



Scheme For Financing Schools

Regulations and guidance governing
the financial relationship between
Southwark and its maintained schools.

Effective April 2018
The Southwark Scheme for Financing Schools

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SECTION 1: INTRODUCTION

1.1 The Funding Framework

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

Under this legislation, local authorities determine for themselves the size of their Schools Budget and 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 School 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 centrally retained funds 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 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 financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (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, the budget share for each school. After each financial year the authority

must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

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

Regulations also require a local authority to publish their schemes 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

The purpose of the scheme is to set out the financial relationship between the Local Authority (the London Borough of Southwark; hereafter, "Southwark") and its maintained schools. The scheme sets out the requirements for sound financial management and associated issues. These requirements are binding on both the schools and the LA. Detailed requirements are set out in Southwark's Schools Financial Procedures Manual. These are based upon the LA's financial regulations and contract standing orders amended as necessary to meet the needs of schools.

1.2.1 Application of the scheme to the Authority and maintained schools

This scheme applies to all community, nursery, voluntary, foundation (including trust), community special, foundation special schools and PRUs maintained by Southwark (as listed in Appendix A). It will not apply to any academies within the borough.

1.3 Publication of the scheme

A copy of the scheme will be published on the Southwark Council website.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the schools forum for their approval.

All proposed revisions must be submitted to the schools forum by approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

1.5 Delegation of powers to the head teacher

All governing bodies have full responsibility for the management of the school's budget and for the appointment and dismissal of all staff taking into account the professional advice of the Director of Children's Services and their head teacher. Governing bodies are required to:

- Spend their budgets in a manner that is consistent with the implementation of the National Curriculum; with the statutory requirements relating to the curriculum as a whole, (including religious education and worship), to secure provision for children with additional educational needs and use their best endeavours to secure the provision set out in the statement of special educational need of any pupil

registered at the school insofar as that provision is not made from central resources retained by the LA for that purpose;

- operate an effective and efficient education service within the strategic framework set by the LA for the benefit of their pupils;
- operate within their budget share;
- meet the actual cost of all expenditure from their delegated budget, any devolved funding (e.g. Standards Funds grants) and any income accruing to the governors.

Approve the first formal budget plan of each financial year. This may be done by a committee of the governing body.

This scheme requires each governing body to consider the extent to which it wishes to delegate financial powers to their head teacher. The LA has no wish to impose uniformity on schools but has set out a model scheme and code of practice for delegation to head teachers, which sets out reasonable parameters that governing bodies are asked to consider. It is a suggestion only and governing bodies are free to determine arrangements appropriate to their circumstances. However it is likely that the following will be included:

- appointment of teachers and non teaching staff, the remuneration of headteachers,
- securing supply teaching and other staff cover in the event of staff absence or vacancy,
- employment of casual staff,
- virement between budget heads up to £5,000 in primary and £10,000 in secondary schools (all uses of this power must be reported to the governors as they remain responsible for the overall management of the budget),
- authority to order goods and services as necessary,
- negotiations with bankers,
- income matters, such as setting charges for one off activities,
- taking of corrective action to ensure budget plans are achieved,
- write off of debts up to a limit set by Southwark's Chief Finance Officer above which the agreement of the Director of Children's Services is required; these limits are set out in the Schools Financial Procedures Manual
- disposal of assets.

The level of delegation decided upon by the governors of the school and any subsequent revisions should be agreed by the full governing body and duly detailed in the minutes of the governing body. Such decisions will be subject to any requirements of regulations made under Section 38 and Schedule 11 of the School Standards and Framework Act.

Whatever their decision governors should delegate at least the day-to-day administration and management of the school finances to the head teacher. The arrangements must also make clear the respective responsibilities of the governors and the head teacher for the Annual Budget Plan and delegated budget.

The head teacher may, in turn, delegate certain tasks and responsibilities to other members of staff. Where such further delegation takes place the overall responsibility is deemed to remain with the head teacher.

1.6 Maintenance of Schools

The LA is responsible for maintaining the schools covered by the scheme, and this includes the defraying of all the expenses of maintaining them (except in the case of a

voluntary aided school where some of the expenses are, by statute, the responsibility of 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 Schools Standards and Framework Act 1998.

SECTION 2: FINANCIAL REQUIREMENTS; AUDIT & REPORTING

2.1.1 Application of financial controls to schools

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

In managing their delegated budgets, schools are required to abide by the LA's requirements on financial controls and monitoring. These are set out below and in the Schools Financial Procedures Manual. This contains sections on:

- the LA's contract standing orders as modified for schools,
- the LA's financial regulations as modified for schools

The Schools Financial Procedures Manual will be subject to regular review.

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

2.1.2 Provision of financial information and reports

School governors are responsible for:

- ensuring that there are effective controls in place for authorising, monitoring and controlling expenditure and obtaining value for money,
- maintaining accurate records of all income and expenditure transactions using an accounting package approved by the LA and
- providing the LA with copies of expected and actual income and expenditure, accounts, records, information and other relevant documentation in such form and at such times as required (this includes provision of information to any Auditors and to H.M. Revenue & Customs).

Meeting LA deadlines for the provision of financial information to the LA.

Under Section 151 of the Local Government Act 1972, the LA's Chief Finance Officer is responsible for the probity and regularity of the LA's financial activities. The LA's Chief Finance Officer (or other officer given authority to act on his or her behalf) will have the right to intervene in the financial affairs of a school where there are concerns about compliance with financial regulations or other guidance set out in this document or in those to which it refers. In such an event the LA may withdraw delegation and any resultant costs arising for the LA will normally be charged to the school's budget.

Southwark has an overall responsibility to monitor school finances. Schools are required to provide the authority with details of expected and actual expenditure and income, in a form (generally in line with Consistent Financial Reporting) and at times determined by the authority. This will not be more often than quarterly (except for information connected with tax or banking reconciliation) but may be more frequent if the LA has given the school notice in writing that it is concerned about its financial management or the school is in its first year of operation.

2.1.3 Payment of salaries; payment of bills

Payment of bills

Southwark offers a disbursement bank account for all expenditure to all of its schools. At present a majority of schools covered by this scheme have such bank accounts.

All schools covered by the provisions of this scheme must comply with the requirements set out in the Schools Financial Procedures Manual. These provisions state that a school may use its disbursement bank account to pay for all goods and service included in the delegated budget.

A school must not use its disbursement bank account to pay for any excepted items such as non-LA activities supported by School Funds or PTA . Advice should be sought from the Schools Finance team.

Payment of salaries

The governing body shall be responsible for the payroll routines for employees working in their school. This responsibility will include calculating, where applicable, all remuneration, pensions and gratuities, deductions for income tax, superannuation, National Insurance, Apprenticeship Levies, the advance and recovery of any loans agreed by the school, etc. Governors will normally discharge these responsibilities with the assistance of their payroll provider.

- A Where the governing body chooses to use the Southwark's Support Services both parties will be required to meet the requirements of an appropriate Service Level Agreement (SLA) that will make clear their respective responsibilities in these matters. This will include a statement about what information the payroll provider will provide to the school and other relevant agencies such as pension funds and H.M. Revenue & Customs.
- B Should the governing body exercise this responsibility through some other provider, then it is in the governing body's interest that their contract is equally clear about these matters. If governors do not do so, they expose themselves to great risk and are therefore advised to seek advice from the Director of Children's Services about their view as to the provider's ability to carry out the functions set out above.
- C The Schools Financial Procedures Manual sets out the information about such matters as tax and pensions that the LA will require the governors to provide in order for it to carry out its remaining legal obligations in respect of tax and pensions, etc. This continuing service may be the subject of a SLA for which a charge will be made.

2.1.4 Control of assets

Governing bodies are responsible for the safe custody and control of the school's and the LA's assets, income and stores. This scheme requires that inventories of all movable non capital assets must be held and kept up to date when schools within this scheme make purchases. These inventories can be maintained on a computer system such as Key Solutions Cash Accounts or the SIMS Equipment Register Module.

2.1.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures, set out in the Schools Financial Procedures Manual.

2.1.6 Writing off of debts

Governing bodies are authorised to write off debts up to the limit set in the Schools Financial Procedures Manual, which at the date of publication is £10,000 for Primary schools and £22,500 for Secondary schools. The governing body may choose to delegate the responsibility for approving write-offs of small sums to the head teacher. A suggested limit is set out in the Schools Financial Procedures Manual.

Debts above this level need to be discussed with the Director of Children's Services.

Any schools experiencing problems recovering money due should contact the Schools Finance for advice and support.

2.2 Basis of accounting

Reports and accounts provided to the LA by schools within the scheme shall be on an accrual basis and shall include the projected out-turn.

2.3 Submission of budget plans

All schools within the scheme are required to submit a budget plan showing its intentions for expenditure in the current financial year and the assumptions underpinning it to the LA no later than 31st May.

Budget plans should be submitted within 4 weeks of schools receiving their budget information from the LA.

The budget plan must be in the format set out in the Schools Financial Procedures Manual and include all relevant items of expenditure and income along with any specified supplementary information. Schools must take account of any surplus from earlier years and must take account of any accumulated deficit when formulating its plan. The LA will provide schools with all income and expenditure data that it holds which is necessary to efficient planning by schools such as inflation rates and pay rates that it recommends should be used in the budget planning process. Schools will also be provided with an annual statement setting out when the LA expects this data to be available.

Schools will also provide the LA with details of any proposed virements from the agreed plan on a quarterly basis of any financial year, together with an explanation of any significant virement.

2.3.1 Submission of Financial forecasts

The LA requires that schools will need to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. The format and content of such a forecast will be communicated to schools at the relevant time.

Future-year financial forecasts indicate that a school is undertaking effective financial planning and so will be used as evidence to support the compliance with the Financial

Management Standard in Schools (section 2.15) and will be used to support the LA's balance control mechanism (see section 4).

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 LA's purchasing, tendering and contracting requirements. It is for heads and governors to determine, at school level, how to secure better value for money

2.5 Virement

Schools are free to vire between budget headings in the expenditure of their budget shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required.

This freedom to vire is sometimes restricted in the case of devolved funds (including Pupil Premium). The extent of possible virement will be made clear in respect of each fund devolved.

2.6 Audit: General

In regard to internal audit, all schools come within the audit regime determined by the LA and will be subject to audit as and when deemed necessary by the Section 151 Officer.

In regard to external audit, all schools come within the LA external audit regime as determined by PSAA Ltd.

Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed by PSAA Ltd to audit the local authority itself (external audit).

The accounting records and supporting prime documents are to be retained by schools covered by the scheme together with all other records relating to their financial administration. These records must be readily accessible and made available for inspection by the auditors (both internal and external) and other such external bodies that have a statutory right of access e.g. H.M. Revenue & Customs.

2.7 Separate external audits

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

2.8 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide the LA with audit certificates in respect of any voluntary and private funds they hold and of the

accounts of any trading organisations controlled by the school. The Consistent Financial Reporting (CFR) framework requires that private funds under the control of the governing body are included in the school's assets.

Where fund turn-over (income or expenditure) is under £10,000 for the twelve month period, a statement should be made by the governing body that they have chosen not to seek an independent examination or audit of the fund and assert the financial statement for the fund is supported by the records of the fund and all necessary disclosures have been made.

Where fund turn-over (income or expenditure) is between £10,000 and £250,000 for the twelve month period, the governing body must provide the report of an independent examination or audit certificate of the fund.

Where fund turn-over (income or expenditure) is over £250,000 for the twelve month period, the governing body must provide an audit certificate of the fund.

An independent examination can only be performed by someone independent of the school and an audit certificate can only be provided by a registered company auditor following CIPFA guidelines.

The failure by a school to provide such certificates renders itself in breach of the scheme.

2.9 Register of business interests

The governing body of each school is required to establish and maintain a register that lists, for each member of the governing body and the head teacher and staff, any business and pecuniary interests they or any member of their immediate family have; details of any other educational establishments that they govern; and any relationships between school staff and members of the governing body. The governors are also required to keep the register up to date with notification of changes through annual review of entries, and to make the register available for inspection by governors, staff and parents, and the LA; and to publish the register on a publically available website. Nil returns from staff and governors should be included in the register. Further details and a recommended format for the register are set out in the Schools Financial Procedures Manual.

2.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the LA's financial regulations and standing orders for this scheme in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

The financial regulations and contract standing orders will not apply where they would require schools

- to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;
- to seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- to select suppliers only from an approved list;
- to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year

The governing body may enter into capital expenditure and leasing contracts and agreements, but they are subject to the Director of Children's Services, whose permission must be obtained in advance of any such agreement being entered in to.

2.11 Application of contracts to schools

Schools have the right to opt out of LA arranged contracts except where they have lost that right for particular contracts (whenever started) in accordance with a specified written procedure. In such cases they will be bound into the contract for its length (although the contract might contain clauses allowing variance of its terms and conditions).

In general, schools, under paragraph 3 of schedule 10 of the Education Act 2002, enter into contracts on behalf of the LA as maintainer of the school and owner of the funds in the budget share. However where a governing body has a clear statutory duty, e.g. contracts made by aided schools for the employment of staff, the governing body are acting on their own behalf.

2.12 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used.

While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant that the LA itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share. Such allocations may also be sums for Special Educational Needs or other initiatives funded from the central expenditure of a LA's School Budget or other LA budget; once again these should not be assimilated into the school's budget share.

Unless otherwise stated, such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. In general schools should assume that earmarked funds not spent within the period over which schools are allowed to use the funding (which could be different from a financial year) will be returned to the LA.

No deductions in respect of interest costs to the LA will be made from payments to schools of devolved specific or special grants.

2.13 Spending for the purposes of the school

Although s.50 (3) of the Act allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme. By virtue of section 50(3A0 (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares

(Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on roll of other maintained schools or academies.

Governing bodies are reminded that the prime purpose of the school and its consequent expenditure should be the provision of teaching and learning for the pupils and students attending the school.

In addition the following restrictions shall apply:

- Expenses incurred in connection with staff farewell celebrations and other such social events shall not be funded from the schools delegated budget.
- The advice of the Director of Children's Services should be sought in relation to proposed grants to individuals or groups since these may not be classifiable as being for the purposes of the school.

The costs of non-school activities taking place on school premises are specifically excluded from schools' budget shares; these include expenditure on:

- Adult and community education, student awards, youth services, nursery schools, boarding houses, pupil referral units and secure units;
- Pre and post school activities, creches and nurseries and other self-financing activities. Additional costs in providing these activities must be met from income raised from charges to participants for the activities;
- Non-curriculum activities. The costs of trips such as skiing must be met from charges to participants;
- Fund raising activities.

2.14 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises in addition to any devolved capital grant. This includes expenditure by the governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of Schedule 3 of the Schools Standards and Framework Act 1998.

If the expected capital expenditure from the budget share in any one year will exceed £20,000, the governing body must submit detailed proposals to the Director of Children's Services prior to taking any other action and take into account any advice from the Director of Children's Services as to the merits or not of the proposed expenditure.

Where Southwark owns the premises, the governing body shall seek the consent of the LA to the proposed works, but such consent will only be withheld on health and safety grounds. The reason for these requirements is to help ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation.

2.15 Notice of concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Children's Services, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the local 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 local authority;
- Insisting on regular financial monitoring meetings at the school attended by local authority officers;
- Requiring a governing body to buy into a local authority's financial management systems;
- 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 LA may take where the governing body does not comply with the notice.

2.16 Schools Financial Value Standard (SFVS)

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

2.17 Fraud

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

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

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

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

3.1 Frequency of Instalments

Governing bodies shall be allocated a cash sum each year by Southwark, called their Schools Budget Share. The cash sum will be advanced to schools at predetermined monthly intervals during the course of the year. Each allocation shall be in the form of a BACS transfer into the School's bank account. The Schools Budget Share shall remain Southwark's property until spent by the governing body and is spent by the governing body or head teacher as Southwark's agent.

3.2 Proportion of Budget Share payable at each instalment

The proportion of the budget share to be made available to schools shall be calculated on the basis of one twelfth of the annual school budget share per month, except in April and March. In April there shall be an extra payment made on the first working day of the month equivalent to one thirty-sixth of the annual school budget share, whilst a corresponding reduction shall be made to the March payment.

3.3 Interest clawback

There is no interest clawback from the schools budget share.

3.3.1 Interest on late share payments

Southwark will add interest to any late payments of budget share instalments to schools, where such late payment is the result of a LA error. The interest rate used will be the current Bank of England base rate.

3.4 Budget Shares for Closing Schools

Where a date has been approved under the relevant sections of the Act to close a school, the payment of budget allocations will continue up to the date of closure in the same manner as hitherto. However, the maximum amount that will be so transferred to the control of the governors will be the pro rata share of what would have been the annual budget share had the school not been discontinued, (including any deductions in respect of deficits from earlier years) together with any agreed additions to meet exceptional costs approved by the LA from central budgets. Consequently the percentages set out in paragraph 3.1 above may need to be adjusted appropriately depending on the date of closure. Where the closure is phased over more than one financial year these arrangements will only apply in the last financial year in which the LA maintains the school.

3.5 Bank and Building Society Accounts

All governing bodies may have an external bank account into which their budget share instalments are paid subject to the requirements set out in 3.5.1 below. Where schools have such accounts they shall be allowed to retain all interest payable on the account.

New bank arrangements shall only be made following two months written notice of intention to change. Otherwise schools may maintain the arrangements whereby they keep discrete bank accounts, which come within Southwark's pooled arrangements, thus benefiting from the interest apportionment of 1 % below base rate.

All schools have responsibility for matters in respect of PAYE as they have their own bank accounts and have delegated payroll responsibility.

Any school requesting a bank account shall not be able to have one until any deficit is cleared. Schools must not be overdrawn as a matter of course and should notify Southwark of any instance of going overdrawn.

If a school doesn't have a bank account and then decides to open an external bank account, Southwark must (if the school desires) transfer within 5 days of request from the school, to the account the estimated surplus balance held by Southwark in respect of the school's budget share. Both the school and Southwark must agree the estimated surplus balance on the basis that subsequent corrections can be made when the schools' accounts are closed.

3.5.1 Restrictions on Accounts

Responsibility for opening a school's bank account will be with the school who will notify Southwark as to the bank at which they have opened an account. Bank accounts will be in the name of the governing body as agents of Southwark and cheques will also be in their name. Cheque signatories will be determined by the governing body and notified to the Director, but must be employees of the school or officers of Southwark where delegation has been withdrawn. Two signatories will be required for all cheques and other documents withdrawing funds from the bank.

The opening of all accounts shall be authorised by the governing body that shall set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The account mandate should acknowledge that:

- Southwark is the owner of the funds in the account;
- it is entitled to receive bank statements;
- and it can take control of the account if the school's right to a delegated budget is suspended by the LA.

The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds shall also be subject to the same level of control. The bank shall also be advised that the account must not become overdrawn. Schools are, in any case, prohibited from borrowing to finance a revenue deficit under the terms of the Scheme for Financing Schools (see paragraph 3.6).

Schools will only be permitted to open an account with the following institutions approved by Southwark's Section 151 Finance Officer:

Allied Irish Bank (AIB UK) plc
Bank of Scotland/HBOS plc
Lloyds Bank plc
HSBC plc
National Westminster bank plc

This list may be altered from time to time and the Director of Children's Services will notify all schools of any changes.

Southwark will continue the arrangements negotiated with National Westminster Bank PLC whereby accounts are in the name of the LA, specific to each school. Schools having bank accounts with other banks prior to 1 April 2001 will be allowed to retain those accounts. However, any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list even if the closed account was not an institution on the list.

Detailed procedures on the use of bank accounts are contained in the Schools' Financial Procedures Manual.

3.6 Borrowing by Schools

Schools may borrow money (including finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. Any request to the Secretary of State for such permission must have been subject to prior notification to Southwark. Debts incurred by Trustees and Foundations, who will be able to borrow as private bodies, cannot be serviced directly from delegated budgets of schools, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans.

The Scheme for Financing Schools places a duty on the governing body of all maintained schools to plan and conduct its affairs so as to remain solvent. Schools must not borrow to finance a deficit, including through a bank overdraft. Schools shall apply good financial management practice by forecasting their cash position with reasonable accuracy to ensure that they refrain from incurring a revenue deficit, as well as maximising interest from available funds.

The general provision in the paragraphs above forbidding governing bodies to borrow money shall not apply to schemes operated by Southwark as set out in paragraphs 4.9 and 4.10. Schools are reminded that using credit cards constitutes a form of borrowing, and accordingly schools are not permitted to apply or use credit cards for borrowing funds purposes. Schools are permitted to use any scheme which the Secretary of State has said is available to schools without current approval, currently including the Salix scheme, which is designed to promote energy saving.

The governing body should authorise the use of procurement cards, including charge cards only after considering the potential risk and reviewing the procedures detailed in the Schools Financial Procedures Manual.

3.7 Other provisions

Southwark may formulate further rules and guidance in respect of other aspects of banking arrangements and these will be set out in the Schools Financial Procedures Manual.

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

4.1 The right to carry forward surplus balances

All schools will be able to carry forward surplus balances from one year to the next. The amount of surplus balance to be carried forward for each school will be shown in the out-turn statement published by the LA under s.52 of the 1998 Act. The surplus will be calculated by taking the difference between expenditure and the school's budget share for the year plus or minus any balance brought forward from the previous year.

The amount of a surplus balance will be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under S.251 of the Apprenticeships, Skills, Children and Learning Act 2009. There may be commitments against any figure shown in such a statement.

4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2011:

4.2.1 Calculation of the surplus balance

Local Authorities are no longer required to operate a balance control mechanism; however, we operate a balance control mechanism on behalf of Schools Forum.

The authority shall calculate by each year the surplus balance, if any, held by each school as at the preceding 31 March.

The calculation will be based on the schools revenue balance (A) and school budget share funding (B).

The surplus balance calculation is, $\text{Surplus Balance (\%)} = (A) / (B) \times 100$.

For this purpose, the revenue balance (A) will be the sum of B01 (committed revenue balances) and B02 (uncommitted revenue balances), as defined in the Consistent Financial Reporting Framework. The school budget share (B) will be the sum of I01 (fund delegated by the LA), I02 (funding for sixth form students), I03 (SEN funding), I04 (funding for minority), I05 (pupil premium), as defined in the Consistent Financial Reporting Framework.

4.2.2 Reporting on the intended use of surplus balances

Where the level of surplus balance held by a school exceeds the balance control mechanism thresholds, schools will be required to report on how the school intend to make use of the balances.

The balance control mechanism threshold that applies for this purpose is 5% for secondary schools and 8% for nursery, primary, the PRU and special schools. Hospital Schools are outside the scope of the Balance Control Mechanism.

4.2.3 Carry forward balances

Schools are permitted to carry forward surplus balances to the level of the balance control mechanism threshold.

Where schools exceed the threshold, the LA is permitted to deduct from the current year's budget share an amount equal to the excess.

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

4.3 Interest on surplus balances

Balances held in bank accounts within Southwark's pooled arrangements will attract interest of 1 % below base rate calculated on a daily basis and paid monthly in arrears.

4.4 Obligation to carry forward deficit balances

Where a school completes a year-end with a deficit, the school's deficit balance to be brought forward will be identified in the school's S.251 out-turn statement agreed and published by Southwark. Except in exceptional circumstances the school shall repay the deficit in the following financial year.

4.5 Planning for deficit balances

A school will normally be prohibited from planning for a deficit in any one financial year unless the school applies and is granted a licensed deficit. Unless Southwark approves a licensed deficit, schools should ensure that the total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts brought forward from the previous financial year.

4.6 Charging of interest on deficit budgets

Maintained schools will be charged for deficit balances on licensed deficits at the bank base rate as at 1 April of the financial year on the agreed deficit amount. Where deficit balances remain and are not approved as a licensed deficit position then interest will be chargeable on the budgeted deficit amount. The interest chargeable to the schools will be based on 1 % above Bank Base rate as at 1 April of the financial year.

4.7 Writing off deficits

Southwark cannot and will not write-off the deficit balance of a school, although Southwark may give assistance towards the elimination of a deficit balance through the allocation of a cash sum from the LA's Schools Budget (From a centrally held budget for expenditure on special schools and PRUs in financial difficulty, or for maintained schools, from a de-delegated contingency budget where this has been agreed by the Schools Forum)

4.8 Balances of closing and amalgamated schools

When a school closes, the final established balance (whether surplus or deficit) of the school will be transferred to Southwark. The balance will not be transferred to the successor 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

Southwark will consider, in exceptional circumstances, a school's request to plan for a licensed deficit. Approval for a licensed deficit will only be given in respect of the following:

- significant falling rolls
- financial mismanagement
- school in special measures or serious weaknesses
- other circumstances agreed by the LA as bring reasonable

Licensed deficit budgets will be agreed up to a maximum of 30% of the schools budget for nursery, primary, and special schools and 20% of the schools budget for secondary schools, although in exceptional circumstances a higher amount may be agreed. All schools with a licensed deficit are required to provide monthly monitoring returns in a manner and format that Southwark determines.

Regular meetings will be required with schools with deficit budgets by the Director of Children's Services and his/her representative together with representatives of the Chief Finance Officer to review the progress towards reducing the deficit budget.

The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by Southwark on behalf of schools. There will be a maximum of three years for repayment.

4.10 Loan Scheme

Southwark may provide a form of loan arrangement for schools that does not operate by way of a licensed deficit, but rather by way of actual payments of expenditure by Southwark in respect of a particular school. This will be on condition that a corresponding sum is repaid from the budget share over an agreed period of time. Loans shall not be available to recover deficit balances.

Balances held by a school in an external bank account remain the property of Southwark (if made available by Southwark initially). Therefore, Southwark may legally take into account such balances in assessing the level of loans that may be made available to schools. Schools will be consulted as to whether they agree to use their balances to support a loan scheme and on any proposal to establish a loan scheme. At present Southwark does not operate a Loan Scheme.

4.10.1 Credit Union Approach

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. Where schools choose to borrow money through such a scheme, Southwark will act as administrator of the arrangement.

Southwark requests that schools wishing to explore such an option shall apply for permission to the LA, in writing, and if approved Southwark will require ongoing audit certification of any such arrangement.

SECTION 5: INCOME

5.1 Income from lettings

The governing body shall be responsible for arrangements for the collection, custody, control and banking of income that the school has authority to collect and account for. The head teacher must complete regular financial returns of income banked (including the value of VAT). All income collected must be accounted for separately by collecting officers and not mixed with other official, voluntary or private funds. In addition, income collected must not be used to cash personal or other cheques.

Payments of any sort must not be paid from income collected unless expressly authorised under the Scheme for Financing Schools.

Income collected by either governors or school officers on behalf of the school will be acknowledged by the issue of an official numbered receipt and should normally be paid into the schools bank account.

Each governing body and head teacher shall be responsible for ensuring that all accounts for the recovery of income within their authority are rendered promptly and all sums due are correctly recorded. The governing body should set a policy for the collection of any debts due to the school. There shall be procedures to follow in the event of writing-off a debt as irrecoverable to ensure the correct authorisation is obtained within the school and from Southwark where appropriate (see also Section 2.1.6).

The governing body may retain income from lettings. However, the schools are required to have regard to any policy statements on charging produced by Southwark. For convenience the policy statement is included in the Schools Financial Procedures Manual.

The governing body will be allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the School's budget share. However, schools will be required to have regard to directions issued by Southwark as to the use of the premises, and must satisfy the governing body that this will not to any significant extent interfere 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 attainment.

For any schools under a PFI/PPP agreement alternative arrangements may exist for lettings income and this is contained in Section 9.

5.2 Income from fees and charges

The governing body may retain income from fees and charges except where a service is provided by Southwark from centrally retained funds. However, schools are required to have regard to all policy statements on charging produced by Southwark as set out in the Schools Financial Procedures Manual.

5.3 Income from fund raising activities

Schools may retain income from fund-raising activities.

5.4 Income from sale of assets

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it will be for Southwark to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by Southwark. (See also Section 2: 1.4)

5.5 Administrative procedures for the collection of income

Schools will be required to apply proper procedures for the accounting and collection of VAT on fees and charges arising from fund-raising activities and the sale of assets. Southwark will establish administrative procedures published in the Schools Finance Procedures Manual for the collection of income that may vary from time to time in the light of advice from the VAT authorities

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.

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

The budget share of a school may be charged by the LA without the prior consent of the governing body in circumstances set out below (6.2)

The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.

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

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

Southwark's Chief Finance Officer will let their view be known in writing to the school and the Director of Children's Services who will first consider the matter. If the matter remains in dispute both parties may appoint a representative to consider the position together and make recommendations. These recommendations should be acceptable to both sides.

If the matter remains unresolved, and the legal view is that there is not sufficient clarity to establish the rights of either party, the matter will be split equally. It is envisaged that this final course would only be contemplated where the amount involved is over £5,000.

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

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

6.1.1 Charging of salaries at actual cost

The LA is required to charge school budget shares with the salaries of school based staff at actual cost.

6.2 Circumstances in which charges may be made

6.2.1 Recovery of premature retirement costs that have been incurred without the prior written agreement of the LA to bear such costs. The amount chargeable will be the amounts in excess over any amount agreed by the LA.

6.2.2 Recovery of other expenditure incurred to secure resignations where the school had not followed LA advice.

6.2.3 Recovery of awards by courts and industrial tribunals against the LA arising from action or inaction by the governing body contrary to the LA's advice.

6.2.4 Recovery of expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work to a satisfactory standard.

6.2.5 Recovery of expenditure by the LA incurred in making good defects in building work carried out by governing bodies to premises owned by the LA or the school has voluntary controlled status.

6.2.6 Recovery of expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA.

6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to the disputes procedure set out in section 6.1 above or have been referred to a disputes procedure set out in a service level agreement or contract managed by the LA, and the result is that moneys are owed by the school to the LA.

6.2.8 Recovery of penalties, including any interest, imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue & Customs, Teachers Pension or regulatory authority as a result of school negligence, or where governing bodies fail to comply with the requirements set out in the Schools Financial Procedures Manual.

6.2.9 Recovery of sums to correct errors made by the LA in calculating charges to a budget share (e.g. pension deductions). No such deductions will take place if the error relates to a period for which the accounts have been closed.

6.2.10 Recovery of additional costs incurred by the LA arising from decisions by the governing body on the length of the school day e.g. transport costs and failure to notify the LA of non-pupil days resulting in unnecessary costs.

2.11 Recovery of legal costs incurred by the LA because the governing body did not accept the advice of the LA.

6.2.12 Recovery of the cost of necessary health and safety training for staff employed by the LA, where funding for training has been delegated but the necessary training not carried out.

6.2.13 Recovery of any compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.14 Recovery of any compensation for costs incurred by the LA if a school fails to pay a debt and which subsequently falls upon the LA to pay. This will include interest payments as per the Late Payment of Commercial Debts Act 1998.

6.2.15 Costs incurred by the authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement;

6.2.16 Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a service level agreement (SLA) with the LA, but has failed to pay an amount due under the SLA. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure. Days in August will not count towards the 30 days. This will apply equally to requests for payment for both packages of services and "pay-as-you-use" services.

6.2.17 Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a contract managed by the LA, but has failed to pay an amount due under the contract. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure; or where the dispute procedure has held the school to be liable for a sum and it has not paid. Although the LA will use its best endeavours to avoid a significant part of the 30 days falling in August, no general dispensation can be given since the disputes and payment period are likely to be conditions of the contract.

6.2.18 Recovery of costs incurred by the LA where the school has failed to return information required by the LA on time, or where the information has to be corrected. This will be charged in accordance with the list of charges under service level agreements for ad hoc work, where these are applicable.

6.2.19 Recovery of penalties imposed on the LA by copyright or similar agencies as a result of a governing body failing in its responsibility for copyright or similar compliance.

6.2.20 Recovery of costs incurred by the LA, because the governing body did not abide by the Scheme, resulting in additional work for Schools Finance or Internal Audit beyond their regular programme of work.

6.2.21 Costs incurred by the LA as a result of withdrawal of delegation.

6.2.22 Many grant making organisations require that bids for grants for specific projects have the support of the LA before the bid is submitted. In the event that a school that had received a grant failed to complete the project in a satisfactory manner, the LA would be required to return the funding. In such a case, the LA will recover the funds from the school's account.

6.2.23 Recovery of any costs to the LA as a result of the governing body being in breach of the terms of a contract.

6.2.24 At the end of the financial year, recovery of unspent balances of allocations from centrally held budgets. Where actual expenditure did not meet the conditions of the grant aid or specific purposes for which the allocation was made, the value of that expenditure will be included in the unspent balance. In the case of grant-aided expenditure the recovery will include both the values of the grant aid and the LA's contribution unless the matched funding came from the school's delegated budget.

6.2.25 Recovery of interest claw-back due on budget shares.

6.2.26 Recovery of the cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.

SECTION 7: TAXATION

7.1 Value Added Tax (VAT)

The governing body must, in a form specified by Southwark as the local authority, make a monthly return to Southwark stating the total amount of VAT that has been paid. Detailed guidance on VAT is published in the Schools Financial Procedures Manual. Schools may not deal directly with H.M. Revenue & Customs in respect of VAT except in the case of private funds or charity accounts that are registered for VAT purposes. Should there be any doubt as to the applicability of VAT on any payment or receipt, the head teacher should contact the Director of Children's Services.

Where H.M. Revenues & Customs discovers errors in the operation of the VAT system within maintained schools they will seek to recover the appropriate portion of the tax from Southwark. Any amounts paid to H.M. Revenues & Customs this way will be recovered from the school's delegated budget.

7.2 Construction Industry Taxation Scheme (CITS)

Payments to subcontractors employed by schools as contractors for work of a construction nature are subject to special verification and reporting and this is contained in a separate guidance note detailing these arrangements published in the Schools Financial Procedures Manual. Each school shall make returns in a prescribed format providing details of payments made under the Construction Industry Tax declaration scheme.

Where H.M. Revenue & Customs discovers errors in the operation of the CITS system within maintained schools they will seek to recover the appropriate portion of the tax from Southwark. Any amounts paid to H.M. Revenue & Customs in this way will be recovered from the Schools Budget Share.

7.3 Payments to individuals claiming to be self-employed

Schools are required to abide by procedures issued by the LA in connection with payments to individuals claiming to be self-employed.

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

8.1 Provision of services from centrally retained budgets

The LA will determine on what basis services from centrally retained funds will be provided to schools, but the LA will not discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

This encompasses existing 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 LA shall be limited to a maximum of three years from the inception 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. However, schemes may contain an extension to five and seven years respectively, for contracts for the supply of catering services.

There is no minimum period, although it is to be noted that arrangements of less than two years may well be uneconomic.

When a service is provided, for which funding is not retained centrally by Southwark under the Regulations made under Section 45A of the Act, it must be offered at prices which are set to cover the costs of providing the service overall, even if schools are charged at differential rates.

8.2.1 Packaging

Southwark may provide any services for which funding has been delegated. Where Southwark is offering the service on a buy-back basis it will do so in a way that does not unreasonably restrict schools' freedom of choice among the services available. Schools are able to purchase services on a service-by-service basis as well as in a package of services that Southwark may decide to offer.

8.3 Service Level Agreements

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

Services, if offered at all by Southwark, shall be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements. Service level agreements with schools will be available to schools so that they are effective for the following financial year and schools will have at least a month to consider their terms.

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.

Premises and liability insurance are excluded from the requirements under sections 8.1 to 8.3, as the limitation may be impractical for insurance purposes.

8.4 Teachers Pensions

All governing bodies should submit an annual return of salary and service to the LA. Governing bodies must also ensure that details of Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit shown in the AVC scheme.

In order to ensure that the performance of the duty on Southwark to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on Southwark and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares. The conditions apply to all governing bodies of maintained schools in Southwark, as Southwark does not currently provide a payroll service.

All governing bodies of maintained schools, which have entered into any arrangement or agreement with a person other than the LA 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 LA which Southwark, as the LA, requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. Southwark will advise schools 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 LA 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 LA which Southwark, as the LA, requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. Southwark 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 LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

SECTION 9: PRIVATE FINANCE INITIATIVES/PUBLIC PRIVATE PARTNERSHIPS

9.1 Private Finance Initiative (PFI)

Southwark, as the LA, will consult and reach agreement with governing bodies of schools regarding the implementation of any Private Finance Initiative schemes for specific services.

These regulations will deal with a number of issues relating to PFI Schemes including the reaching of agreements with the governing bodies of schools as to the basis of charges relating to PFI/PPP schemes; the treatment of income from third party lettings and the treatment of monies withheld from contractors due to poor performance. All of these regulations will be contained in a school specific 'Governing Body Agreement' that the school will be required to sign before being included within any PFI contract. This agreement is between the LA and governing body and sets out details of the services provided under the PFI contract and the schools financial contributions.

The LA has the power to charge to a school's budget share amounts agreed under a PFI/PPP scheme entered into by the school governing body.

SECTION 10: INSURANCE

10.1 Insurance Cover

The funds for insurance have been delegated to schools. Schools are able to continue to buy insurance services from Southwark or to make alternative arrangements for the provision of insurance cover for all their insurable interests.

Southwark, as the LA, will require the school to demonstrate that the school has taken out insurance cover relevant to Southwark's insurable interests that is equal to a scheme Southwark could provide through funding from contributions from school's delegated budgets.

Southwark is required to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

Governing bodies are required to supply the LA with whatever information is required in order for the LA to satisfy itself that the school is managing its delegated finances satisfactorily, or using earmarked funds for their proper purposes.. In normal circumstances the LA will not require any more information than is set out in other sections of this scheme and this provision will only be followed where there are concerns about the state of a school's financial management arrangements. Further guidance on this matter can be found in the Code of Practice on LA/School Relations.

11.2 Liability of governors

Because the governing body is a corporate body and because of the terms of s.50 (7) of the School Standards and Framework Act 1998, governors of maintained schools would not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

A fraudulent act is an example of behaviour that is not in good faith. Breaches of the Scheme or rejecting LA advice as to financial management are not in themselves necessarily breaches of good faith.

11.3 Governors' expenses

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

Under section 50 (5) of the Act only allowances in respect of purposes specified in regulations under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

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

11.4 Responsibility for legal costs

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

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

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

Occasions might arise where the governors believe there is a conflict of interest between themselves and the LA. Where that is the case it is for the school to discuss this view with the LA in order to reach agreement about whether such a conflict does exist or might reasonably be expected to exist.

Where agreement is reached on this point, the LA will need to satisfy itself that the source of the governor's legal advice was appropriate (the diocese for example in the case of a diocesan voluntary aided school). The LA would need good reasons for rejecting any source of advice proposed by governors. Under these circumstances the school would not automatically be deemed not to be acting in accordance with the advice of the LA with the consequences set out above.

However, if no such agreement were reached or the school took advice from an unsatisfactory source or did not act in accordance with the advice given by the agreed appropriate source, the school would normally be deemed to be acting contrary to the advice of the LA and the consequences set out above would apply.

11.5 Health and Safety

When planning and expending the school's budget share, the governing bodies must have due regard to their own and the LA's duties with respect to health and safety by ensuring compliance. The LA will provide advice and guidance on an appropriate response to meet statutory requirements.

11.6 Right of attendance for Chief Finance Officer

Governing bodies are required to permit the Chief Finance Officer of the LA, or their representative, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities.

The Chief Finance Officer's attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine. Prior notice of attendance will normally be given except where it is impracticable to do so.

11.7 Special educational needs

Governors are reminded of their statutory duties in respect of making proper provision for pupils with special educational needs and in particular the requirement to spend the resources over which they have control to secure the necessary provision for those children. Failure on the part of governors to comply with this requirement could lead to costs incurred by the LA being charged to the school's budget. If a school persistently failed to make proper arrangements for these pupils, this could be sufficient reason to withdraw delegation.

11.8 Interest on late payments

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

11.9 Whistleblowing

Procedures are set out in the Schools Financial Procedures Manual for school governors and/or people working at a school to follow should they wish to complain about financial management or financial propriety at the school. These procedures set out how such complaints will be dealt with.

11.10 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Schools will not be recompensed directly for this release but schools are reminded that pupil disadvantage is a factor in Southwark's funding formula.

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 in Appendix C.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 Southwark shall delegate all funding for repairs and maintenance to schools as defined by the statement showing the categories of work. This is shown in appendix D. Southwark will only retain capital expenditure as defined by the CIPFA Code of Practice. Voluntary-Aided governing bodies will continue to have responsibilities for capital expenditure in addition to other responsibilities for repairs and maintenance on the same basis as Community and Foundation schools.

SECTION 13: COMMUNITY FACILITIES POWER

13.1 Application of schemes for financing schools to the community facilities power

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

However, under s. 28(1), the main limitations and restrictions on the power will be those contained in schools' own instruments of government, if any; and in maintaining LA's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to 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 section of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between Southwark and schools to secure the provision of adult and community learning.

13.2 School's budget share

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

13.3 Mis-management of community facilities funds

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

13.4 Requirement to consult Southwark

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, and have regard to advice given to them by their LA. This is Southwark in both cases.

13.5 Requirement to seek LA advice

Schools are required to seek LA advice in order that both schools and the LA are alerted to any potential financial and other operational liabilities. Southwark has adopted a formal procedure for considering schools' proposals and this should ensure that, from the outset, both parties are aware of all pertinent issues before any resource commitments are entered into. Governing bodies must adhere to the following proposal procedures:

- If a decision is made to enter into a third party arrangement in respect of this provision, the governing body must submit a written proposal to Southwark.
- Southwark will respond and provide advice to the governing body, depending upon the type of agreement, within eight weeks of receipt of the proposal.

- If it is necessary the governing body must respond with a revised proposal within six weeks.
- The governing body must then comply with procedures as detailed in the Schools Financial Procedures Manual, and this document, when entering into a contract.

All community facilities arrangements are subject to this procedure.

13.6 Requirements relating to the provision of advice

Southwark is required to provide schools with advice within 8 weeks of being consulted, although Southwark will seek to offer advice earlier, if at all possible. Schools are required to inform Southwark of any action taken following receipt and consideration of Southwark's advice, within 6 weeks of receiving such advice.

13.7 Funding agreements with third parties

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.

Southwark's requirement in relation to funding agreements with third parties (as opposed to funding agreements with Southwark itself) is that any such proposed agreement should be submitted to Southwark for its comments, giving Southwark at least 6 weeks to allow adequate time to consider and respond.

Once approved by Southwark the funding agreement may not impose a right of veto for Southwark on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which LA consent is to be signified is a matter for that third party, not for the scheme.

13.8 Agreements seriously prejudicial to the interests of the school or of Southwark

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

13.9.1 Projects with significant financial risk

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

Southwark is required to operate this provision in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks.

13.9.2 Property considerations

In considering any proposals for the provision of community facilities, Southwark will need to be satisfied regarding the use or change of use of buildings, access, fire and other safety aspects, restrictions on use (where covenants on use bar certain activities or limit the use of the building to educational use), provision of additional accommodation by third parties and the maintenance responsibilities and liabilities.

13.10 Constraints on the exercise of the community facilities power

Section 28 of the Education Act 2002 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

Southwark may, if it wishes, propose other scheme provisions, which it believes to be necessary for inclusion within this section. This option will be kept under review and, where Southwark feels additional provisions are required to safeguard the financial position of Southwark or school, or to protect pupil welfare or education, it will make application to the Secretary of State for this Scheme to be amended.

13.11 Financial statements

Schools, which exercise the community facilities power, are required to provide Southwark every six months, from the commencement date of the project, with a summary statement, in a form determined by Southwark. This must show the income and expenditure for the school arising from the facilities in question for the previous three months and on an estimated basis, for the next six months.

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, Southwark will require such financial statements to be supplied every month. If Southwark sees fit, it may also require the submission of a recovery plan for the activity in question.

Southwark requires such information in order to ensure that schools are not at financial risk. Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share. Southwark will suspend the right to delegation, if necessary.

13.12 Agreements between schools and Southwark

These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and Southwark as to the financial reporting requirements arising from the funding in question.

13.13 Access to school records

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

13.14 Access to other records

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

13.15 Retention of income

Schools are permitted to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is Southwark or some other body or individual.

Schools are also permitted to carry such retained income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of Southwark at the end of each financial year, transfer all or part of it to the budget share balance.

13.16 Schools ceasing to be maintained

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

13.17 Recovery of funds

If there is a deficit on community facilities and Southwark needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient Southwark will have to meet the third party liabilities from its own resources.

This arises from the provision of s.S1A of the School Standards and Framework Act 1998 (inserted by paragraph 4 of Schedule 3 to the Education Act 2002), which provides that such liabilities are part of the expenses of maintaining the school; may be recovered from the governing body but the expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share unless such a purpose is prescribed by regulations made under s SO(3)(b) of the 1998 Act.

13.18 Extension of Health and Safety provisions

The health and safety provisions of the main scheme are extended to the community facilities power exercised by schools. These include that the governing body is required to have due regard to duties placed on Southwark in relation to health and safety, and Southwark's policy on health and safety matters in the management of the budget share.

Schools are reminded that where they directly employ a contractor using delegated funding, they must ensure that the contractor is competent, adequately insured and that the contractor has an appropriate health and safety policy and arrangements. The contractor should demonstrate to the school's satisfaction that they have considered all the health and safety implications of working on the school site.

Some work commissioned by schools may fall under the requirements of the Construction Design and Management Regulations 1994 and schools must ensure that all the requirements of these regulations are met.

13.19 Criminal records clearance

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

13.20 Schools' responsibilities for insurance arrangements

It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power. Such insurance cannot be funded from the school budget share.

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

All schools are required to provide information to Southwark to confirm the details of its insurance arrangements/cover for any community facilities provision. This enables Southwark to check that any insurable interest it may have is covered.

It may be necessary for insurance to be in the joint names of the governing body and Southwark. All schools are required to seek Southwark's advice before finalising any insurance arrangement for community facilities.

13.21 LA's insurance responsibility

Southwark 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. Such costs could not be charged to the school's budget share. These provisions are necessary in order for Southwark to protect itself against possible third party claims.

13.22 Value Added Tax (VAT)

In general, schools may only make use of Southwark's VAT reclaim facility for expenditure on community facilities when this is from LA funds and not expenditure from other funds. Southwark will follow H.M. Revenue & Customs guidance (Notice 749 on local authorities) concerning the recovery of VAT where schools use donated funds.

The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49 (5) of the School Standards and Framework Act 1998 are the property of Southwark. This facility also applies to funding given by Southwark to schools outside the budget share.

Schools should, however, seek the advice of Southwark (and the local VAT office) on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility. Southwark will make further, specific advice available to schools, as appropriate and this will be contained in the Schools Financial Procedures Manual.

13.23 School/Local Authority employees

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

13.24 Construction industry scheme

Schools are required to abide by procedures issued by Southwark in connection with the Construction Industry Tax Deduction Scheme (CIS) and contained in the Schools Financial Procedures Manual.

13.25 Banking arrangements

Where a school opts to provide community facilities, it must operate the same banking arrangements, which it uses for its budget share. Schools should maintain a separate bank account with adequate internal accounting controls to maintain separation of funds.

13.26 Bank accounts and signatories

The Scheme for Financing Schools continues to apply in respect of banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates (except that such mandates may provide that funds for community facilities not provided by Southwark are not the property of Southwark), and similar matters.

13.27 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State. This requirement does not extend to monies lent to schools by Southwark. The Government's requirement on borrowing does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of Southwark when repaying loans.

Schools must notify the Director of Children's Services in advance of any proposed leasing arrangements or any other arrangements to delay or defer payment for goods or services. Any scheme, however described, which effectively spreads the cost of payments across financial years, is likely to fall into this category. Such arrangements may only be entered into after obtaining written approval from the Director of Children's Services.

. Schools must obtain approval from the Director of Education before entering into any lease agreement, and further details are set out in the Schools Financial Procedures Manual
APPENDIX A

Glossary of Definitions

"Council" means the London Borough of Southwark

"Scheme for Financing Schools" means Southwark Scheme for the Financing of Schools as per Section 48 (1) School Standards and Framework Act 1998

"Act" means the School Standards and Framework Act 1998

"DfE" means the Department for Education

"Financial Year" means the 12 months from 1 April to 31 March

"LA" means Local Authority

"month" means calendar month

"quarter" means a period of 3 months beginning 1 April, 1 July, 1 October or 1 January

"school" means the school named

"Secretary of State" means the Secretary of State for Education

"Southwark" means the London Borough of Southwark. In some instances the reference to Southwark will refer to specific sections within Southwark and these sections will be detailed in the Schools Financial Procedures Manual

"Governing Body" means the Governing Body of the school named

"ISB" means Individual Schools Budget

"FO" means the Section 151 Finance Officer

"Director" means the Director of Children's Services.

Dulwich Wood Nursery School	1035	Community	Nursery
The Grove Nursery School	1050	Community	Nursery
Kintore Way Nursery School	1000	Community	Nursery
Nell Gwynn Nursery School	1044	Community	Nursery
Albion School	2003	Community	Primary
Alfred Salter School	2853	Community	Primary
Bellenden School	2038	Community	Primary
Bessemer Grange School	2856	Community	Primary
Brunswick Park Primary School	2858	Community	Primary
Camelot School	2085	Community	Primary
Charles Dickens School	2100	Community	Primary
Cobourg School	2116	Community	Primary
Comber Grove School	2123	Community	Primary
Crampton School	2138	Community	Primary
Crawford School	2142	Community	Primary
Dog Kennel Hill School	2161	Community	Primary
Phoenix Primary School	2848	Community	Primary
Goodrich School	2257	Community	Primary
Grange School	2263	Community	Primary
Heber School	2293	Community	Primary
Hollydale School	2308	Community	Primary
Ilderton School	2323	Community	Primary
Ivydale School	2328	Community	Primary
John Ruskin School	2339	Community	Primary
Keyworth School	2351	Community	Primary
Langbourne School	2365	Community	Primary
Lyndhurst School	2392	Community	Primary
Michael Faraday School	2411	Community	Primary
Oliver Goldsmith School	2855	Community	Primary
Pilgrims Way School	2852	Community	Primary
Riverside School	2514	Community	Primary
Robert Browning School	2516	Community	Primary

Rotherhithe School	2526	Community	Primary
Rye Oak School	2462	Community	Primary
Snowsfields School	2560	Community	Primary
Southwark Park School	2562	Community	Primary
Tower Bridge School	2607	Community	Primary
Townsend School	2609	Community	Primary
Victory School	2621	Community	Primary
Boutcher CE School	3313	Voluntary	Primary
Cathedral School of St Saviour & St Mary Overie	3593	Voluntary	Primary
Dulwich Village CE Infant School	3337	Voluntary	Primary
English Martyrs RC School	3341	Voluntary	Primary
Peter Hills with St Mary's & St Paul's CE School	3516	Voluntary	Primary
St Francis RC School	3435	Voluntary	Primary
St George's Cathedral RC School	3447	Voluntary	Primary
St George's CE School	3445	Voluntary	Primary
St James' CE School	3452	Voluntary	Primary
St James the Great RC	3399	Voluntary	Primary
St John's & St Clement's CE School	3460	Voluntary	Primary
St John's CE School	3468	Voluntary	Primary
St John's RC School	3669	Voluntary	Primary
St Joseph's RC School The Borough	3484	Voluntary	Primary
St Joseph's RC School (026)	3476	Voluntary	Primary
St Joseph's RC School (014B)	3475	Voluntary	Primary
St Jude's CE School	3492	Voluntary	Primary
St Mary Magdalene CE School	3508	Voluntary	Primary
St Paul's CE School	3573	Voluntary	Primary
St Peter's CE School	3586	Voluntary	Primary
Charlotte Sharman School	5207	Foundation	Primary
Friars School	5205	Foundation	Primary
St Anthony's RC School	5201	Voluntary	Primary
St Francesca Cabrini RC School	5200	Voluntary	Primary

St Joseph's RC Camberwell Infant School	5204	Voluntary	Primary
St Joseph's RC Camberwell Junior School	5203	Voluntary	Primary
Surrey Square Primary School	5209	Foundation	Primary
St Saviour's & St Olave's School	4680	Voluntary	Secondary
Notre Dame School	5404	Voluntary	Secondary
The St Thomas the Apostle College	5402	Voluntary	Secondary
Beormund School	7167	Special	Primary
Cherry Gardens School	7186	Special	Primary
Haymerle School	7126	Special	Primary
Highshore School	7007	Special	Secondary
Spa School	7048	Special	Secondary
Tuke School	7174	Special	Secondary
Evelina Hospital School	7066	Special	Hospital
The Bethlem & Maudsley Hospital School	7073	Special	Hospital
SILS	1104	Pupil Referral Unit	Secondary School

APPENDIX C

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

This guidance sets out the position relating to the charging of early retirement and redundancy costs under the 2002 Education Act and the circumstances in which exceptions will be made.

Redundancy Costs

Redundancy costs must be charged to the local authority's budget unless there is a good reason for it not to be centrally funded.

Redundancy costs would be expected to be met from the school's delegated budget in the following circumstances:

- If a school has decided to offer more generous terms than the authority's policy;
- If a school is otherwise acting outside the LA policy;
- Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of an agreed deficit arrangement;
- Where staffing reductions arise from a deficit caused by factors within the schools control;
- Where the school has excess surplus balances and no agreed plan to use these;
- Where a school has refused to engage with the LA's redeployment policy;
- Approval in principle of the reorganisation has not been sought from the panel in advance of the reorganisation.

Agreement to charge the local authority's budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.

Early Retirement Costs

Premature retirement costs must be charged to the school's delegated budget unless the local authority agrees otherwise for costs to be centrally funded.

Agreement to charge the local authority's budget would be subject to a successful application for additional support to the LA schools in financial difficulty panel.

LOCAL AUTHORITY CAPITAL / REVENUE SPLIT AND ITEMS WHICH ARE THE SEPARATE RESPONSIBILITY OF GOVERNORS IN VOLUNTARY AIDED SCHOOLS

ILLUSTRATIVE EXAMPLES IN LINE WITH DfE INTERPRETATION OF CIPFA CODE OF PRACTICE

<u>ELEMENT</u>	<u>CAPITAL: AS CIPFA CODE OF PRACTICE</u>	<u>REVENUE: REPAIRS & MAINTENANCE</u>	<u>VA SCHOOLS – GOVERNORS RESPONSIBILITIES (Full Details In DfE Document “Determination Of Financial Liability”)</u>
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ELEMENT**CAPITAL: AS
CIPFA CODE OF
PRACTICE****REVENUE: REPAIRS
& MAINTENANCE****VA SCHOOLS –
GOVERNORS
RESPONSIBILITIES
(Full Details In DfE
Document
“Determination Of
Financial Liability”)**

Roofs	CAPITAL	REVENUE	GOVERNORS’ RESPONSIBILITIES
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	New structure and repair replacement of structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed	<u>Replacement of structure</u>
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective.	New screed/insulation and repairs
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof.	Replacement/repair of screed/insulation
	Finish on new build. Replacement of all/substantially all on existing roof	Replacement of roof finish on existing building, to under capital value limit. Re-coating chippings to improve life expectancy	Finish on new build. Replacement of roof finish on existing building. Re-coating
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting.	Edge Trim/fascia on new build and repairs/replacement/ repainting
	Edge Trim/ Fascia,	Repairs/	Replacement of edge

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

	on existing roof		existing building
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/ Repainting	Bargeboards/fascias in new building/extension and repairs/replacement/repainting in existing building
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters	Drainage in new building/extension and repair/replacement. (<u>NOT</u> cleaning guttering or downpipes)
	Drainage. Replacement of all/substantially all on existing roof		Drainage replacement in existing roof.
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning	Flashings, roof windows in new building/ extension and repair replacement (<u>NOT</u> cleaning) in existing roof
<u>Other</u>	Provide new covered link etc. between existing buildings Rebuild or substantially repair structure of existing covered link Add porch etc. to existing building Rebuild or substantially repair structure of existing porch	Minor repairs, maintenance to existing covered link Minor repairs, maintenance to existing	Provide new covered link and repairs to existing. (<u>NOT</u> cleaning) Re-build or repair structure of existing covered link. Add new porch and minor repairs to existing Re-build or repair existing porch.
Floors	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Ground</u>	Structure and dpc in	Repair/replacement	Structure and dpc of

<u>Floor</u>	new building	of small parts of an existing structure	new building and repair replacement to existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure		
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats/ matwells. Maintenance e.g. revarnishing wooden floors.	Provide screed and finish in new buildings (<u>NOT</u> repairs to finishes, matwells etc.)
<u>Upper Floor</u>	Structure - as ground floor	As ground floor	Structure of new building and replacement of existing structure
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor	As ground floor
Ceilings	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. From water damage, & necessary decoration	Provision, (<u>NOT</u> repair or replacement)
	Membrane		Provision, (<u>NOT</u> repair or replacement)
	Fixed	Repair/ replacement inc. from water damage	Provision, (<u>NOT</u> repair or replacement)
	Access panels	Repair/ replacement	Provision, (<u>NOT</u> repair or

			replacement)
<u>Lower storeys</u>	Suspension	Repair/ replacement	Provision, (<u>NOT</u> repair or replacement)
	Membrane		Provision, (<u>NOT</u> repair or replacement)
	Fixed	Repair/ replacement	Provision, (<u>NOT</u> repair or replacement)
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection	Removal/replacement of damaged/disturbed asbestos <u>EXCEPT</u> where part of repair project.
External walls	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Masonry/ cladding</u>	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal	Structure, underpinning/ propping of new building and repairs, (<u>NOT</u> tree removal unless part of clearing new site)
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred.	External finish on new building and repairs/replacement of existing structure including re-pointing/re-cladding
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding		External finish on existing building including correcting of structure.

	g work affecting most of a building /replacement build		
<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames	New window frames and doors in new building and repairs/replacement (<u>NOT</u> replacement/ repair/ re-painting of internal doors or windows)
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames	New windows in replacement programme
	Glazing - new build	Replacing broken glass	Glazing new building and replace broken glass.
	Glazing Upgrading existing glazing		Upgrading existing glazing
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.	Ironmongery to improve security and repair/replacement.
	Jointing including mastic joints		Jointing
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.	Internal and external decoration of new provision, external re-decoration (<u>NOT</u> internal re-decoration)
<u>Masonry chimneys</u>	Structure		Structure of chimneys
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing	Jointing/Pointing and DPC of chimneys and repair/re-pointing.
Internal walls	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES

<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.	New walls & finishes, (<u>Not</u> repair/ replacement)
	Refurbishment and alterations	Minor alterations	
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.	New partitions, (<u>Not</u> repair/ replacement)
	Refurbishment and alterations	Minor alterations	
<u>Doors & Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens	Provision of new, (<u>Not</u> repair/ replacement)
<u>All</u>	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass	New glazing and replacement of broken glass, (<u>Not</u> internal window repairs)
Sanitary Services	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.	Provision. (<u>Not</u> repair/ replacement of damaged sanitary ware)
	Large scale toilet refurbishment	Small areas of refurbishment	Provision / refurbishment (Not replacement of damaged sanitary ware)
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.	Provision, (<u>Not</u> repair/ replacement of damaged fittings etc.)

<u>Kitchens</u>	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations	Maintain kitchen to requirements of LA Cleaning out drainage Redecoration Repairs Repairs/replacement parts	
Mechanical services	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Heating/ hot water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects	Provision of complete system, (<u>Not</u> repair/ replacement or maintenance)
	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.	Monitoring systems Health & safety issues	
	Planned replacement of old boiler/ controls systems past the end of their useful life Emergency replacement of boiler plant/systems	Replacement of defective parts	
<u>Cold water</u>	Provision of cold water services, storage tanks, distribution,	Maintenance and repair/ replacement of defective parts such as servicing	Provision of complete system, (<u>Not</u> repair/ replacement or maintenance)

	boosters, hose reels etc. in major projects	pipes. Annual servicing of cold water tanks.	
<u>Gas</u>	Distribution on new and major refurbishments, terminal units	Repairs, maintenance and gas safety All servicing	
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units	Provision, (<u>Not</u> repair/ replacement)
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.	If Governors provided .
Electrical services	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>General</u>	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.	Provision, (<u>Not</u> repair/ replacement or maintenance)
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.	
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment	Provision, (<u>Not</u> repair/ replacement)
<u>Lighting</u>	Provision of luminaires and	Replacement of luminaires, all	Provision, (<u>Not</u> repair/ replacement)

	emergency	testing, adjustments and improvements to emergency	
<u>Other</u>	Lightning protection in new build	Repair/ replacement	Provision and repair
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and maintenance	Provision, (<u>Not</u> repair or maintenance)
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems	
External Works	CAPITAL	REVENUE	GOVERNORS' RESPONSIBILITIES
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.	Provision if part of statutory proposal project. <u>Not</u> repair or maintenance Provision and repair of ramps and steps.
<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.	
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.	Foul drainage plus external gutters and drainpipes. Not maintenance
<u>Open air pools</u>	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and	If governors provided .

		repairs, including replacement parts. Simple energy saving systems.	
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing	Provision grant aided but <u>not</u> for repair