



# HARTLEPOOL BOROUGH COUNCIL SCHEME FOR FINANCING SCHOOLS

2015/2016

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## **THE OUTLINE SCHEME**

References throughout this statutory guidance to:

“the Act” are to the School Standards and Framework Act 1998;

“the Authority” means the local authority; and

“the Regulations” are to the School Finance (England) Regulations 2014 made under the Act.

The Regulations state that schemes must deal with the following matters:

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the Scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the Authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the Authority for schools maintained by them.
6. The payment of interest by or to the Authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
8. The virement between budget heads within the delegated budget.
9. Circumstances in which a local authority may delegate to the governing body the power to spend any part of the Authority’s non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act.
10. The use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets.
11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.
13. A statement as to the personal liability of governors in respect of schools’ budget shares having regard to section 50(7) of the 1998 Act.
14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the Scheme made by the Authority for the purposes of section 519 of the 1996 Act.

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15. The keeping of a register of any business interests of the governors and the headteacher.
16. The provision of information by and to the governing body.
17. The maintenance of inventories of assets.
18. Plans of a governing body's expenditure.
19. A statement as to the taxation of sums paid or received by a governing body.
20. Insurance.
21. The use of delegated budgets by governing bodies so as to satisfy the Authority's duties imposed by or under the Health and Safety at Work etc Act 1974.
22. The provision of legal advice to a governing body.
23. Funding for child protection issues.
24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.
25. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.

**1.1 The Funding Framework**

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

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a Scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the Scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the Authority.

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

An authority may suspend a school's right to a delegated budget if the provisions of the Authority'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. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act).

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the



amounts to be centrally retained and funding delegated to schools. After each financial year the Authority must publish a statement showing outturn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State, but each school must receive a copy of each year's budget and outturn statements so far as they relate to that school or central expenditure.

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

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

This Scheme sets out details of the financial relationship between the Authority and the maintained schools which it funds. The Scheme contains requirements relating to financial management and associated issues which are binding on both the Authority and schools.

## **1.3 Application of the Scheme**

The Scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units (PRUs) maintained by the Authority. Academies are not covered by the Scheme. The schools to which the Scheme applies are listed in Annex 1.

## **1.4 Publication of the Scheme**

The publication requirements are contained in the Regulations. A copy of the latest version of the Scheme, together with the date that it came into force can be found on the Authority's website - [www.hartlepool.gov.uk](http://www.hartlepool.gov.uk), which is accessible to the general public.

## **1.5 Revision of the Scheme**

Any proposed revisions to the Scheme will be the subject of consultation with the governing body and headteacher of every school maintained by the Authority before they are submitted to Schools Forum for their approval. Only members of the Schools Forum that represent maintained schools are able to approve the revisions.

Where the Schools Forum does not approve them or approves them subject to modifications which are not acceptable to the Authority, the Authority may apply to the Secretary of State for Approval.

## **1.6 Delegation of Powers to the Headteacher**

The governing body of a school covered by the Scheme should consider the extent to which it wishes to delegate its powers to the headteacher. The Authority expects that governing bodies will wish to delegate the day-to-day management of the school's

budget to the headteacher. It should be noted, however, that such action does not absolve the governors of their responsibilities under the law and the conditions of this Scheme. Any decisions on the delegation of powers (or revisions) must be recorded in the minutes of the governing body.

The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.

**1.7 Maintenance of Schools**

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

**2.1 General Procedures****2.1.1 Application of Financial Controls to Schools**

Governing bodies, headteachers and staff of schools with delegated budgets are required to abide by the Authority's financial regulations and accounting procedures (including the financial procedure rules and accounting instructions with respect to tendering, quotations and contracts). These can be found in the Authority's School Financial Procedures Manual and the Council's Constitution. This may be supplemented by additional procedure notes.

**2.1.2 Provision of Financial Information and Reports**

During the course of the financial year, the Authority will undertake financial monitoring of delegated budgets in order to discharge its statutory duties and promote the efficient use of resources.

The reconciliation file and income statements will be sent to schools within 5 working days of the period end.

Schools which buy back the Financial Services to Schools Service Level Agreement (SLA) will receive termly budget monitoring visits and reports. Schools who do not buy back the Financial Services SLA or buy back a restricted package are required to submit a statement of anticipated and actual expenditure and income on a termly basis, in the format outlined in Annex 2. The due date for submission of statements will be the 10<sup>th</sup> working day of July, November and March in each financial year. Schools operating SIMS FMS6 module may produce a Budget Monitoring Report from route "Reports", "General Ledger", "User Defined Reports" to satisfy this requirement.

Schools who do not buy back the Financial Services SLA or buy back a restricted package are required to submit quarterly aged debtors reports, bank reconciliations and SIMS INTEGRA reports. The due date for submission of statements will be the 10<sup>th</sup> working day of July, October, January and April in each financial year.

Schools who do not buy back the Financial Services to Schools SLA or buy a restricted package must submit a final statement for each financial year in the same format as Annex 2. The statement must be provided by 10<sup>th</sup> working day of April immediately following the end of that financial year, unless the Authority directs a later date.

Where any statement gives cause for concern, the Authority may require the school to provide a more detailed statement in a format to be specified by the Authority. Where changes are made to the Authority's preferred schools management system, new guidelines will be issued relating to the reports nominated as satisfying these requirements. The above dates will not apply where the Authority has notified a school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation.

**2.1.3 Payment of Salaries; Payment of Bills**

Procedures for the payment of salaries and invoices are set out in the School Financial Procedures manual. Where alternative arrangements are made, such arrangements will be subject to independent review and testing by the Authority's internal auditors to ensure that an adequate level of control is being maintained.

**2.1.4 Control of Assets**

A school is required to maintain an inventory of its movable non-capital assets above £500 in value in the format outlined in section 2.10.3 of the Authority's financial regulations. For assets worth less than £500 in value, schools may make their own arrangements, but a register of some form must be kept. Schools must ensure that such records are checked at intervals of not more than twelve months. The internal audit programme includes a check on the existence and accuracy of inventories.

The governing body may approve the disposal of assets which have been purchased from the budget share of the school or have been donated or purchased for the school or over which the school has total and independent control. Income from the sale of such assets will be credited to the school's budget share. Assets which may not be disposed of include all assets purchased from centrally-held funds including specific grant funds (for example, harnessing technology) and temporary buildings for which the Authority will retain responsibility and control.

The principles relating to the disposal of assets will be prescribed by the Authority.

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

A school is required to abide by the accounting policies set out in the Authority's financial regulations and School Financial Procedures Manual, and also other procedures issued by the Authority, for example, in relation to year-end procedures.

**2.1.6 Writing-off of Debts**

For schools who buy back the Financial Services to Schools SLA, the Authority undertakes debt recovery once an invoice is raised. Governing bodies will be advised by the Authority when a debt is not recoverable and it may be decided to write the debt off and charge it back to the school. Governing bodies are authorised to write off such debts up to £1,000, for debts over £1,000 Member approval must be sought. Such decisions should be formally minuted and notification sent to the Corporate Finance Section for processing.

For schools who do not buy back the Financial Services to Schools SLA, Governing bodies are authorised to write off debts up to £1,000, provided there is evidence that recovery is not possible. Such decisions should be formally minuted and notification sent to the Corporate Finance Section for processing. The writing off of debts will result in a charge to the school's budget share, i.e. the cancellation of the income originally credited.

For debts over £1,000, a request for write-off must be made to Corporate Finance and

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Member approval will be sought. The writing off will be actioned by Corporate Finance and the charge made to the school's budget share.

### **2.2 Basis of Accounting**

The Authority operates its accounts on an accruals basis, i.e. expenditure and income must be allocated to the financial year in which it was incurred or earned.

Statements submitted to the Authority under section 2.1.2 of the Scheme must be prepared on an accruals basis.

### **2.3 Submission of Budget Plans**

After the budget share for the school has been determined by the Authority, the governing body is required to set a detailed operational budget for the school for the financial year. In order to be in a position to do this, governing bodies are advised to identify provisional budgets in the light of advice and guidance which they will receive from the Authority. The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.

In setting a budget, governing bodies must ensure that all cost headings identified by the Authority in the 'Budget Pack' are taken into account.

The budget plan must be submitted to the Authority no later than 31<sup>st</sup> May immediately following the start of the financial year.

A school is required to make clear the assumptions underpinning the budget plan, particularly with regard to:

- Staffing levels, including turnover, vacancies and new appointments;
- Contracts;
- Significant changes in the level of expenditure or income from the previous year (e.g. alterations/improvements, external funding);
- Inflation;
- The level of balances assumed to be available from the previous financial year.

The budget should take account of all increases in prices expected during the year. Guidance on inflation will be provided prior to the beginning of the financial year.

The Authority will supply schools with the expenditure and income data which it holds and which is necessary to promote efficient planning by schools. Information will be provided from Integra on a monthly basis throughout the year in the form of the Schools Budget Monitoring Report within 7 working days of the period end. A provisional annual outturn statement will be supplied during April, with a final Annual Outturn Statement sent to schools by the 30<sup>th</sup> April.

**2.3.1 Submission of Financial Forecasts**

Schools are required to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares for beyond the current year. These forecasts will assist the Authority in supporting the school's position in achieving the Schools Financial Value Standard (SFVS) and will also ensure that schools adhere to audit requirements.

Schools are required to submit a forward plan for review by the Assistant Director, Education, Learning & Skills by 31<sup>st</sup> August each year.

Schools which buy back the Financial Services SLA will receive a forward planning visit. After the visit a three year plan will be produced for review by the Assistant Director, Education, Learning & Skills. Future year forecasts will assist the school in planning against high or low balances in the future.

**2.4 Efficiency and Value for Money**

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

It is for heads and governors to determine at school level how to secure better value for money.

There are significant variations in efficiency between similar schools, and so it's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.

**2.5 Virement**

Once the budget is set, schools may use virements to move budgets between headings, during the financial year. It is recommended that governing bodies set an upper financial limit below which the Headteacher may action virements. Differential limits may be set for pay and non-pay headings. Virement proposals above these limits should be approved by the governing body.

If a school requires, the Integra system can be updated to reflect any budget changes made by the school.

**2.6 Audit**

In recognition of the Chief Finance Officer's responsibilities under Section 151 of the Local Government Act 1972, schools will be subject to a statutory internal audit regime. The frequency of audit and extent of testing undertaken will be determined from a risk assessment by the Chief Finance Officer of the control environment in operation; for example, different audit arrangements may be put in place for schools with their own bank accounts. Furthermore, schools operate within an external audit regime as determined by the Local Audit & Accountability Act 2014.

Schools have a responsibility to assist in the conduct of an efficient and effective audit process and are required to provide access to the school's records for both internal and external auditors.

### **2.7 Separate External Audits**

A governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts. This is separate from and in addition to any internal or external audit activity directed by the Authority in fulfilment of its statutory responsibilities, but no funding is made available for this function.

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

Private school funds relate to income and activities which are not normally supported by financial assistance from the Authority and may have a separate legal identity from that of the Authority. The legal identity would be established by the fund having its own written constitution and officers appointed in accordance with that constitution. It is expected that such a fund would have insurance cover in respect of its activities; such cover is obtainable on request from the Authority.

Other school funds not having a separate legal identity are considered to be legally owned by the Authority but are only held in trust by the Authority for use of that particular school. These funds are the legal responsibility of the Authority which, therefore, assumes liability for the fund and the actions of its officers. Funds of a parent/teacher or parent/friends association are not the responsibility of the Authority.

Governing bodies must ensure that a record is kept of all such funds for their school and that audited annual accounts are submitted to them within a reasonable time after the end of each accounting period. These accounts must be made available to parents on an annual basis.

A copy of the audit certificate for each voluntary/private fund must be provided to the Authority on an annual basis. A school refusing to provide audit certificates to the Authority as required by the Scheme is in breach of the Scheme and the Authority can take action on that basis.

### **2.9 Register of Business Interests**

The governing body is required to establish a register of business interests. This must list, for each member of the governing body and the Headteacher, any business interests they or any member of their immediate family have, details of other educational establishments that they govern and any relationships between school staff and members of the governing body. The register must be kept up to date and reviewed annually. It must be available for inspection by governors, staff, parents and the Authority and be published on a publicly accessible website.

**2.10 Purchasing, Tendering and Contracting Requirements**

As noted in section 2.1.1, schools must abide by the Authority's financial regulations and accounting procedures in purchasing, tendering and contracting matters. With regard to contracts, schools must assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

Sections of the Authority's financial regulations and accounting procedures may be dis-applied if they would require schools:

- (a) to do anything incompatible with any of the provisions of the Scheme, any statutory provision, or any EU Procurement Directive;
- (b) to seek the Authority's officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- (c) to select suppliers only from an approved list;
- (d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

**2.11 Application of Contracts to Schools**

A school has the right to opt out of authority arranged contracts. Where schools have agreed to be included in a contract organised by the Authority, they will be bound into that contract for its length. Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and owner of the funds in the budget share.

Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations. For example aided or foundation schools may make contracts for the employment of staff.

**2.12 Central Funds and Earmarking**

In addition to budget shares, the Authority may make allocations to schools from central funds (for example, SEN or curriculum allocations). Funding allocated in this way may be earmarked for particular purposes and may be subject to conditions setting out the purpose or purposes for which the funds may be used. These conditions do not preclude virement, except where funding is supported by a specific grant which the Authority itself is not permitted to vire. However, this should not be carried to the point of assimilating the allocations into the school's budget share in such a way that the expenditure cannot be traced.

A school must comply with the conditions specified to ensure the allocation is spent only for the purposes for which it is given. Such monies shall be accounted for to demonstrate that this requirement has been complied with. The Authority reserves the right to require the return of such earmarked funds if they are not spent in-year or within the period over which schools are allowed to use the funding, if different.



The Authority will not make any deduction in respect of interest costs from instalments to schools of devolved specific or special grant.

### **2.13 Spending for the Purposes of the School**

It is the responsibility of the school governing body to ensure that its budget share is spent only for the purposes of the school, and in accordance with the provisions of this Scheme. This includes pupils at other maintained schools or community facilities.

By virtue of section 50(3A) which came into force on 1<sup>st</sup> April 2011, amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

The Secretary of State has prescribed additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378) amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These regulations allow governing bodies of maintained schools to provide teaching, learning materials, educational resources, transport, meals and accommodation for pupils registered at other maintained schools. Thus schools are allowed to do so using their own budget share rather than having to receive recompense from other schools for the supply of such services.

### **2.14 Capital Spending from Budget Shares**

Governing bodies are permitted to use budget shares to meet the cost of capital expenditure on the school premises, including for voluntary aided schools expenditure on work which is their responsibility under paragraph 3 of Schedule 3 of the Schools Standards and Framework Act 1998.

The governing body is required to notify the Authority of any proposed capital expenditure and must take into account any advice from the Authority as to the merits of the proposed expenditure if the proposed capital expenditure in any single year exceeds £15,000. Where the premises are owned by the Authority or the school has voluntary controlled status, the governing body should seek the consent of the Authority to any proposed works, with consent only being withheld on health and safety grounds. These requirements do not apply to expenditure from any capital allocation made available by the Authority outside the delegated budget share.

### **2.15 Notice of Concern**

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Child and Adult Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the Authority or the school.

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

These may include:

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

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

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

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

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

All maintained schools with a delegated budget must submit the form to the local authority before 31 May.

**2.17 Fraud**

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

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

<b>SECTION 3:                   INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS</b>
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**3.1       Frequency of Instalments**

The Authority will make available budget share instalments on a termly basis, in addition to the Individual Budget Share such instalments will also include estimates for Pupil Premium, Early Years & High Needs funding. For purposes of this section, Budget Share includes any place led funding for special schools or pupil referral units where applicable.

Monthly instalments may be requested provided the request is made prior to the start of the financial year.

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

Instalments will be credited to school bank accounts in the first week of April, September and January. This will be the first working day of the month where the request is for monthly instalments.

Where schools buy into the Authority's payroll SLA, schools instalments will be made net of pay costs unless requested by the school. Such pay costs will be based upon previous year payroll costs, adjusted for the current year pay budgets in time for the September instalment.

**3.3       Interest Clawback**

Where a school chooses to organise its own bank account and wishes to have the gross annual budget share paid to the school by the Authority (without any deductions for payroll/"buyback") either by monthly, quarterly or termly instalments or at the beginning of the financial year, the Authority will levy an interest charge. This is to reflect the loss of interest to the Authority resulting from the earlier payment of the gross budget share. The interest calculation will be based on the higher of the daily 3 month London Inter-Bank Offered Rate or the current Bank of England base rate.

**3.4       Interest on Late Budget Share Payments**

The Authority will add interest to late payments of budget share instalments to a school's local bank account where the late payment is as a result of an error by the Authority. The interest calculation will be based on the higher of the daily 3-month London Inter-Bank Offered Rate or the current Bank of England base rate.

**3.5       Budget Shares for Closing Schools**

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

<b>SECTION 3:                    INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS</b>
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### **3.6        Bank and Building Society Accounts**

All schools will have the option of operating one of the following:

- a bank account organised by themselves;
- a bank account in the name of the school organised via the Authority's bankers by the Authority;
- a continuation of their imprest arrangements, with a revised imprest value to be determined by agreement with the Authority.

Where schools organise their own bank account, they will be responsible for all interest costs payable/receivable on their account.

Where a school opens an external bank account it may, if desired, transfer immediately to the account an amount agreed by both the school and the Authority as the estimated surplus balance held in respect of the school's budget share. This will be done on the basis that there is a subsequent correction when accounts for the relevant year are closed.

Any school requesting an external bank account may not have one until any deficit balance is cleared. This does not apply to schools taking up the option of a local bank account with the Authority.

New bank account arrangements can only be made with effect from the beginning of each financial year. Any school wishing to organise its own bank account or operate an account organised by the Authority should give a period of notice to the Authority of 3 months unless otherwise specified.

### **3.7        Restrictions on Accounts**

Schools which choose to organise their own bank account (in the name of the school) will be required to choose a bank or building society from the approved list. Please contact CS Finance to obtain the up to date list. Any school closing an account used to receive its budget share and opening another will also be required to select the new bank or building society from the approved list.

A school may have an account for budget share purposes which is in the name of the school rather than the Authority. However, if this is the case, the account mandate should provide that:

- (a) the Authority is the owner of the funds in the account;
- (b) the Authority is entitled to receive statements; and
- (c) the Authority can take control of the account if the school's right to a delegated budget is suspended.

<b>SECTION 3:                    INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS</b>
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As an alternative, the Authority can organise via its bankers an account for each school (in the name of the school). Under such circumstances, schools would have full access to monies and retain autonomy in their spending arrangements.

Budget share funds paid by the Authority and held in school accounts will remain authority property until spent in accordance with S.49 (5) of the Schools Standards and Framework Act 1998.

Signatories for bank accounts must be employees of the Authority or school. School governors may not be signatories of bank accounts unless they are employed as members of staff.

### **3.8            Borrowing by Schools**

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State, after discussion with the Authority. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use any such schemes that have been introduced by the Secretary of State such as the Salix Scheme which supports energy saving, without specific approval.

This provision does not apply to loan schemes run by the Authority (see Section 4.10). A school with an external bank account may not go into overdraft as this is the equivalent of borrowing. There is no such restriction on schools with an account arranged by the Authority.

Schools may not operate their own credit cards as this would be regarded as borrowing. However, procurement cards are available through the Authority and these may prove to be a useful means of facilitating electronic purchases.

### **3.9            Other Provisions**

Detailed rules and guidance in respect of other aspects of banking arrangements will be prescribed by the Authority and published in the School Financial Procedures manual.

<b>SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES</b>
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#### **4.1 Right to Carry Forward Surplus Balances**

Schools may carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. The amount of the balance should be agreed with the Authority and will form part of the Section 251 outturn statement.

Where a school wishes its provisional balance to be transferred to its own external bank account, the procedures will be as follows:

- The provisional outturn will be agreed between the school and the school's Finance Officer.
- Provided agreement is reached prior to the 31st March then the agreed amount will be transferred by the 30<sup>th</sup> April.
- On receipt of the final outturn an adjustment will be actioned within a week of notification and will include any arrears of interest where the outturn has been understated; and a deduction of interest where the outturn has been overstated.

See Section 4.10 relating to school balances and the Loan Scheme.

#### **4.2 Controls on Surplus Balances – this Section is subject to review by the Schools' Forum Task and Finish Group**

4.2.1 Surplus balances held by schools as permitted under this Scheme are subject to the following restrictions:-

- (a) The Authority shall calculate by 31<sup>st</sup> May each year the surplus balance, if any, held by each school as at 31<sup>st</sup> March. For this purpose the balance will be the balance category as defined in Consistent Financial Reporting Framework.

4.2.2 Funds derived from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school.

4.2.3 Funds held in relation to a school's exercise of powers under section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school.

<b>SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES</b>
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- 4.2.4 Schools will complete twice yearly balances surveys, which will be reviewed by the Assistant Director Education, Learning and Skills, who will report to the Schools' Forum and to the Children's Services Committee.
- 4.2.10 Set out below are the permissible expenditure categories for which a school can use to explain plans for using part of their balance brought forward:

<b>Permissible Expenditure Categories</b>
Employee Costs
Premises Costs
ICT Expenditure
Supplies and Services
Transport Expenditure

For further information see Annex 3 (This Annex will be updated once the School Balances Protocol has been agreed.).

#### **4.3 Interest on Surplus Balances**

Balances held by the Authority on behalf of schools will not attract interest as this has been previously delegated to schools.

#### **4.4 Obligation to Carry Forward Deficit Balances**

Deficit balances must be carried forward from one year to the next. These will be agreed with the Authority and will be shown on the annual Section 251 outturn statement.

#### **4.5 Planning for Deficit Budgets**

In setting its budget for the financial year, a school may not plan for a deficit. Any unplanned deficit not arising from legitimate calls on contingency must be taken into account when planning the following year's budget.

Schools which go into deficit must attend formal Deficit Clinics. See Section 4.9.



<b>SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES</b>
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#### **4.6 Charging of Interest on Deficit Balances**

The Authority may charge interest on deficit balances. The method of calculation of interest will be undertaken using the higher of the daily 3-month London Inter-Bank Offered Rate or the current Bank of England base rate on the school's average balance throughout the year.

#### **4.7 Writing off Deficits**

The Authority cannot write off the deficit balance of any school. The Authority does not retain any funding to give assistance towards the elimination of a deficit balance.

#### **4.8 Balances of Closing and Replacement Schools**

When a school closes or amalgamates with another school, any balance (whether surplus or deficit) reverts to the Authority. This balance cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

#### **4.9 Licensed Deficits**

4.9.1 Schools cannot plan for a deficit, (see section 4.5). Should this situation occur the Authority would make arrangements with the governing body to plan for the deficit to be repaid, known as a "deficit agreement".

4.9.2 In making such agreements the following will apply:-

- The maximum length over which schools may repay the deficit to zero is two financial years.
- Deficit agreements will only be allowed when there is a fall in pupil numbers greater than expected or where short term corrective action would disrupt pupil's education.
- The maximum size of deficit that can be agreed is 5% for secondary school, for 8% of primary and special school's budget share.
- The sum of the deficit agreements and loans will not exceed 25% or £1,000,000 whichever the greater of the collective school balances held by the Authority.
- All agreements and any renegotiation of agreements must be approved by the Director of Child and Adult Services and the Chief Finance Officer.

4.9.3 Further details of the Challenge and Support Process for Schools with a Deficit Budget are included in Annex 4.

#### 4.10 Loan Scheme

The extent to which loans can be given to schools depends upon the aggregate level of schools' balances at the end of the previous financial year. The total amount available for loan shall not exceed 40% of the aggregate level of schools' balances held by the Authority or £400,000, whichever is the lesser.

Schools with balances in external accounts may opt to join the loan Scheme by paying over their balances to the Authority.

Loans will be available for expenditure which is to be of benefit to schools over a period greater than one financial year. Examples of the kinds of project for which borrowing would normally be considered include:

- improvements or major repairs to school properties;
- “spend to save” projects, e.g. to improve energy efficiency;
- projects to improve security in schools, or to meet health and safety requirements;
- purchases of educational equipment.

Loans will not be available to support day to day expenditure within the school's revenue budget nor for licensing a deficit. A loan can only be used for the purpose for which it was granted.

The minimum loan will be £1,000. The maximum loan will normally be £25,000 and will be agreed by the Director of Child and Adult Services and the Chief Finance Officer under delegated powers. Loans for more than £25,000 are likely to be approved only in exceptional circumstances and will need further approval from Members.

The normal repayment period for a loan will be three years but may be up to a maximum of five.

Further details of the Loans to Schools Scheme are included in Annex 5.

### 5.1 Income from Lettings

Schools may retain income from lettings of school premises, subject to alternative provisions arising from any joint use or PFI (Private Finance Initiative) agreements, and should credit this income to their budget share.

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

Income from lettings of school premises should not be paid into voluntary or private funds held by the school.

### 5.2 Income from Fees and Charges

Schools may retain income from fees and charges and credit the budget share, except where a service is provided by the Authority from centrally retained funds. However, schools must have regard to the Authority's policy on charging and remission, which is attached at Annex 6. Income from boarding charges (e.g. Carlton) is collected on behalf of the Authority and should not exceed that needed to provide board and lodging for the pupils concerned.

Schools must have regard to guidance issued by the Authority on charging Value Added Tax (VAT) on lettings, fees and charges.

### 5.3 Income from Fund-raising Activities

Schools may retain income from fund-raising activities and must have regard to guidance issued by the Authority on the VAT implications of such activities.

### 5.4 Income from the Sale of Assets

Schools may retain the proceeds of sale of assets, except in cases either:-

- (a) where the asset was purchased with non-delegated funds (in which case it will be for the Authority to decide whether the school should retain the proceeds) or
- (b) where the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

The retention of proceeds of sale for premises not owned by the Authority will not be a matter for the Scheme.

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

Procedures for the collection of income that accrues to the Authority will be issued from time to time (e.g. where a school has contracted with the Authority's meals service).

**5.6 Purposes for which Income may be Used**

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

### 6.1 **General Provision**

The budget share of a school may be charged by the Authority without the consent of the governing body **only** in the circumstances permitted by this Scheme. The Authority will consult schools as to the intention to so charge and will notify schools when it has been done.

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

The Authority cannot act unreasonably in the exercise of any power given by the Scheme, or it may be subject of a direction under s.496 of the Education Act 1996.

### 6.2 **Charging of Salaries at Actual Cost**

The Authority is required to charge salaries of school-based staff to school budget shares at actual cost.

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

- 6.3.1 Where premature retirement and/or redundancy costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority);
- 6.3.2 Other expenditure incurred to secure resignations where the school had not followed the Authority's advice;
- 6.3.3 Awards by courts and industrial tribunals against the Authority, or out of court settlement, arising from action or inaction by the governing body contrary to the Authority's advice;
- 6.3.4 Expenditure by the Authority in carrying out health and safety work or expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
- 6.3.5 Expenditure by the Authority incurred in making good defects in building work funded by spending from budget shares, where the premises are owned by the Authority, or the school has voluntary controlled status;
- 6.3.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;
- 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 published disputes procedure, and the result is that monies are owed by the school to the Authority;

- 6.3.8 Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities, as a result of school negligence;
- 6.3.9 Correction of the Authority's errors in calculating charges to a budget share;
- 6.3.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs;
- 6.3.11 Legal and other costs which are incurred by the Authority because the governing body did not accept the advice of the Authority;
- 6.3.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training had 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-authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;
- 6.3.15 Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and / or specific funding for a pupil with High Needs;
- 6.3.16 Costs incurred by the Authority due to submission by the school of incorrect data;
- 6.3.17 Recovery of amounts spent from specific grants on ineligible purposes;
- 6.3.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract;
- 6.3.19 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

**7.1 Value Added Tax**

In order to be able to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activities, the Authority has agreed with HM Customs and Excise a set of procedures. These are fully detailed in the Authority's School Financial Procedures Manual and are summarised in Annex 7.

Note that the monthly returns for schools operating local bank accounts must be submitted no later than the fifth working day of each month in order that it is included in the Authority's monthly VAT claim. Any returns received after this deadline will not be reimbursed to schools until the following month.

**7.2 VAT Procedures**

If the school follows the published procedures, then any VAT it incurs on a non-business activity will be passed back to the school. This is a concession enjoyed only by public bodies and is not available to the private sector. However, the cost of any financial penalties imposed by HM Customs and Excise resulting from the negligence of a school in following these procedures may be recharged to the school.

The information required by HM Customs and Excise is at present available within the core financial management systems of the Authority. Source documentation e.g. VAT invoices, must be available for scrutiny by HM Customs and Excise inspectors on request and must be kept and be available for a period of six years.

**7.3 Construction Industry Taxation Scheme (CITS)**

Schools are required to abide by procedures issued by the Authority in connection with the Construction Industry Taxation Scheme.

**7.4 Income Tax**

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

**8.1 Provision of Services from Centrally Retained Budgets**

It is for the Authority to determine on what basis services from centrally retained funds will be provided to schools. The Authority cannot, however, discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties. The term 'services' under this section includes PRC and redundancy payments.

**8.2 Provision of Services Bought Back from the Authority using Delegated Budgets**

The term of any arrangement with a school to buy services or facilities from the Authority is limited to a maximum of three years from the date of the agreement. For any subsequent agreement relating to the same services the term shall not exceed five years. However, contracts for the supply of catering services may contain an extension to five and seven years respectively.

Where a service is provided by the Authority for which expenditure is not retainable centrally, under the regulations contained under Section 45A of the Act, it must be offered to schools at prices which are intended to generate income which is no less than the cost of providing those services.

**8.2.1 Packaging**

Where the Authority offers services to schools on a buyback basis, these services will be offered to schools in a way which does not unreasonably restrict schools' freedom of choice among the services available and, where practical, they will be offered on a service-by-service basis as well as in packages of services. The Authority reserves the right to cease providing a service when the level of take-up by schools means that the provision is no longer economically viable.

**8.3 Service Level Agreements**

SLAs will operate from 1st April each year. Schools should notify the Authority by the end of March of their intention to enter into SLAs.

Schools will have at least a month to consider the terms of the agreements.

SLAs must be in place by 31<sup>st</sup> March to be effective for the following year.

8.3.1 If services or facilities are provided by the Authority under a SLA - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the Scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.3.2 Where services are offered by the Authority, they will normally be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. It should be noted that where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.



Centrally arranged premises and liability insurance are excluded from these requirements.

#### **8.4 Teachers' Pensions**

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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

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

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

**9.1 Private Finance Initiative/Public-Private Partnerships (PFI/PPP)**

The Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with governing bodies as to the basis of charges relating to such Schemes and the treatment of monies withheld from contractors due to poor performance.

### 10.1 Insurance Cover

The Authority is able to provide insurance cover for schools on a buyback basis from delegated funds. The level of insurance cover currently provided by the Authority is detailed in Annex 8.

Where funds have been delegated to a school for the provision of insurance the Authority will require the school to demonstrate that the cover obtained relevant to the Authority's insurable interests, under a policy arranged by the governing body, shall be as good as or better than the relevant minimum cover provided by the Authority. To ensure that the Authority's interests are adequately insured the school will be required to submit details of any proposed cover to the Chief Finance Officer. Where a school has failed to demonstrate that it has arranged adequate cover the Authority may charge the budget share of that school the cost of insurance necessary to meet the Authority's minimum requirement.

The Authority's Insurance Section have examined risks fully in the Education sector and are satisfied that all cover detailed in Annex 8 is reasonable for all schools.

### 11.1 **Right of Access to Information**

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

### 11.2 **Liability of Governors**

The governing body is a corporate body, and because of the terms of s.50(7) of the Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

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

### 11.3 **Governors' Expenses**

The Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Governing bodies would not normally have discretion in the amounts of such allowances which would be set by the Authority.

Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. No payment may be made of any other allowances, nor may expenses be paid duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

### 11.4 **Responsibility for Legal Costs**

Legal costs incurred by the governing body (although the responsibility of the Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings) may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. This relates to the cost of legal actions not the cost of legal advice provided. If a conflict of interest arises between the Authority and the governing body, the governing body must seek legal advice and representation from a solicitor in the private sector.

### 11.5 **Health and Safety**

The Authority (or in the case of aided schools the governing body) retains prime responsibility as employer to comply with health and safety legislation. The Authority has the power to issue directions on health and safety provision. In expending the school's budget share, the governing body is strongly recommended to comply with the Authority's health and safety policy and any directions the Authority issues on such matters. A copy of the Authority's current health and safety policy is available on the intranet.

In the event of a governing body failing to comply with the Authority's health and safety policies or not having due regard to codes of practice in such matters falling within the governing body's jurisdiction concerning the safety of those attending, working or visiting the school premises, its members may incur liability under Health and Safety at Work legislation. In the event that omissions or actions by the governing body in such matters require the Authority to incur expenditure to rectify the position, the school's delegated budget may be charged with the costs.

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

Governing Bodies are required to permit the Chief Finance Officer of the Authority or any officer of the Authority nominated by the Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities. Attendance will normally be limited to items which relate to issues of probity or overall financial management and such attendance should not be regarded as routine. Prior notice of such attendance will be given unless it is impracticable to do so.

#### **11.7 Spending on Special Educational Needs**

Schools are required to use their best endeavours in spending the budget share to secure appropriate provision for pupils on their roll with special educational needs.

#### **11.8 Interest on Late Payments**

The terms of the Scheme cannot affect statutory requirements now introduced on this matter.

#### **11.9 Whistle Blowing**

Persons working at a school or school governors who wish to complain about financial management or financial propriety at the school should refer to the example Confidential Reporting Procedure which should have been adopted by the Governing Body, which is outlined in Annex 9.

#### **11.10 Child Protection**

The statutory guidance "Working Together to Safeguard Children" issued by the HM Government emphasises the inter-agency responsibility to safeguard and promote the welfare of children. Under sections 27 and 47 of the Children Act 1989 the Authority must co-operate with the investigating agencies in relation to Child Protection

All schools (including independent schools, academies and free schools) have duties in relation to safeguarding children and promoting their welfare. Section 175 of the Education Act 2002 places a duty on local authorities (in relation to their education functions) and governing bodies of maintained schools and further education institutions (which include sixth-form colleges) in relation to their functions relating to the conduct of the school or the institution to make arrangements for ensuring that safeguarding and promoting the welfare of pupils. A similar duty applies to proprietors of independent schools (which include academies/free schools) by virtue of regulations made under

sections 94(1) and (2) of the Education and Skills Act 2008. Schools therefore have a responsibility to provide information for, and release staff to participate in all Child protection meetings held under the auspices of the Local Safeguarding Children's Board.

#### **11.11 Redundancy / Early Retirement Costs**

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided at Annex 10.

### 12.1 General

Responsibility for repairs and maintenance is delegated to schools including expenditure relating to school kitchens.

### 12.2 Definition of capital expenditure

For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority Accounting. The definition is defined in the Local Government Act 2003 as “*expenditure of the Authority which falls to be capitalised in accordance with proper practices*”. In general terms it represents expenditure in relation to:

The acquisition or creation of a new asset  
The enhancement of existing assets

Enhancement in general refers to works that substantially increase:

The useful life of an asset  
The market value of an asset  
The extent to which the asset can be used.

All capital expenditure must yield a benefit for a period of more than one year.

### 12.3 Voluntary Aided Schools

Voluntary aided schools will continue to be eligible for capital grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repairs and maintenance items on the same basis as other maintained schools.

### 12.4 Responsibilities

As part of the monitoring process under the Authority’s Asset Management Plan, the Authority will need to ensure that buildings are reasonably maintained, in the context of the resources available. It will be necessary to maintain condition surveys through periodic site visits.

Schools have responsibility for all cyclical maintenance of plant and equipment and are required to maintain records to demonstrate that such maintenance has been carried out in accordance with schedules issued by the Authority.

**13.1 Introduction**

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

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

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for financing schools.

This part of the Scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

**13.2 Consultation with the Authority – Financial Aspects**

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the Authority, and have regard to advice given to them by their Authority.

Schools must seek Authority advice when it is their intention to exercise their community facilities power. The Authority must be given reasonable time to consider the school's business plan and the financial implications of this plan but no later than 2 months before the intended start date. When submitting their proposals formally, schools must include a detailed business plan containing the following information:

- the school's vision and a detailed description of the service
- details of any capital expenditure and the sources of income to fund it
- a detailed profile of projected income and revenue expenditure over the first 12 months of operation of the project. In particular, this should include
  - one-off start-up costs
  - details of staffing and associated costs (pay, on-costs, payroll and personnel overheads, etc)
  - sources of revenue income and the assumptions underlying it



- an outline profile of the projected income and revenue expenditure in years 2 to 5 of the project
- the time it will take for the project to break-even and come into surplus, and if this is not expected within 12 months of starting, an explanation of why this cannot be achieved within this timescale
- how the Governing Body will cover any shortfall if the project fails and leaves a deficit
- details of the cash flow of the business, and how any shortfall will be met given that schools cannot borrow from external sources
- proposed banking arrangements
- proposed audit arrangements
- details of the Health and Safety arrangements and of the risk assessments the school has undertaken
- details of the analysis of insurance requirements for the venture and of any additional cover that is to be arranged
- whether or not VAT is to be reclaimed, the justification for this and what consultation there has been with the local VAT office.

Schools are encouraged to seek professional advice as they develop their plans and to ensure that any submission is complete before formally seeking the Authority's advice about their proposals.

The Authority will provide advice within a period not exceeding 6 weeks from receiving the above information from the school. Schools must inform the Authority what action has been taken following Authority advice before embarking on the Scheme.

### 13.3 **Funding Agreements – Authority Powers**

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

The Authority requires that any such proposed third party agreement should be submitted to the Authority for its comments within a reasonable timescale. However, the Authority has no right of veto on such agreements, either directly or through requiring a right to countersign the agreement.

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

**13.4 Other Prohibitions, Restrictions and Limitations**

The Authority requires that where a governing body makes use of the community facilities power that the governing body concerned must make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

Schools will, as stated in paragraph 13.11, either maintain separate bank accounts for budget share and community facilities, or have one account with adequate internal accounting controls to maintain separation of funds. Schools operating the FMS6 module may operate this via a separate fund in the FMS6 system.

**13.5 Supply of Financial Information**

Schools which exercise the community facilities power are required to submit a summary statement to the Authority every six months for the facilities in question showing the actual income and expenditure for the previous six months and on an estimated basis, for the next six months. This will include an explanation of any significant variations from previously submitted statements.

During the first six months of operation of any venture schools will be required to submit statements on a monthly basis.

All statements and returns must be certified by the headteacher and sent to the school's designated Finance Officer within two weeks of the end of each six months (or month).

The Authority, 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, will require such financial statements to be supplied every three months and, if the Authority sees fit, to require the submission of a recovery plan for the activity in question.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework.

**13.6 Audit**

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

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

**13.7 Treatment of Income and Surpluses**

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

All relevant expenditure relating to the provision of community facilities should be charged against the community facilities fund at full cost. The purpose of this is to ensure that the school budget is not subsidising community facilities.

Schools may carry such retained net income over from one financial year to the next as a separate community facilities surplus.

**13.8 Health and Safety Matters**

The health and safety provisions detailed in paragraph 11.5 in the main body of this Scheme are extended to the community facilities power.

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

**13.9 Insurance**

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Schools should seek the Authority's advice before finalising any insurance arrangement for community facilities.

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

**13.10 Taxation**

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

If any member of staff employed by the school or authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not – see section 13.11), the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

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

### **13.11 Banking**

Schools must either maintain separate bank accounts for budget share and community facilities, or have one account but with adequate internal accounting controls to maintain separation of funds. Schools operating the FMS6 module may operate this via a separate fund in the FMS6 system. This would be the case where the school utilises Authority banking arrangements and would permit adequate separation of such funds from the school budget share and other authority funds.

The general approach to banking requirements are set out in the main body of this Scheme in Section 3.

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

School name	DfE No.
<b><u>Primary Schools</u></b>	
Barnard Grove	2310
Brougham	2090
Clavering	2238
St Peter's Elwick C.E.	3003
Fens	2187
Golden Flatts	2126
Grange	2364
Greatham C.E.	3006
Hart	2001
Holy Trinity C.E.	3330
Jesmond Gardens	2127
Kingsley	2189
Lynnfield	2153
Rift House	2341
Rossmere	2342
Sacred Heart R.C.	3321
St. Aidan's C.E.	3320
St. Bega's R.C.	3328
St. Cuthbert's R.C.	3322
St. Helen's	2211
St. John Vianney R.C.	3329
St. Joseph's R.C.	3323
St. Teresa's R.C.	3324
Throston	2236
Ward Jackson C.E.	2000
<b><u>Secondary Schools</u></b>	
St. Hild's C.E.	4000
High Tunstall	4133
<b><u>Special Schools</u></b>	
Springwell	7027
<b><u>Pupil Referral Units</u></b>	
PRU	1100

**BUDGET MONITORING REPORT  
SCHOOL BUDGET SHARE – YEAR TO DATE**

	ORIGINAL BUDGET £	LATEST BUDGET £	COMMITTED £	INVOICED £	PAID £	TOTAL EXP £	BUDGET REMAINING £
<b><u>EMPLOYEE COSTS</u></b>							
Teaching Staff	130000	130000	104481	0	21891	126372	3628
Supply Teachers	2000	2000	0	0	500	500	1500
Admin & Clerical	6566	6566	5999	0	500	6499	67
School Assistants	20000	20000	15000	0	4230	19230	770
Site Supervisor	0	0	0	0	0	0	0
Supervisory Assistants	3320	3320	0	0	698	698	2622
Hourly Paid	0	0	0	0	0	0	0
<b>TOTAL EMPLOYEES</b>	<b>161886</b>	<b>161886</b>	<b>125480</b>	<b>0</b>	<b>27819</b>	<b>153299</b>	<b>8587</b>
INDIRECT EMPLOYEE EXPENSES	2513	2513	0	0	12	12	2501
<b>TOTAL EMPLOYEE RELATED</b>	<b>164399</b>	<b>164399</b>	<b>125480</b>	<b>0</b>	<b>27831</b>	<b>153311</b>	<b>11088</b>
<b><u>RUNNING EXPENSES</u></b>							
<b>PREMISES</b>							
Repairs & Maintenance	2920	2920	0	51	340	391	2529
Grounds Maintenance	1570	1570	0	0	0	0	1570
Gas	1245	1245	0	0	1065	1065	180
Electricity	1250	1250	0	0	0	0	1250
Water	1000	1000	0	0	0	0	1000
Cleaning	8164	8164	0	0	185	185	7979
Rates	1856	1856	0	0	0	0	1856
<b>TOTAL PREMISES</b>	<b>18005</b>	<b>18005</b>	<b>0</b>	<b>51</b>	<b>1590</b>	<b>1641</b>	<b>16364</b>
<b>TRANSPORT</b>							
Vehicles	0	0	0	0	0	0	0
Hire/Public Transport	0	0	0	0	0	0	0
Car Allowances	50	50	0	0	0	0	50
<b>TOTAL TRANSPORT</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>
<b>SUPPLIES &amp; SERVICES</b>							
Equipment & Materials	352	352	81	25	30	136	216
Computer Equipment	700	700	0	0	208	208	492
Printing & Stationery	0	0	50	0	0	50	-50
Communications	1185	1185	0	0	107	107	1078
Agency Supply	659	659	0	0	556	556	103
Services General	0	0	100	0	0	100	-100
Staff Expenses	0	0	0	0	0	0	0
Services to Students	0	0	100	0	0	100	-100
Staff Expenses	0	0	0	0	0	0	0
Miscellaneous	50	50	0	0	0	0	50
School Meals Expenditure	1019	1019	0	0	0	0	1019
Buy Back Schemes	10470	10470	0	0	0	0	10470
<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>14435</b>	<b>14435</b>	<b>331</b>	<b>25</b>	<b>901</b>	<b>1257</b>	<b>13178</b>

	ORIGINAL BUDGET £	LATEST BUDGET £	COMMITTED £	INVOICED £	PAID £	TOTAL EXP £	BUDGET REMAINING £
CAPITATION	6000	6000	683	104	1324	2111	3889
LEASING	0	0	0	0	0	0	0
REVENUE CONTRIBUTIONS	0	0	0	0	0	0	0
<b>RUNNING EXPENSES</b>	<b>38490</b>	<b>38490</b>	<b>1014</b>	<b>180</b>	<b>3815</b>	<b>5009</b>	<b>33481</b>
<b>GROSS EXPENDITURE</b>	<b>202889</b>	<b>202889</b>	<b>126244</b>	<b>180</b>	<b>31646</b>	<b>158320</b>	<b>44569</b>
<b>INCOME</b>							
Pupil Premium	0	-7500	0	0	-3500	-3500	-4000
Early Years	0	-10000	0	0	-5000	-5000	-5000
High Needs	0	-5000	0	0	-2500	-2500	-2500
Equipment Sales	0	-100	0	0	-50	-50	-50
School Meals Income	0	0	0	-51	-63	-114	114
Exam/Tuition Fees	0	0	0	0	0	0	0
Other Fees/Charges	0	0	0	0	0	0	0
Rents	0	0	0	0	0	0	0
Lettings	-220	-220	0	0	0	0	-220
Donations	0	0	0	0	0	0	0
Other Income	-4390	-4390	0	0	0	0	-4390
<b>TOTAL INCOME</b>	<b>-4610</b>	<b>-27210</b>	<b>0</b>	<b>-51</b>	<b>-11113</b>	<b>-11164</b>	<b>-16046</b>
<b>NET EXPENDITURE IN YEAR</b>	<b>198279</b>	<b>175679</b>	<b>126244</b>	<b>129</b>	<b>20533</b>	<b>147156</b>	<b>28523</b>
<b>RESERVES/(DEFICIT)</b>	<b>-10000</b>	<b>40000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40000</b>
<b>GRAND TOTAL</b>	<b>188279</b>	<b>215679</b>	<b>126494</b>	<b>129</b>	<b>20533</b>	<b>147156</b>	<b>68523</b>

**Notes**

Figures have been rounded to the nearest £1.

The above Budget Monitoring Report shows the minimum level of information required by the Authority on a termly basis. Any additional information provided by the school will be welcomed on a voluntary basis.

This Annex will be updated once the School Balances Protocol has been agreed.

### **Acceptable Criteria**

- a) Expenditure allocations on the areas of “Permissible expenditure” are shown below:-
- (i) Employee Costs
  - (ii) Premises Costs
  - (iii) ICT Expenditure
  - (iv) Supplies and Services
  - (v) Transport Expenditure
- b) Amounts for these items will need to be evidenced in the school budget for the following year, (i.e. the year the balance has been carried forward into), in which they have been earmarked. This will apply to future years for projects that the school is “saving” for. Items must have some specific auditable evidence for amounts to be excluded from the surplus balance calculation, (additional evidence may be needed for projects that are expected to span more than one financial year).
- c) For items of expenditure that the school expects to incur in the next financial year, (i.e. the year the balance has been carried forward into), these items must be included in the schools budget and “signed off” in the “normal” way by the school governors.
- d) For projects that span more than one financial year, or items that the school is “saving” for, the school must have a plan with projected timescales and costs presented to and “signed off” by the school governors.

### **How earmarked balances are to be accounted for**

- e) For in year expenditure schools will need to evidence that they have incurred expenditure as expected. If the full amount cannot be evidenced then any unspent balances earmarked for the setting of these areas will be added back to the surplus balance for possible capping.
- f) For large projects that may span more than one financial year, some slippage may be permissible, but will be subject to review by the Assistant Director Education, Learning and Skills, Schools’ Forum and reported to Children’s Services Committee.

### **How earmarked balances are to be reported and monitored**

- g) All schools will need to complete a **School Balances Survey and Monitoring Form**, by mid May for the preceding financial year, (form and exact dates will be provided each year along with the year end timetable). The survey will need to include the following details of all proposed allowable schemes / expenditure in sufficient detail that these returns can be used as a basis for the exclusion of these amounts from the capping scheme:
- (i) Details of the scheme / expenditure and why it is needed
  - (ii) Total cost of the scheme / expenditure
  - (iii) Start and end dates for the scheme / expenditure



- (iv) Expected quarterly expenditure for the current year and amounts to be spent in future years.
  - (v) Evidence that all earmarked balances have been “signed off” by the board of governors
  - (vi) The basis for the calculation for changes in pupil numbers, and set aside for workforce reform.
- h) The information provided by the schools on the School Balances Survey will be reviewed by the Authority and Schools’ Forum in accordance with the scheme.
- i) Schools are also required to update the **School Balances Survey and Monitoring Form** mid year for review by the Assistant Director Education, Learning and Skills.

## Introduction

The Scheme for Financing Schools prohibits schools from planning for a deficit when preparing their budget plans, except in extenuating circumstances and with the prior permission of the Local Authority. To support the Authority's monitoring role the Scheme requires:

- Schools to return a governor approved annual budget to the Local Authority by the 31st May each year.
- Schools unable to set a balanced budget to notify the Local Authority and apply for a licensed deficit arrangement.
- The maximum size of deficit that can be agreed is 5% of secondary school or 8% of primary and special school's budget share.
- The sum of the deficit agreements and loans will not exceed 25% or £1,000,000 whichever the greater of the collective school balances held by the Authority.

Schools should only apply for a licensed deficit in circumstances where they cannot set a balanced budget without seriously impacting on the educational provision at the school. The Local Authority has no power to write off the deficit balance of any school.

The licensed deficit process is used by the Authority to provide schools with an appropriate level of challenge and support to help them set a balanced budget or if this is not achievable to prepare a recovery plan that sets out the action the school will take to achieve a sustainable balanced financial position over an agreed period of time. The licensed deficit arrangement provides schools with:

- **A two year period in which to take the action required to balance the budget**  
A school will normally be expected to deliver its recovery plan within a two year period. This may be extended in exceptional circumstances where a school cannot deliver a recovery plan over two years without seriously affecting its educational provision. Any extension to the two year period must be agreed by the Chief Finance Officer and the Director of Child and Adult Services.
- **Challenge**  
Financial management challenge in collaboration with the Inspection Team, and other Local Authority Officers based on:
  - Benchmarking data
  - Financial analysis of the school budget
  - Audit information
  - Compliance with financial management standards and financial regulations
  - Contextual data – e.g. demographic changes
  - Curriculum Audit

Where schools persistently fail to take actions agreed under the licensed deficit arrangement, this will be challenged and ultimately may lead to further intervention by the Local Authority.

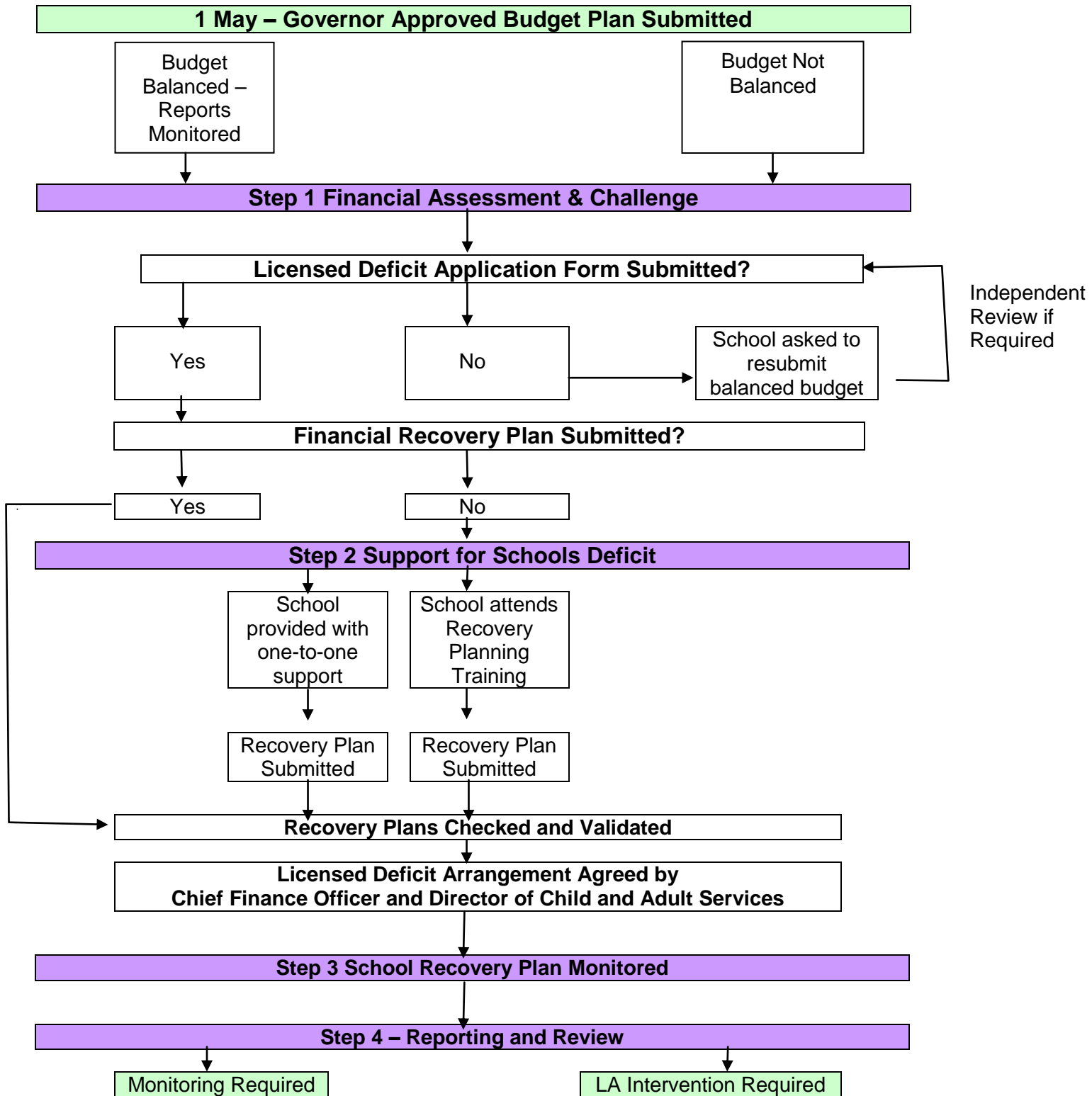
- **Support**

The following range of support is available to schools through the licensed deficit process:

- Financial information and advice on recovery planning
- Recovery planning training, and possible peer mentoring
- Advice from Human Resources and Raising Educational Achievement
- Financial management advice – strategic financial planning, financial systems and controls, multi year budget projections
- Financial Consultancy – additional support from Corporate and Schools' Finance, which may include support from a senior finance officer, (up to 2 days consultation free, additional support will incur a charge).

## Deficit Schools – Challenge and Support Process

The process for challenging and supporting schools with deficit balances is defined in the diagram below:



## **Challenge and Support Process**

Each of the steps in the diagram is explained below.

### **Step 1: Financial Assessment and Challenge**

If a school submits a 'Governor Approved Budget Plan' that shows a deficit position they will be expected to submit an application for a licensed deficit together with a simple recovery plan which indicates how they intend to bring the schools financial position back into balance. This may be through a combination of income generation and/or a reduction in expenditure.

Schools that submit a Governor Approved Budget Plan showing a deficit position without applying for a licensed deficit will be asked to re submit a balanced budget.

Schools are required to apply for a licensed deficit on an annual basis, even where a recovery plan has been agreed previously where circumstances have changed, including an updated Governor Approved Budget Plan.

Information on how to apply for a licensed deficit and advice on setting a balanced budget and recovery planning is available to schools in Appendix 1.

### **Step 2: Support for Schools in Deficit**

Where schools are unable to complete a recovery plan, the Local Authority will determine the appropriate type of challenge or support required by the school to enable it to complete a plan based on -

- Significance of the deficit both in year and cumulative
- Length of time the school has been in deficit
- Level of financial competency based on audit and compliance checks
- Governor involvement
- Benchmarking data
- Contextual data
- Curriculum Audit

Financial advice, information and training will be available to support schools in recovering from a deficit financial position

- Telephone support providing advice and guidance
- Recovery planning training – these sessions will be aimed at those schools who with some additional financial training and advice are able to effectively control and manage their future financial position. Schools may find that by working with colleagues in other schools where applicable, (peer mentoring), they are able to share ideas and best practice which result in reducing the financial deficit of the school.

- Consultancy Support – this support will be provided to those schools where the magnitude of the deficit makes it difficult for them to resolve the position without professional advice and some intervention by the Local Authority, (up to 2 days free).

Following the submission of a Governor Approved Budget Plan and recovery plan a number of validation checks will be completed by the Local Authority to ensure that the plans are reasonable. This will be done by: -

- Comparing the current year's income and expenditure budgets with previous years' actuals and trends to identify any significant differences.
- Checking that the correct balances have been accounted for in the current year and all funding delegated by the Local Authority has been taken in to account.
- Ensuring actions included in the recovery plan are realistic and that by implementing them the required level of savings can be achieved.
- Reviewing all areas to ensure that are clear and achievable. Any areas that are not will be queried with the school and clarification sought.

Where the plans are deemed to be suitable then they will be accepted by the Local Authority and reviewed throughout the year.

Where the plans are not deemed to be suitable the school will be requested to review their budget and recovery plan and submit revised versions for review.

The licensed deficit application will be considered by the Authority's Chief Finance Officer and Director of Child and Adult Services. If accepted the chair of Children Services Committee will be briefed.

Written confirmation will be sent to the school and its Chair of Governors once the licensed deficit has been approved.

### **Step 3: School Recovery Plan Monitored**

The purpose of a recovery plan is to identify the actions that can be taken to bring a school budget back to a balanced position within an agreed period of time. Schools with a licensed deficit agreement must produce a recovery plan that demonstrates they are able to achieve a balanced budget over the agreed licensed deficit period.

The plan can be a simple statement showing:

- What actions will be taken
- When the actions will happen
- How much will be saved by taking the action
- Who is responsible for the implementation of the plan
- Governor responsible for monitoring the plan

The recovery plan should also be supported by a multi-year budget showing the cumulative effects of the proposed action.

An example of a simple recovery plan is shown on the next page.

**School Budget Deficit Recovery Plan****Example School**

Estimated savings to be achieved over two years £ 345,000

**Year 1**

Budget Deficit (£ 185,000)

**Deficit Recovery Plan**

• End 2 temporary teaching contracts 31/08	£ 20,000	
• Non replacement of teacher leaving 31/12	£ 11,000	
• Embargo on expenditure (computer Hardware)	£ 10,000	
• Private Sector Sponsorship	<u>£ 60,000</u>	£ 101,000
	<u>(£ 84,000)</u>	

**Year 2**

Deficit Budget B/F (£ 84,000)

**Planned Increases in Expenditure**

• Sickness cover costs		(£ 44,000)
• Necessary expenditure on resources		(£180,000)
• Reduction in Yr 2 Budget (decreasing AWPU)		(£ 37,000)
		<u>(£345,000)</u>

**Deficit Recovery Plan**

• Reduce teaching establishment (3 FTE) 01/04	£ 80,000	
• Reduce 2 members of SMT with post Replacement 01/04	£ 40,000	
• End temporary contracts 5.8 teachers 31/0	£140,000	
• Reduce expenditure on building improvements	£ 40,000	
• Full Yr saving 2 temporary contracts from Yr1	£ 34,000	
• Reduce non teaching staff by 30 Hrs	<u>£ 15,000</u>	£349,000
		<u>£5,000</u>

**Step 4: Reporting and Review**

The Local Authority will consider the financial position of schools with a licensed deficit agreement each term based on a report that will highlight the challenge and support identified for each school and their progress in moving towards a balanced position. A summary report will be provided to the Schools Forum each year.

Termly reports will be based on the governor approved returns made by schools. These returns will be reviewed to identify any significant variances from the agreed licensed deficit, where variances are identified they will be raised with the school who will be asked to provide an explanation and details of the management action they are taking.

**Monitoring the School Recovery Plan**

Schools with significant deficit budgets must monitor their budgets on a monthly basis, including a forecast year end outturn position; this will be checked for accuracy and reasonableness and compared with the previous financial forecasts and the school's recovery plan. This must be submitted to Corporate and Schools' Finance.

Schools will be contacted by telephone and in writing if there are any queries about the financial information or projected financial position. Where a school's financial position worsens they will be referred to Corporate and Schools' Finance and Raising Educational Achievement for more intensive support. Schools refusing to engage in the process or who are persistently in breach of the Scheme for Financing Schools will be required to attend a financial review meeting with the Local Authority to discuss their financial position.

**Local Authority Intervention**

Local Authority intervention will apply where:

- The school is persistently in breach of the Scheme for Financing Schools
- The school will not set a balanced budget
- The school will not engage in the licensed deficit process
- The deficit is worsening and no action is being taken by the school
- There is evidence of financial mismanagement by the school

Intervention is proposed to escalate at three levels. It is envisaged that deficit schools will engage with the Local Authority well before the need for intervention as these arrangements are the last resort, for the protection of public monies and to protect the overall resource for all schools in Hartlepool. The levels of intervention are:

- (i) Financial Review Meeting
- (ii) Notice of Concern
- (iii) Withdrawal of delegated financial powers



**Level 1 - Financial Review Meeting**

Schools that do not return a balanced budget or apply for a licensed deficit will be required to attend a Financial Review Meeting with the Local Authority. A similar requirement will apply to schools with a worsening deficit and also for those schools who persistently breach the Scheme for Financing Schools.

The review meeting will include Senior Officers from Corporate and Schools' Finance, Raising Educational Achievement, School Improvement Partner / Advisor, Human Resources, and the Headteacher and Chair of Governors or representative Governor.

The meeting will:

- Review the financial position of the school
- Seek an explanation from the school about the action being taken to safeguard the school's financial position
- Assess what support and challenge the school may require
- Agree an action plan
- Account for interest to be charged on the deficit to recognise the seriousness of the situation for the school.

**Level 2 - Notice of Concern**

A school that continues to refuse to take the necessary action will be required to attend a meeting with the Director of Child and Adult Services and the Chief Finance Officer. Following this meeting they will be given a formal notice of the action the Local Authority recommends they should take to bring the budget back in to balance including the charging of interest on the deficit. The school will be given a month to respond.

**Level 3 - Withdrawal of Delegation**

Where a school still refuses to take the action identified by the Local Authority the ultimate sanction will be to withdraw delegation following a meeting with the Director of Child and Adult Services and the Chief Finance Officer. Under withdrawal of delegation the Authority would take control of the budget and take the necessary action before returning control to the Governing Body. During the withdrawal school staff would be responsible to the Authority for the day-to-day financial administration in the school.

The Local Authority will report to elected members where it is felt that intervention is required.

**Applying for a Licensed Deficit Agreement**

A licensed deficit will only be approved in circumstances, where the school cannot balance its budget in year without a significant impact on the provision of education.

Applying for a licensed deficit gives schools access to support from experienced officers in Corporate and Schools' Finance and the Child and Adult Services Department.

It also enables them to:

- Identify and acknowledge the problem and take positive action
- Take strategic action to improve the long term financial situation of the school
- Balance their budget over an extended period of time – usually two years but in exceptional circumstances this may be extended up to three years.

To apply for a licensed deficit a school must complete a licensed deficit application form (Appendix 1) and provide a recovery plan detailing how they will balance their budget to zero over a two year period.

Completed application forms and recovery plans should be sent to Corporate and Schools' Finance.

**Appendix 1**

**Hartlepool Borough Council**

**Application for Licensed Deficit**

Please complete the following information:

Name of School:

Value of the Deficit for which approval is sought

£

Number of years where deficit budget is required

Reasons for the proposed deficit:

named person

responsible for ensuring the actions are undertaken:

Date of Governing Body Resolution Requesting the Licensed Deficit, (copy of minutes required):

Name:

Name:

Signed:

Signed:

Position: Chair of Governors

Position: Head Teacher

Date:

Date:

Please also provide the following information:

1. Amount of main School Balance Carried Forward from last 31 March i.e. main A
2. Amount of other School Balances Carried Forward last 31 March i.e. PE, Out of School etc.
3. Latest Governor Approved Budget Plan
4. Forecast Out-turn statement (if application from September onwards)
5. A three year budget forecast demonstrating the changes in income and expenditure anticipated by the school together with the financial impact of the management action to clear the deficit within two years.

1. The extent to which loans can be given to schools depends upon the aggregate level of schools' balances at the end of the previous financial year. The total amount available for loan shall not exceed 50% of the aggregate level of schools' balances held by the Authority or £400,000, whichever is the lesser.
2. Loans will be available for expenditure which is to be of benefit to schools over a period greater than one financial year. Examples of the kinds of project for which borrowing would normally be considered include:
  - improvements or major repairs to school properties;
  - "spend to save" projects, e.g. to improve energy efficiency;
  - projects to improve security in schools, or to meet health and safety requirements;
  - purchases of educational equipment.
3. Loans will not be available to support day to day expenditure within the school's revenue budget nor for licensing a deficit. A loan can only be used for the purpose for which it was granted.
4. A school may apply to the Director of Child and Adult Services for a loan at any time during the year, though approvals will be given each term. The application should be signed by the headteacher and chair of governors. Before the loan is actually made, it must also be approved by the governing body or a committee with appropriate delegated powers. This does not preclude an application being submitted ahead of that formal approval being obtained.
5. The minimum loan will be £1,000. The maximum loan will normally be £25,000 and will be agreed by the Director of Child and Adult Services and the Chief Finance Officer under delegated powers. Loans for more than £25,000 are likely to be approved only in exceptional circumstances and will need further approval from the Portfolio Holder.
6. No school has a right to receive a loan but all schools with delegated budgets are eligible to receive consideration. A request will be judged against the following criteria:
  - whether the loan is for eligible expenditure (see paragraph 2 above);
  - whether the school is able to meet the annual repayments: this will involve an assessment of the school's past, present and projected future budget position;
  - priority will be given to those projects which contribute most to raising educational standards.
7. A school may have more than one loan but the Authority must be satisfied that the school is able to meet the total repayments.
8. The normal repayment period for a loan will be three years but may be up to a maximum of five.

9. Interest will be charged on loans. The interest payable will be fixed at the commencement of the loan at a rate linked to the 3 month London Inter-Bank Bid rate.
10. Loans may be repaid at an earlier date than agreed at the outset, following agreement to revised terms by the Authority.
11. If circumstances change (e.g. unforeseen higher costs on a building project or a significantly changed financial position at the school) it may be possible to vary the original terms of the loan, with the agreement of the Authority, though there can be no guarantee that this can be arranged.

## THE AUTHORITY'S CURRENT POLICY IN RELATION TO CHARGING FOR AND REMISSION OF SCHOOL ACTIVITIES.

### 1. The Statement of the Council's Charging Policy

#### (i) Charging in kind

If the parents of pupils confirm in advance on a voluntary basis that they wish to own their children's finished products arising from pupils' participation in practical work, the actual costs of the ingredients and materials used should be met by the parents.

#### (ii) "Optional Extras"

These are defined as "education provided for registered pupils wholly or mainly outside school hours". The Council does not intend to fund directly "optional extras". Provided parents confirm in advance that they wish their children to take part in "optional extras", the actual costs of participation incurred by each pupil should be met by the parents. The costs can include an appropriate element for :- a pupil's travel costs; a pupil's board and lodging costs; materials, books, instruments and other equipment; non-teaching staff costs; entrance fees to, for example, museums castles and theatres; insurance costs. Where parents have agreed in advance to pay these charges, but fail to do so, action should be taken to recover the sums due as a civil debt from the parents.

#### (iii) Educational Visits Abroad

The Council will not fund the costs of board and lodging, transport and incidental expenses incurred by pupils participating in educational visits abroad, which take place both in term time and in school holidays. The actual charges involved should be met by the parents who should therefore be requested on a voluntary basis to confirm in advance that they wish their children to participate in the particular educational visit abroad and that they will pay the actual costs incurred.

#### (iv) Public Examinations

##### (a) Re-scrutiny of Public Examination Results

Where parents make a specific request that their children's public examination results should be re-scrutinised, any costs incurred in the re-scrutiny should be met in full by the parents.

##### (b) Double Entries for Prescribed Public Examinations.

Where parents insist on a double entry for a prescribed public examination in the same subject, the actual cost of the entry fee for one examination should be met by the parents.

##### (c) Re-sitting of Prescribed Public Examinations.

Where no further preparation has been provided for a pupil to re-sit a prescribed public examination, the actual cost of the examination entry fee must be met by the parents.

(d) Other Public Examinations

If a pupil, with parental agreement, is entered for a public examination, other than one on the prescribed list, the examination entry should be considered as an “optional extra”. The actual cost of the examination entry fee should be met by the parents in these circumstances.

(e) Recovery of Wasted Public Examination Fees

If pupils fail, “without good reason”, to complete their examination requirements for any public examination for which the governing body or the local authority has paid, or is liable to pay, examination entry fees, the actual cost of fees should be recovered from the parents concerned. Failure to complete the examination requirements might include failure to complete the necessary coursework and/or failure to sit the final examination(s).

(v) Breakages and Fines

If there is clear evidence that pupils have damaged school property (e.g. broken a window) or defaced, damaged or lost educational equipment (e.g. a textbook) belonging to the school, the parents should be requested to meet the actual replacement costs involved.

(vi) Instrumental Music and Vocal Tuition

Where instrumental music tuition, vocal tuition, and/or any other music related activity is provided parents will be asked to make a contribution towards the cost of the provision. The costs will be determined and revised by the Music Service (subject to approval by the Council) and a remission policy will be operated.

**2. The Statement of the Council’s Remissions Policy**

(i) Cost of Instrumental Music Tuition and Vocal Tuition

The remission in full of the cost of music or vocal tuition to pupils who participate in out-of-school music centre activities and whose parents’ main source of income is either:

- (a) income support
- (b) income-based jobseeker’s allowance
- (c) disabled person’s tax credit with prescription exemption\*
- (d) working families tax credit with prescription exemption\*



- \* Because of the higher rates of income qualifying for Working Families Tax Credit and Disabled Person's Tax Credit compared with the benefits they replaced, the Benefits Agency has had to look at the way they operate an entitlement to free prescriptions and they now only allow the lower income families to receive exemption certification. By asking families to demonstrate that they are exempt from paying prescription charges, the Authority avoids having to adopt complicated assessment procedures or disallow all families who receive the new benefits. The simplest method of doing this is to ask parents to send in a copy of their award letter.

(ii) Board and Lodging Charges at the Authority's Residential Centre

The remission in full of the board and lodging charges to pupils who participate in residential visits at the Authority's residential centre run by the Education Authority and whose parents' main source of income is either:

- (a) income support
- (b) income-based jobseeker's allowance
- (c) disabled person's tax credit with prescription exemption\*
- (d) working families tax credit with prescription exemption\*

- \* Because of the higher rates of income qualifying for Working Families Tax Credit and Disabled Person's Tax Credit compared with the benefits they replaced, the Benefits Agency has had to look at the way they operate an entitlement to free prescriptions and they now only allow the lower income families to receive exemption certification. By asking families to demonstrate that they are exempt from paying prescription charges, the Authority avoids having to adopt complicated assessment procedures or disallow all families who receive the new benefits. The simplest method of doing this is to ask parents to send in a copy of their award letter.

(iii) Other Costs

The Council will consider on their merit any written applications for remission of costs associated with the education of children which are submitted by their parents; however, it cannot be guaranteed that any remissions can be made.

### 1. Current Procedures-non Cheque Book Schools

The Authority currently requires all invoices received to be entered onto the Integra Financial Management System unless the school is operating a local bank account (see procedure below). This system is used to record and report upon the amount of VAT incurred by the schools. This information identifies the monthly amounts of VAT reclaimable and also categorises expenditure into the different VAT classifications.

Current procedures are such that invoices need to be entered onto both the SIMS system (by the schools) and are then passed to the Local Authority to be processed in Integra.

The invoices are then passed to the Payments Section to be both released for payment and document imaged. The document imaging is the Authority's approved means of retaining a copy of the source documents required by HM Customs & Excise.

For information – all schools are currently classed as Cheque Book Schools.

### 2. Current Procedures – Cheque Book Schools

In order for the Authority to meet its statutory requirements schools operating local bank accounts must provide details of all school expenditure; this will be entered onto Integra.

In order to do this the school must produce a monthly VAT submittal report. This report identifies the amounts expended against each expenditure category and different VAT classifications, which will be included within the Authority's monthly VAT claim.

### 3. Output Tax

The Authority records its output tax in the following ways:

- debtors invoices - recorded onto the Integra Sales Invoicing System and subsequently transferred onto Integra the following day;
- other income, recorded onto analysis sheets and input directly onto Integra;
- other bank receipts e.g. BACS.

Output tax is inspected more closely than input tax by the Customs and Excise officers. The output tax is the amount of money that the Authority collects on behalf of HM Customs & Excise. It is essential that these amounts are collected and recorded correctly and promptly as this area is the one on which the majority of Interest Charges and Penalties are imposed.

#### 4. **Specific Requirements**

In order to complete the Authority's VAT claim it is essential that the following information is provided by the 5th working day of each month:

- net and VAT amounts incurred on purchases, or charged to debtors, for the preceding month categorised by VAT type, i.e.:
  - (i) standard rated;
  - (ii) fuel rate (5%);
  - (iii) zero rated;
  - (iv) exempt;
  - (v) outside of the scope.

Additionally, it is essential that the source documentation is available for scrutiny by HM Customs and Excise inspectors on request. This documentation must be kept and be available for a period of 6 years.

#### 5. **Income from Lettings**

The letting of facilities designed or adapted for playing any sport or taking part in physical recreation is normally standard rated.

However, the letting of such facilities may be exempt from VAT if:

- the letting is for over 24 hours;
- or, there is a series of lettings to the same person over a period of time.

Single lets of sports and physical recreation facilities for a continuous period of over 24 hours to the same person are exempt from VAT provided the person to whom they are let has exclusive control of them throughout the period.

Anyone who lets out sports or physical recreation facilities may exempt the supply from VAT if the facilities are let out for a series of sessions provided:

- the series consists of 10 or more sessions; and
- each session is for the same sport or activity; and
- each session is in the same place (although a different pitch, court or "lane", or a different number of pitches, courts or "lanes", at the same sports ground or premises is acceptable); and
- the interval between each session is at least a day and not more than 14 days (although the duration of each session can be varied). Letting for every other Saturday afternoon fulfils this condition but there is no exception for longer intervals than 14 days which arise through closure e.g. for public holidays; and

- the series is to be paid as a whole, and there is written evidence to that effect. This must include evidence that payment is to be made in full for the series whether or not the right to use the facility for any specific session is actually exercised. A formal agreement, exchange of letters, or an invoice issued in advance requiring payment for the sessions specified on the invoice would be sufficient evidence. Provision for a refund in the event of the unforeseen non-availability of the facility would not break this condition but provision for refund in other circumstances would; and
- the facilities are let out to a school, club, association or an organisation representing affiliated clubs or constituent associations (such as a local league); and
- the person to whom the facilities are let has exclusive use of them during the sessions.

The level of insurance cover currently provided by the Authority is as follows:-

1. **Property - Buildings** - The Authority provide Insurance for the risks of damage by fire, lightning, explosion, earthquake, riot, malicious persons, storm, flood, escape of water and impact, both for its own benefit, and that of governing bodies. All other losses not referred to above will become the responsibility of the school.  
**Basis of cover:** Reinstatement
2. **Property - Contents** - The Authority provide Insurance for the risks of damage by fire, lightning, explosion, earthquake, riot, malicious persons, storm, flood, escape of water and impact, both for its own benefit, and that of governing bodies.
3. **Property - Business Interruption** - The Authority provides Insurance to cover additional expenses occurred and loss of revenue as a direct result of damage or destruction by any insured peril. The cover also extends to include denial of access, contagious or infectious diseases.  
**Basis of cover:** Increased cost of working £5 million
4. **Employer's Liability** - The Authority provides Insurance cover for all employees in schools maintained by the Authority, including volunteers assisting in any work or project organised by the Authority. The insurance will meet the cost of any sum which the Authority or governing body may become legally liable to pay to employees or volunteers as a result of death, injury or illness arising out of or in the course of their employment.  
**Basis of cover:** Limit £35 million
5. **Public Liability** - The Authority provides Insurance cover to meet the costs of any sums either it or the governing bodies may become legally liable to pay to any third party arising from death, injury, illness or damage to property. This would include any such sums which become payable to volunteers. It also covers similar legal liabilities which may fall either on volunteers, employers or governors arising out of their work for the Authority or governing body.  
**Basis of cover:** Limit £35 million
6. **Officials Indemnity** - The Authority provides Insurance cover which is similar to Public Liability except that it covers legal liabilities attaching in the absence of any physical injury, loss or damage being sustained by the claimant. The cover again extends to include the governing bodies.  
**Basis of cover:** Limit £3 million.

*Whilst the Authority's liability policies described above cover liabilities arising from defective equipment it should be understood that such cover does not extend to indemnity the supplier or hirer of such equipment. Governors should regard the vetting of suppliers or hirer for suitability, including their insurance arrangements, as part of their responsibilities (Further assistance in relation to the latter insurance element can be obtained from Paul Hamilton, Insurance/Risk Manager 01429 523170).*

7. **Libel & Slander** - The Authority provides Insurance for any compensation which may become payable following libel or slanders uttered in good faith. This policy extends to cover governing bodies, or any person volunteering to act for the Authority in the discharge of its duties.  
**Basis of cover:** Limit £3 million
8. **Fidelity Guarantee** - The Authority provides Insurance to cover the loss of money or other property arising out of the deliberate and dishonest act of an employee.  
**Basis of cover:** Limit £2 million
9. **Money** - The Authority provides Insurance to cover for the loss of money belonging to the Authority, or forming part of the delegated budget of governing bodies. Loss of money must be from a clearly identifiable incident.  
**Basis of cover:** Situated within a locked safe or strongroom - Limit £7,500  
**Basis of cover:** Situated within any other locked receptacle - Limit £500
10. **Personal Accident** - The Authority provides Insurance upon application for lump sum benefits for all staff killed or permanently injured by assault whilst in the course of their employment. Similar benefits are available also to volunteers whilst carrying out the activities of the Authority, but in their case benefits are also payable in respect of temporary periods of disablement.  
**Basis of cover:** Benefits based upon Continental scale with Capital sum of £200,000.
11. **Professional Indemnity** - The Authority provides no insurance in relation to schools or governing bodies.
12. **Travel - Outings & Trips** - The Authority provides Insurance which includes a wide range of benefits for both pupils, teachers or volunteers engaged in trips or holidays within the UK or abroad. The benefits include cancellation, loss of personal items, loss of money, death or bodily injury and medical expenses. (Application forms and further information are available from the Insurance Section telephone 01429 523170).
13. **Pupil Injury & Personal Effects** - Except under the school journey policy, the Authority does not provide cover in relation to compensation to pupils for personal injuries or loss of property in the absence of any legal liability to pay compensation.
14. **Engineering** - The Authority provides Insurance to cover the periodical inspection of plant, lifts, lifting equipment and flume cupboards in relation to statutory requirements. The cover also extends to include unforeseen damage to own surrounding property from pressure plant.  
**Basis of cover:** Own surrounding property £500,000.
15. **Computer** - The Authority provides Insurance to cover the physical loss or damage (including breakdown not covered by a maintenance agreement) of computer systems, storage and retrieval systems, data processing equipment and peripherals.  
**NB The cover does not extend to include Hacking or the result of Viruses.**

16. **Lettings** - If the school or governing bodies make arrangements for the use or hire of the premises or equipment of the school, they must ensure prior to the letting taking place that the user/hirer has adequate and appropriate Public liability insurance cover, which includes cover for the damage to the property by the hirer. Further assistance in relation to this can be obtained from Paul Hamilton, Insurance/Risk Manager (01429 523170).

- **Excesses**

All of the above policies are generally subject to an excess of £500, However, Flood claims have a £1,000 excess and school journey travel claims has a nil excess.

- **Claims handling**

The provision of Insurance is controlled within the Finance division of the Chief Executive's department. The Insurance section is responsible for the processing of all claims to the relevant Insurer.

- **Notification of Claims**

It is a requirement of most Insurance policies that any claim is reported within 30 days, or the Insurer can at their discretion refuse the claim. To allow the Insurance section time to investigate the circumstances of each and every claim prior to submission to the Insurer, Schools are reminded that **any loss, theft or damage that gives rise to a claim must be notified to the Insurance section within 7 days.**

**School Logo**

# **Confidential Reporting Policy & Procedure**



## **Policy**

This policy has been introduced to enable employees, and other persons working for the School on School premises, together with suppliers and those providing services under a contract with the School, to confidentially voice serious concerns over malpractice and wrong doing within the School.

### **1. Introduction**

- 1.1 Employees are sometimes the first to realise that there may be something seriously wrong within their School. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the School; or they may fear harassment, victimisation or other reprisals. In these circumstances it may be easier to ignore the concern rather than report what may be just a suspicion of malpractice.
- 1.2 The School and LA are committed to the highest possible standards of service provision and for full accountability for those services. In line with that commitment employees are encouraged to come forward and voice any serious concerns they may have about the School's work. It is recognised that certain cases will have to proceed on a confidential basis. This policy document makes it clear that any individual can do so without fear of reprisals. This policy is intended to encourage and enable an individual to raise serious concerns within the School rather than overlooking a problem or "blowing the whistle" outside.
- 1.3 The policy applies to all employees and those contractors working for the School on School premises, for example, agency staff, builders, and drivers. It also covers suppliers and those providing services under a contract with the School.
- 1.3 The Public Interest Disclosure Act 1998 protects workers who 'Blow the Whistle' about wrongdoing. It makes provision about the kind of disclosures, which may be protected; the circumstances in which the disclosures are protected; and the persons who may be protected. The provisions introduced by the Act protect most workers from being subjected to a detriment by their employer. Detriment may take a number of forms, such as denial of promotion, facilities or training opportunities which the employer would otherwise have offered. Employees may make a claim for unfair dismissal if they are dismissed for making a protected disclosure.

### **2. Aim and Scope**

- 2.1 This policy aims to:
  - (a) provide avenues for the complainant to raise concerns and receive feedback on any action taken;
  - (b) allow the complainant to take the matter further if they are dissatisfied with the School's response to the concerns expressed; and
  - (c) reassure the complainant that they will be protected from possible reprisals or victimisation.

- 2.2 This policy does not replace the School's complaints procedure. There are also existing procedures in place relating to Disciplinary, Grievance, and Capability etc. The Confidential Reporting Policy is intended to cover concerns that fall outside the scope of these procedures eg malpractice or wrongdoing.
- 2.3 Thus any serious concern that the complainant may have regarding the suspicion of malpractice or wrongdoing in any aspect of the School provision, or the conduct of staff within School, or others acting on behalf of the School, can and should be reported under this policy. Employees are expected to report malpractice and wrongdoing. They may be liable to disciplinary action if they knowingly and deliberately do not disclose information relating to malpractice or wrong doing in any aspect of the School's provision or the conduct of staff or others acting on behalf of the School.

### 3. What is Malpractice or Wrongdoing?

3.1 Malpractice and wrongdoing may be about something which:-

- is unlawful; or
- against the School 's or LA's policies; or
- is not in accordance with established standards of practice; or
- amounts to improper conduct by an employee.

The overriding concern should be that it would be in the public interest for the malpractice to be corrected and, if appropriate, sanctions to be applied.

The following are examples of issues which could be raised under this policy. It is not intended to be an exhaustive list and there may be other matters which could be dealt with under this policy:

- any unlawful act or omission, whether criminal or a breach of civil law
- maladministration, as defined by the Local Government Ombudsman
- breach of any statutory code of practice
- breach of, or failure to, implement or comply with any policy determined by the School or LA.
- failure to comply with appropriate professional standards or other established standards of practice
- corruption or fraud
- actions which are likely to cause physical danger to any person, or give rise to a risk of significant damage to property
- failure to take reasonable steps to report and rectify any situation which is likely to give rise to a significant avoidable cost, or loss of income, to the School or would otherwise seriously prejudice the School or LA
- abuse of power, or the use of the School's powers and authority for any unauthorised or ulterior purpose
- unfair discrimination in the School's employment or provision
- dangerous procedures risking health and safety
- abuse of clients
- damage to the environment

- other unethical conduct

#### 4. Safeguards

##### 4.1 Harassment or Victimisation

The School and LA recognise that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice or from the School as a whole. The School will not tolerate any harassment or victimisation and will take appropriate action in order to protect an employee if they raise a concern in good faith. In addition an employee is protected by law by the Public Interest Disclosure Act, which gives employees protection from detriment and dismissal where they have made a protected disclosure, provided the legal requirements of the Act are satisfied.

This does not necessarily mean that if an employee is already the subject of disciplinary procedures that those procedures will be halted as a result of a concern being raised under this policy.

##### 4.2 Confidentiality

It will be easier to follow up and to verify complaints if complainants are prepared to give their names. However, wherever possible the School will protect those who do not want their names to be disclosed. It must be appreciated that any investigation process may reveal the source of the information and a statement from the complainant may be required as part of the evidence.

##### 4.3 Anonymous Allegations

Concerns expressed anonymously are much less powerful, but they will be treated with caution and considered at the discretion of the School. In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of obtaining the necessary information and confirmation of the allegation.

##### 4.4 Deliberately False or Malicious Allegations

The School will view very seriously any deliberately false or malicious allegations it receives, and will regard the making of any deliberately false or malicious allegations by any employee as a serious disciplinary offence which could result in dismissal.

If an allegation is made in good faith but it is not confirmed by the investigation, no action will be taken against the complainant.

The School will try to ensure that the negative impact of either a malicious or unfounded allegation about any employee is minimised. However, it must be acknowledged that it may not be possible to prevent all of the repercussions potentially involved.

## 5. How to Raise a Concern

5.1 If the complainant suspects wrongdoing in the workplace:

- **they must not** approach or accuse the individuals directly
- **they must not** try to investigate the matter themselves
- **they must not** convey their suspicions to any one other than those with the proper authority but **they must do** something

5.2 As a first step, the complainant should normally raise concerns with their immediate line manager or supervisor. However, the most appropriate person to contact will depend on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. For example, if the complainant believes that the Head Teacher is involved in the matter of concern, or the normal channels of communication are inappropriate for some reason, they should approach the Chair of Governors. If, for some significant reason, the complainant does not feel comfortable raising the concern within the School, they should approach one of the Nominated Officers' identified on page 1 of this policy.

5.3 Concerns may be raised verbally but are better raised in writing. The complainant is invited to set out the background and history of the concern giving relevant names, dates and places where possible, and the reason why they are particularly concerned about the situation.

5.4 The earlier a concern is expressed; the easier it is to take appropriate action.

5.5 Although the complainant is not expected to prove the truth of an allegation that is made, it will be necessary for them to demonstrate to the person contacted that there are sufficient grounds for concern.

5.6 Advice and guidance on how matters of concern may be pursued can be obtained from Human Resources, Schools Team.

5.7 Alternatively, the complainant may wish to seek advice from their trade union or professional association.

## 6. How the School will Respond

- 6.1 The action taken by the School will depend on the nature of the concern. Where appropriate, the matters raised may:
- be investigated by management, internal audit, or through the disciplinary process
  - be referred to the Police
  - be referred to the external Auditor
  - need to be the subject of a referral to the Teaching Agency
  - need to be the subject of a referral to the Independent Safeguarding Authority
  - form the subject of an independent enquiry
- 6.2 In order to protect individuals and the School, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example child protection or capability issues) will normally be referred for consideration under those procedures.
- 6.3 Some concerns may be resolved by agreed action without the need for investigation.
- 6.4 Within 10 working days of a concern being raised under this procedure the Officer considering the issues will write to the complainant:
- (a) acknowledging that the concern has been received;
  - (b) indicating how it is proposed to deal with the matter;
  - (c) giving an estimate (so far as reasonably practicable) as to how long it will take to provide a final response;
  - (d) informing them whether any initial enquiries have been made; and
  - (e) informing them whether further investigations will take place and if not, why not
- 6.5 The amount of contact between the complainant and the Officer considering the issues will depend on the nature of the matters raised; the potential difficulties involved and the clarity of information provided. If necessary, further information will be sought from the complainant.
- 6.6 Where any meeting is arranged, the complainant has the right, if they so wish, to be accompanied by a trade union or professional association representative or a colleague who is not involved in the area of work to which the concern relates.
- 6.7 The School will take appropriate steps to minimise any difficulties the complainant may experience as a result of raising a concern. For example, if they are required to give evidence in criminal or disciplinary proceedings the School will advise them about the procedure.
- 6.8 The School accepts that the complainant needs to be assured that the matter has been properly addressed. Therefore, subject to any legal restraints, the complainant will receive as much information as possible about the outcomes of any investigation.

## 7. How can the matter be taken further?

7.1 This policy is intended to provide employees and other persons with an avenue to raise concerns within the School and it is hoped that they will take this option in the first instance. The School hopes they will be satisfied but if not, and the complainant feels it is right to take the matter outside the School, then depending upon the nature of the issue involved, the following are possible contact points:

- (i) the District Auditor
- (ii) relevant professional bodies or regulatory organisations
- (iii) the Police
- (iv) the Local Government Ombudsman
- (v) the Teaching Agency
- (vi) the Independent Safeguarding Authority
- (vii) the local Citizen Advice Bureau
- (viii) an independent legal adviser within the meaning of the Public Interest Disclosure Act 1998
- (ix) a regulatory body designated for the purposes of the Public Interest Disclosure Act

7.2 If the complainant does wish to take the matter outside the School, they must first ensure that they do not disclose confidential information. In addition, if the complainant wishes to secure the protections afforded by the Public Interest Disclosure Act, they must ensure that their disclosure is protected within the meaning of the Act and that it complies with a set of specific conditions which vary according to whom the disclosure is made.

7.3 If necessary the complainant may wish to seek advice from Human Resources, Schools Advisory Team or their Trade Union or Professional Association.

7.4 In the case of an issue where an individual does not feel comfortable raising concerns within School, officers have been nominated for the purpose of dealing with concerns raised under this policy.

The Nominated Officers are currently as follows:

Director of Child and Adult Services

Assistant Director of Child & Adult Services

## 8. Responsibility for the Policy

8.1 The responsibility for the effectiveness and efficiency of this policy rests with the Governing Body. The Governing Body will be advised about and maintain records of concerns raised and the outcomes (but in a form which does not endanger the complainants confidentiality) and will report if necessary to the Local Authority.

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

Section 37 of the 2002 Education Act says:

- (4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.
- (5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.
- (6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

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

#### **Charge of dismissal/resignation costs to delegated school budget:**

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

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

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

### Hartlepool Borough Council Arrangements

The DfE Guidance details above circumstances where it might be appropriate for redundancy costs to be met by a school. This list is illustrative only. For the avoidance of doubt, any potential redundancy costs to be met by LA must be expressly agreed by the Director of Child and Adult Services and the Chief Finance Officer **before** the commencement of the retirement/redundancy process.

### Premature Retirement Costs and Redundancy Costs for Community Facilities Staff

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

- (7) Where a local education authority incur costs -
- (a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
  - (b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,

they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

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



- (7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.
- (8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.