond. Sufficient information must be made available for the Director to make an informed decision.

Schools must inform the Director of Finance what action has been taken following the above advice.

13.3 Funding agreements – LA powers

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

The Governing body must submit to the LA for its comments any Funding agreements with third parties (as opposed to funding agreements with the Authority itself), it is considering, and may impose a time requirement for doing so to give the LA adequate notice. However, the LA cannot veto any agreement, directly or through requiring a right to countersign the agreement. If the third party requires the LA consent to the agreement for it to proceed, such a requirement and the method by which the council consent is to be signified is a matter for that third party, not for the scheme.

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

13.4 Other prohibitions, restrictions and limitations

Although the council does not have a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power, the council may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the council 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 council.

13.5 Supply of financial information

Schools which exercise the community facilities power must to provide the council every quarter with a summary statement, in a form determined by the council, showing the income and expenditure for the school arising from the facilities in question for the previous three months and on an estimated basis, for the next three months.

The council, 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 month and, if the council sees fit, to require the submission of a recovery plan for the activity in question.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by the council as the main source of information for the financial aspects of community facilities. However, if the CFR timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk. (Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share).

13.6 Audit

The school must grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure, as requested by the Director of Finance.

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

13.7 Treatment of income and surpluses

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

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

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

If there is a deficit on community facilities and the LA needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient the LA will have to meet the liabilities from its own resources. This arises from the provision of s.51A of the School Standards and Framework Act 1998 (inserted by paragraph 4 of Schedule 3 to the Education Act 2002), which provides that such liabilities are part of the expenses of maintaining the school; may be recovered from the governing body but the expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share unless such a purpose is prescribed by regulations made under s.50(3)(b) of the 1998 Act.

13.8 Health and safety matters

The health and safety provisions of this main scheme will be extended to the community facilities power.

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

13.9 Insurance

The governing body is responsible for ensuring 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. Advice should be sought from the council before finalising any insurance arrangement for community facilities.

The council retains the power to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

13.10 Taxation

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

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

The schools should follow LA advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11 Banking

Schools are required to maintain adequate internal accounting controls to maintain separation of funds.

The general approach to these matters should mirror those in the main conditions in the scheme, except that the LA will not be the owner of the funds in the account, even if they are in the same account as the budget share.

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

ANNEX A: List of Schools

Baden Powell Primary School	Our Lady and St Joseph's RC Primary School
Benthal Primary School	Parkwood Primary School
Berger Primary School	Princess May Primary School
Betty Layward Primary School	Queensbridge Primary School
Burbage School	Randal Cremer Primary School
Colvestone Primary School	Rushmore Primary School
Daubeney Primary School	Saint Scholastica Roman Catholic Primary School
De Beauvoir Primary School	Sebright School
Gainsborough Community Primary School	Shacklewell Primary School
Gayhurst Community School	Simon Marks Jewish Primary School
Grasmere Primary School	Sir Thomas Abney School
Grazebrook Primary School	Southwold School
Harrington Hill Primary School	Springfield Community Primary School
Holmleigh Primary School	St Dominic's Catholic Primary School
Holy Trinity CE Primary School	St. John & St. James Church of England Primary School
Jubilee School	St. John of Jerusalem CE Primary School
Kingsmead Primary School	St. John the Baptist CE Primary School
Lauriston Primary School	St. Mary's Church of England Primary
London Fields Primary School	St. Matthias CE Primary School
Lubavitch House School (Junior Boys)	St. Monica's RC Primary School
Lubavitch Ruth Lunzer Girls' Primary School	St. Paul's with St. Michael's CE Primary School
Mandeville Primary School	Thomas Fairchild Community School
Millfields Community School	Tyssen Community Primary School
Morningside Primary School	Whitmore Primary School
Nightingale Primary School	William Patten Primary School
Orchard Primary School	Woodberry Down Community Primary School
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Cardinal Pole Catholic School	Stoke Newington School
Haggerston School	The Urswick School
Lubavitch Girls Senior School	Yesodey Hatorah Senior Girls School
Our Lady's Convent RC High School	
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Ickburgh School	Comet Nursery School and Children's Centre
Stormont House	Wentworth Nursery School and Children's Centre
The Garden School	
New Regents College	

ANNEX B: Responsibility for Redundancy and Early Retirement Costs

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget

If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school

If a school is otherwise acting outside the local authority's policy and advice (for example where it has gone to an external provider for advice, and that provider has provided advice inconsistent with what the LA would have advised.)

Where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit

Where staffing reductions arise from a deficit caused by factors within the school's control

Where the school has excess surplus balances and no agreed plan to use these

Where a school has refused to engage with the local authority's policies and procedures

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

Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit

Where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale

Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

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

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

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

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

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

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

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

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

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

ANNEX C: Premises - LA Capital / Revenue Split & VA Schools

LA Capital /Revenue Split And Items Which Are The Separate Responsibility Of Governors In VA Schools

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE: LA RESPONSIBILITIES	REVENUE: REPAIRS & MAINTENANCE: GOVERNORS' RESPONSIBILITIES	VA GOVERNORS' RESPONSIBILITIES (full details in DCSF document "Determination of Financial Liability")
Roofs			
<u>Flat</u>	Structure. New (not replacement) structure	Repair / replacement of small parts of an existing structure	New structure and repair replacement of structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed	Replacement of structure
	Screed / insulation in a new building / extension	Repair / replacement of screed / insulation where defective.	New screed / insulation and repairs
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair / replace small areas of roof.	Replacement / repair of screed / insulation
	Finish on new build. Replacement of all / substantially all of existing roof	Replacement of roof finishes on existing building. Re-coating chippings to improve life expectancy	Finish on new build. Replacement of roof finishes on existing building. Re-coating
	Edge Trim/ Fascia on new build	(Repairs/ replacement. (UPVC) Repainting.	Edge Trim / Fascia on new build and repairs / replacement / repainting
	Edge Trim/ Fascia, Replacement of all / substantially all on existing roof	Repairs/ replacement. (UPVC) Repainting.	Replacement of edge Trim / Fascia on existing building
	Drainage on new build	Clearing out gutters and down pipes. Replacement / repair / repainting of individual gutters / pipes	Drainage on new building and repairs / replacement / repainting (NOT cleaning gutters / down pipes)
	Other e.g. Flashings, Rooflights on new build Replacement of all / substantially all of existing roof	Repair / Replacement / cleaning of individual items	Flashings / Rooflights on new building and repair / replacement (NOT cleaning)
<u>Pitched</u>	Structure. New (not replacement) structure	Repair / replacement of small parts of an existing structure	Structure of new roof and all repairs EXCEPT trusses (i.e. internal repairs)
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace / repair small areas of rotten / defective joists, rafters, purlins etc. Not complete trusses	Replacement of interned structure EXCEPT trusses (i.e. internal repairs)

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ELEMENT	LA RESPONSIBILITIES	GOVERNORS' RESPONSIBILITIES	VA GOVERNORS' RESPONSIBILITIES
Pitched Roofs Continued	Insulation in a new building / extension	Repair / replacement / increasing thickness of insulation in an existing roof	Insulation in new building and repair / replacement.
	Insulation. Replacement / repair of substantially all. Improve insulation to current standards		Repair / replacement or improve insulation
	Roof finish in a new building / extension, replacement of all / substantially of existing roof	Replace missing / damaged	Finish in new building / extension and repair / replacement in existing building
	Bargeboards / Fascias in a new building / extension, replacement of all / substantially of existing roof	Repairs / replacement / repainting	Bargeboards / fascias in new building / extension and repairs / replacement / repainting in existing building
	Drainage in a new building / extension	Clearing out gutters and down pipes. Replacement / repairs of individual pipes / gutters	Drainage in new building / extension and repair / replacement. (NOT cleaning guttering or down pipes)
	Drainage. Replacement of all / substantially of existing roof		Drainage replacement in existing roof.
	Other e.g. Flashings, Roof windows in a new building / extension, replacement of all / substantially of existing roof	Repair / Replacement / cleaning	Flashings, roof windows in new building / extension and repair / replacement (NOT cleaning) in existing roof
Other	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link	Provide new covered link and repairs to existing. (NOT cleaning)
	Rebuild or substantially repair structure of existing covered link		Re-build or repair structure of existing covered link.
	Add porch etc. to existing building	Minor repairs, maintenance to existing	Add new porch and minor repairs to existing
	Rebuild or substantially repair structure of existing porch		Re-build or repair existing porch.
Floors			
Ground Floor	Structure and DPC in new building	Repair / replacement of small parts of an existing structure	Structure and DPC of new building and replacement of existing structure
	Structure and DPC - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure		
	Screed and finish in new build, replacement of all / substantially all on existing floor - e.g. replacement of most carpets / tiles in a room	Replacement and repair of screed and finishes / Replacement of mats / matwells. Maintenance e.g. re-varnishing wooden floors.	Provide screed and finish in new buildings (NOT repairs to finishes, matwells etc.)
ELEMENT	LA RESPONSIBILITIES	GOVERNORS'	VA GOVERNORS'

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		RESPONSIBILITIES	RESPONSIBILITIES
Upper Floor	Structure – as ground floor	As ground floor	Structure of new buildings and replacement of existing structure
	Screed and Finish – as ground floor	Repairs of finishes / Replacement as ground floor	As ground floor
Ceilings			
Top / Only Story	Suspension	Repair / replacement incl. From water damage, & necessary decoration	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair / replacement inc. from water damage	Provision, (NOT repair or replacement)
	Access panels	Repair/ replacement	Provision, (NOT repair or replacement)
Lower Storeys	Suspension	Repair/ replacement	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair/ replacement	Provision, (NO repair or replacement)
All	Specialist removal / replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection / air testing Applying sealant coats to asbestos surfaces for protection	Removal / replacement of damaged / disturbed asbestos EXCEPT where part of repair project.
External walls			
Masonry / Cladding	Structure Underpinning / propping for new build	Repairs Preventive measures e.g. tree removal	Structure, underpinning / propping of new building & repairs, (NOT tree removal unless part of new site)
	External Finish on new build	Repair / replacement of small parts of an existing structure. E.g. re-pointing / re-cladding a proportion of a wall where failure has occurred.	External finish on new building and repairs / replacement of existing structure including re-pointing / re-cladding
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. re-pointing / re-cladding work affecting most of a building / replacement build		External finish on existing building including correcting of structure.
Windows and Doors	Framing – new build	Repair/ replacement of individual frames. Repainting frames	New window frames and doors in new building and repairs / replacement (NOT replacement / repair / re-painting of internal doors or windows)
ELEMENT	LA RESPONSIBILITIES	GOVERNORS'	VA GOVERNORS'

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		RESPONSIBILITIES	RESPONSIBILITIES
Windows and Doors Continued	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames	New windows in replacement programme
	Glazing - new build	Replacing broken glass	Glazing new building and replace broken glass.
	Glazing Upgrading existing glazing		Upgrading existing glazing
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.	Ironmongery to improve security and repair/replacement.
	Jointing including mastic joints		Jointing
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.	Internal and external decoration of new provision, external redecoration (NOT internal redecoration)
Masonry & Chimneys	Structure		Structure of chimneys
	Jointing including expansion and mortar joints / pointing / DPC	Repair/ re-pointing	Jointing / Pointing and DPC of chimneys and repair / re-pointing.
Internal Walls			
Solid	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster / linings tiles, pin boards etc.	New walls & finishes, (NOT repair / replacement)
	Refurbishment and alterations	Minor alterations	
Partitions	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.	New partitions, (NOT repair / replacement)
	Refurbishment and alterations	Minor alterations	
Doors & Screens	Framing / Screens / Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair / replacement of defective doors and screens	Provision of new, (NOT repair / replacement)
All	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass	New glazing and replacement of broken glass, (NOT internal window repairs)
Sanitary Services			
Lavatories	In new buildings provision of all toilet fittings, waste plumbing and internal drainage	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc	Provision. (NOT repair / replacement of damaged sanitary ware)
	New toilet facilities	Refurbishment of existing toilet facilities	Provision / refurbishment (NOT replacement of damaged sanitary ware)
	Provision of new disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.	Provision, (NOT repair / replacement of damaged fittings etc.)

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ELEMENT	LA RESPONSIBILITIES	GOVERNORS' RESPONSIBILITIES	VA GOVERNORS' RESPONSIBILITIES
Kitchens			
	Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of LA. Clearing out drainage systems. Refurbishment and redecoration of existing.	
		Repairs and replacement of equipment	
Mechanical Services			
Heating / Hot Water	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler houseplant including replacement of defective parts. Regular cleaning. Energy saving projects	Provision of complete system, (NOT repair / replacement or maintenance)
	Safe removal of old / damaged asbestos boiler and pipe work insulation, where risk to Health & Safety.	Monitoring systems. Health & safety issues	
	Planned replacement of old boiler/ controls systems past the end of their useful life	Replacement of defective parts	
	Emergency replacement of boiler plant/ systems		
Cold Water	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair / replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.	Provision of complete system, (NOT repair / replacement or maintenance)
Gas	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety All servicing	
Ventilation	Mechanical ventilation / air conditioning to major projects	Provision of local ventilation. Repair / replacement of defective systems and units	Provision, (NOT repair / replacement)
Other	Swimming pool plant and its complete installation, including heat recovery systems	Repair / replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.	If governors provided
School Keepers Houses			
School keepers Houses	Structural safety	All other repairs and maintenance	

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ELEMENT	LA RESPONSIBILITIES	GOVERNORS' RESPONSIBILITIES	VA GOVERNORS' RESPONSIBILITIES
Electrical Services			
General	Main switchgear and distribution in major projects.	Testing / replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.	Provision, (NOT repair / replacement or maintenance)
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.	
Power	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment	Provision, (NOT repair / replacement)
Lighting	Provision of luminaries and emergency	Replacement of luminaries, all testing, adjustments and improvements to emergency	Provision, (NOT repair / replacement)
Other	Lightning protection in new build	Repair/ replacement	Provision and repair
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and maintenance	Provision, (NOT repair or maintenance)
	New installation of communication systems, radio / TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair / replacement / maintenance, including all door access systems.	
External Works			
Pavings	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair of car park and playground markings.	Provision if part of statutory proposal project. NOT repair or maintenance provisions and repairs of ramps and steps.
Miscellaneous	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance, repair and renewal of all perimeter/ boundary/party/retaining walls, fencing & gates.	
Drainage	Drains, soakaway's, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.	Foul drainage plus external gutters and drainpipes. NOT maintenance
Open Air Pools	Structure, Hygiene / safety in new build	Hygiene, cleaning, maintenance & repairs, including replacement parts. Simple energy saving system	If governors provided
Services Distribution	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing	Provision grant aided but NOT for repair

ANNEX D: Approved Banks and Building Societies

United Kingdom branches of the following:

- Santander
- Barclays
- Co-operative
- Halifax
- TSB
- Lloyds
- HSBC
- Nationwide Building Society
- Royal Bank of Scotland (National Westminster Bank)

Schools may wish to use phone banking. If the service is provided by one of these banks (such as First Direct, which is part of HSBC,) this list is deemed to include such “banks”. It is suggested that any school wishing to make use of such facility check the arrangements with the Director of Finance first.

ANNEX E: Licensed Deficit Scheme

The regulations governing school funding do not and never have permitted schools to incur a deficit. However, The Council is aware that schools may wish to incur expenditure on major projects that may lead to incurring a deficit, or make savings to pay off an existing deficit over more than one financial year. The regulations now permit The Council to operate a system whereby schools may, under very specific circumstances, overspend.

Although an individual school might be licensed in this way to overspend, the education service's budget as a whole must stay in balance. Therefore such overspending can only be permitted if other schools with credit balances are willing to allow their currently uncommitted funds to be counted against the overspending elsewhere. Schools should note that no money changes hands. This is an accounting device to allow schools collectively to use resources more flexibly and hence maximise the benefit to education of all the resources available to the service.

The Council will monitor the level of schools' cumulative balances, to ensure that they are sufficient for the scheme to operate. If the cumulative total of the schools' non-committed balances is sufficient, schools will be able to apply to licence a deficit they wish to incur against these funds. Permission to overspend may be granted if the purpose of the overspending meets the following criteria is necessary and The Council is of the view that the school would not be over-committing its future likely budget shares.

The criteria are:

- Funding one-off projects or initiatives identified as part of a school's Action Plan following an OfSTED inspection.
- Meeting building related needs that is unlikely to be included in a building or refurbishment programme in the near future and is likely to lead to savings later.
- Projects leading to clearly identifiable improvement in education standards. This should be demonstrated by schools in respect to monitoring systems and analytical data with appropriate performance targets set.

The Council will manage the system within the following guidelines:

- Deficits will only be agreed up to the value of 20% of the cumulative credit balances available.
- The maximum amount any school would be able to licence would be 10% of its share of the ISB.
- The period of repayment would not exceed 3 years. The annual repayment would be deducted from the school's annual share of the ISB before that share is placed into the school's bank account.

In exceptional circumstances, at the discretion of the LA, restrictions might be raised to the following limits:

- Licences could be extended up to 35% of the total funds available.
- Licences could be agreed to a maximum of 35% of a school's share of the ISB.
- In these cases the repayment period could be extended to 3 years.

All applications for licensed deficits must be in writing from the governors to the Director of Education who will make the decision on whether to agree or not. The application will need to show that:

- The strategy of seeking a licensed deficit for the school a minuted decision of the full governing body.
- That initial discussions have taken place with the relevant LA officers to ensure that the purposes of the deficit are clear, appropriate monitoring arrangements will be made and the agreed pay back period is feasible.

The Director of Childrens Services will take the decision, taking into consideration the advice of the Director of Finance. Governors may make a resolution for consideration by the Chief Education Officer if they believe that the Director has acted unreasonably when making his or her recommendation.

As explained above, the deficits will normally be financed by the accumulated reserves of all Hackney's maintained schools with credit balances. Each school with a credit balance will be asked to agree that up to 40% of its credit balance may be used in this way. The aggregate value of the licensed deficit will be limited to a percentage of the value of the balances schools are prepared to contribute.

There will be no loss of interest to the school with the credit balance where the school participates in the pooled banking arrangement. Such schools need take no further action. Where the school with the credit balance has other banking arrangements, the interest earned will be at the rate of the pooled account. A school allowing its balances to be used in this way will not be able to spend that part of its accumulated reserve whilst the agreement is in place. The school will need to give four months notice of its intention to spend all or part of this part of its reserve.

The school taking the licensed deficit will be charged interest at the rate currently being earned by the pooled account whatever its banking arrangements might be. If any bank charges arise, those too will be charged to the school. Making these arrangements is a chargeable service under the service level agreement for financial services with the authority. Schools applying for this facility will be given a broad indication of the likely cost at the time of application.

ANNEX F: Health & Safety

The responsibilities on schools to manage Health and Safety are set out fully in the LA's "*Health & Safety: Policy and Guidance*" manual.

Governors have responsibility for the duty under Section 4 of the Health and Safety at Work etc. Act 1974 as persons who have control of non-domestic premises made available as a place of work to persons who are not their employees. The duty is to take such measures as are reasonable for a person in his or her position to ensure, so far as is reasonably practicable, that the premises are safe and without risk to health.

In accordance with the School Standards & Framework Act 1998 as amended, the maintenance of premises (excluding structural repairs and capital expenditure) is the responsibility of schools. The division of responsibility between the authority and the governors is set out in Annex B of the scheme. Where a repair is the responsibility of the LA, governors are still responsible for notifying the authority of any hazard that comes to their attention.

The cost of repairs that are the responsibility of governors is included in the individual schools budget, and allocated to schools through the formula.

Where the governing body of a school with a delegated budget fails to comply with the authority's policy on Health and Safety, the authority will arrange for the required work to be carried out, and will charge the costs to the school's budget (see paragraph 6.2.3 above).

ADDENDUM TO SCHEME 1: Audit Process

- 1.1. In order that the Corporate Director of Finance and Resources can fulfil the obligations to secure proper administration of finances under Section 151 of the Local Government Act 1972, the Director has set criteria to determine the schedule of audits for schools. In managing their delegated budgets, schools are required to abide by the council's requirements on financial controls and monitoring.
- 1.2. Under Section 2.6 of the Scheme, all authority maintained schools come within the internal audit regime determined by the Council, details of which are set out in the Financial Procedures Manual for Schools (Section 6 Audit & Financial Reporting).
- 1.3. Schools are required to give internal and external auditors access for the purposes of audit to such premises, documents and assets as the auditors consider necessary. The governing body and school staff are required to provide auditors and inspectors with any explanations the latter consider necessary in the performance of their duties.
- 1.4. The criteria for setting the schedule for routine and non-routine school audits will be as follows:
 - Schools will be audited on rotation roughly every 3 years, but in addition an audit will be undertaken in the event of:
 - a change in Headteacher. If possible, the audit should be undertaken upon the resignation of the current incumbent.
 - a resolution to consult on conversion to academy status
 - any significant event that raises concerns regarding the use of public funds, for example, receipt of an allegation that is received and considered within the "whistle blowing" framework.
- 1.5. The unscheduled audits will be undertaken in the event of any significant changes in order to provide an impartial assessment of the school's position and a degree of confidence and assurance to all parties, particularly school governors.

ADDENDUM TO SCHEME 2: Procedure for Issuing a Notice Of Concern

This policy should be read in conjunction with the Scheme for Financing Schools and reflects the role of the Director of Finance under Section 151 of the Local Government Act of 1972, and the local authority's powers as set out in the School Standards and Framework Act 1998 and the Education and Inspections Act 2006. It is reliant on full and effective communication and information sharing between the Council and those with delegated powers.

In the situation where a school is not demonstrating appropriate control or proper safeguarding of the financial position of the school', the local authority will issue a Notice of Concern to the governing body and seek to work with the school to rectify any issues and agree a deficit recovery plan (if required).

Examples of what 'not demonstrating appropriate control or proper safeguarding of the financial position of the school' means:

- A deficit emerges during a financial year that was unexpected;
- LA deadlines for submitting financial returns are not met;
- Standard of financial returns is poor and could lead to a governing body taking decisions based on inaccurate information;
- Failing to take the actions within an agreed deficit recovery plan;
- Exceeding a licensed deficit;
- "No Assurance" internal audit opinion.

If the school does not engage with the local authority and/or does not start to demonstrate appropriate control and management of its finances then under Section 51 and Schedule 15 of the School Standards and Framework Act 1998, a Local Authority has the power to suspend delegation as an ultimate sanction where the Local Authority judges that the governing body:

- (i) has been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction;
- (ii) is not managing in a satisfactory manner the expenditure or appropriation of the school budget share;
- (iii) is not managing in a satisfactory manner any expenditure, or sums received, in the exercise of the power conferred by Section 27 of the Education Act 2002 (power to provide community facilities etc.).

The authority may suspend the governing body's right to a delegated budget by giving the governing body not less than one month's notice of the suspension, unless by reason of any gross incompetence or mismanagement on the part of the governing body or other emergency it appears to the authority to be necessary—

- to give the governing body a shorter period of notice, or
- to give the governing body a notice suspending their right to such a budget with immediate effect.

The withdrawal of delegation notification will explain the grounds for the suspension, giving particulars

- of any alleged failure on the part of the governing body to comply with any delegation requirement or restriction;
- of any alleged mismanagement on their part; and
- if applicable, of the basis upon which a period of notice of less than one month was given.