

Wokingham Scheme for Financing Local Authority Maintained Schools 2022

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SECTION 2 SUMMARY

About this guidance

Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools.

The Secretary of State may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.

Certain amendments have been made to the wording included in some of the directed revisions listed below, to reflect more recent policy positions.

SECTION 3: INTRODUCTION

3.1 The Funding Framework

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

Under this legislation, local authorities determine for themselves the size of their Schools Budget and their Non-Schools Education Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget.

The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on a local authority's maintained schools except for capital and certain miscellaneous items.

Local authorities may deduct funds from their school's budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions, including gaining the approval of their School Forum or the Secretary of State in certain instances, as prescribed by the Secretary of State.

The balance of the school's budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-school's education budget must be retained centrally, although earmarked allocations may be made to schools.

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned unless, the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 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. All proposals to revise the scheme must be approved by the schools forum, though the local authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

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

A local authority may suspend a school's right to a delegated budget if the provisions of the authority's 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, under schedule 17 to the Act.

The local authority is obliged to publish each year a statement setting out details of its

planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the authority must publish a statement showing out-turn expenditure. The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State. A copy of each year's budget and outturn statement should be made easily accessible to all schools.

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

3.2 The role of the scheme

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

3.3 Application of the scheme to the Local Authority and maintained schools

This scheme applies in respect of all community, nursery, voluntary, foundation, community special, foundation special schools, resourced units attached to schools and pupil referral units (PRUs) maintained by the LA (as listed in Annex D).

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies.

3.4 Publication of the scheme

The scheme will be available for access by the general public as well as the governing body and head teachers via the Council's website, the link will be notified to each school for ready access and any revised version will be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date.

3.5 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with all schools and will require approval by Schools Forum *by members of the forum representing maintained schools*. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of direction.

3.6 Delegation of powers to the headteacher

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

The LA has no wish to impose uniformity on schools but considers that the following level of

delegation to headteachers is desirable:

- the headteacher would draw up a proposed budget in line with the objectives and priorities the Governing Body has detailed in the School Development Plan;
- Day to day management of the budget – this does not absolve the Governing Body of its responsibilities; and
- Limited virement to a specified level to provide the headteacher with day to day working flexibility.

The Governing Body is required to approve the first formal budget plan of each financial year.

3.7 Maintenance of schools

The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way a local authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

SECTION 4: FINANCIAL CONTROLS

4.1. General Procedures

Application of financial controls to schools

In managing their delegated budgets schools must abide by the Local Authority's requirements on financial controls and monitoring as detailed in Wokingham Borough Council's Finance and Contract Procurement Regulations, unless specific provision is made elsewhere within this financial scheme. *[These regulations are available for access on the Council's website.]*

Provision of financial information and reports

Schools are required to provide the local authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority. Schools are not required to submit such details more often than once every three months unless the LA has notified the school in writing that, in its view, the school's financial position requires more frequent submission or the school is in its first year of operation. The 3-month interval does not apply to schools that are part of an on-line financial accounting system operated by the LA. *[The format and timing of such returns are detailed on the Council's website; these take account of the Consistent Financial Reporting framework and the desirability of compatibility with that framework]*

The LA will supply schools with all income and expenditure data that it holds and which is necessary for efficient planning by schools.

This is different from a requirement for annual budget plans.

Payment of salaries and payment of bills

All schools may choose to obtain payroll services from suppliers other than the provider contracted by the Borough Council. If a school chooses to do so then it will be required to opt for a local bank account into which its budget share is paid. If, however, a school chooses to remain with the Council's own payroll service then such payments will need to be deductible from the Council's bank account and such schools cannot opt for a local bank account under the arrangements set out at paragraph 5.6.

Control of assets

Each school must maintain an inventory of its moveable non-capital assets and set out the basic authorisation procedures for disposal of assets. Schools must also keep a register for assets worth less than £1,000 but are free to determine their own arrangements for keeping such a register. We encourage schools to register anything that is portable and attractive, such as a camera. *[As a guide to schools the LA has provided a template which can be found on the Council's website.]*

Accounting Policies (including year-end procedures)

Schools must maintain adequate local records that are capable of audit and comply with the Council's financial regulations. These must hold details of expenditure incurred or to which a commitment has been made and for income received or that it is expected to receive in the financial year in question. A current approved budget plan must also be maintained which

should, at any time, be capable of demonstrating the levels of expenditure and income anticipated to have been incurred or received at that point in the financial year. Reconciliations to a local bank account must be carried out at least monthly and, in any event on 31 March of each year. Such records must be capable of reporting in the CIPFA standard form and be able to produce at the year-end reports prepared on an accruals basis suitable for incorporation into the Councils outturn reports.

Writing off of debts

Governing bodies must abide by procedures set out in Section 12.1.19.17 of Financial Regulations.

4.2 Basis of accounting

Reports and accounts furnished to the Local Authority must be on an accruals basis. Although the Local Authority require reports furnished on an accruals basis, schools are able to use what financial software they wish, provided they meet any costs of modification to provide output required by the Local Authority.

4.3 Submission of budget plans

Each school is required to submit to the Local Authority by 31 May each year a budget plan showing the school's intentions for expenditure in the current financial year and the assumptions that underpin the plan. *[The format of the budget plan is available on the Council's website and takes account of the consistent financial reporting framework and the desirability of compatibility with that.]*

The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The LA will supply schools with all school income and expenditure data that it holds which is necessary for efficient planning by schools. The LA will also supply schools with an annual statement showing when this information will be available through the year.

Schools will be allowed to take full account of estimated deficits or surpluses at the previous 31 March in their budget plans.

The school's formal annual budget plan must be approved by the governing body.

Submission of Financial Forecasts

Schools must submit a three-year budget forecast to the Local Authority by 31 May each year. They could be used as evidence to support the local authority's assessment of Schools Financial Value Standards.

4.4 School Resource Management

Schools are required to manage their resources to maximise pupil outcomes.

Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Local Authority's purchasing, tendering and contracting requirements.

It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money. There are significant variations in effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

4.5 Virement

Schools are free to vire between budget heads in the expenditure of their budget shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required. To ensure accurate monitoring of schools' budgets the virement pro-forma supplied must be completed by schools and submitted to the Local Authority.

4.6 Audit: General

Schools are required to co-operate both with auditors employed by the local authority (internal audit) and the Local Authority's external auditors as determined by the Local Audit and Accountability Act 2014 (external audit). Schools are required to provide access to the schools' records for both internal and external auditors.

All schools come within the internal audit regime determined by the LA as set out in Finance and Contract Procurement Regulations 12.1.9 and within the LA external audit regime as determined by the Local Audit and Accountability Act 2014.

4.7 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 LA internal or external audit process. There is no expectation by the Secretary of State that routine annual external audit at school level of budget share expenditure should be a usual feature of the funding system. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the LA's internal and external auditors. Any external audit commissioned by the school would have to take into account the status of the school as a spender of LA funds.

4.8 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide audit certificates to the LA in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. These should be submitted to the LA within 6 months of the accounting year-end.

The purpose is to allow the local authority to satisfy itself that public funds are not being misused.

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

4.9 Register of business interests

The governing body of each maintained school is required to have a register which lists for each member of the governing body and the Headteacher:

- any business interests they or any member of their immediate family have
- 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 with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the local authority and to publish the register, for example on a publicly accessible website.

[Suggested templates for a Register of Business Interests for individual Governors or staff members and for a Summary for the Governing Body are available on the Council's website]

4.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the Local Authority's Financial and Contract Procurement Regulations in purchasing, tendering and contracting matters. In particular, schools must assess in advance the professional competence of any contractors in areas such as compliance with health and safety regulations, safeguarding practices and so on, taking account of the Local Authority's policies and procedures.

Nothing within those requirements must force schools to:

- (i) Do anything incompatible with any of the provisions of this Scheme, or any statutory provision;
- (ii) Seek countersignature from an officer of the local authority for any contracts for goods or services for a value below £60,000 in any one year;
- (iii) Select suppliers only from an approved list; or
- (iv) Seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year subject to any specific listed exceptions.

The fact that a local authority contract has been let in accordance with procurement procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement procedures, schools are viewed as discrete contracting local authorities.

The countersignature requirement should be applied sensibly by local authorities and schools alike, avoiding attempts to artificially aggregate or disaggregate orders to avoid or impose the requirement.

Schools may seek advice on a range of compliantly procured deals via [Buying for schools](#).

4.11 Application of contracts to schools

Schools have the right to opt out of Local Authority arranged contracts.

Whilst Governing Bodies are empowered¹ to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share (this is the main reason for allowing authorities to require authority countersignature of contracts exceeding a certain value). Other contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

4.12 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used; and while these conditions need not preclude virement (except where the funding is supported by a specific grant which the local authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share. Such allocations might, for example, be sums for SEN or other initiatives funded from the central expenditure of the LA Schools Budget or other authority budget.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. This funding, which will be notified to schools by the LA, will need to be accounted for appropriately. Earmarked funds must be returned to the authority if not spent within any period stipulated by the authority over which schools are allowed to use the funding.

The LA is barred from making any deduction in respect of interest costs to the authority, from payments to schools of devolved specific grant.

4.13 Spending for the purposes of the school

Governing bodies are free² to spend budget shares for the purposes of the school, subject to regulations made by the Secretary of State and any provisions of this scheme. By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under s.50 (3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

4.14 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises³. If, however, the expected capital expenditure from the budget share will exceed £15,000 the governing body must notify the authority and take into account any advice from the Director of Children's Services as to the merits of the proposed

¹ In accordance with paragraph 3 of schedule 1 to the Education Act 2002

² In accordance with s.50 (3) of the School Standards And Framework Act.

³ 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.

expenditure.

Where the LA owns the premises, or the school has voluntary controlled status, then the governing body shall seek the consent of the authority to the proposed works, but such consent can be withheld only on Health and Safety grounds.

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

These provisions would not affect expenditure from any capital allocation made available by the local authority outside the delegated budget share.

4.15 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 Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

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

These may include:

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

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

Where the local authority has issued a notice of concern the notice will be withdrawn once the governing body has complied with the requirements imposed.

4.16 - Schools Financial Value Standard (SFVS)

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

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

Schools should submit their SFVS to the local authority no later than the 31 March.

4.17 – Fraud

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

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

SECTION 5: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

The Local Authority has adopted the “CIPFA Code of Practice for Treasury Management in Local Authorities”.

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

5.1 Frequency of instalments

The budget share will be made available to governing bodies monthly, where applicable. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

5.2 Proportion of budget share payable at each instalment

Monthly instalments of the total budget share will be made available to schools with their own bank account, this will be net of the estimated pay costs, if the school chooses to remain with the Council's own payroll service.

The estimated pay costs will be based on the previous month pay and adjusted for the actual payment in the following month. Therefore your monthly deduction for pay costs will be last month pay plus adjustment to reflect the actual payment last month.

5.3 Interest clawback

The LA may deduct from budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance. The interest rate used will be the current Bank of England base rate.

5.4 Interest on late budget share payments

The local authority is required to add interest to late payments of budget share instalments, where such late payment is the result of authority error. The interest rate used will be the current Bank of England base rate.

5.5 Budget shares for closing schools

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

5.6 Bank and building society accounts

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

New bank account arrangements may only be made with effect from the beginning of each financial year. Any school wishing to opt for its own bank account may only do so after giving a half term's notice.

Schools without bank accounts at the start of the scheme cannot have one until any deficit balance is cleared; and any school requesting a bank account at a later date shall not be able to have one until any deficit is cleared.

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

5.7 Restrictions on accounts

Accounts may only be held for the purpose of receiving budget share payments at banks or building societies on the Approved List as set out in Annex A. The approved list will be consistent with the authority's treasury management policy.

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

The authority can continue to have arrangements negotiated with certain banks whereby the accounts are in the name of the local authority but specific to each school, and may offer such arrangements to schools.

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

5.8 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State⁴, which includes the use of finance leases.

Whilst schools may not use credit cards, which are regarded as borrowing, the LA encourages the use of procurement cards by schools, as these cards can be a useful means of facilitating electronic purchase.

From time to time, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use any scheme that the Secretary of State has said is available to schools without specific approval.

5.9 Other provisions

All other provisions relating to schools' bank accounts are set out in Annex A.

⁴ This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans. It also does not apply to the loan scheme run by the LA.

SECTION 6: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

6.1 The right to carry forward surplus balances

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

6.2 Controls on surplus balances

The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework.

6.3 Interest on surplus balances

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

6.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

The deficit balance would be shown on the outturn statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009; although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case.

6.5 Planning for deficit budgets

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% as at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2022.

6.6 Charging of interest on deficit balances

The LA may charge interest on any deficit balance, if relevant. The basis of the calculation of interest shall be as set out in Annex A.

6.7 Writing off deficits

The LA has no power to write off the deficit balance of any school.

If the LA wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget; from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum.

6.8 Balances of closing and replacement schools

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

6.9 Licensed deficits

The LA may permit schools to plan for a deficit budget in **Extreme Circumstances**. The funding to allow such a deficit budget will be provided from the collective surplus of school balances held by the authority on behalf of maintained schools⁵

The amount of the deficit and the period approved for is at the discretion of the LA and would need approval from the Director of Children's Services in conjunction with the Head of Finance and Deputy s151 Officer. but generally, any deficits approved would be for one year only.

In some **Extreme and Exceptional Circumstances** assessed by the LA, Director of Children's Services and Head of Finance and Deputy s151 officer, an agreement may be made with the governing body of the school to manage a deficit up to a maximum of three financial years. This will be considered if the deficit at the end of the first year was likely to be in excess of 5% of the school's budget share.

The LA may, if considered appropriate, charge interest on any licensed deficits as detailed in Annex A. It should **be noted that governing bodies are under an obligation not to plan for a deficit** and to take all measures necessary to avoid a deficit and Governing bodies that incur a deficit, for whatever reasons, will be required to report to the LA on the reasons for the deficit and the plans they have in place to remove the deficit.

- (i) Schools will need to prepare a recovery plan and progress towards the elimination of the deficit will be reviewed formally every six months. At no stage, will the period of recovery be extended beyond three years and schools will, therefore, need to adjust their plans accordingly should the financial position of the school worsen during this period;
- (ii) licensed deficits will normally only be agreed where circumstances affecting a school change in ways which could not reasonably have been foreseen and the school concerned needs a period in excess of one financial year in order to effect a reduction in its annual level of expenditure and/or an increase in its annual level of income sufficient to eliminate the budget deficit;
- (iii) no more than 30% of the total of schools accumulated balances held by the Council will be used to back these arrangements; and
- (iv) **schools which operate a fully external bank account into which budget share is paid may not participate in the Licensed Deficits Scheme.**

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

⁵ Although it is open to the LA, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation.

the authority in assessing the total level of licensed deficit which it might wish to make to schools.

6.10 Loan schemes

LAs are permitted to include in their schemes a form of loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the LA in respect of a particular school, on condition that a corresponding sum is repaid from the budget share.

Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans **will not** be permitted for the funding of a deficit that has arisen because a school's recurrent costs exceed its current income.

Existing loans given to schools will be honoured on their existing terms and conditions.

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

Schools wishing to participate in this scheme will need to agree the scheme in detail with the Director of Children's Services and the Head of Finance and Deputy s151 officer prior to approval being granted. The annual share of principal borrowed plus the estimated interest will be charged against the school's budget on 31 March each year.

Credit union approach

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. The LA will require audit certification of this scheme as it will not act as the administrator of the arrangement.

SECTION 7: INCOME

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

7.1 Income from lettings

Schools may retain income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or private finance initiative (PFI) / **purchasing power parity** (PPP) agreements.

Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

However, schools whose premises are owned by the LA shall be required to have regard to directions issued by the LA as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools. Such income must be paid into the school budget.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

7.2 Income from fees and charges

Schools may 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 LA.

7.3 Income from fund raising activities

Schools may retain income from fund-raising activities.

7.4 Income from the sale of assets

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the LA 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.

7.5 Administrative procedures for the collection of income

The LA will take advice from its local VAT experts as to whether schools should charge VAT on lettings and on the services which lead to fees and charges, and on the VAT implications of fund-raising activities and sale of assets.

The LA has established administrative procedures for the collection of income that accrues to the LA. *[These are detailed in a procedure note on the council's website.]*

7.6 Purposes for which income may be used

Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school as exemplified in Section 4.13 above.

SECTION 8: THE CHARGING OF SCHOOL BUDGET SHARES

8.1 General Provision

The budget share of a school may also be charged by the LA without the consent of the governing body in the circumstances set out in 8.3 below, except where provided for elsewhere in the Scheme.

The LA shall consult a school as to the intention to so charge, and shall notify a school 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 s.496 of the Education Act 1996. *[A disputes procedure for such charges is available on the Council's website]*

For each of these circumstances the authority would have to be able to demonstrate that the authority had necessarily incurred the expenditure now charged to the budget share. This means that where the authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

In some cases the ability to charge budget shares depends on the authority having given prior advice to the governing body.

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

8.2 Charging Salaries at Actual Cost

The LA must charge the salaries of school based staff to the budget share of a school at actual cost.

8.3 Circumstances in which charges may be made

- (i) Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA)
- (ii) Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see [Annex B](#)).
- (iii) Awards by courts and employment tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the LA's advice. Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority expenditure protects the authority's position. Authorities should ensure in framing any such advice that they have taken proper account of the role of aided school governing bodies

- (iv) Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA 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.
- (v) Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the LA owns the premises, or the school has Voluntary Controlled status.
- (vi) Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA. The authority itself needs to consider whether it has an insurable interest in any particular case.
- (vii) Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement; and the result is that monies are owed by the school to the LA.
- (viii) Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue & Customs (HMRC), the Environment Agency, Teachers Pensions or other regulatory authorities as a result of school negligence.
- (ix) Correction of LA errors in calculating charges to a budget share, for example, pension deductions. Before applying any such provision, the local authority should consider whether it is reasonable to do so. If the error dates back several years it may be questionable whether such charging is reasonable.
- (x) Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, or failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- (xi) Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA.
- (xii) Costs 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.
- (xiii) 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.
- (xiv) Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- (xv) Costs incurred by the authority in securing provision specified in an education, health and care (EHC) plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN or specific funding for a pupil with High Needs.
- (xvi) Costs incurred by the LA due to submission by the school of incorrect data.

- (xvii) Recovery of amounts spent from specific grants on ineligible purposes.
- (xviii) Costs incurred by the LA as a result of the Governing Body being in breach of the terms of a contract.
- (xix) 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.
- (xx) Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- (xxi) Charges for services provided by Payroll for special payments and overpayments not claimed back from individuals, by the LA under buy-back and/or recharge arrangements.

SECTION 9: TAXATION

9.1 VALUE ADDED TAX

The LA has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts reclaimed through these procedures will be passed back to the school. *[There is separate guidance available in the Wokingham Borough Council VAT Manual which is available on the Council's website]*

This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

9.2 CIS (Construction Industry Scheme)

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

SECTION 10: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

10.1 Provision of services from centrally retained budgets

The LA shall determine on what basis services from centrally retained funds will be provided to schools, and encompasses existing premature retirement costs (PRC) and redundancy payments, where applicable but the LA is barred from discriminating in its provision of services⁶ on the basis of categories of schools. Except where this would be permitted under the School and Early Years Finance Regulations or the dedicated schools grant conditions of grant.

10.2 Provision of services bought back from the LA using delegated budgets

The term of any arrangement with a school to buy services or facilities from the LA shall be limited to a maximum of three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement or extensions relating to the same services. These periods may extend to five and seven years respectively for contracts relating to the supply of catering services. This timescale, for reasons of practicality, does not relate to centrally funded premises and liability insurance.

When a service is provided for which expenditure is not retainable centrally by the LA⁷ it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

10.3 Packaging

The LA may provide any a service for which funding has been delegated. But where the LA is offering the service on a buyback basis it must do so in a way that does not unreasonably restrict schools' freedom of choice among the services available.

10.4 Service level agreements

Service Level Agreements between the LA and schools will be in place by 1 March of each year in readiness for the following financial year and schools must have at least a month to consider the terms of agreements.

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

Services, if offered at all by the LA, shall be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements. This excludes centrally arranged premises and liability insurance.

10.5 Teachers' Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers

⁶ The term services in this paragraph includes PRC and redundancy payments but excludes centrally funded premises and liability insurance

⁷ S45A SSAF 1996

Pensions with information under the Teachers' Pensions Regulations 2014, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its monthly 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 monthly 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 11: Private Finance Initiative (PFI) and public private partnerships (PPP)

The LA reserves the right to require a school to make such payments from its delegated budget as are required under the conditions of a PFI/PPP Scheme that has been entered into with the knowledge of the governing body.

Where the PFI/PPP Scheme relates to the establishment of a new school and the relevant contracts are signed prior to the formal establishment of the governing body then the LA will retain the right to levy charges against the schools delegated budget in respect of that contract.

Depending on the nature of any such PFI/PPP contract it will be for the recipient of any monies withheld from contractors due to poor performance to make good such failings/defects as have occurred.

SECTION 12: INSURANCE

12.1 Insurance cover

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

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

The LA must have regard to the actual risks that might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools. Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires. Primary and/or secondary maintained schools may join the RPA collectively by agreeing through the schools forum to de-delegate funding.

A school with delegated funds for insurance should consult the LA Insurance Service and external insurance advisers in a timely manner should they wish to purchase their own insurance.

The LA recommends the following guideline cover as at 1 April 2019:

- Public Liability £60,000,000
- Employers Liability £60,000,000
- Libel and Slander £5,000,000
- Fidelity Guarantee £5,000,000

These categories are not exhaustive.

SECTION 13: MISCELLANEOUS

13.1 Right of access to information

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

13.2 Liability of governors

The governing body is a corporate body and as such⁸ governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of local authority advice as to financial management.

13.3 Governors' Allowances

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

Only allowances in respect of purposes specified in regulations⁹ may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

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

13.4 Responsibility for legal costs

Legal costs incurred by the governing body may be charged to the school's budget share, unless the governing body acts in accordance with the advice of the local authority; although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings.

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

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

Where a conflict of interest arises between the LA and the governing body, the procedure to be followed by the school in obtaining legal advice would be provided by the Chief Executive.

⁸ and because of the terms of s.50(7) of the SSAF Act 1998

⁹ Section 50(5) under section 19 of the Education Act 2002

13.5 Health and Safety

Governing bodies, in expending the school's budget share, are required to have due regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

13.6 Right of attendance for Chief Finance Officer

Governing bodies are required to permit the Chief Finance Officer of the Authority, or any other representative nominated by them, to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities.

The Chief Finance Officer's attendance shall normally be limited to items which relate to issues of probity or overall financial management; such attendance shall not be regarded as routine. Prior notice of such attendance will be given by the local authority where practical.

13.7 Special Educational Needs

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

13.8 Whistleblowing

The Authority has issued guidance regarding the procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, and how such complaints should be dealt with.

13.9 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Funding for the associated costs is delegated to schools such that these costs must be met from within the schools' delegated budget.

13.10 Redundancy and Early Retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided at Annex B.

SECTION 14: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

All funding for repairs and maintenance is delegated to schools. Capital funding is retained by the LA, a de minimus limit for devolved capital of £1,000 for Primary and Special Schools and £3,000 for Secondary Schools is applied and for all other funded schemes a de minimus limit of £10,000 is applied consistent with the Authority's financial accounts.¹⁰

A statement summarising the categories of work which governing bodies can expect to finance from their delegated budgets and those items that would ordinarily be expected to be financed by the Council is available on the Council's website.

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.

¹⁰ 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 local authority.

SECTION 15: COMMUNITY FACILITIES

15.1 Introduction

Community Facilities are defined in the Act as

“...any facilities or services whose provision furthers any charitable purpose for the benefit of

(a) pupils at the school or their families

(b) people who live or work in the locality in which the school is situated.”

Schools that choose to exercise the power to provide Community Facilities conferred by s.27 (1) of the Education Act 2002 will be subject to the following controls.

- a) Regulations made by the Secretary of State under s.28 (2) of the Act, if made, can specify activities that may not be undertaken at all under the main enabling power.
- b) Schools must act within the limitations and restrictions contained in a school's own instruments of government act as required under s.28 (1) of the Act.
- c) Schools must act within the limitations and restrictions contained within the Wokingham Scheme for Financing Schools (made under section 48 of the School Standards and Framework Act 1998).

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

15.2 Consultation with the LA

Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their authority.

However, as public bodies, Schools are expected to act reasonably, and this includes consulting those affected by decisions that they make.

15.3 Funding Agreements: local authority powers

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

Any funding agreements with third parties (as opposed to funding agreements with the LA) should be submitted to the LA for comment and advice. Draft agreements should form part of the consultation with the LA.

Funding agreements with third parties should contain adequate provision for access by the LA to records and other property relating to the Community Facility so that the LA may satisfy itself as to the propriety of expenditure on the facilities in question.

If an agreement has been or is to be concluded against the wishes of the local authority, or has been concluded without informing the LA and is judged to be seriously prejudicial to the interests of the school or the LA, this may constitute grounds for suspension of the right to a delegated budget.

15.4 Other prohibitions, restrictions and limitations

Whilst the LA does not have a power of veto over funding agreements with third parties or over other proposed uses of the Community Facilities power, the LA may require school governing bodies to protect the financial interest of the LA. This may be done by

- carrying out the activity concerned through the vehicle of a limited company formed for the purpose
- obtaining specific indemnity insurance for the risks associated with the project in question

15.5 Supply of financial information

The LA recommends that schools use the same accounting and reporting systems as used for the school's main budget share but with the activities separately identified on a full cost basis. Financial information relating to Community Facilities has to be included in returns made by schools under the Consistent Financial Reporting Framework.

Where it is not practicable for a school to use the same accounting and reporting systems then, every six months, the school must provide a summary statement of income and expenditure arising from the exercise of the Community Facilities power and an estimate of income and expenditure for the next six months. The form of these statements will be notified to schools. Forms should be returned to schoolsfinancehelpdesk@wokingham.gov.uk.

If the LA believes there is cause for concern regarding the school's management of the financial aspects relating to the Community Facilities power then it may, after giving notice to the school, require financial statements to be supplied every three months and, if the authority sees fit, to require the submission of a recovery plan for the activity in question.

15.6 Audit

Schools are required to 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. This requirement extends to access to records of funding arrangements with third parties.

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

15.7 Treatment of Income and Surpluses

Schools may retain all net income derived from Community Facilities except where otherwise agreed with a funding provider, whether that be the local authority or some other person. When a surplus has been derived after the proper charging of all costs including relevant

overheads then the surplus may be carried over from one financial year to the next as a separate Community Facilities balance.

15.8 Health and Safety

The Health and Safety provisions of Wokingham's Scheme for Financing Schools also apply to Community Facilities operated by schools covered by the scheme.

The Governing Body will be responsible for the costs of securing Disclosure Barring Service clearance, where appropriate for all adults involved in Community Facility 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.

15.9 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power. Details of these arrangements should be included in the formal consultation material sent to the LA. The LA will not be able to offer this insurance under an SLA arrangement.

Schools proposing to provide Community Facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice as necessary.

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

The local authority will 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. Such a provision is necessary in order for the local authority to protect itself against possible third-party claims.

Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA.

15.10 Taxation

As with existing community activities schools may only reclaim VAT for expenditure on Community Facilities where this is funded from Local Authority funds. Expenditure from funds obtained direct by schools from private (or indeed, central government) sources are not covered by the VAT reclaim procedures.

If any member of staff employed by the school or LA in connection with Community Facilities at the school is paid from funds held in the school's own bank account, whether a separate account is used for community facilities or not, the school will be held liable for payment of Income Tax and National Insurance, in line with HMRC rules.

Schools must follow the LA advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the Community Facilities power.

15.11 Banking

These are covered by Sections 5.6 and 5.7 of the Scheme for Financing Schools and also apply to the use of the Community Facilities power. The school may maintain separate bank accounts for budget share and community facilities, or may have one account as long as the internal controls are adequate to maintain separation of funds.

ANNEX A Bank Accounts

The following banking arrangements are available.

SUPER IMPREST ACCOUNT	
Definition	Using the LA's Bank for all salary and creditor processing
Payment Installments	Whilst schools can draw against 100% of their budget share from 1 April it is deemed that budget is made available in 1/12ths on 1 st of the Month
Payment Date	Not Applicable
Payment of Salaries using LA contracted payroll	Made Centrally
Payment of Salaries using Other Payroll providers	Schools with Imprest accounts will not be allowed to use an external payroll provider
Payment of Creditors	Schools will pay the bulk of their creditors from the account.
Reimbursement	Reimbursement of the account will be made by way of a monthly claim form submitted to the LA
Interest Deduction	As interest will not be forgone by the LA there will be no charge for this account.
Carry Forwards	Schools can draw on these accounts at any time, however, for accounting purposes it will be deemed that carry forwards from previous financial years will be available to draw against as at 1 April each year.
Deficit Balances	Schools will not be allowed to maintain a deficit balance on these accounts. If a school runs into deficit then interest may be charged for the duration of the deficit at the average 7-day interest rate.

FULLY FUNDED ACCOUNT	
Definition	Using a bank account other than that maintained by the LA for all salary and non-salary payments.
Terms	Half a term's notice of change prior to 1 April New accounts must be commenced from 1 April Schools will not be allowed to commence fully funded bank accounts if they have a deficit balance.
Payment Installments	Monthly
Payment Date	1 st April – School Standards Grant or equivalent 21 st of each month - 1/12 th of total budget share less School Standards Grant Payment of other funds will be made as appropriate
Payment of Salaries using LA contracted payroll	Schools with Fully Funded bank accounts will not be allowed to be part of the WBC / WCC Payroll partnership
Payment of Salaries using Other Payroll providers	Schools with fully funded bank accounts must have an external payroll provider.
Payment of Creditors	Schools will pay all of their creditors from their fully funded account.
Information requirements to LA	Monthly Fully funded return to LA by 15 th of the following month. Used for LA monitoring and VAT reimbursement.
VAT reimbursement	VAT will be reimbursed to the bank account by the end of the month providing that the fully funded return was received by the date above.
Interest Deduction	No interest will be charged
Carry Forwards	Available to spend from 1 April each year
Deficit Balance	A school with a deficit balance at 31 st March will be charged interest on the balance at the 7 day average interest rate.

Accounts held for the purposes of receiving budget share payments can only be held at the following financial institutions:

Given the nature of the current economic climate affecting Banks and Building Societies can you please contact the Treasury Accountant (Treasury@wokingham.gov.uk) for a list of approved Banks and Building Societies at the time of wishing to open a new account

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-school's 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 has a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget.

In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

Ultimately, it would be for the courts to decide what is a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

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

Charge of premature retirement costs to local authority non-schools budget or central school's budget:

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- Where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- Where a school is in special measures, does not have excess balances, and employment of the relevant staff is being or 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 school services block of the School's Budget, as a historic commitment, where the expenditure is to be incurred as a result of retirement and redundancy charges agreed before 1st April 2013. Costs may not exceed the amount budgeted in the previous financial year.

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

It is important that the local authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some local 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 schools' 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 local 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 education 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: List of schools maintained by the Local Authority		
LAESTAB	Establishment Name	Education Phase
8727029	Addington School	Special school
8722116	Aldryngton Primary School	Primary
8723372	All Saints CofE (Aided) Primary School	Primary
8722100	Bearwood Primary School	Primary
8721109	CAMHS Phoenix School	PRU - Pupil Referral Unit
8722121	Emmbrook Infant School	Primary
8722130	Emmbrook Junior School	Primary
8722088	Farley Hill Primary School	Primary
8723315	Finchampstead CofE VA Primary School	Primary
8721108	Foundry College	PRU - Pupil Referral Unit
8722232	Gorse Ride Infants' School	Primary
8722148	Gorse Ride Junior School	Primary
8723319	Grazeley Parochial Church of England Aided	Primary
8722237	Hawkedon Primary School	Primary
8722246	Highwood Primary School	Primary
8722238	Hillside Primary School	Primary
8722089	Lambs Lane Primary School	Primary
8723371	Loddon Primary School	Primary
8722235	Radstock Primary School	Primary
8722167	Rivermead Primary School	Primary
8723057	Robert Piggott CofE Infant School	Primary
8723061	Robert Piggott CofE Junior School	Primary
8723041	Shinfield St Mary's CofE Junior School	Primary
8722247	South Lake Primary School	Primary
8723368	St Dominic Savio Catholic Primary School	Primary
8723055	St Paul's CofE Junior School	Primary
8721017	The Ambleside Centre	Nursery
8724051	The Bulmershe School	Secondary
8722149	The Colleton Primary School	Primary
8722227	The Hawthorns Primary School	Primary
8722137	Walter Infant School	Primary
8722160	Willow Bank Infant School	Primary
8722161	Willow Bank Junior School	Primary
8722146	Winnersh Primary School	Primary
8723056	Woodley CofE Primary School	Primary

VERSION CONTROL

Updates in this version (2022)

Section 3.5 – Added sentence: “It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of direction”.

Section 3.7 – Title amended from “LA responsibility” to “Maintenance of schools”.

Section 4.1 – Title added “General Procedures”.

Provision of financial information and reports - Added sentence: “This is different from a requirement for annual budget plans”.

Control of assets – Added sentence: “We encourage schools to register anything that is portable and attractive, such as a camera”.

Section 4.2 – Added sentence: “Although the Local Authority require reports furnished on an accruals basis, schools are able to use what financial software they wish, provided they meet any costs of modification to provide output required by the Local Authority”.

Section 4.3 – Added sentence: “[The format of the budget plan is available on the Council’s website and takes account of the consistent financial reporting framework and the desirability of compatibility with that.]”

Added sentence: “The school’s formal annual budget plan must be approved by the governing body”.

Submission of Financial Forecasts – Added sentence: “Schools must submit a three-year budget forecast to the Local Authority by 31 May each year”.

Section 4.4 – Added sentence: “Schools are required to manage their resources to maximise pupil outcomes”.

Amended sentence: “It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money. There are significant variations in effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements”.

Section 4.6 – Amended sentence: “Schools are required to co-operate both with auditors employed by the local authority (internal audit) and the Local Authority’s external auditors as determined by the Local Audit and Accountability Act 2014 (external audit)”.

Section 4.7 – Added sentence: “There is no expectation by the Secretary of State that routine annual external audit at school level of budget share expenditure should be a usual feature of the funding system”.

Section 4.8 – Added: “

The purpose is to allow the local authority to satisfy itself that public funds are not being misused.

A school refusing to provide audit certificates to the local authority as required

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

Section 4.10 – Amended sentence: “In particular, schools must assess in advance the professional competence of any contractors in areas such as compliance with health and safety regulations, safeguarding practices and so on, taking account of the Local Authority’s policies and procedures”.

(iv) Amended sentence: “Seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year subject to any specific listed exceptions”.

- Amended sentence: “The fact that a local authority contract has been let in accordance with procurement procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement procedures, schools are viewed as discrete contracting local authorities”.

Section 4.11 – Added sentence: “(this is the main reason for allowing authorities to require authority countersignature of contracts exceeding a certain value)”.

Section 4.12 – Added sentence: “and while these conditions need not preclude virement (except where the funding is supported by a specific grant which the local authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school’s budget share”.

Added sentence: “Earmarked funds must be returned to the authority if not spent within any period stipulated by the authority over which schools are allowed to use the funding”.

Section 4.13 – Amended sentence: “Governing bodies are free to spend budget shares ‘for the purposes of the school’, subject to regulations made by the Secretary of State and any provisions of this scheme.

- Deleted sentence: “Governing Bodies may not use their delegated budgets to support the further education which they are now empowered to provide by Section 12 of the Further and Higher Education Act 1992 (see section 12(6) of that Act)”.

Section 4.14 – Added sentence: “The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

These provisions would not affect expenditure from any capital allocation made available by the local authority outside the delegated budget share”.

Section 4.15 – Added sentence: “Where the local authority has issued a notice of concern the notice will be withdrawn once the governing body has

complied with the requirements imposed”.

Section 4.16 – Added sentence: “Schools should submit their SFVS to the local authority no later than the 31 March”.

Section 5 – Added sentence: “The Local Authority has adopted the “CIPFA Code of Practice for Treasury Management in Local Authorities”.

Section 5.2 – Added to sentence: “if the school chooses to remain with the Council’s own payroll service”.

Section 5.8 – Added sentence: “From time to time, the Secretary of State may introduce limited schemes in order to meet broader policy objectives”.

Deleted sentence: “currently including the Salix scheme, which is designed to support energy saving”.

Section 6.5 – Deleted sentence: “Schools may only plan for a deficit budget in Extreme Circumstances and in accordance with the terms of section 4.9 below”.

Added sentence: “Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% as at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2022”.

Section 6.8 – Added sentence: “Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes”.

Deleted sentence: “When a school closes, any balance (whether surplus or deficit) shall revert to the LA; it cannot be transferred as a balance to any other a school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010”.

Section 6.10 – Amended sentence: “Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be permitted for the funding of a deficit that has arisen because a school’s recurrent costs exceed its current income. Existing loans given to schools will be honoured on their existing terms and conditions”.

Section 8.3 (ix) – Amended sentence: “Correction of LA errors in calculating charges to a budget share, (e.g. pension deductions) where the correction is deemed reasonable. for example, pension deductions. Before applying any such provision, the local authority should consider whether it is reasonable to do so. If the error dates back several years it may be questionable whether such charging is reasonable”.

(xv) – Amended sentence: “Costs incurred by the authority in securing

provision specified in an education, health and care (EHC) plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN or specific funding for a pupil with High Needs”.

Section 9.1 – Added sentence: “This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings”.

Section 10.4 – Added sentence: “This excludes centrally arranged premises and liability insurance”.

Section 12 – Added sentence: “The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier. Instead of taking out insurance, a school may join the Secretary of State’s Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires. Primary and/or secondary maintained schools may join the RPA collectively by agreeing through the schools forum to de-delegate funding”.

Section 13.2 – Added sentence: “An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of local authority advice as to financial management”.

Section 13.4 – Amended sentence: “Legal costs incurred by the governing body may be charged to the school’s budget share, unless the governing body acts in accordance with the advice of the local authority; although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings”. “The costs referred to are those of legal actions, including costs awarded against a local authority; not the cost of legal advice provided”.

Section 15.5 – Added sentence: “and, if the authority sees fit, to require the submission of a recovery plan for the activity in question”.

Section 15.6 – New section: “Schools are required to 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. This requirement extends to access to records of funding arrangements with third parties. When concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools are required to ensure that such agreements contain adequate provision for access by the local authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the authority to satisfy itself as to the propriety of expenditure on the facilities in question”.

- Section 15.7 – Amended sentence: “Schools may retain all net income derived from Community Facilities except where otherwise agreed with a funding provider, whether that be the local authority or some other person”.
- Section 15.8 – Added sentence: “Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner”.
- Section 15.9 – New section: “It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power. Details of these arrangements should be included in the formal consultation material sent to the LA. The LA will not be able to offer this insurance under an SLA arrangement.

Schools proposing to provide Community Facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice as necessary.

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

The local authority will 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. Such a provision is necessary in order for the local authority to protect itself against possible third-party claims.

Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA”.

Section 15.9 – Deleted

Section 15.10 – Deleted

Annex B – Amended sentence: “Costs of early retirements or redundancies may only be charged to the central school services block part of the School’s Budget, as a historic commitment, where the expenditure is to be incurred as a result of retirement and redundancy charges agreed before 1st April 2013. Costs may not exceed the amount budgeted in the previous financial year”.

(7)(b) – Amended sentence: “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 local 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”.

Annex C – New addition.

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