

# **Scheme for Financing Schools**

*September 2021*

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## 1. INTRODUCTION

### 1.1. THE FUNDING FRAMEWORK

- 1.1.1. The Barnet Local Authority Scheme for Financing Schools (the scheme) is based on the funding framework which replaces Local Management of Schools and is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (“the Act”).
- 1.1.2. Under this legislation, Local Authorities (LAs) determine for themselves the size of their schools’ budget and their non-schools education budget – although at a minimum a Local Authority (LA) must appropriate its entire Dedicated Schools Grant to their schools budget.
- 1.1.3. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State; but included within the two, taken together, is all expenditure, direct and indirect, on a LAs maintained schools except for capital and certain miscellaneous items.
- 1.1.4. LAs may deduct funds from their schools’ budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure).
- 1.1.5. The amounts to be deducted for these purposes are decided by the LA concerned, subject to any limits or conditions (including gaining the approval of their schools’ forum or the Secretary of State in certain instances) as prescribed by the Secretary of State.
- 1.1.6. The balance of the schools’ budget left after deduction of the centrally retained expenditure is termed the individual schools budget (ISB). Expenditure items in the non-schools’ education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.7. LAs must distribute the ISB amongst their maintained schools using a formula, which accords with regulations made by the Secretary of State, and it enables the calculation of a budget share for each maintained school.
- 1.1.8. This budget share is then delegated to the governing body (GB) of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act.
- 1.1.9. 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.

- 1.1.10. All proposals to revise the scheme must be approved by the schools' forum, though the LA may apply to the Secretary of State for approval in the event of the schools' forum rejecting a proposal or approving it subject to modifications that are not acceptable to the LA.
- 1.1.11. Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school, and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act.
- 1.1.12. Section 50 has been amended to provide that amounts spent by a GB on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act).
- 1.1.13. The LA may suspend a school's right to a delegated budget if the provisions of the LA's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily.
- 1.1.14. A school's right to a delegated budget share may also be suspended for other reasons (under schedule 17 to the Act).
- 1.1.15. The LA 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 LA must publish a statement showing outturn expenditure.
- 1.1.16. The detailed publication requirements for financial statements are set out and follow directions issued by the Secretary of State
- 1.1.17. A copy of each year's budget and outturn statement is accessible to all schools.
- 1.1.18. Regulations also require the LA to publish its scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

## **1.2. THE ROLE OF THE SCHEME**

- 1.2.1. The scheme sets out the financial relationship between the LA and the maintained schools which it funds and describes requirements relating to financial management and associated issues, binding both on the LA and on Schools.

## **1.3. APPLICATION OF THE SCHEME TO THE LA AND MAINTAINED SCHOOLS**

- 1.3.1. The provision of the scheme applies to all schools maintained by Barnet. A schedule of such schools is shown in Annex A.

- 1.3.2. The scheme covers all community, nursery, special, voluntary, foundation (including trusts), foundation special schools and pupil referral units (PRUs) maintained by the LA, whether they are located within its boundaries or elsewhere. It does not apply to schools located in its area maintained by another LA, nor does it apply to academies.

#### **1.4. PUBLICATION OF THE SCHEME**

- 1.4.1. The LA will supply copies to the GB and Head teacher of each school covered by the scheme. The LA also undertakes to make this document generally available by placing it on its website.
- 1.4.2. The LA undertakes to notify each such school of any approved revisions to the scheme. Any revisions will be published on the Council's website on the date they are due to come into force.

#### **1.5. REVISION OF THE SCHEME**

- 1.5.1. Any proposed revisions to the Scheme will be the subject of consultation with the GB and the head teacher of every school maintained by the LA before they are submitted to the schools forum for approval.
- 1.5.2. All proposed revisions must be submitted to the schools' forum for approval by members of the forum representing maintained schools. Where the schools' forum does not approve them, or approves them subject to modifications which are not acceptable to the LA, the LA may apply to the Secretary of State for approval.
- 1.5.3. It is also possible for the Secretary of State to make directed revisions to the Scheme after consultation. Such revisions become part of the scheme from the date of direction.

#### **1.6. DELEGATION OF POWERS TO THE HEAD TEACHER**

- 1.6.1. Schools' governing bodies must formally consider the extent to which financial powers should be delegated to the head teacher and record its decisions (and any subsequent revisions) in its minutes of the GB. There are some powers which are not permitted to be delegated to head teacher. The first formal budget plan of each financial year must be approved by the GB or by a committee of the GB. The LA can only suggest to the schools what might be a desirable level of delegation to head teachers.
- 1.6.2. Head teachers are responsible to the GB for the management of the schools' budget share within the parameters set by the GB and such regulations that apply from time to time.

## **1.7. MAINTENANCE OF SCHOOLS**

- 1.7.1. The LA 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 GB) and in the case of a foundation or foundation special school where there is a power but not a duty to meet capital expenditure). Part of the way a LA maintains Schools is through the funding system put in place under s.45 to s.53 of the Standards and Framework Act 1998.

## **2. FINANCIAL CONTROLS**

### **2.1. APPLICATION OF FINANCIAL CONTROLS TO SCHOOLS**

- 2.1.1. Schools must comply with the LA's requirements in the management and monitoring of their delegated budgets. This includes those requirements within this scheme, and those obligations contained in more detailed publications referred to in the scheme.

### **2.2. PROVISION OF FINANCIAL INFORMATION AND REPORTS**

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

### **2.3. PAYMENT OF SALARIES & PAYMENT OF BILLS**

- 2.3.1. The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the LAs payroll system.
- 2.3.2. Where payroll services are carried out by the LA provider, the payment of all salaries, wages, pensions and other emoluments to employees or former employees of the LA shall then be made by the Chief Finance Officer, under arrangements approved and controlled by him/her. Each head teacher shall notify the Chief Finance Officer as soon as possible, in a prescribed form, of all matters affecting payment of emoluments.
- 2.3.3. If the payroll service is carried out by the school or an external provider, all statutory returns are completed and/or signed by the school. Any penalties levied by HM Revenue & Customs (HMRC) for non-compliance are a charge against the schools' budget share.
- 2.3.4. From 1st November 1998, the Late Payment of Commercial Debts (Interest) Act 1998 came into force. The Act is aimed at imposing severe penalties upon organisations which fail to pay their bills on time.

2.3.5. The responsibility for meeting interest costs of any late payments, when claimed, will fall to the school who are deemed not to process the respective invoice on time and make payment in time.

2.3.6. Schools will be expected to treat invoices from the LA and other LA service providers in the same way as external providers. Any delay in payment may be subject to interest charges in the same manner as described above.

#### **2.4. CONTROL OF ASSETS**

2.4.1. Each school is required to maintain an inventory of its movable non-capital assets with a value more than £1,000 in a form that may be specified by the LA. It should also set out the basic authorisation procedures for disposal of assets. Schools can determine their own arrangements for assets worth less than or equal to £1,000 but must keep a register in some form.

2.4.2. Schools are encouraged to register anything that is portable and attractive, such as a camera or a tablet.

#### **2.5. ACCOUNTING PROCEDURES (including year-end procedures)**

2.5.1. All maintained Schools must abide by procedures issued by the LA on accounting policies and year-end procedures, which includes both revenue and capital.

#### **2.6. WRITING OFF DEBTS**

2.6.1. GBs may write off its debts, for which all reasonable cost-effective recovery action has been demonstrated to have been taken, within the limit of £500. Beyond that limit it shall inform the LA before taking such action.

2.6.2. It is a requirement of the scheme that schools draw up a policy for dealing with debts, including the eventuality of writing off any debts.

#### **2.7. BASIS OF ACCOUNTING**

2.7.1. The accounts are prepared adopting the accruals basis, where the revenue statement recognises all income and expenditure for goods and services received/discharged as at 31 March, including those items of income and expenditure, where cash settlements occur after year end. It is a requirement of the scheme that schools provide annual reports and accounts, including forecasts, to the LA on an accruals basis. Quarterly reports may be on either an accruals or cash basis.

2.7.2. Schools can choose their own reporting platforms, provided they meet the costs of modification to generate output specified by the LA.

#### **2.8. SUBMISSION OF BUDGET PLANS**

2.8.1. The LA requires Schools to set an approved balanced budget. Schools cannot set; and GBs cannot approve deficit budgets.

- 2.8.2. The LA will provide annual budget share information to each school and guidance on planning assumptions by no later than the 28 February preceding the start of the next financial year. Budget share information will be updated quarterly.
- 2.8.3. It is a requirement of the scheme that each school must submit an annual budget to the LA by no later than 30 May of that financial year. This budget should have been ratified by the full GB and signed by the Chair of Governors. The budget should set out the school's intended expenditure for the financial year and the assumptions which underlie it. Any amendments to the may be submitted quarterly.
- 2.8.4. Forecasts will be used in conjunction with the LAs balance control mechanism and in the assessment of the SFVS of each school.
- 2.8.5. Schools' total planned expenditure for the financial year shall not exceed the budget share, plus or minus amounts carried forward from the previous year, plus any external income receivable, and any in-year adjustments which may be made in accordance with the scheme for financing of schools. Full account must be taken of estimated deficits or surpluses as at the end of the previous financial year in schools' budget plans.
- 2.8.6. Where, due to unforeseen circumstances, a school cannot set a balanced budget, they must inform the LA immediately and seek further guidance.
- 2.8.7. The LA will provide guidance on and specify the format of the budget plan. Budgets should be in a format prescribed and advised by the LA in line with the CFR framework.

## **2.9. SUBMISSION OF FINANCIAL FORECASTS**

- 2.9.1. Schools are required to submit an annual three-year budget forecast alongside the annual budget by 30 May.
- 2.9.2. These forecasts will assist the LA in supporting the school's position in achieving the SFVS.

## **2.10. SCHOOL RESOURCE MANAGEMENT**

- 2.10.1. Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning to maximise pupil outcomes. Schools should consider the LA's purchasing, tendering and contracting requirements
- 2.10.2. It is for heads and governors to determine at school level ho to optimise the use of resources and maximise value for money.
- 2.10.3. There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and consider how to make improvements.

## **2.11. VIREMENT**

2.11.1. The scheme allows schools to vire freely between budget heads in the expenditure of their budget shares, except for earmarked funding.

#### **2.12. AUDIT: GENERAL**

2.12.1. Schools shall be a part of the internal and external audit arrangement of the LA as determined by the Chief Finance Officer for internal audit and determined by the Local Audit and Accountability Act 2014 for external audit.

2.12.2. It is a requirement of the scheme that schools co-operate with all requirements of the auditors - both internal and external - and provide full access to the school's records.

#### **2.13. SEPARATE EXTERNAL AUDITS**

2.13.1. The scheme permits the GB of each school to charge expenditure from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. This is to allow schools to seek an additional source of assurance at their own expense.

#### **2.14. AUDIT OF VOLUNTARY AND PRIVATE FUNDS**

2.14.1. The scheme requires schools to provide audit certificates in respect of voluntary and private funds held by schools and the accounts of any trading organisations controlled by schools.

2.14.2. The purpose of this requirements is to allow the LA to satisfy itself that public funds are not being misused. A school refusing to provide audit certificates to the LA as required by the scheme is in breach of the scheme and the LA may act on that basis.

#### **2.15. REGISTER OF BUSINESS INTERESTS**

2.15.1. The scheme requires the GB of each school to establish a register which lists for each member of the GB and the head teacher:

- Any business interests they or any member of their immediate family have
- Details of any other educational establishments that they govern
- Any relationship between the school staff and members of the GB

2.15.2. The register must be kept up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents and the LA, and to publish the register, such as a publicly accessible school website.

## **2.16. PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS**

2.16.1. The scheme requires each school to abide by the LA's financial regulations and standing orders in respect of purchasing, tendering and contracting matters. This includes assessment of the health and safety competence of contractors, taking account of the LA's policy and procedures.

2.16.2. The financial regulations and standing orders will not apply where they would require schools:

- To do anything incompatible with any of the provisions of the scheme, or any statutory provision, or anything which does not comply with The Public Contracts Regulations.
- To seek the Chief Finance Officer or his/her representative countersignature for any contracts for goods or services for a value below £60,000 in any one year
- To select suppliers only from an approved list
- Or would permit schools to seek fewer than three tenders or quotations in respect of any contract with value exceeding £10,000 in any one year

2.16.3. For details on the quotation and tendering arrangements, schools should access the LAs Contract Standing Orders and Financial Regulations in the Council's Constitution. Please use links below or by copying and pasting into browsers if links don't work.

<https://www.barnet.gov.uk/sites/default/files/assets/citizenportal/documents/councilanddemocracy/SContractProcedureRulesrevised51113.pdf>

<https://barnet.moderngov.co.uk/documents/s27865/Appendix%20F%20-%20Financial%20Regulations.pdf>

2.16.4. Schools may seek advice on a range of compliant deals via deals for schools website.

<https://www.gov.uk/government/publications/deals-for-schools/deals-for-schools>

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

## **2.17. APPLICATION OF CONTRACTS TO SCHOOLS**

2.17.1. Schools have the right to opt out of LA arranged contracts.

- 2.17.2. GBs should be aware that they are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts and in most cases, they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share.
- 2.17.3. Other contracts may be made solely on behalf of the GB, when the GB has clear statutory obligations - for example, contracts made by aided or foundation schools for the employment of staff.

## **2.18. CENTRAL FUNDS AND EARMARKING**

- 2.18.1. The LA is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from schools' budget share. These allocations will be subject to conditions setting out the purpose for which these funds can be used; these conditions do not exclude virements, except for where the funding is supported by a specific grant which the LA itself is not permitted to vire.
- 2.18.2. The scheme requires that such earmarked funding (for example SEN initiatives) from centrally retained funds is spent only on the purpose for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. The school is expected to demonstrate that this requirement has been met in its accounting arrangements.
- 2.18.3. Earmarked funds must be returned to the LA if not spent within any period stipulated by the LA over which schools can use the funding.
- 2.18.4. The LA cannot make any deduction, in respect of interest costs, from payments to schools of a devolved specific grant.

## **2.19. SPENDING FOR THE PURPOSES OF THE SCHOOL**

- 2.19.1. Section 50(3) of the School Standards and Framework Act allows GBs to spend budget shares for the purposes of the school. This is subject to regulations made by the Secretary of State and any provisions of this scheme.
- 2.19.2. By section 50(3A) amounts spent by GBs on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.
- 2.19.3. Under section.50 (3)(b), the Secretary of State may prescribe additional purposes for which expenditure of the budget share may be used. This is done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

## **2.20. CAPITAL SPENDING FROM BUDGET SHARES**

- 2.20.1. The GB of each school can use sums from their budget share to meet the cost of capital expenditure on their school premises. This includes expenditure by the GB of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Act. Schools should refer to the guidance issued by the LA on definitions of capital and capitalisation
- 2.20.2. However, in line with LA processes, schools are required to use any external capital grant funding first; including Devolved Formula Capital (DFC) allocations; only then utilising sums from their budget share. This will also ensure that any unused DFC will not be clawed back by the DfE.
- 2.20.3. On an annual basis schools will be required to report to the LA on how they intend to spend their DFC and any other funds available for capital works.
- 2.20.4. This includes expenditure by the GB of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Act.
- 2.20.5. These provisions allow schools to meet responsibilities under Schools Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and Building Regulations 2010.
- 2.20.6. The LA requests that any proposed capital spending from the budget share and/or balance brought forward which, in any one year, exceeds £50,000, should be notified to the LA. Where the premises are owned by the LA, the GB must first seek its consent of the to the proposed works, but such consent can be only withheld on health and safety grounds.
- 2.20.7. Annex B provides guidance on the distinction between revenue and capital.

## **2.21. LEASING ARRANGEMENTS**

- 2.21.1. Schools wishing to spread the cost of purchasing large items (e.g. computer systems) over many years may enter into lease agreements. Finance leases are not permitted by financial regulations, as this is deemed to be borrowing; Schools may only enter operating leases. Schools must contact the LA if any doubt as to the precise legal nature of the lease.
- 2.21.2. Schools need to take their own steps to have assurance that any leasing agreements entered are not construed to be finance leases.

## **2.22. NOTICE OF CONCERN**

- 2.22.1. The LA may issue a notice of concern to the GB of any maintained school 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 LA or the school.

2.22.2. The LA is to ensure that the notice sets out the reasons and evidence for it being made and may place on the GB restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

2.22.3. These may include:

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

2.22.4. The notice must clearly state these requirements and the manner and timescales for compliance to allow it to be withdrawn. The notice must also state the actions that the LA may take where the GB is not being compliant.

2.22.5. The notice is not to be used as a substitute for withdrawal of financial delegation where this is judged to be the appropriate course of action by the LA.

2.22.6. The LA is expected to withdraw the notice once it is satisfied that the GB has complied with all the imposed requirements.

## **2.23. WITHDRAWAL OF DELEGATED BUDGET**

2.23.1. In those circumstances where the LA considers that it is essential to suspend a school GB's right to a delegated budget, the resultant action will be guided by the principles detailed below:

- (a) As a preferred option, the LA will always aim to work in partnership with the GB to achieve a collaborative approach to the resolution of the problem which always puts the interests of the school and its pupils and students first.
- (b) The suspension of delegation will be reviewed jointly by the Executive Director, Children's Services and the Chief Finance Officer at termly intervals and the LA will always aim to work with the GB to restore delegation as early as possible.
- (c) Under the SSAF Act 1998 or the Education & Inspections Act 2006, the LA is required to review each current suspension before the beginning of each financial year (unless the suspension was imposed less than two months before the beginning of the financial year in question). The LA may (without prejudice to the annual review requirement) also carry out optional in-year reviews and, if appropriate, restore delegation without awaiting the beginning of the next financial year.
- (d) In withdrawing delegation, the LA will indicate to the GB the actions and outcomes which it would expect to see before delegation was restored.
- (e) Officers from Schools Improvement team will ensure close liaison and co-ordination with each other and the school to facilitate speedy corrective action.
- (f) The school will continue to be funded at the level of its budget share as determined by the LAs funding formula and this funding will be used by the LA to implement the corrective action.

#### **2.24. SCHOOLS FINANCIAL VALUE STANDARD (SFVS)**

- 2.24.1. All maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form. Internal audit may test the responses during their normal cycle of work.
- 2.24.2. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.
- 2.24.3. All maintained schools with a delegated budget must submit the form to the LA before the end of financial year.
- 2.24.4. The Chief Finance Officer reports on the submission of completed returns to the DfE for monitoring purposes.

#### **2.25. FRAUD**

- 2.25.1. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
- 2.25.2. The GB and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them and the consequences of breaching those controls. This information must also be included in the induction for new school staff and governors. There must be a school's whistle-blowing policy.
- 2.25.3. The LA's own policy on whistleblowing can be viewed at:  
[https://www.barnet.gov.uk/sites/default/files/whistleblowing\\_policy\\_statement\\_2018\\_.pdf](https://www.barnet.gov.uk/sites/default/files/whistleblowing_policy_statement_2018_.pdf)

### **3. INSTALMENTS OF BUDGET SHARES: BANKING ARRANGEMENTS**

#### **3.1. FREQUENCY OF INSTALMENTS**

- 3.1.1. The LA has adopted the CIPFA Code of Practice for Treasury Management in LAs. For this section, budget shares include any place-led funding for special schools or Pupil Referral Units.
- 3.1.2. Schools are to be paid 13 instalments over 12 months. 2/13's of the payment is paid in month 1 followed by 1/13 for the following 11 months. The instalment will be made on or around the 15th of the month.
- 3.1.3. Top up payments for children and pupils with high needs are to be paid monthly, unless alternative arrangements have been agreed with the provider.
- 3.1.4. Where the LA is administering payroll, the LA can ask the school to take up the option of receiving its budget share before deduction for payroll costs.

#### **3.2. PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT**

- 3.2.1. Where payroll services are carried out by the LA, schools will only receive that proportion of their budget share after deduction of actual payroll costs for the previous month. Where payroll costs exceed budget share instalments, no sum will be paid to the school. The shortfall will be recovered by monthly invoicing.
- 3.2.2. Schools are expected to settle invoices promptly according to the LA's terms. Schools should direct all payroll queries to the LA's payroll provider.

#### **3.3. INTEREST CLAWBACK**

- 3.3.1. The LA does not charge schools interest for budget share instalments paid in advance.

#### **3.4. INTEREST ON LATE BUDGET SHARE PAYMENTS**

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

3.4.2. **BUDGET SHARES FOR CLOSING SCHOOLS**

3.4.3. Budget shares will continue to be made to those schools where it has been agreed they will close or amalgamate or close to convert to an academy. Budget shares will be made monthly up until the point the school closes, and the school will have to account for all cash payments made at the point of closure and any subsequent payments that need to be made and the accounts updated accordingly.

**3.5. BANK AND BUILDING SOCIETY ACCOUNTS**

3.5.1. All schools can have their budget share paid into an external bank account with a financial institution approved by the Chief Finance Officer. Any interest earned from such an account will be retained by the school. The account must be in the name of the school. Money paid by the LA and held in such accounts remains LA property until spent (s.49(5) of the Act). The list of approved institutions is available from the LA. See Annex C.

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

3.5.3. The scheme gives schools the right to choose its own banker subject to the choice being consistent with the LAs Treasury Management Policy. These are listed in Annex C. The list is reviewed and revised periodically to ensure it is consistent with policy.

3.5.4. Only accounts with an approved bank or building society may be held with the purpose of receiving budget share payments and other income and holding reserves. Schools must review their choice of banker annually each spring term to ensure it conforms to the approved list for the following financial year.

3.5.5. The scheme allows schools to have accounts for budget share purposes in their own name. However, if a school has such an account the scheme should require that the account mandate provides that the LA is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the LA. The LA will continue to have arrangements negotiated with certain banks from time to time whereby the accounts are in the name of the LA but specific to each school and will continue to offer such arrangements to schools.

3.5.6. Should a school open an external bank account, the LA must be named as the owner of the account, be entitled to receive statements on request and, in the event of the LA

withdrawing a school right to a delegated budget, control of the account is transferred to the LA.

### **3.6. BORROWING BY SCHOOLS**

- 3.6.1. GBs are only allowed to borrow money (which includes the use of finance leases) solely upon and with the written permission of the Secretary of State. The Secretary of State's general position is that Schools will only be granted permission for borrowing in exceptional circumstances.
- 3.6.2. The Secretary of State may at any time, introduce limited schemes of borrowing to meet broader policy objectives. These do not require specific approval. Currently, the Secretary of State has made available the Salix Scheme, which is designed to support energy saving:  
  
<http://salixfinance.co.uk/loans/>.
- 3.6.3. Schools can borrow from the LA in limited circumstances for defined purposes without permission from the Secretary of State (see section 4.10).
- 3.6.4. Schools may use LA credit or charge cards. However, no interest charges should be incurred by the school, with balances fully cleared monthly. The LA may charge Schools using credit or charge cards, an administration fee.
- 3.6.5. Schools are encouraged to use procurement cards as these cards can be a useful means of facilitating electronic purchasing to ensure best value for money.
- 3.6.6. Schools are not allowed the use of a debit card where they have a bank account consolidated to the LAs account. A School with an external bank account must inform the LA of their intention to apply for a debit card and obtain approval of the controls for the use of the debit card facility prior to applying to their bank account provider.

### **3.7. OTHER PROVISION**

- 3.7.1. Schools may use their cheque books to make payments for all items related to the delegated and earmarked budget.
- 3.7.2. Where a school uses the LA payroll system, expense claims from school employees (e.g. car mileage) must be processed through payroll to ensure that any statutory deductions for national insurance, etc. are made from the individual's salary.

- 3.7.3. Schools are required to make monthly reconciled VAT returns to the LA. VAT returns should be made in accordance with the schedule issued each year by the LA. Any such loss of interest or charges on late returns are chargeable to a school's budget.
- 3.7.4. Schools may send in monthly bank reconciliation returns to the LA. However, Schools are expected to perform monthly bank account reconciliations and be required to make quarterly returns in the format determined by the LA.

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

##### **4.1. THE RIGHT TO CARRY FORWARD SURPLUS BALANCES**

- 4.1.1. Schools can carry forward from one financial year to the next any shortfall in expenditure relative to their budget share for the year, plus or minus any balance brought forward from the previous year. This is subject to controls on surplus balances (see below). A school's balance at the 1st April of any financial year is equal to the balance as at the 31st March in the previous financial year.
- 4.1.2. Where a school opens a new bank account, the amount provisionally transferred must be agreed with the LA having regard for immediate liabilities on an agreed date, subject to a later reconciliation.
- 4.1.3. Schools are reminded of the necessity of differentiating between revenue and capital balances, and to ensure that these are not aggregated for budget-setting purposes. (see sections 2.20, 12.2 and Annex B).
- 4.1.4. The amount of surplus balance will need to be shown in the relevant outturn statement published in the CFR, together with a note of commitments.

##### **4.2. CONTROLS ON SURPLUS BALANCES**

- 4.2.1. Schools should earmark budget surpluses for specific future needs. This is to ensure that pupils benefit from a planned approach to spending that is fully resourced each year. These earmarked surpluses should be clearly linked to the school development plan in the same way as the annual budget. GBs must report to the LA on the use to which schools intend to use surplus balances.
- 4.2.2. The LA does not intend to introduce a provision to consider surpluses in calculating schools budget shares.
- 4.2.3. Surplus balances held by schools as permitted under this scheme are determined and subject to the following steps:

- (a) The LA shall calculate by 30<sup>th</sup> April each year the surplus balance, if any, held by each school as at the preceding 31<sup>st</sup> March. For this purpose, the balance will be the recurrent balance as defined in the CFR Framework.
  - (b) The LA shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance.
  - (c) The LA shall then deduct from the resulting sum any amounts which the GB of the school has declared to be assigned for specific purposes permitted by the LA, and which the LA is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the LA. In considering whether any sums are properly assigned the LA may also consider any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
  - (d) If the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then that amount will be deemed to be the excess.
- 4.2.4. Funds deriving from sources other than the LA will be considered in this calculation if paid into the budget share account of the school, whether under provisions in this Scheme or otherwise.
- 4.2.5. Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be considered unless added to the budget share surplus by the school as permitted by the LA.
- 4.2.6. Schools must provide evidence of all commitments against any surplus balance in accordance with the guidance to the LA by no later than 30th June following the end of the financial year of the declared surplus.
- 4.2.7. For defined surpluses above 5% of a school's budget share for secondary and 8% for primary and special, any sums for which no or insufficient evidence is received by the due date, may be clawed back by the LA.

#### **4.3. INTEREST ON SURPLUS BALANCES**

- 4.3.1. The scheme does not provide for interest on surplus balances held by the LA on behalf of GBs in view of declining balances and low interest rates. This will be reviewed annually.

#### **4.4. OBLIGATION TO CARRY FORWARD DEFICIT BALANCES**

- 4.4.1. The scheme allows schools to incur deficit balances in a financial year, provided such deficits be deducted from the following year's budget share.

- 4.4.2. Where they occur, deficit balances will be shown on outturn statements published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

#### **4.5. PLANNING FOR DEFICIT BUDGETS**

- 4.5.1. The Scheme does not allow GBs to plan and approve a deficit budget for their school in any financial year. Exceptionally, deficit budgets may be only allowed and approved by the LA in certain defined circumstances (see section 4.9).
- 4.5.2. In such cases, the GB shall be required to formally notify in writing, the Executive Director, Children's Services and the Chief Finance Officer of the plan to recover such a deficit in the new financial year by adjustment to that year's budget.
- 4.5.3. Where a school is in financial difficulty, the LA will determine what financial monitoring system is to be used by the school

#### **4.6. CHARGING OF INTEREST ON DEFICIT BALANCES**

- 4.6.1. The LA will not charge interest on deficit balances.

#### **4.7. WRITING OFF DEFICITS**

- 4.7.1. The LA cannot write off the deficit balance of any school.

#### **4.8. BALANCES OF CLOSING AND REPLACEMENT SCHOOLS**

- 4.8.1. The LA may add an amount to the budget share of the new and enlarged school to reflect all or part of the unspent budget share of the closing school. This may occur when a school has been established or is subject to a prescribed alteration because of the closure of a school within a funding period.
- 4.8.2. This amount added will include any surplus carried over from previous funding periods of the closing school for the funding period of closure and opening of the new and enlarged school.

#### **4.9. LICENSED DEFICITS**

- 4.9.1. Schools may be exceptionally allowed by the LA, to plan for a deficit budget, where planned expenditure exceeds anticipated income including surpluses brought forward. This dispensation is termed a licensed deficit.
- 4.9.2. Where a school is experiencing demonstrable cash flow difficulties, the head teacher may apply to the LA to have one month of budget share in advance, while applying for a licensed deficit.
- 4.9.3. Funding for licensed deficit arrangements are from the collective surplus of school balances held by the LA on behalf of schools. The maximum proportion of the collective balances cannot exceed 40% where used to fund such arrangements. This proportion

includes loan agreements between the schools and the LA to fund capital expenditure (see section 4.10).

- 4.9.4. Balances held by schools in external bank accounts remain the property of the LA (if initially made available by the LA) and therefore may legally be considered by the LA in assessing the total level of licensed deficit support to give to schools. The Secretary of State expects schools to be asked on their views on allowing the LA to take these bank accounts into such calculation.
- 4.9.5. The minimum size of an agreed deficit will be £10,000 and the maximum will be 10% of a secondary or 20% of a primary or special school's budget in the year of application;
- 4.9.6. In exceptional cases, schools may be allowed to anticipate their budget share over a period of more than one year. In this case, the LA will not recover the full amount of the anticipated deficit as a first charge on the following year's budget, but will recover the full amounts over a set period agreed with the school. There will be an absolute limit of three years on any continuous period during which the school's budget can remain in deficit, before returning to a balanced position.
- 4.9.7. Schools are required to provide an agreed recovery plan. This should be signed off by the LA and the GB. The GB and the Headteacher are to be responsible and accountable for the delivery of the plan. Schools are required to submit tracking evidence of recovery plans to the LA at frequent specified intervals. There are additional conditions to submit monthly budget monitoring reports with cash flow forecasts during the period of recovery.
- 4.9.8. However, should a school fail to honour its agreement with the LA in any way (for example, by increasing its end of year deficit above the level agreed), then, at the LAs discretion, the full amount outstanding will be recovered as a first charge from the school's allocation for the following financial year.
- 4.9.9. Provided the school presents evidence of proper planning, the purposes for which deficits may be agreed are as follows:
  - Where there is a significant unavoidable budget reduction, it is agreed by the LA that a corresponding reduction in expenditure is unachievable within the same financial year.
  - Where there has been unavoidable expenditure during the year and it is agreed by the LA that it cannot be reasonably met from the school's resources within the same financial year. There must be evidence that the expenditure was unavoidable.
- 4.9.10. Deficit arrangements may only be agreed based on the anticipated budget share being insufficient to sustain the projected annual expenditure of the school.
- 4.9.11. Deficit arrangements will need to be agreed by both the Executive Director, Children's Services and the Chief Finance Officer.

4.9.12. Under a Licensed Deficit Scheme, the only effect on budget and outturn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share. This reduces to zero by the end of the recovery period because the school has constrained its expenditure to restore a balanced outturn position. There is no payment to the school by the LA. In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

#### **4.10. LOAN SCHEMES**

- 4.10.1. Loans will only be granted by the LA to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.
- 4.10.2. All such loans are subject to the agreement of the Executive Director, Children's Services and the Chief Finance Officer. Loan applications will be considered on a school by school basis.
- 4.10.3. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income including brought forward surpluses.
- 4.10.4. If loans are made to fund a deficit, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy school.
- 4.10.5. Funding for loan arrangements are from the collective surplus of school balances held by the LA on behalf of schools. The maximum proportion of the collective balances cannot exceed 40%, where used to fund such arrangements. This proportion includes licensed deficit agreements between the schools and the LA. See section 4.9.
- 4.10.6. Balances held by schools in external bank accounts remain the property of the LA (if initially made available by the LA) and therefore may legally be considered by the LA in assessing the total level of loan support to give to schools. The Secretary of State expects schools to be asked on their views on allowing the LA to take these bank accounts into such calculation.
- 4.10.7. The minimum size of an agreed loan will be £10,000 and the maximum will be 10% of a secondary or 20% of a primary or special school's budget in the year of application.
- 4.10.8. There will be an absolute limit of three years on any continuous period during which the school remains indebted before full repayment, including any levied interest charges that may be agreed between the school and the LA.

4.10.9. The LA will disclose in its budget statements the amount centrally retained as a devolved payment to Schools. The Loan payment will appear in the statement of accounts at outturn.

#### **4.11. CREDIT UNION APPROACH**

4.11.1. The LA does not currently recognise a credit union approach. Schools wishing to adopt this approach should contact the Executive Director, Children's Services.

### **5. INCOME**

5.1.1. The scheme generally allows schools to retain their income.

#### **5.2. INCOME FROM LETTINGS**

5.2.1. Schools may retain all income from lettings of the school premises that would otherwise accrue to the LA, subject to any alternative provisions arising from any joint-use or Private Finance Initiative (PFI) agreement. Schools can cross-subsidise lettings for community and voluntary use with income from other lettings, provided the GB is satisfied that this will not interfere to a significantly with the performance of any duties imposed by the Education Acts. This includes the requirement to conduct the school in such a way to promote high standards of educational achievement.

5.2.2. Schools are required to consider any directions issued by the LA, on the use of school premises owned by the LA, as permitted under the School Standards and Framework Act 1998 for various categories of Schools. All schools are recommended to produce an annual hiring and letting policy, ratified by the GB.

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

#### **5.3. INCOME FROM FEES AND CHARGES**

5.3.1. The Scheme allows schools to retain income from fees and charges, except where a service is provided by the LA from centrally retained funds.

5.3.2. Schools are required to consider policy statements on charging produced by the LA.

5.3.3. Any income raised through private lettings must be paid into the school's main bank account. Private lettings should not displace agreed community lettings; however, Schools may find it advantageous to have private lettings take place alongside their community lettings to reduce costs.

- 5.3.4. Income from boarding charges is collected on behalf of the LA and should not exceed the cost of providing board and lodging for the pupils concerned.
- 5.3.5. Under elections legislation, community and voluntary aided schools are obliged to make accommodation available for polling stations. The LA policy is that, if possible, schools should remain open on the day of the election. Schools are reimbursed directly by the LA for the costs incurred in making accommodation available for polling stations.
- 5.3.6. Any costs incurred by the school for emergency plan purposes will be reimbursed by the LA.

#### **5.4. INCOME FROM FUND-RAISING ACTIVITIES**

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

#### **5.5. INCOME FROM THE SALE OF ASSETS**

- 5.5.1. Schools may retain the proceeds from the sale of assets except in cases where the asset was purchased with non-delegated funds, in which case the LA will decide whether the school should retain the proceeds. If the asset is land or buildings forming part of the school premises and is owned by the LA the proceeds must be paid to the LA.
- 5.5.2. The retention of disposal proceeds of the land or buildings of the school not owned by the LA is outside the scope of the Scheme.

#### **5.6. ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME**

- 5.6.1. Any income generated from the use of school premises collected in relation to expenditure that has been incurred from the school delegated budget should be credited to an appropriate budget heading within the school delegated budget.
- 5.6.2. Schools should have GB approved procedures for income collection and banking. Such procedures for the collection of income that consider the following matters:
- Separation of, as far as practicable, the responsibility for identifying sums due to the school from the responsibility for collecting and banking such sums;
  - Where invoices are required they must be issued promptly;
  - The issuing of official, pre-numbered, receipts or the maintenance of other formal documentation for all income collected;
  - Transfers of cash between staff must be receipted;
  - Receipts, tickets and other records of income must be securely retained;

- Cash and cheques must be locked away to safeguard against loss or theft;
- All income collections (including donations), in their entirety must be paid promptly into the School Budget Share Account;
- Income collections must not be used for the encashment of personal cheques or for other payments;
- Reconciliation of the sums collected to the sums deposited at the bank.;
- HMRC regulations on VAT must be applied where relevant
- An effective debt recovery procedure for any arrears

#### **5.7. PURPOSES FOR WHICH INCOME MAY BE USED**

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

### **6. THE CHARGING OF SCHOOL BUDGET SHARES**

#### **6.1. GENERAL PROVISION**

- 6.1.1. A school's budget share may only be charged by the LA without the GB's permission in the circumstances permitted by this Scheme (see 6.3 below). The LA will consult the Schools as to the intention to so charge and will notify schools when it has been done.
- 6.1.2. The LA reserves the right to protect its financial position from liabilities caused by the action or inaction of GBs by charging budget shares. The Scheme makes clear to schools the circumstances in which this may happen.
- 6.1.3. The LA cannot act unreasonably in the exercise of power given by the Scheme.
- 6.1.4. In each circumstance the LA would be required to demonstrate that it necessarily incurred the expenditure charged to budget shares. Where the statutory responsibility rests elsewhere, the LA cannot incur a liability and will be unable to charge budget shares. This means the position of charging will vary between categories of schools.
- 6.1.5. The LA is expected to take steps to provide prior advice to the GBs whenever possible before charging budget shares.
- 6.1.6. LAs may de-delegate funding for permitted services without the express permission of the GB, provided this has been approved by the appropriate phase representatives of the Schools Forum.

#### **6.2. CHARGING OF SALARIES AT ACTUAL COST**

- 6.2.1. The LA will charge salaries of school based staff to school budget shares at actual cost. In this instance the school did not chose to administer its own staff salaries using an external payroll provider.

### **6.3. CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE**

- 6.3.1. Where premature retirement costs of schools have been incurred by the LA, 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). By way of background Annex D sets out current DfE guidance on responsibility for premature retirement and redundancy costs;
- 6.3.2. Other expenditure incurred to secure resignations where there is good reason to charge this to the school.
- 6.3.3. Awards by courts and employment tribunals against the LA or out of court settlements, arising from action or inaction by the GB contrary to LA advice. Awards may sometimes be against the GB directly and would fall to be met from the budget share. Where the LA is joined with the GB in the action and has incurred expenditure because of the GB not taking LA advice, the charging of the budget share with the LA expenditure protects the LAs position.
- 6.3.4. 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 GB for such work, but the GB has failed to carry out the required work.
- 6.3.5. Expenditure by the LA incurred in making good defects and remedial work in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status.
- 6.3.6. 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. In any case, the LA will assess whether it has an insurable interest.
- 6.3.7. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school to the LA.
- 6.3.8. Recovery of penalties and interest charges imposed on the LA by The Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or other regulatory authorities because of school negligence or through schools failing to follow guidance provided by HMRC or the LA.
- 6.3.9. Correction of LA errors in calculating charges to a budget share (e.g. pension deductions). No such deductions will take place if the error relates to a period for which the accounts have been closed for more than 2 years.

- 6.3.10. Additional transport costs incurred by the LA arising from decisions by the GB on the length of the school day, or failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.3.11. Legal costs, which the LA incurs because the GB did not accept the advice of the LA (see also section 11).
- 6.3.12. Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training has not been carried out.
- 6.3.13. Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.3.14. Cost of work done in respect of teacher pension remittance and records for Schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the LAs compliance with its statutory obligations.
- 6.3.15. Costs incurred by the LA in securing provision specified in an Education, Health and Care Plan (EHCP) where the GB of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.3.16. Costs incurred by the LA due to submission by the school of incorrect data.
- 6.3.17. Recovery of amounts spent from specific grants on ineligible purposes.
- 6.3.18. Costs incurred by the LA because of the GB being in breach of the terms of a contract.
- 6.3.19. Costs incurred by the LA or another school because of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.3.20. Costs incurred by the LA in administering admissions appeals, when the LA is the admissions authority and the funding for admission appeals has been delegated to all Schools as part of their formula allocation.
- 6.3.21. Costs incurred by the LA where schools have used credit or charge cards.

## **7. TAXATION**

### **7.1. VALUE ADDED TAX (VAT)**

- 7.1.1. Schools are required to provide a monthly return showing the amounts of VAT paid out and charged. The LA will reclaim the net VAT on non-business activities and the reclaimed amount will be paid into the schools' bank account.

- 7.1.2. Any penalties or interest charges levied by the HMRC for late school returns will be charged to schools.
- 7.1.3. HM Revenue and Customs have agreed that VAT incurred by Schools when spending any funding made available by the LA is treated as being incurred by the LA and therefore qualifies for reclaim by the LA. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory duties to maintain the external fabric of their buildings (see also section 13).
- 7.1.4. The LA can provide further guidance about VAT.

[http://www2.schoolcircular.co.uk/lib/attachments/sc\\_vat\\_guidance\\_for\\_va\\_schools\\_up\\_date\\_06mar2013.pdf](http://www2.schoolcircular.co.uk/lib/attachments/sc_vat_guidance_for_va_schools_up_date_06mar2013.pdf)

## **7.2. CONSTRUCTION INDUSTRY TAXATION SCHEME (CIS)**

- 7.2.1. Schools are required to abide by the procedures laid down by the LA regarding Construction Industry Taxation Scheme:

<https://www.gov.uk/what-is-the-construction-industry-scheme>

## **8. PROVISION OF SERVICES AND FACILITIES BY THE LA**

### **8.1. PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS**

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

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

- 8.2.1. The Scheme specifies the term of any agreement between the LA and a school to buy services or facilities from the LA to be limited to a maximum span of 3 years initially. Where there is a subsequent provision of the same service, the maximum period is 5 years.
- 8.2.2. Exceptionally, the supply of catering services is limited to a maximum span of 5 years initially, while the maximum term upon extension is 7 years.
- 8.2.3. The prices for the supply of services must be at rates to generate income, which is at least equal to the cost of providing those services. This is the case where service

expenditure is not retainable centrally by the LA according to regulations under section 45A of the Act.

- 8.2.4. The total cost of the services should be met by total income, even where there is differential pricing to schools. It is the LA's responsibility to ensure that the pricing policy does not lead to a central subsidy of services.

### **8.3. PACKAGING AND SERVICE LEVEL AGREEMENTS**

- 8.3.1. The LA can provide any service to schools for which funding has been delegated, and the offer can be on a buyback basis in a way which does not unreasonably restrict schools' freedom of choice among the services available. Schools are to be offered a package of services, where it is possible to buy either singly or in combination.
- 8.3.2. Service Agreements must be in place by the 28th March to be effective for the following financial year and Schools must have at least a month to consider the terms of agreements offered.
- 8.3.3. Services or facilities provided under a service level agreement, whether free or on a buyback service, starting on or after the date of the inception of the Scheme, are to be reviewed at least every three years, if the agreement lasts longer than that period.
- 8.3.4. Although many Council services will be available to schools through extended agreements and payment of an annual subscription, some services may be offered on a more ad hoc basis as "pay as you go" and may be charged at differentiated rates.
- 8.3.5. LA arranged premises and liability insurance are excluded from these supply requirements, as the limitations mentioned in this section may be impracticable for insurance purposes.

#### **8.4. TEACHERS' PENSIONS**

- 8.4.1. GBs of any maintained school which directly administers its own payroll shall supply salary, service and pensions data to the LA monthly. Any levied interest or penalties because of late submission will be a charge to the school's budget.
- 8.4.2. In order to ensure that the performance of the duty on the local authority to supply Teachers' Pensions with information under the Teachers' Pension Scheme Regulations 2014, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares
- 8.4.3. The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the local authority to provide payroll service.
- 8.4.4. A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the local authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

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

- 8.4.5. The local authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that additional voluntary contributions (AVCs) are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

#### **9. PRIVATE FINANCE INITIATIVE (PFI) & PUBLIC PRIVATE PARTNERSHIP (PPP)**

- 9.1.1. The LA has the right to require a school to make such payments from its delegated budget as are needed under the conditions of a PFI/PPP Scheme which has been entered with the knowledge of the GB. 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 GB, the LA will retain the right to levy charges against the school's delegated budget in respect of the contract. Should the LA develop PFI or PPP projects, there would need to be agreement with schools about meeting the cost of ongoing contractual arrangements.

- 9.1.2. The LA and the GB need to ensure that the contractual arrangements make clear performance measures and their monitoring, including withholding of monies where there is poor performance.
- 9.1.3. Any school agreeing to be included within a PFI contract will be required to sign a 'GB Agreement'. The agreement is between the LA and GB and sets out details of the services provided under the PFI contract and the school's financial contributions.

## **10. INSURANCE COVER**

- 10.1.1. Where the LA delegates funds for insurance to any school, it should be able to demonstrate that cover relevant to the LA's insurable interests, under a policy arranged by the GB, is at least as good as the relevant minimum cover arranged by the LA. This is where such cover is either paid for from LA's central funds or from contributions from schools' delegated budgets. The evidence required to demonstrate of parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.
- 10.1.2. The LA will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all Schools.
- 10.1.3. In cases where a school's GB arranges an insurance policy relevant to the LAs insurable interests but fails to demonstrate that it has arranged cover at least as good as the relevant minimum cover as would be arranged by the LA, expenditure incurred by the LA in insuring its interests in a school shall be charged to a school's budget share without the consent of the GB, as set out in Section 6.3.6 above.
- 10.1.4. GBs maintaining their own insurance cover in place of that arranged by the LA must provide to the Executive Director, Children's Services and the Chief Finance Officer an up-to-date copy of the policy or policies, together with all premium receipts or other evidence of cover. Failure to provide documentary proof of a satisfactory level of cover within a reasonable period of such a request being made may result in the school's budget share being charged.
- 10.1.5. Maintained primary or secondary schools may individually join the Secretary of State's Risk Protection Arrangement (RPA).

## **11. MISCELLANEOUS**

### **11.1. RIGHT OF ACCESS TO INFORMATION**

- 11.1.1. GBs must supply all financial and other information which might be reasonably required to enable the LA to satisfy itself as to schools' management of their delegated budget share, or the use made of any central expenditure by the LA (e.g. earmarked funds) by the school.

## **11.2. LIABILITY OF GOVERNORS**

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

## **11.3. GOVERNORS' EXPENSES**

- 11.3.1. Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 can be paid to governors from a school's delegated budget share. Schools are not allowed to pay for any other allowances. Only allowances as per Section 11 of the Schools Standards and Framework Act 1998 can be paid.
- 11.3.2. The LA normally sets the amount of allowances. GBs and schools do not have this discretion.
- 11.3.3. Schools with delegated budgets should only pay reasonable expenses. Schools may be required to provide details of expense claims to the LA. Expenses paid to additional governors to schools appointed by the Secretary of State under special measures must not be paid from a school's delegated budget share.
- 11.3.4. The LA may publish a guide on what might be defined as reasonable expenses. This is not an LA obligation under the Scheme.
- 11.3.5. Provision may be made to delegate funds for governor's expenses to a school (maybe a new school) yet to receive a delegated budget.

## **11.4. RESPONSIBILITY FOR LEGAL COSTS**

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

- 11.4.4. Schools should seek the LAs advice before incurring legal costs. The LA may recharge to the school's delegated budget any legal costs, which arise because of the GB not following LA advice.
- 11.4.5. Where there is a potential conflict of interest, problems could arise for the LA and the GB in obtaining proper legal advice. In this situation, the LA should be consulted and the GB should consider obtaining independent legal advice.

#### **11.5. HEALTH AND SAFETY**

- 11.5.1. The GB in spending the school's budget should have due regard to duties placed on the LA in relation to health and safety, and the LAs policy on health and safety matters in the management of the budget share.

#### **11.6. RIGHT OF ATTENDANCE FOR CHIEF FINANCE OFFICER**

- 11.6.1. GBs must permit the Chief Finance Officer, or any officer nominated by the Chief Finance Officer, to attend meetings of the GB at which any agenda items are relevant to the exercise of his/her responsibilities.
- 11.6.2. Attendance of the Chief Finance Officer at meetings should be limited to items which relate to probity or overall financial management. Attendance should not be regarded as routine. The LA should give prior notice of attendance, unless impracticable.

#### **11.7. SPECIAL EDUCATIONAL NEEDS**

- 11.7.1. Schools should use their best endeavours in spending the budget share to secure the special educational needs of their pupils.
- 11.7.2. Although this is a statutory requirement, it remains possible to suspend delegation only where a situation is serious enough to warrant it.

#### **11.8. WHISTLEBLOWING**

- 11.8.1. Persons working at a school, or school governors who wish to complain about financial management or financial propriety at their school, should raise any concerns to dedicated whistleblowing phone line 0208 359 6123 or to a dedicated email address: [whistleblowing@barnet.gov.uk](mailto:whistleblowing@barnet.gov.uk) .
- 11.8.2. The Assurance Director is the Council's dedicated Whistleblowing Reporting Officer. However, depending on the circumstance of person's report (and in the absence of the Assurance Director) they can also make reports direct to the Council's Monitoring Officer, Chief Executive (or designated deputy), Section 151 Officer (Director of Finance) Head of Counter Fraud Operations or the Head of Internal Audit
- 11.8.3. Details of the LAs "Whistleblowing" policy is available on its web-site:

## **11.9. CHILD PROTECTION**

- 11.9.1. All Schools should be aware of the need to release staff to attend child protection case conferences and other related events. Costs should be met from schools' delegated budget shares.

## **12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

### **12.1. DELEGATION OF FUNDING**

- 12.1.1. This section details the categories of work which GBs must finance from their budget. This covers both revenue (maintenance) and capital.
- 12.1.2. Generally, schools have delegated revenue funding for repairs and maintenance; only capital funding is to be retained by the LA, except for DFC.
- 12.1.3. Where schools are intending to incur capital expenditure, they are required to use their external capital funding including DFC allocations before making revenue contributions from their budget shares.
- 12.1.4. Annex B provides further guidance on expenditure classification between repairs and maintenance and capital expenditure.

### **12.2. DEFINITION OF CAPITAL**

- 12.2.1. The definition of a capital expenditure is: a single project expenditure creating or enhancing an asset at schools that exceeds a de-minimis value of £6,000.
- 12.2.2. The LA will issue further guidance to school on detailed definitions of expenditure that can be capitalised.

### **12.3. SCHOOL RESPONSIBILITIES**

- 12.3.1. Schools are responsible for the repair and maintenance of their premises. To support schools in meeting these responsibilities it is advised that they seek assistance from Schools Access and Corporate Services at the LA to help them draw up an Asset Management Plan for a period of at least three years. The plan should address building priorities identified in their condition survey. In certain circumstances there may be a central capital contribution available to support schools to undertake necessary condition works. Such projects may include:
- larger projects that a school could not reasonably fund from its budget

- unforeseen/emergency projects that a school could not have reasonably foreseen
- 12.3.2. Where schools have not met their delegated responsibility for repairs and maintenance, the LA will undertake remedial work and may charge the cost to the school under section 6.3.5.
- 12.3.3. In addition, failure to maintain buildings and fixtures to an acceptable standard may lead to the issuing of a formal Notice of Concern (section 2.21) or even the suspension a school's right to a delegated budget (section 1.1.12).

#### **12.4. LA RESPONSIBILITIES**

- 12.4.1. The LA will only be responsible for Capital works that form part of the Councils Capital Programme or part of the Council's planned Major Works Maintenance Programme. The LA will continue to provide strategic support to help schools manage their premises responsibilities. This support may include:
- central funding towards the costs of projects identified in condition surveys in schools which would not reasonably be expected to totally fund the works from their own resources
  - robust premises data and information data and information
  - advice and support to Schools on managing their premises responsibilities

#### **12.5. VOLUNTARY AIDED SCHOOLS**

- 12.5.1. Voluntary Aided Schools will continue to be eligible for LCVAP grant funding from the Education and Skills Funding Agency (ESFA) in respect of their statutory responsibilities. There is a responsibility to provide a 10% contribution to any capital scheme undertaken. In addition, schools will have responsibility for other repairs and maintenance items on the same basis as Community and Foundation Schools. The definition of a capital project is a single project that exceeds a de-minimis of £6,000 and expenditure on the areas set out in section 2.19.

#### **12.6. RECORDS OF EXPENDITURE**

- 12.6.1. All Schools will be required to maintain records of expenditure on repairs and maintenance, to be made available to the LA in support of capital bids on behalf of schools and in the assessment of capital expenditure priorities. A proforma is provided for this purpose.

#### **12.7. CONSTRUCTION DESIGN AND MANAGEMENT REGULATIONS**

- 12.7.1. Schools should be aware of and adhere to the legal requirements of the Construction (Design and Management) Regulations 2015 (CMD 2015) that came into force on the 6



April 2015, replacing CDM 2007. This law applies to the whole construction process on all construction projects, from concept to completion and schools are required to ensure projects are carried out in a way that secures health and safety.

## **13. COMMUNITY FACILITIES**

### **13.1. INTRODUCTION**

- 13.1.1. Schools which choose to exercise the power conferred by s.27(1) of the Education Act 2002 to provide community facilities are subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, under section 28(4) the school is obliged to consult its LA and have regard to advice from the LA. Thirdly, under section 28(5) the Secretary of State issues guidance to Governing Boards about a range of issues connected with exercise of power, which schools must consider.
- 13.1.2. However, under s28(1), the main limitations and restrictions on the power will be those contained in the maintaining LAs Scheme for Financing Schools made under s.48 of the Act as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of Schemes to include the exercise of powers of Governing Boards to provide community facilities.
- 13.1.3. 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 to control agreements, or agreements between the LA and schools to secure the provision of adult and community learning.
- 13.1.4. Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### **13.2. CONSULTATION WITH THE LA - FINANCIAL ASPECTS**

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

### **13.3. FUNDING AGREEMENTS – LA POWERS**

- 13.3.1. The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved.
- 13.3.2. Any funding agreements with third parties (as opposed to funding agreements with the LA itself) should be submitted to the LA for its comments prior to the governing board signing any such agreement so that the LA can ensure that any agreement is not seriously prejudicial to the interests of the school or the LA.

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

#### **13.4. OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS**

- 13.4.1. Although the LA has no right of veto either to funding agreements with third parties, or for other proposed uses of the communities facilities power, it requires that in a specific instance of use of the community facilities power by a GB, the GB concerned shall make arrangements to protect the financial interests of the LA by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose; or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA, after making an assessment of risks.
- 13.4.2. The LA must act reasonably in making any such request to the GB, where there is good reason to believe that the proposed project carries significant financial risk.

#### **13.5. SUPPLY OF FINANCIAL INFORMATION**

- 13.5.1. Schools which exercise the community facilities power are required to provide the LA every 6 months with a summary statement, in a form determined by the LA, showing the income and expenditure for the school arising from the facilities in question for the previous 6 months and on an estimated basis, for the next 6 months.
- 13.5.2. The LA may, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, require such financial statements to be supplied every 3 months and, if the LA sees fit, to require the submission of a recovery plan for the activity in question.
- 13.5.3. Financial information relating to community facilities will be included in returns made by schools under the CFR (CFR) framework. This should be the main source of information for the financial aspects of community facilities.
- 13.5.4. Schedule 15 of the Act provides that mismanagement of funds spent or received for community facilities can be a basis for suspension of the right to delegation of the budget share.

#### **13.6. AUDIT**

- 13.6.1. The GB is required to grant access to the LA, to all records connected with the community facilities provided to facilitate internal and external audit of income and expenditure.

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

### **13.7. TREATMENT OF INCOME AND SURPLUSES**

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

13.7.2. Schools can carry forward such net income from one financial year to the next, retaining it as a separate community facilities surplus.

### **13.8. HEALTH AND SAFETY MATTERS**

13.8.1. Any health and safety provisions of the main Scheme are also extended to the community facilities power.

13.8.2. The GB is responsible for the costs of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day.

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

### **13.9. INSURANCE**

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

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

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

**13.10. TAXATION**

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

13.10.2. If any member of staff employed by the school or LA relating to community facilities at the school and is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and national insurance, in line with HMRC rules.

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

**13.11. BANKING**

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

**ANNEX A: SCHOOLS WITHIN THE SCHEME AS Sept 2021**

**Status**

**NURSERY SCHOOLS**

Brookhill	c
Hampden Way	c
Moss Hall	c
St Margaret's	c

**PRIMARY SCHOOLS**

Akiva	va
All Saints' CE N20	va
All Saints' CE NW2	va
Annunciation RC Infant (The)	va
Annunciation RC Junior (The)	va
Barnfield	c
Beis Yaakov	va
Bell Lane	c
Beit Shvidler	va
Blessed Dominic RC	va
Brookland Infant	c
Brookland Junior	c
Brunswick Park	c
Chalgrove	c
Christ Church CE	va
Church Hill	c
Colindale	c

Coppetts Wood	c
Courtland	c
Cromer Road	c
Danegrove	c
Deansbrook Infant	c
Dollis Primary	c
Edgware Primary	c
Fairway	c
Foulds	c
Frith Manor	c
Garden Suburb Infant	c
Garden Suburb Junior	c
Goldbeaters	c
Hasmonean Primary	va
Hollickwood	f
Holly Park	c
Holy Trinity CE	va
Livingstone	c
Manorside	c
Martin Primary	c
Mathilda Marks-Kennedy	va
Menorah Foundation	va
Menorah Primary	va
Monken Hadley CE	va
Monkfrith	c
Moss Hall Infant	c
Moss Hall Junior	c

Northside	c
Noam Primary	va
Orion (The)	c
Osidge	f
Our Lady of Lourdes RC	va
Pardes House	va
Queenswell Infant	c
Queenswell Junior	c
Rosh Pinah	va
Sacred Heart RC	va
St Agnes' RC	va
St Andrew's CE	va
St Catherine's RC	va
St John's CE N11	va
St John's CE N20	va
St Joseph's RC Primary	va
St Mary's CE EN4	va
St Mary's CE N3	va
St Paul's CE N11	va
St Paul's CE NW7	va
St Theresa's RC	va
St Vincent's RC	va
Sunnyfields	c
Trent CE	va
Tudor	c
Underhill	c
Wessex Gardens	c

Whitings Hill	c
Woodcroft	c
Woodridge	c

#### **ALL-THOUGH SCHOOLS**

St Mary's & St John's CE	va
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#### **SECONDARY SCHOOLS**

Finchley Catholic High	va
Friern Barnet	c
Jewish Community Secondary School	va
Menorah High School for Girls	va
St James' Catholic High	va
St Michael's Catholic Grammar	va

#### **SPECIAL SCHOOLS**

Mapledown	c
Northway	c
Oakleigh	c

#### **PUPIL REFERRAL UNITS**

Pavilion Study Centre	c
Northgate	c

#### **KEY**

c = Community

va = Voluntary Aided

f = Foundation

**ANNEX B: REVENUE AND CAPITAL SPLIT**

<b>ELEMENT</b>	<b>REVENUE: REPAIRS &amp; MAINTENANCE</b>	<b>CAPITAL: AS CIPFA CODE OF PRACTICE</b>
<b>ROOFS</b>		
<b>Flat</b>	Repair/replacement of small parts of an existing structure	Structure. New (not replacement) structure
	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure
	Repair/replacement of screed/insulation where defective	Screed/insulation in a new building/ extension
	Work to improve insulation standards, during work to repair/replace small areas of roof.	Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation
	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy.	Finish on new building. Replacement of all/ substantially all on existing roof
	Repairs/replacement. (UPVC) Repainting	Edge Trim/Fascia on new building
	Repairs/ replacement. (UPVC) Repainting.	Edge Trim/Fascia, Replacement of all/substantially all on existing roof
	Clearing out gutters and downpipes.  Replacement/repair/ repainting of/ individual gutters/ pipes	Drainage on new building

	Repair/Replacement/ cleaning of individual items	Other e.g. Flashings, Rooflights on new building.  Replacement of all/ substantially all on existing roof
<b>Pitched</b>	Repair/replacement of small parts of an existing structure	Structure. New (not replacement) structure
	Replace/repair small areas of rotten/defective joists, rafters, purlins etc. Not complete trusses	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure
	Repair/replacement/ increasing thickness of insulation in an existing roof	Insulation in a new building/extension
		Insulation. Replacement/repair of substantially all. Improve insulation to current standards
	Replace missing/damaged	Roof finish in a new building/extension, replacement of all/substantially all on existing roof
	Repairs/replacement/repainting	Bargeboards/Facias in a new building/extension, replacement of all/ substantially all on existing roof
	Clearing out gutters and downpipes.  Replacement/repairs of individual pipes/gutters	Drainage in a new building/extension
		Drainage. Replacement of all/ substantially all on existing roof
	Repair/Replacement/ cleaning	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/ substantially all on existing roof

<b>Other</b>	Minor repairs, maintenance to existing covered link	Provide new covered link etc between existing buildings	
		Rebuild or substantially repair structure of existing porch	
<b>FLOORS</b>	Repair/replacement of small parts of an existing structure	Structure and dpc in new building	
	Replacement and repair of screed and finishes/replacement of mats/mat wells. Maintenance e.g. re-varnishing wooden floors	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
		Screed and finish in new build, replacement of all/ substantially all on existing floors - e.g. replacement of most carpets/tiles in a room	
<b>Upper Floor</b>	As ground floor	Structure - as ground floor	
	Repairs of finishes/ replacement - as ground floor	Screed and finish - as ground floor	
<b>CEILINGS</b>	<b>Top/only Storey</b>	Repair/replacement including from water damage, and necessary decoration	Suspension
			Membrane
		Repair/replacement including from water damage	Fixed
		Repair/replacement	Access Panels
<b>Lower Storeys</b>		Repair/replacement	Suspension
			Membrane
		Repair/replacement	Fixed

<b>All</b>	Inspection/air testing Applying sealant coats to asbestos surfaces for protection	Specialist removal/ replacement of damaged/disturbed Asbestos based materials, planned or emergency
<b>EXTERNAL WALLS</b>		
<b>Masonry/Cladding</b>	Repairs Preventative measures e.g. tree removal	Structure Underpinning/ propping for new build
	Repair/replacement of small parts of an existing structure. E.g. repointing/ recladding a proportion of a wall where failure has occurred.	External Finish on new build
<b>All</b>		External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure e.g. repointing/recladding work affecting most of a building/ replacement build
<b>Windows and Doors</b>	Repair/replacement of individual frames. Repainting frames	Framing - new build
	Repair/replacement of individual windows. Repainting frames	Framing - structural replacement programme
	Replacing broken glass	Glazing - new build
		Glazing Upgrading existing glazing
	Repair/replacement, upgrading locks etc.	Ironmongery Improved security
		Jointing including mastic joints
	Internal and external decoration to include cleaning down and preparation	Internal and external decorations to new build

		Structure
<b>Masonry Chimneys</b>	Repair/re-pointing	Jointing including expansion and mortar joints/pointing/DPC
<b>INTERNAL WALLS</b>		
<b>Solid</b>	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.	Complete including various internal finishes, linings and decorations
	Minor alterations	Refurbishment and alternations
<b>Partitions</b>	Repairs and re- decoration.	Complete structure including linings, framing, glazing, decoration etc.
	Minor alternations	Refurbishment and alterations
<b>Doors and Screens</b>	Internal maintenance and redecoration. Repair/replacement of defective doors and screens	Framing/Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations
<b>All</b>	Replacement of broken glass	Glazing to meet statutory Health and Safety requirements
<b>SANITARY SERVICES</b>		
<b>Lavatories</b>	Repair/replacement of damaged sanitary ware, fittings, waste plumbing etc.	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.
	Small areas of refurbishment	Large scale toilet refurbishment
<b>Kitchens</b>	Maintain kitchen to requirements of LA  Cleaning out drainage systems  Redecorations	Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations
	Repairs	General refurbishment
	Repairs/replacement parts	Large and costly items of equipment

<b>MECHANICAL SERVICES</b>	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.
<b>Heating/Hot Water</b>	Monitoring Systems Health and safety issues	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health and Safety
	Replacement of defective parts	Planned replacement of old boiler/controls systems past the end of their useful life Emergency replacement of boiler plant/systems
<b>Cold Water</b>	Maintenance and repair/replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects
<b>Gas</b>	Repairs, maintenance and gas safety All servicing	Distribution on new and major refurbishments, terminal units
<b>Ventilation</b>	Provision of local ventilation. Repair/ replacement of defective systems and units	Mechanical ventilation/ air conditioning to major projects
<b>Other</b>	Repair/replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment	Swimming pool plant and its complete installation, including heat recovery systems

<b>ELECTRICAL SERVICES</b>		
	<b>General</b>	Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings
	All testing, earthing and bonding to meet Health and Safety.  All servicing.	Replacement of obsolete and dangerous wiring systems, including distribution boards
<b>Power</b>	All testing, repair and replacement of small items of equipment	Control gear, distribution, fixed equipment, protection etc.
<b>Lighting</b>	Replacement of luminaries, all testing, adjustments and improvements to emergency	Provision of luminaries and emergency
<b>Other</b>	Repair/replacement	Lighting protection in new build
	Repair and maintenance	Alarm systems, CCTV, lifts, hoists etc.
	Repair/replacement/maintenance, including all door access systems	New installation of communication systems, radio/TV, call, telephone, data transmission, IT etc. and provision in new build
<b>EXTERNAL WORKS</b>		
<b>Paving</b>	Maintenance and repair car park and playground markings	Provision of new roads, car parks, paths, court, terraces, play pitches, steps, and handrails, as part of major project, including disabled access
<b>Miscellaneous</b>	Maintenance and repair of all perimeter/ boundary/retaining walls, fencing and gates	Provision of walls, fencing, gates and ancillary buildings as part of major project

<b>Drainage</b>	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. cleaning of the above and unblocking as necessary	Drains, soakaways, inspection chambers and sewage plant as part of new projects
<b>Open Air Pools</b>	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.	Structure, Hygiene/ safety in new building
<b>Services Distribution</b>	Annual servicing	Heating mains Gas mains Water mains Electricity mains, Renewal of any above

**Further examples of Split**

<b>EXPENDITURE TYPE</b>	<b>REVENUE</b>	<b>CAPITAL</b>
<b>Painting work</b>	Almost always be a maintenance cost and chargeable to revenue	Initial painting work would, though, normally be capitalised as part of preparing an asset for use
<b>Window replacement</b>	Repair of broken or worn-out windows	upgraded from single to double glazing improving energy efficiency so enhancing the asset
<b>Building refurbishment</b>	If expenditure maintains the useful life of the asset	If expenditure extends the useful life of the asset
<b>Site security costs</b>	Where the site is made secure to protect members of the public from accident and injury or to prevent the theft of materials. Cost of protecting the asset after it	To avoid damage to the asset under construction

	is complete but before it is in use	
<b>Staff costs*</b>	Budget monitoring, reviewing etc	sites are made secure to protect members of the public from accident and injury
<b>Health and safety expenditure</b>	Inspections and training	Plant and equipment acquired for safety reasons
<b>Broadband/WI-FI</b>	Annual or quarterly bills	Hardware installation
<b>Cleaning costs</b>	This will only ever be revenue	
<b>Component replacement</b>		If the old component is written out the new component can be capitalised

<b>Highways works</b>	Routine maintenance of roads, bridges & footpaths (e.g. filling potholes).	Structural maintenance of roads, bridges & footpaths.
<b>Building works</b>	Repairing a building (ie re-pointing, repairing minor cracks	Extending a building
<b>Structural repairs</b>	Repairs not reflected by an impairment of the asset	Structural repairs where the asset has been impaired in value as a direct result of the damage
<b>Roof works</b>	Repairs and replacing broken tiles	Replace the entire roof
<b>windows</b>	Repairs or replacement like for like	Upgrade with new windows providing additional benefits
<b>Heating</b>	Replacement of central heating or broken parts of the heating system	Installation of central heating
<b>flooring</b>	Repairs Floor coverings	Structural works, damp proofing
<b>Water supply</b>	Repair or replace existing supply	Installation of water supply

<b>Kitchen and bathrooms</b>	Repair or replacement of fittings	Installation of new facilities
<b>Asbestos</b>	Where it poses no risk to health or value of the building if left in situ. Inspection of, air testing and protective sealant treatment relating to the asbestos	Where a risk to health and safety and affect the use, or prevents the construction of an asset
<b>Remodelling of a building</b>	That does not significantly affect the service provided	To make a building fit for purpose or increase the use to multiple purposes
<b>Fees</b>	Financing	Legal and project management, architects, surveyors and engineers when directly attributable to a purchase or construction
<b>Internal walls and partitions</b>	Repairs and decoration. Minor alterations	Completion including finishes on new build and major refurbishment
<b>Electricity</b>	Testing of distribution boards. Repairs and maintenance, servicing	Replacement of obsolete and dangerous wiring including distribution boards
<b>Lighting</b>	Ad-hoc replacement of luminaries, testing and adjustments	New installation, major replacement throughout building, provision of luminaries
<b>Pavings</b>	Maintenance and repair of a cracked paving stone,	Replacement of entire path
<b>Fencing</b>	repairs	replacement
<b>Car park</b>	Repair surface, repaint markings	Replace entire surface, re-do markings to increase capacity

\*There is an acknowledged inconsistency between the treatment of internal costs and external costs. The price of an item of property or a professional service supplied externally would include overhead apportionments and profit elements. These elements would be capitalised. This is because they represent actual flows of resources out of the LA that are directly attributable to the acquisition of the asset, whereas the same charges incurred internally fail that test. The logical outcome to the

inconsistency would be to require the disaggregation of external purchase prices to exclude the element of the resource flow that does not bring lasting benefit, but IAS 16 stops short of this.

### **ANNEX C: APPROVED BANKS AND BUILDING SOCIETIES**

With reference to Section 3.6 of the Scheme the following are the approved banks and building societies, in accordance with the LA's Treasury Management Strategy as at March 2017, which is subject to periodic review and updating.

Banco Santander Central Hispano Group (includes Abbey National, Alliance & Leicester and Girobank)

Barclays Bank plc

HSBC Bank plc

Lloyds Banking Group plc (includes Bank of Scotland, Lloyds TSB, HBOS)

Nationwide Building Society

Royal Bank of Scotland Group including National Westminster Bank

## **ANNEX D: RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS**

### **1. Introduction**

1.1 This Annex summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget. The Annex is based closely on Annex B of the DfE Statutory Guidance on Schemes for Financing Schools, as updated in February 2019. **It is attached to the Barnet Scheme for information and is not part of the Scheme as such, nor is it a statement of Barnet Council policy.** The fact that circumstances are listed in the Annex in which it might be appropriate for a local authority to meet premature retirement costs centrally does not mean that Barnet Council will always, or ever, meet such costs in those circumstances.

### **2. Background**

1.2 Section 37 of the 2002 Education Act says:

- Sub-section (4): costs incurred by the LA 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 LA agree with the GB in writing (whether before or after the retirement occurs) that they shall not be so met
- Sub-section (5): costs incurred by the LA in respect of the dismissal, or for 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 LA have good reason for deducting those costs, or any part of those costs, from that share.
- Sub-section (6): The fact that the LA have a policy precluding dismissal of their employees due to redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal because of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

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

1.4 Where the LA's decisions have led to the redundancy – i.e. through closing a school; redundancy costs will be centrally funded. A detailed business case in the format prescribed by the LA will need to be submitted with each request for funding.

## **Payment of Redundancy and Premature Retirement Costs**

1.5 Charge of dismissal/resignation costs to delegated school budget may be considered in the following circumstances:

- If a school has decided to offer more generous terms than the LAs policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the LAs policy
- Where the school is making staffing reductions which the LA 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 (e.g. poor forward planning)
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the LAs redeployment policy

1.6 Charge of premature retirement costs to Local Authority non-schools budget may be considered in the following circumstances:

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

## Termination Costs for staff employed under the community facilities power

1.7 For staff employed under the community facilities power, the default position is that any costs must be met by the GB and can be funded from the school's delegated budget if the GB 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:

- Sub-section (7): Where a Local 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 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 GB except in so far as the LA agree with the GB in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.
  - (7A) Any amount payable by subsection (7) by the GB of a maintained school in England to the LA may be met by the GB 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 GB 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.
- Sub-Section (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.