

THE HEREFORDSHIRE COUNCIL'S SCHEME FOR FINANCING MAINTAINED SCHOOLS OR LOCAL MANAGEMENT OF SCHOOLS (LMS)

Revised September 2006

Purpose

The scheme sets out the rules and conditions governing the financial relationship between schools and the Local Authority (LA). It provides a reference for school staff and Governors towards understanding their duties and responsibilities as well as rights and entitlements.

The main scheme (Chapters 1-11) were framed by the DfES and adapted where local conditions vary. The supporting annexes provide more information and explanation about the formula, delegation and charging arrangements, as well as opportunities for central funding.

**HEREFORDSHIRE COUNCIL'S SCHEME FOR FINANCING MAINTAINED SCHOOLS
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SECTION 1

INTRODUCTION

Aims and purpose

1.01 The Council strongly believes that governing bodies should have wide discretion to manage school-based resources. Accordingly, the Council aims -

- (i) to secure the maximum level of budget delegation for schools compatible with the LA's responsibilities and the wishes of schools;
- (ii) to keep to a minimum the disruption to any school;
- (iii) to ensure that the Council can meet its statutory responsibilities for the education service.

1.02 The scheme addresses the resources needs of all types of school, including by providing support for the Council's many small schools.

The funding framework

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

1.04 **LA Budget** Under the SSAF arrangements (revised in December 2002), local education authorities determine levels of spending within categories of expenditure which fall within the LA Budget as prescribed under regulations made by the Secretary of State.

1.05 **Schools Budget** Under the SSAF arrangements (revised in December 2002), local education authorities determine levels of spending within categories of expenditure which fall within the Schools Budget as prescribed under regulations made by the Secretary of State. The LA is required to notify the Secretary of State by the end of January each year, the proposed amount of their schools budget for the following financial year. The Secretary of State has powers to set a minimum Schools Budget either if the LA fails to set a level within the prescribed time limit or the level set is considered to be too low.

1.06 **Individual Schools Budget** The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). The ISB is, therefore, the total of delegated formula budgets allocated to schools for spending at their discretion for the education and care of pupils enrolled at the school. A contingency, for in-year supplements for specified changes to data within the formula, is also included in the Individual Schools Budget. If the contingency is not used up it will be delegated to schools through the ISB towards the end of the financial year.

1.07 The classes of expenditure managed centrally but provided for in the **Schools Budget** are in total, subject to an annual limit prescribed by the Secretary of State. Expenditure falls into 3 broad categories as follows;

- (a) Expenditure on the provision and maintenance of maintained schools and maintained nursery schools and on the education of pupils registered at those schools. This category includes funding delegated to schools through the formula and funding devolved (contributions to specific grants etc) to schools.
- (b) Expenditure on the education of pupils at independent schools, non-maintained special schools, 3 and 4 year olds educated in private, voluntary and independent settings, pupil referral units, at home and in hospital, individual support for pupils with SEN, and on any other arrangements for the provision of primary and secondary education for pupils otherwise than at schools maintained by a Local Authority.
- (c) Other expenditure in connection with the provision of primary and secondary

education, including provision for school meals, insurance, exceptional supply cover costs (specified in the scheme), admissions administration, servicing of Schools Forum, and contingencies.

1.08 **Expenditure** The classes of expenditure provided for in the **LA Budget** divide expenditure into five categories –

Strategic management – spending required to operate the LA framework and services (includes contingencies for emergencies, governor services, Council committees, SACRE, statutory legal, financial and personnel service other than delegated to schools and work required by government departments).

Specific grant fund services – spending supported by government and other agencies, including any required contribution from the Council, divided into standards fund grants and other grants;

Special Education – spending on LA statutory functions such as Education Psychology services, SEN assessment and statementing, child protection, health and parent partnerships and the promotion of good practice.

School improvement – spending to further improvement in schools, as defined in the Education Development Plan (EDP), including in response to school inspection reports by Ofsted, and expenditure in connection with the suspension of delegated budgets and schools causing concern.

Access – spending to enable pupils to be at school (includes transport, admissions, education welfare and behaviour support, planning of school places), management of the capital programme

1.09 **“Budget Shares” formula** Local education authorities must distribute the ISB among their maintained schools using a formula which accords with regulations made by the Secretary of State, and which enables the calculation of a budget for each maintained school. The funding formula is described in Annex C. The underlying principles of the formula are described in Annex E.

1.10 **Delegation to schools** The formula budget is 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 unless the right to a delegated budget has been suspended in accordance with s.51 of the SSAF Act. The financial controls within which delegation works are set out in this scheme which the Council has made in accordance with s.48 of the Act and with the approval of the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one.

1.11 **Scope for spending the delegated budget** Subject to provisions of the scheme, governing bodies of schools may spend their formula budgets for the purposes of their school, i.e. for education and care of enrolled pupils. They may also spend the budget on any additional purposes prescribed by the Secretary of State in regulations made under s.51.

1.12 **Suspension of delegated budget** A LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget allocation has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget may also be suspended for other reasons (s.17 of the SSAF Act 1998 but in that case there is no right of appeal). The circumstances in which delegation might be withdrawn are set out in Annex I to this scheme.

1.13 **Publication of financial information** The Council is obliged to publish each year a

statement setting out details of its spending on LA and Schools Budgets, showing the amounts to be centrally managed, the formula budget allocation for each school, the formula used to calculate those formula allocations, and the detailed calculation for each school. After each financial year the authority must also publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. Information contained in either type of statement may be collated and published by the Secretary of State.

1.14 The detailed publication requirements for financial statements and for schemes are set out in regulations. Each school must receive a copy of the scheme and any amendment, and also copies of each year's budget and out-turn statements so far as they relate to that school or to central expenditure.

Revision of the scheme

1.15 Any proposed revisions to the scheme will be the subject of prior consultation with the Schools Forum, all schools and units and other interested parties e.g. the LSC, Trades Unions and Diocesan bodies, and will require approval by the Secretary of State.

The role of the scheme

1.16 The scheme sets out the financial relationship between the Council and the maintained schools which it funds. The scheme contains requirements relating to financial management and associated issues, and is binding on both the Council and on schools in any year to which it relates.

Application of the scheme to the Council and maintained schools

1.17 The scheme applies to community, special, nursery and voluntary schools.

1.18 New maintained schools opened after 1st April 1999 will be covered by the scheme by virtue of s.48 of the Act.

Delegation of powers to the headteacher

1.19 The governing body of any school with delegated budget powers must determine the extent to which it wishes to delegate its finance powers to the headteacher, and to record its decision (and any revisions) in the minutes of the governing body. This is now a statutory requirement under the School Government Regulations 1999 and must be undertaken annually. Such decisions by the governing body will be subject to any requirements of regulations to be made under section 38 of the Act, and Schedule 11 thereto. It is open to the Council to suggest to schools what might be a desirable level of delegation to headteachers, but the scheme does not seek to impose any particular pattern.

1.20 The Council's suggestions concerning the respective roles of governors and headteacher are as follows –

- (a) All expenditure **decisions**, whether concerning the appointment of staff or the purchase of goods and services, must be **approved** by the governing body or by a committee or by the headteacher acting under powers delegated to him/her by the governing body itself.
- (b) It is for the governing body to decide the extent to which their powers of decision should be delegated to the headteacher.
- (c) The full governing body must discuss and approve the school's first formal budget plan of each financial year and all major decisions on expenditure priorities and changes to priorities during the year. Draft plans showing current committed expenditure and options for increasing or decreasing that expenditure would normally be prepared by the headteacher and/or a

committee, and should take account of consequential effects in future years.

- (d) It is strongly recommended that day to day expenditure decisions and the management of the school's budget should be delegated to the headteacher. Within such an arrangement, governing bodies would have the freedom to define levels or types of expenditure that would be subject to specific reference to the governing body or to one of its committees.
- (e) Whatever the governing body may allow for delegation of budget **decisions**, only the headteacher or another designated Council employee may act as the Council's **accounting officer** within the school. The governing body has no discretion or powers in this matter.
- (f) Governors have no power, either collectively or individually, to place orders or sign contracts committing the Council to any expenditure that is to be charged to the Council's accounts. The making of such final financial **commitments** must, therefore, be undertaken by properly designated accounting officers within the school - namely the headteacher or a designated deputy - or by Council Officers.
- (g) The headteacher, as the Council's accounting officer, has a legal duty not to implement a decision of the governing body in any case where to do so would require Council regulations to be infringed.

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

SECTION 2

FINANCIAL REQUIREMENTS

Application of financial controls to schools

2.01 Schools are required to manage their delegated budgets according to the Council's requirements on financial controls and monitoring, not only those in the scheme but also those requirements set out in detailed documents referred to in this scheme. If there is any inconsistency between this scheme and those other rules and regulations relating to the funding or financial management of schools, the terms of the scheme shall apply. Those requirements may contain particular regulations for schools operating their own bank accounts.

2.02 All expenditure from budget provision made by the Council and all official income must be included in the Council's accounts.

2.03 Schools must comply with Council financial regulations, standing orders and accounting instructions and guidelines, as issued to the school from time to time by the Director of Resources, who is statutorily responsible for ensuring the probity and regularity of all financial activities and systems within the Authority.

Provision of financial information and reports

2.04 Schools must provide the Council with details of anticipated and actual expenditure and income, in a form and at times (usually termly) determined by the Director of Resources or the Director of Children's Services.

Payment of salaries and bills, and collection of income

2.05 Governing bodies and headteachers will not physically handle Council money or have bank accounts apart from authorised imprest accounts or other accounts approved by the Director of Resources. All payments must be made through, or under other arrangements explicitly approved by, the Director of Resources.

2.06 Procedures for banking and for operating imprest accounts are under the control of the Director of Resources, as described in the Council's accounting guidelines.

2.07 Schools will be able, under the Service Level Agreement arrangements from 1st April 2000, to purchase payroll services from outside providers. The Council will, where appropriate, facilitate a transfer of information and responsibility to the new provider. Schools will also be assisted to make appropriate arrangements to pay their new provider the monthly payroll costs.

2.08 The Director of Children's Services and the Director of Resources will continue to prepare payrolls and pay salaries, wages, travel and subsistence allowances for all other schools. Schools must not make payments to staff or make other payments in cash or in kind other than through the procedures operated or approved by the Director of Resources.

2.09 The collection of all money due to the Council, whether as a result of the schools own official activities or according to Council requirements, must be receipted and banked in accordance with arrangements defined by the Director of Resources. All official income produced by the school's own activities will be credited to its accounts.

Control of assets

2.10 Each school must maintain an inventory of its moveable non-capital assets each worth £1000 or over, in a form to be determined by the Council, and dispose of such assets as prescribed in the Council's regulations.

2.11 Schools are free to determine their own arrangements for keeping a register of assets

worth less than £1,000.

Accounting policies (including year-end procedures)

2.12 Schools must comply with all instructions and requests for information from the Director of Resources in relation to the application of the Council's Accounting Policies, including year-end procedures.

Writing off of debts

2.13 Governing bodies are able either to recommend or to authorise the write off of debts for items such as lettings, and all types of miscellaneous income.

- **Schools with external Bank accounts**

The school governing body may approve the write off of a debt up to £500 for a single debtor in any financial year. Proposals to write off debts above that sum would require consultation with the Director of Resources. It is anticipated that only in exceptional circumstances would such approval not be forthcoming.

- **Schools without external Bank accounts**

The governing body could recommend the write off of a debt to the Director of Resources for his approval. It is anticipated that only in exceptional circumstances would such approval not be forthcoming.

Formula allocations for the financial year

2.14 The school budget year is the financial year of the Council, as required by the Education Acts. All formula allocations to schools will therefore be for the period 1st April to 31st March each year, even for items (notably teaching staff) that need to be planned on an academic year basis.

2.15 The Council will notify all schools, as early as possible but certainly by the end of March, of their formula allocations for each financial year.

2.16 During the summer term the budget allocation of a **school without an external bank account** will be increased or reduced to take account of its savings or overspendings in the previous financial year. Such adjustments will take place in June or July as soon as the old year accounts have been closed. Schools will be able to gauge the probable level of such adjustments from the expenditure reports provided by the Director of Resources. **Where schools have an external bank account**, the proportion of the schools' formula allocations in the account will not have to be increased or reduced, because any savings or overspendings will be reflected in the bank account.

2.17 Formula allocations to individual schools will not otherwise be varied during a financial year, except for the correction of mistakes and as provided for under contingency arrangements, unless there are exceptional circumstances that justify supplementary allocations. Such circumstances might include additions, subject to Council approval, for unforeseen inflation or emergencies, or for in-year allocations through standards fund and other specific grants.

2.18 Schools will be required to provide information on their accounts in a format required by the LA but schools are free to organise their accounts and to choose finance software as they wish.

Pay and price base for budget

2.19 Decisions on the size of the Local Schools Budget, and the allowance for estimated in-year inflation, are taken by the Council.

2.20 The budgets notified to schools before the start of the financial year are not increased for pay and price changes during that year, unless the Council determine, exceptionally, that in-year increases are required to compensate for an unusually high level of unforeseen inflation.

2.21 Errors on inflation estimates are normally taken into account when the following year's Local Schools Budget is determined, subject to the Council's decisions on overall budget policy. Individual schools do not normally receive any retrospectively applied increases for underestimated inflation in the previous year.

Submission of budget plans

2.22 The Council will supply schools with relevant school income and expenditure information so as to assist efficient budget planning by schools. Schools will be supplied with an annual timetable showing when expenditure statements will be available. Such information will normally be available on a monthly basis a few days after each month end.

2.23 Each school is required to prepare a budget expenditure plan, including a costed staffing plan for the financial year, in a prescribed form. A copy of that plan (as approved by the governing body) should be sent to the Director of Children's Services by 1st June of each year. Each school's budget plan should take account of all increases in pay and prices expected during the year, and of expected carry-overs (e.g. estimated deficits/surplus as at the previous 31st March) from the previous year (in the case of **schools with external bank accounts**, the carry forward will be the balance in hand on the bank account). It should include a general provision for other contingencies, such as unexpectedly high fuel bills and emergency repairs.

2.24 Each school is also required to reassess its expenditure plan at least termly.

2.25 Each school must monitor expenditure and commitments systematically throughout the year. Each school should reconcile its records with the financial statements of payments made by the Council in relation to the school. Schools with external bank accounts must submit VAT returns monthly and must reconcile their commitment records and bank details each month.

2.26 The Director of Children's Services and his staff are available as specified with Service Level Agreements, to advise headteachers and governors on budget and finance matters, including interpretation and clarification of the monthly financial statements of payments made by the Council.

2.27 Where the Director of Children's Services and the Director of Resources judge it necessary to report formally on the management of a school's finances, they have the right to attend, or be represented at, relevant governing body meetings.

2.28 The Director of Children's Services may call on an individual governing body to submit within one month a statement of the expected final expenditure position for the financial year. Such action is likely if the trend of formal accounts maintained by the Director of Resources indicates the strong possibility that final spending could significantly exceed the approved budget level.

Best value

2.29 The operation of best value will not apply to the governing bodies of schools. Nevertheless, given the very high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure (see Annex R for more details).

2.30 In accordance with the government's expectation, governing bodies should maintain a policy statement setting out what steps they will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime.

2.31 Governing bodies and headteachers should at all times be conscious of the need to obtain good quality supplies and services from reliable and reputable sources, and should be satisfied that any contract affords the school the best possible value for money.

2.32 It is strongly recommended that advantage should be taken of the service terms and contracts obtained by the Council.

2.33 Similarly, it is recommended that, wherever possible, advantage should be taken of the supplies and services terms and contracts negotiated by the West Mercia Supplies organisation. The Council's audit of accounts will include value for money consideration.

2.34 Before arranging a contract for the supply of goods or services (other than furniture and fittings), the headteacher is advised to refer to the West Mercia Supplies manual or its officers for details of recommended suppliers. Where an item is not available from the store or under an existing purchasing arrangement, West Mercia Supplies can assist in obtaining the best value. Similarly, for items of furniture and fittings, advice is available from the Director of Children's Services (see Annex P).

Virement

2.35 All formula allocations are of a FINANCIAL nature, even where the calculation of allocations at some stage involves the use of non-financial measurements, such as building areas.

2.36 No school should enter into new recurring commitments extending beyond the current financial year unless those commitments can be met from within their estimated budget for future years.

2.37 Except in the case of earmarked allocations, governing bodies are free to determine how in detail the total money budget is to be spent, including decisions (subject to overall budget limits and the provisions set out in the Annexes to this scheme) about the number of teaching and non-teaching posts to be filled.

2.38 Even where the total budget has been sub-divided into various expenditure categories (e.g. teaching staff, support staff, premises, etc.), the governing body has authority to vary the amounts spent on each category other than earmarked allocations, provided that -

- (a) all expenditure is appropriate to the education of pupils in the age group served by the school;
- (b) the expenditure is consistent with delivery of the National Curriculum;
- (c) spending on items essential to health and safety is given proper priority - failures in this important area will, if necessary, be rectified by the Council with the costs charged to the individual school's own budget.

Audit: General

2.39 All schools come within the Council's audit regime, both internal audit and external audit as determined by the Audit Commission, and must co-operate fully with audit requirements and procedures.

2.40 Schools must, on request, make available to the Director of Resources' internal audit staff and/or the Council's external auditors any records concerning actual or anticipated income and expenditure and allow access at all times to documents, records and assets relating to the Council's accounts. Staff of the school must provide auditors with such information and explanations as are necessary for the purpose of audit. Any suspected financial irregularities should be reported to the Director of Children's Services as soon as possible.

2.41 In the case of **schools with external bank accounts**, the amount of internal auditing

carried out at schools will be enhanced and the audit visits to examine systems and transactions and give appropriate advice will take place annually under the direction of the Director of Resources. The cost of this additional audit activity may be charged to the school. The basis of the charge will be notified before the start of each year. Currently there is no charge and schools will be consulted prior to any possible introduction of a charge.

Separate external audits

2.42 If it so wishes, a governing body may spend funds from its formula budget to obtain external audit certification of its accounts, separate from any LA internal or external audit process.

Audit of voluntary and private funds

2.43 Governing bodies must ensure that a record is kept of all private and voluntary funds for their school and that audited annual accounts, with audit certificates, are submitted to them within a reasonable time after the end of each accounting period.

2.44 Schools must inform the Director of Children's Services of the names of all such funds and their controlling officer(s), including any trading organisations controlled by the school. If a school so requests, the Director of Children's Services will advise on the suitability of the form of accounts and audit arrangements. The Director of Children's Services and the Director of Resources will from time to time issue advice concerning the auditing of such funds.

Register of business interests

2.45 The governing body of each school must maintain a register which lists for each member of the governing body and the headteacher, any business interests they or any member of their immediate family have. That register must be kept up to date, with notification of changes and annual review of entries. The register must be available for inspection by the Council as well as by governors, staff and parents.

Declaration of interests

2.46 A governor, headteacher or other member of staff of the school with a pecuniary interest direct or indirect in a personal capacity in any contract with the school must declare that interest to the governing body or to the relevant committee of the governing body.

Purchasing, tendering and contracting requirements

2.47 Schools must conform with the Council's financial regulations and standing orders in purchasing, tendering and contracting matters. Schools must assess in advance, where relevant, the health and safety competence of contractors, taking account of the Council's policies except where such regulations might otherwise require schools -

- a. to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- b. to seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c. to select contractors only from an approved list;
- d. to seek no fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

2.48 Schools are invited to nominate contractors for inclusion on the Council's list of approved suppliers.

Application of contracts to schools

2.49 Schools have a right to opt out of LA-arranged contracts except where the scheme provides otherwise, in the following circumstances –

- (a) for contracts which schools have agreed to cover in respect of services for which funding was delegated by the LA prior to 1st April 1999;
- (b) for contracts which schools agree to cover in respect of services for which funding is delegated by the LA after 1st April 1999; and
- (c) for certain contracts approved by the Secretary of State for services for which funding is delegated after 1st April 1999, irrespective of the agreement of schools.
- (d) Although governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. The provision should also however make clear that other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

Central funds and earmarking

2.50 The Council may make sums available to schools from central funds, including allocations under the Standards Fund, in the form of allocations, which are additional to and separate from the schools' formula budget. Such allocations are subject to conditions setting out the purpose or purposes for which the funds may be used and may not be assimilated into the school's formula budget. The LA is not permitted to make any deduction, in respect of interest costs to the LA, from payments to schools of devolved specific or special grant.

2.51 Such earmarked funding from centrally retained funds may be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and cannot be vired into the formula budget. Schools must be able to demonstrate in their accounts that these requirements have been complied with. Earmarked funding normally reverts to the Council if it is not spent by the end of the financial year for which it was provided or within the period over which schools are allowed to use the funding if different.

Spending for the purposes of the school

2.52 Governing bodies may spend the school's formula budget for the purposes of the school, i.e. for the education and care of children enrolled at the school. Such expenditure should not include spending on costs normally met by parents (such as home to school transport) unless a benefit to the age group educated in the school can be demonstrated, or on education or other activities involving other age groups.

2.53 Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the school's formula budget may be spent.

Capital spending from formula budgets

2.54 Schools may use their formula allocations and DfES capital grants (including reserves from previous financial years) to fund expenditure of a capital nature [essentially investment on items which have a life of longer than 7-years and add value to the property and/or contents].

2.55 Schools should consult the Director of Children's Services for comments on the merits of proposed expenditure on a capital project in excess of £15,000.

2.56 If the case of premises owned by the Council, or if the school has voluntary controlled

status, the governing body must seek the consent of the Council to any proposed works, but consent can only be withheld on health and safety grounds.

SECTION 3

BANKING ARRANGEMENTS AND FORMULA BUDGET INSTALMENTS

Bank and building society accounts

3.01 All maintained schools can continue to rely on the banking arrangements operated by the Council. If they wish, however, schools are permitted to have external bank accounts into which their formula budget instalments, and their budget allocation costs, are paid. Where schools have such accounts they retain all interest payable on the account unless they choose to have an account within an LA contract, which makes other provision.

3.02 New bank account arrangements may be made with effect from the beginning of each financial year. Schools without external bank accounts at the start of the scheme may not have one until any deficit balance is cleared. Any school requesting an external bank account at a later date may not be able to have one until any deficit is cleared.

3.03 Any school wishing to opt for an external bank account for the first time may do so only after giving a period of notice of at least two months before the start of the relevant financial year.

3.04 Where a school opts to open an external bank account, the Council must transfer to the account at the start of the financial year an amount agreed by the school and LA as the estimated surplus balance held by the LA.

3.05 The detailed arrangements for operation of external bank accounts are set out in Annex G.

Restrictions on external bank and building society accounts

3.06 If a school decides to operate its finances through an external bank or building society account, into which budget instalments would be paid, the school should select a bank or building society from the list set out in Annex G. Other organisations may well be acceptable, but no other organisation should be used except with the express prior permission of the Director of Resources.

3.07 Such accounts may be in the name of the school rather than the Council although the letters H.C. (for Herefordshire Council) will have to be added to the name of the account (e.g. H.C. School).

3.08 Money paid by the Council and held in such accounts remains Council property and the Council is entitled to receive expenditure statements.

3.09 The Council can take control of the account if the schools right to a delegated budget is suspended by the LA.

3.10 Two members of staff, not governors of the school, unless they are also members of staff, must sign all cheques in manuscript. The school must notify the Director of Resources of the signatories to the account.

Imprest accounts

3.11 The Council offers a petty cash imprest account or an enhanced imprest account as an alternative to the facility for schools to have their own bank accounts (see Annex G).

3.12 The enhanced imprest account would be for an amount to be agreed with each school

by the Director of Resources. The sum agreed would be sufficient to allow the payment of invoices and for most non-employee related expenses. The Council recommends the use of a petty cash imprest account for Schools intending to pay smaller amounts (i.e. below £50). The Council recommends the use of an enhanced imprest account for Schools intending to pay larger amounts (i.e. above £50). Schools would, however, continue or be able to have invoices paid by Director of Resources' Payments section.

3.13 Schools would be able to draw cheques on the Council operated imprest bank account.

3.14 Schools would submit details of cheques drawn each month to allow the account to be reimbursed, the transactions to be reflected in the Council's accounts and the VAT to be properly accounted for.

3.15 The imprest bank account would have to be reconciled as is the case with normal imprest accounts.

Investments and borrowing by schools

3.16 Governing bodies and headteachers may not invest or lend Council funds other than with the prior written approval of the Director of Resources. Schools with significant funds in their external bank accounts are recommended to seek the advice of the Director of Resources rather than simply leaving the funds in a low interest earning current account.

3.17 Similarly, governing bodies and headteachers may not borrow money from external sources for any official purpose whatsoever, except with the permission of the Secretary of State.

3.18 Such restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. Such debts may not be serviced directly from delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Council when repaying loans.

3.19 The provision in paragraph 3.14 restricting borrowing does not apply to loan schemes run by the Council.

Frequency of instalments

3.20 In the case of schools **with external bank accounts**, advances will be made thirteen times a year (monthly with two instalments in April) by the Director of Resources to the school account. Schools will receive advances based on the full school budget including employee and non-employee expenditure. In exceptional cases, and where a school can justify that the balance in the schools external bank account is insufficient to meet its own actual expenditure profile, the Director of Resources may facilitate additional advances subject to the school's overall spending level allowed by the scheme of delegation.

3.21 In the case of schools **not having external bank accounts**, the expectation is that expenditure will be spread fairly evenly across the financial year, though it is permissible to spend at a faster rate at some points in the year, provided that expenditure for the year will be in balance. Schools may not plan to be in deficit at the end of the year, unless that is part of an agreed arrangement (see paragraph 4.10 below).

Proportion of formula budget allocation payable at each instalment

3.22 All thirteen advances will be based on the indicative amount of expenditure provided by the formula budget allocation given to the school plus Standard Fund allocations. The percentage which will form the basis of each instalment are in the following paragraphs.

3.23 All advances and reimbursements to school bank accounts will be made by BACS transfer (the Bankers' Automated Clearing Services system).

3.24 These initial assumptions will be adjusted to fit in with individual school circumstances.

3.25 Amounts included in school budget shares pursuant to regulation 29(1) of the Financing of Maintained Schools (England) Regulations 2002, shall be placed at the disposal of the governing body of each school by 22 May 2002, irrespective of any instalment arrangement applicable to the remaining amount of the budget share. The making available of this sum shall also be irrespective of the existence of any deficit relating to expenditure of the school's budget share. No interest clawback will be applied to the amount before it is made available.

Interest on late budget share payments

3.26 Interest based on the Bank of England base rate will be added to late payments of budget instalments.

Formula allocations for closing schools

3.27 Formula allocations for schools for which approval for discontinuation has been secured are made available until closure on a monthly basis net of estimated pay costs, even where some different basis was previously used.

SECTION 4

THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO FORMULA BUDGETS

Carry forward between financial years

4.01 All schools must plan their spending, including any variations they judge to be necessary from one school term or school year to the next, in such a way as to keep expenditure for the financial year within the limits set by the formula allocations. Where a school opts to have an external bank account the estimated carry forward will be agreed with the school and paid over into the school bank account on or before the first April of the first year of the bank account. The account will be adjusted following final reconciliation.

4.02 **Underspending** If one financial year's expenditure at a school is below its approved budget level, all underspendings will be added to the school's own budget for the following year.

4.03 **Overspending** Individual schools may not plan to spend, in any one year, beyond the final budget allocation for that year. Any amounts spent in excess of the final budget allocation will be subtracted from the budget allocation for the following financial year. Where **schools have external bank accounts**, any underspendings or overspending will be reflected in the bank account balance rather than be added to or subtracted from the budget allocation for the following year.

Reporting on the intended use of surplus balances

4.04 Governing bodies may be required to report to the Council on the use which the school intends to make of surplus balances, in cases where the total balance exceeds 5% of the budget allocation for that financial year.

Interest on surplus balances held by the Council

4.05 Schools will receive interest on surplus cash held within the Council's accounts based on an average of the balance brought forward at the beginning of the year and the carry forward balance at the year end. The interest will be calculated using actual interest rates based on 1% below the Bank of England base rate throughout the year.

4.06 Schools with balances held in external bank accounts will negotiate their own interest terms with their Bank or Building Society.

Charging of interest on deficit balances

4.07 The LA may charge interest on deficit balances, at the same rate as the interest paid on surpluses.

Writing off deficits

4.08 The Council cannot write off the deficit balance of any school.

Balances of closing and replacement schools

4.09 When a school closes, any balance (whether surplus or deficit) reverts to the Council. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school. The allocation regulations make provision for successor schools to receive of additional sums through the in-year supplement mechanism.

Licensed deficits

- 4.10 In exceptional circumstances, and only with the prior approval of the Director of Children's Services and the Director of Resources, a school may plan to incur a deficit in a particular financial year. Such circumstances include where a governing body wishes to undertake a special project, or to purchase a major item of equipment, or to overcome a demonstrably short term difficulty. Such forward spending would not normally be allowed to exceed 2% of the school's own formula allocation, with the requirement that the budget would be in balance (after meeting the licensed deficit) by the end of the 3rd full financial year from the date of the licensed deficit. The total of such deficits planned by all schools would not be allowed to exceed 40% of the collective net balance held by the Council on behalf of schools. **Schools with bank external accounts** seeking licensed deficits would need to provide the Director of Resources with a copy of reconciled bank statements demonstrating the school's current financial position.
- 4.11 If a school has a licensed deficit, and the school proposes to spend amounts received by it in respect of School Standards Grant on purposes other than reducing the licensed deficit, the LA must agree to such a proposal unless in its view the proposed expenditure is unreasonable in the school's financial circumstances.

Loan scheme

- 4.12 The Council operates a form of loan arrangement for schools by way of actual payments to schools or expenditure in respect of a particular school, on condition that a corresponding sum is repaid from the school's formula budget (by the end of four years from the date of the loan). The loans are available to fund one-off purchases of equipment and certain types of capital works, and are allocated under arrangements determined by the Director of Children's Services and the Director of Resources. The maximum amount allowed for any one school is limited to 2% of the school's own formula allocation. Schools must be able to demonstrate their capacity to repay the loan and interest. Details of the loan scheme are included in Annex H.
- 4.13 The loans will be financed in effect, subject to consultation with schools, by the balances in hand held within the Council's Accounts on behalf of the schools. The statutory right of schools to draw on their balances at any time will not be affected.
- 4.14 The Council's budget statements show the amount centrally retained for devolved loan payments to schools, and the payments also appear in the out-turn statements.
- 4.15 The loan scheme can operate only in respect of expenditure deductible from the LSB under the s.46 regulations.

Multi Year Budgets

- 4.16 The Council will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the Council for the relevant number of years as specified in the School Finance (England) Regulations 2006 (SI 2006, No 468). The estimate will be provided in a format determined by the Council and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the Council at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the Council to fund the school at the level shown in the estimate. The Council may issue additional budget estimates from time to time.

Surplus Balances

- 4.17 Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2007:

a. the Council shall calculate by 31st May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance category (B01) as defined in the Consistent Financial Reporting Framework (NB. this will include the delegated budget share balance and any Standards Fund/School Standards Grant balances).

b. the Council shall deduct from the calculated balances any amount for which the school has a prior year commitment to pay from the surplus balance and any unspent Standards Fund grant from the previous year;

c. the Council shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the Council as listed at below and which the authority is satisfied are properly assigned. The Council shall, from time to time, issue guidance on the maximum amounts deemed reasonable to be held in relation to each permitted purpose. To count as properly assigned, the amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Council;

d. the criteria to be assigned for specific purposes permitted by the Council as an allowable use of balances are as follows:

- i. prior year commitments – any amounts from the previous financial year and unspent Standards Fund grant from the previous year;
- ii. capital balances for building work and ICT up to a period of four years;
- iii. Workforce Reform
- iv. Job evaluation
- v. Falling rolls

e. if the result of steps a-c is a sum greater than whichever is the greater of 5% of the current years budget share or £50,000 (secondary schools), 5% or £30,000 (special schools) and 8% or £30,000 (primary schools), then the Council shall deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the Council will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise. Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Council.

The total of any amounts deducted from schools' budget shares by the Council under this provision are to be applied to the Schools Budget of the Council.

SECTION 5

INCOME

Retention of income by schools

5.01 Schools retain income except in certain circumstances specified below.

Income from lettings

5.02 Schools retain income from lettings of the school premises, subject to alternative provisions arising from any joint use as set out in Annex N. Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

5.03 Schools may subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the formula allocation. Schools must have regard to directions issued by the Council as to the use of school premises, as specified in Annex N and as permitted under the School Standards and Framework Act 1998 for various categories of schools.

5.04 Lettings of school premises not owned by the Council are not affected by these provisions.

Income from fees and charges

5.05 Schools retain income from fees and charges except where a service is provided by the Council from centrally retained funds. Schools should also have regard to any policy statements on charging produced by the Council.

Income from fund-raising activities

5.06 Schools retain all income from fund-raising activities.

Income from the sale or leasing of assets

5.07 Schools retain the proceeds of sale or leasing of assets except in cases where the asset was purchased with non-delegated funds (in which case it is for the Council to decide whether or not the school should retain the proceeds), or where the asset concerned is land or buildings forming part of the school premises and is owned by the Council.

5.08 The retention of proceeds of sale for premises not owned by the Council is not a matter for the scheme.

Administrative procedures for the collection of income

5.09 The collection of all money due to the Council, whether as a result of the school's own official activities or according to Council requirements, must be receipted and banked in accordance with arrangements defined by the Director of Resources. All official income produced by the school's own activities will be credited to its accounts.

Purposes for which income may be used

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

SECTION 6

THE CHARGING OF SCHOOL FORMULA BUDGETS

General provision

6.01 Each school's budget will be charged with all expenditure relating to its own activities, other than items specified for central funding. Salaries of school-managed staff will be charged to schools at actual cost.

6.02 School budgets may be charged by the Council without the consent of the governing body only in circumstances expressly permitted by this scheme. In such circumstances, the Director of Children's Services will consult schools as to the intention to so charge, and notify schools when that has been done. Such charging will be limited to circumstances in which the Council has necessarily incurred the expenditure charged to the school's locally managed budget.

Circumstances in which charges may be made against the budget managed by the school

6.03

- i. Where premature retirement or other severance costs have been incurred without the prior written agreement of the Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council). (See annex F)
- ii. Other expenditure incurred to secure resignations where the school has not followed Council advice and procedures specified in the central funding support scheme (Annex F).
- iii. Awards by courts and industrial tribunals against the Council, or out of court settlement, arising from action or inaction by the school contrary to the Council's advice.
- iv. Expenditure by the Council in carrying out health and safety work, emergency repairs or capital expenditure for which the Council is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- v. Expenditure by the Council incurred in making good defects in building work funded by capital spending from formula allocations, where the premises are owned by the Council or the school has voluntary controlled status.
- vi. Expenditure incurred by the Council in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would have been arranged by the Council.
- vii. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Council.
- viii. Recovery of penalties imposed on the Council by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers' Pensions or regulatory authorities, as a result of school negligence.
- ix. Correction of Council errors in calculating charges to a school's budget (e.g. pension deductions).
- x. Expenditure by the Council in making provision for statemented pupils' needs as specified in their statement where the school has been delegated the funding but failed to make the provision (see also paragraph 10.11).
- xi. Additional transport costs incurred by the Council arising from decisions by the

governing body on the timings for the school day, and failure to notify the Council of days when pupils are not in school resulting in unnecessary transport costs.

- xii. Costs incurred by the Council arising from failure of the school to follow correct Council procedures, code of practice guidance, and advice or directions for pupil admissions and exclusions.
- xiii. Costs of necessary health and safety training for staff employed by the Council, where funding for training had been delegated but the necessary training has not been carried out by the school.
- xiv. 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.
- xv. Costs of work done in respect of Teacher Pension remittance and records for schools using non Council payroll contractors, the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligation.
- xvi. Costs incurred by the Council due to submission by the school of incorrect data.
- xvii. Recovery of amounts spent from specific grants on ineligible purposes;
- xviii. Costs incurred by the Council as a result of the governing body being in breach of the terms of a contract.
- xx. Direct costs and the cost of administration arising from the failure of a school to meet its responsibilities under services bought from outside contractors e.g. where a payroll provider fails to meet its obligations and the LA has to take necessary action to meet statutory requirements.

6.04 Under the General Teaching Council for England (Deduction of Fees) Regulations 2001, all teachers in maintained schools are required to pay a fee to the General Teaching Council. Some teachers pay the fee directly to the GTC, but in the case of those teachers that have not made separate arrangements to pay, the school must arrange to deduct the costs through their payroll system, as instructed by the GTC, and forward the fees to the GTC. Schools joining the Herefordshire Council payroll SLA have the relevant fees deducted as part of the SLA service. Schools choosing an external payroll are required to arrange for the contractor to make the deductions and to send the fees via the LA to the GTC.

SECTION 7

TAXATION

Value Added Tax (VAT)

7.01 Schools should follow the procedures set out in the Council's booklet, "VAT Guidance for Schools – September 2003", in order to be able to use the Council's ability to reclaim VAT on expenditure relating to non-business activities (i.e. all their statutory activities as a school) and some business activities such as lettings. Any amounts so reclaimed will be passed back to the school so the school will only incur the net cost.

7.02 HM Customs & Excise have agreed that VAT incurred by schools when spending any funding made available by the Council is treated as being incurred by the Council and qualifies for reclaim by the LA. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings nor capital works of Foundation Schools funded directly by DfES.

7.03 The Council is required by HM Customs and Excise to submit VAT returns and reclaim VAT monthly. It is essential that **schools with external bank accounts** submit details of transactions promptly to the Director of Resources at the end of the month in order that the VAT can be reclaimed as soon as possible.

Construction Industry Taxation Scheme (CITS)

7.04 Schools should abide by procedures issued by the Council in connection with CITS.

SECTION 8

THE PROVISION OF SERVICES AND FACILITIES BY THE COUNCIL

Provision of services from centrally retained budgets

8.01 It is for the Council to determine the basis on which services from centrally retained funds are provided to schools.

8.02 The Council will not discriminate in its provision of services (including PRC and redundancy payments) on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

Timescales for the provision of services bought back from the LA

8.03 The term of any arrangement with a school, starting on or after 1 April 1999, to buy services or facilities from the Council is limited to a maximum of three years from the start of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services.

Packaging of services

8.04 The Council will provide any services for which funding has been delegated, and for which the Council is offering the service on a buyback basis, in a way that does not unreasonably restrict schools' freedom of choice among the services available, and where practical, this will include provision on a service-by-service basis as well as in packages of services. In some cases, the Council may decide to offer packages of services with a discount for schools taking up a wider range of services.

Service Level Agreements (SLA)

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

8.06 Services, if offered at all by the Council, will be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements.

8.07 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.

8.08 Service Level Agreements must be in place by 31st January each year in order to be effective for the following financial year. Schools will have a minimum of one month in which to consider the terms of the agreements.

8.09 Centrally funded premises and liability insurances are specifically excluded from these provisions.

8.10 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.

8.11 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.

8.12 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.

Private Finance Initiative (PFI) and Public Private Partnerships (PPP)

8.13 The LA reserves the right to charge against an individual schools budget amounts agreed under a PFI/PPP agreement entered into by the governing body of the school.

SECTION 9

INSURANCE

Insurance cover – minimum levels

9.01 The Council provides a range of **minimum insurance cover** shown below for all schools that wish to continue to rely on that cover through funded ('buy back') insurance SLA arrangements.

9.02 All schools will receive a delegated sum equivalent to the cost of the Council's minimum cover and may make their own insurance arrangements through the governing body. They would, however, be required to submit details (e.g. copy policies) of the alternative cover prior to acceptance/renewal of policies so that the Council can be satisfied that the minimum cover is met.

9.03 The Council's minimum level of insurance cover is defined to protect the interests of schools and the Council as well as to achieve value for money. Additional optional policies for schools to purchase offer schools further protection according to their needs. All the arrangements are the subject of regular consultation with the schools. Schools are also free to purchase increased cover if they deem it necessary from any insurance company approved by the Director of Resources.

9.04 The minimum level of cover required is set out below -

Premises (see 9.05) Contents	Fire perils to reinstatement value of school Fire perils – new for old basis
Employers Liability Public Liability Libel/Slander Personal Accident	£25m Extended to cover volunteers and governors £25m inc. Indemnity to governors and employees £1m cover for employees only Death cover for all employees at five times the level of salary, with a minimum of £35,000 and with a standard %, for lesser injury. Separate cover for governors up to £50,000 and volunteers up to £10,000
Cash	Depends on amounts generally held, not likely to be a great deal in most schools
Fidelity Guarantee	Compulsory under Local Government Acts, Limits of indemnity would depend on exposure
Engineering	Damage to plant and surrounding property by explosion, collapse or sudden/unforeseen damage.

9.05 From September 2003, Aided schools' responsibilities for the replacement of buildings changed to 10% of the full cost, with the DfES responsible for the remaining 90%. The SLA for buildings replacement has therefore been changed and now offers the minimum cover described above for the 10% responsibility. The amount delegated to aided schools for premises insurance cover is 10% of the full cost and Aided schools that join the Council's SLA are no better or worse off than before. Insurance for public liability/accident etc have not changed and continue to be the same for Aided and Community schools.

Insurance – additional cover

9.06 Schools have insurance needs above the minimum level falling within one of the following two categories:

1. Required by law.

Motor Vehicles. Cover for school minibuses/vans must be arranged on a comprehensive basis in keeping with the LA's own arrangements. This cover can be

purchased externally, via direct insurers or brokers, or can be arranged via the Council's Insurance Section as part of a blanket policy already in place.

2. Optional Insurance. The following insurance, if required, can be purchased via the Council's Insurance Section.

- Balance of Risk
Buildings – comprehensive cover for areas for which the school has maintenance responsibility.
Contents – comprehensive cover for all contents.
- Fidelity Guarantee
Insures school funds (not delegated budgets) and PTA funds against fraudulent loss at the hands of an employee.
- Loss of Revenue
Loss of hiring fees should the school become unusable.
- Personal Accident
Cover for pupils only whilst on school premises and/or whilst engaging in activities off site.
- School Journey
Personal accident cover for pupils and all accompanying adults whilst on off site activities, plus a full travel policy and/or personal accident for pupils whilst on school premises.

9.07 The LA will consider the actual risks that might reasonably be expected to arise at a school purchasing its own insurance rather than rigidly applying this minimum cover to all schools.

9.08 Schools would be required to submit details (e.g. copy policies) of the alternative cover purchased to the LA annually prior to acceptance/renewal of policies.

9.09 Schools wishing to take on insurance responsibilities would be required to request delegation of the insurance costs for their school by 1st February each year. The delegation would apply from 1st April in the year in which it was requested.

SECTION 10

MISCELLANEOUS

Right of access to information

10.01 Each governing body is required to supply any financial and other information that might reasonably be needed to enable the Council to satisfy itself as to the school's management of its delegated budget or the use made of any central expenditure by the Council (such as earmarked funds) at the school.

Liability of governors

10.02 In view of the fact that the governing body of a school is a corporate body, and because of the terms of s.50 (7) of the SSAF 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.

Governors' expenses

10.03 Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. No other payments to governors are permitted. Schools may not pay expenses duplicating those paid by the Secretary of State to any additional governors appointed by him to schools under special measures.

10.04 The Council may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Responsibility for legal costs

10.05 The cost of legal actions, including costs awarded against the Council, may be charged in full or in part to the school's formula budget if the governing body fails to act in accordance with the advice of the Council or if the governing body initiates or causes action without appropriate prior agreement. In general, the Council would meet legal costs arising from its statutory responsibilities to maintain schools.

10.06 In a situation where a governing body believes that legal advice made through the Council reflects the Council's interests rather than that of the school, the governing body may purchase legal advice from another source of its choosing. In such cases, the school will be responsible for the cost of that legal advice and also for any consequential costs that may be incurred. A school will not be reimbursed for the cost of legal action against the Council itself.

Health and safety

10.07 Governing bodies are required, when planning spending against the school's formula budget allocation, to have due regard to duties placed on the Council in relation to health and safety, and the Council's policy on health and safety matters. The Council may issue directions on Health and Safety, as and when appropriate. The Council's requirements on health and safety policies are set out more fully in Annex K.

Right of attendance for Chief Finance Officer

10.08 The scheme requires governing bodies to permit the Chief Finance Officer of the Council or their representative to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities.

Delegation to new schools

10.09 The Council may delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets, in the period before they open. In the case of new schools, the Council may provide limited delegated spending powers to governors in the period before the school receives a fully delegated budget.

Optional delegated funding

10.10 Where a school exercises an option to receive delegated or devolved funding for an item (such as admissions funding, or provision of school meals), that option may be exercised only once a year by the end of January prior to the start of the relevant financial year.

Spending of resources

10.11 The governing bodies of special schools, and primary and secondary schools to which funds have been delegated in respect of individual pupils with special needs, are required to discharge all relevant responsibilities under the appropriate Education Acts. All schools should ensure that specific resources for named pupils are used to meet the child's needs either as specified in their statements or indicated through correspondence with Special Services (e.g. an application for banded funding). Such resources may be made available through delegated or centrally managed allocations and schools may be required to contribute some funds from their general delegated budgets to support individual pupils (e.g. in agreements to match-fund a provision for a child). The Council monitors and assesses the effectiveness of measures put in place for individual pupils through the relevant Inspection, Advisory and Support services.

Interest on late payments

10.12 Schools should be aware that suppliers have the legal right to claim interest on late payments of invoices. Any interest claims received will be charged to the school unless resulting from inappropriate LA attention.

Whistleblowing

10.13 Where a member of staff or a governor has serious concerns about financial management or financial propriety at the school, these concerns should normally be raised with the appropriate line manager or the Headteacher. Concerns might, for example, include possible fraud and corruption or the unauthorised use of public funds.

10.14 It is however appreciated that the member of staff or governor may, depending on the issues involved, feel unable to express their concerns in this way. In such circumstances, concerns may be raised orally (telephone 01432 260238) or in writing to the Director of Resources at PO Box 240, Hereford HR1 1ZT who will investigate as appropriate.

10.15 Staff and governors are advised that raising such concerns will not open them up to victimisation or discrimination of any kind. It is recognised that many cases will have to proceed on a confidential basis.

Child Protection

10.16 Provision is made to reimburse schools for necessary class teaching cover for authorised teaching staff to attend child protection case conferences.

School Meals

10.17 Provision for school meals is wholly delegated to schools (see Annex K). The LA provides a service for the inspection of catering standards under a Service Level Agreement and recommends to schools the good practice guidance "Healthy School Lunches".

SECTION 11

RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

11.01 All funding for repairs and maintenance is delegated to schools in their formula budgets. Only capital expenditure is to be retained by Councils. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Council for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. In particular, where, in line with the Code of Practice, the Council may use de minimis limits for defining what expenditure is treated as capital and what is revenue in their financial accounts, the same de minimis limits is used in defining what is delegated. The Herefordshire Council currently does not operate under any de minimis limit in relation to capital expenditure.

11.02 For the sake of clarity, the distinction between repairs and maintenance to be delegated to schools, and capital expenditure met by the Council, are specified in detail in Annex O.

11.03 VA governors will continue to be eligible for grant from the DfES in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools. VA school responsibilities will be determined in accordance with the DfES VA school determination of financial liabilities list.

SECTION 12

PROVISION OF COMMUNITY FACILITIES IN SCHOOLS (EXTENDED SCHOOLS)

Introduction

12.01 Under s.27 (1) of the Education Act 2002 schools may provide community facilities, subject to specified controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the Council. 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. Annex M gives further information.

12.02 The budget share of a school may not be used to fund community facilities – either start up costs or on-going expenditure- or to meet deficits arising from such activities.

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

Consultation with the Council – financial aspects

12.04 Prior to establishing community facilities in school, governing bodies must consult the LA by writing to the Director of Children’s Services at least two months prior to the proposed commencement date. This consultation must include copies of the relevant minutes of the governing body. Prior to consulting the LA, the governing body of the school must have approved a business plan setting out the purpose of the community or extended facility, a risk assessment, income and expenditure projections for at least 12 months and some consideration of potential actions to be taken should the actual income and expenditure vary sufficiently from planned to cause a deficit to materialise. Redundancy costs and accrued financial losses arising from failed schemes are the responsibility of the governing body. Where a license to operate on school premises is being considered which may provide rights of tenancy the formal agreement of the LA is necessary.

12.05 The Director of Children’s Services will reply in writing and offer further advice as necessary so that the governing body may reconsider their plans accordingly. The governing body must inform the LA of the action taken following the LA advice.

Funding agreements – LA powers

12.06 If the provision of community facilities is 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 the LA requires that the governing body seek legal advice to protect both themselves and the LA. The LA requires a copy of the proposed agreement and the legal advice at least seven working days prior to signature. If an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the Council is seriously prejudicial to the interests of the school or the Council, such an agreement may constitute grounds for suspension of the right to a delegated budget. Governing bodies should be aware that a very wide range of bodies and organisations are potentially involved.

Other prohibitions, restrictions and limitations

12.07 The LA may not veto either the funding agreements with third parties, or for other proposed uses of the community facilities power, however if in the specific instance of use of the community facilities power by a governing body, the governing body must make arrangements to protect the financial interests of the Council by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.

Supply of financial information

- 12.08 Schools which exercise the community facilities power will be asked to provide the Council every six months with a summary statement, in a form determined by the Council, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.
- 12.09 The Council may, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, to require such financial statements to be supplied every three months and, if the Council sees fit, to require the submission of a recovery plan for the activity in question.

Audit

- 12.10 The school is required to grant access to the school's records connected with the exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.
- 12.11 Schools, including funding agreements with other persons pursuant to the exercise of the community facilities power, must ensure that such agreements contain adequate provision for access by the Council to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Council to satisfy itself as to the propriety of expenditure on the facilities in question.

Treatment of income and surpluses

- 12.12 Schools are permitted to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the LA or some other person.
- 12.13 The school is permitted to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Council at the end of each financial year, transfer all or part of it to the budget share balance.
- 12.14 If the school is a community or community special school, and the Council ceases to maintain the school, any accumulated retained income obtained from the exercise of the community facilities power reverts to the Council unless otherwise agreed with a funding provider. The Council will have regard to any existing agreements between VA/VC schools and any third parties about the disposal of any accumulated income on school closure. If there are no specific agreements regarding the accumulated income, then like a community school, any accumulated retained income obtained from the exercise of the community facilities power reverts to the Council unless otherwise agreed with a funding provider.

Health and safety matters

- 12.15 All provisions relating to school regarding health and safety matters within this Scheme for Financing Schools also apply to the community facilities.

12.16 The governing body is responsible for 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.

Insurance

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

12.18 The Council may 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 costs to the school. Such costs could not be charged to the school budget share.

Taxation

12.19 The school must seek the advice of the Council and the local VAT office on any issues relating to the imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

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

12.21 The school must follow the LA advice in relation to the Construction Industry Scheme where it is relevant to the exercise of the community facilities power.

Banking

12.22 The school should either maintain separate bank accounts for budget share and community facilities, or has one account but with adequate internal accounting controls to maintain separation of funds. Alternatively the school may use the Council's banking arrangements which would permit adequate separation of such funds from the school budget share and other LA funds.

12.23 The banking arrangements regarding the banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters as set out in section 3 of this scheme apply with the exception that a mandate to show the LA as owner of the funds in the account should exempt the community facilities funds if they are in the same account as the budget share.

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