LINCOLNSHIRE COUNTY COUNCIL

SCHEME FOR FINANCING SCHOOLS

SCHOOL STANDARDS AND FRAMEWORK ACT 1998

The following pages set out Lincolnshire County Council's Scheme for Financing Schools.

The details in the scheme are a requirement of the Schools Standards and Framework Act 1998, Section 48.

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LINCOLNSHIRE COUNTY COUNCIL

SCHEME FOR FINANCING SCHOOLS

SCHOOL STANDARDS AND FRAMEWORK ACT 1998

1 INTRODUCTION

1.1 The Funding Framework: Main Features

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

1.1.2 Under this legislation, the Local Authority determines the size of the Schools Budget and LA Budget. The categories of expenditure which fall within the Schools Budget are prescribed under regulations made by the Secretary of State, but included is all expenditure, direct and indirect, on the authority's maintained schools. The Local Authority may retain funding for purposes defined in regulations made by the Secretary of State under Section 46 of the Act. The amounts to be retained centrally are decided by the Local Authority, subject to any limits or conditions prescribed by the Secretary of State. The balance of the Schools Budget left after the deduction of centrally retained funds is termed the Individual Schools Budget (ISB).

1.1.3 The Local Authority may retain an unallocated reserve from within the ISB but must otherwise distribute the ISB amongst maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Local Authority in accordance with Section 48 of the Act and approved by the Secretary of State. All revisions to the scheme must also be approved by the Schools Forum.

1.1.4 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under Section 50 of the Act.

1.1.5 The Local Authority may suspend a school's right to a delegated budget if the provisions of the Scheme for Financing Schools (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (Section 17 of the Act), but in that case there is no right of appeal.

1.1.6 In accordance with Section 251 of the Act, the Local Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained and funding delegated to schools.

1.1.8 Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public.

1.2 The Role of the Scheme

The scheme governs the financial relationship between maintained schools and the Local Authority from the inception of the new funding framework on 1 April 1999. It contains requirements relating to financial management and associated issues, which are binding on both the Local Authority and on schools. The Scheme does not provide full details of financial procedures, regulations, guidance, etc; these are set out in the Schools Finance Handbook which are available on the Local Authorities external website.

1.3 Application of the Scheme to the Authority and Maintained Schools

The scheme applies to all nursery, community, voluntary, foundation community special, foundation special schools and pupil referral units maintained by the Local Authority. It does not apply to schools situated in the authority's area which are maintained by another authority, nor does it apply to academies.

1.4 Publication of the Scheme

The scheme will be supplied to the Headteacher and to the governing body of each school covered by the scheme. The scheme and any amendments will be published on Lincolnshire County Council's website so it is available to members of the public. The revised scheme comes into force on 1st April 2018.

1.5 Revision of the Scheme

Any proposed revision of the scheme will be the subject of consultation with the governing body and the headteacher of every school maintained by the authority before it is submitted to the Schools Forum for their approval.

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

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

1.6 Delegation of Powers to the Headteacher

Responsibility for the financial management of the school is delegated to the school's governing body. The governing body may delegate any of the responsibilities for financial matters to either a Finance Committee or Headteacher, whilst retaining overall responsibility for the proper exercise of its duties. Any such decisions should be recorded in the minutes of the governing body. A suggested level of delegation is set out in the Schools Finance Handbook.

1.7 Maintenance of Schools

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

2 FINANCIAL MANAGEMENT

2.1 General

2.1.1 The governing body is responsible for the management of the school's delegated budget.

2.1.2 Schools in the management of their delegated budgets should abide by the authority's requirements on financial controls and monitoring.

2.1.3 It may spend such amounts as it sees fit for any purposes of the school, subject to the restrictions of Section 50 of the School Standards and Framework Act 1998 in respect of part-time education, education for those aged 19 and above and allowances for governors.

2.1.4 It should exercise these powers within the requirements of legislation and with a view to securing best value from the budget delegated to the school.

2.1.5 The school governing body may, by a specific resolution of the governing body, delegate some of its responsibilities for management of the school's delegated budget. However, the full governing body must itself:

- approve the school budget
- approve significant changes to the budget (see section 2.2.6)
- approve action necessary to control the budget.

2.2 School budgets

2.2.1 The governing body must approve a budget and a five year medium term financial plan for each financial year.

2.2.2 Schools are required to submit an annual Budget Return and a five year medium term financial plan to the Local Authority by 31 May reporting the budget as approved by the school governing body. The scheme states that schools should submit a three year plan but local arrangements will continue in that the Local Authority requires a five year medium term financial plan.

2.2.3 When submitting a Budget Return, it is recommended that schools should include an estimate of any surplus/deficit balance for the previous financial year.

2.2.4 The timetable for the Budget Return and requirements in terms of the format of the budget are specified in the Schools Finance Handbook.

2.2.5 All schools should be able to obtain information relating to their income and expenditure from their accounting system to allow them to efficiently plan for the future.

2.2.6 Schools may transfer budgets between budget headings as they wish. Schools should note, however, that there may be conditions attached to the delegation of budgets in particular cases, for example in relation to expenditure supported by grants, e.g., Pupil Premium, Devolved Capital, Primary School Sport Funding, Universal Infant Free School Meals, and other Grants.

2.2.7 Governing bodies should determine the limit at which transfers between budget headings need to be approved by the full governing body. The Local Authority recommends a limit of £5,000.

2.2.8 If changes to the original budget take place, the revised budget should be recorded in the reports submitted to the Local Authority. The reporting arrangements are described in the Schools Finance Handbook.

2.2.9 The governing body is expected to take all reasonable steps necessary to ensure that the school's expenditure in any financial year does not exceed its budget for the year plus any accumulated surplus (or less any accumulated deficit) brought forward from earlier years.

2.2.10 The Local Authority will require schools to provide revised medium term financial plans:

- where schools have overspends;
- where schools are seeking to make redundancies;
- where schools are seeking a loan;
- where schools have triggered the Local Authorities Monitoring and Intervention policy;
- any other circumstances that the Local Authority considers appropriate.

2.2.11 Schools are required to complete outturn projections and provide an outturn report to the governing body on a termly basis.

2.3 School Accounts

2.3.1 The governing body may, subject to 2.3.2 below, choose between:

- the school maintaining its own prime accounts and providing key information to the Local Authority; and

- the Local Authority maintaining the school's accounts. In this case, the school may also maintain accounting records for its own benefit but these will not constitute the school's accounts.

2.3.2 Where a school has an accumulated deficit at the previous year end, it will only be able to maintain its own prime accounts with the Local Authority's agreement.

2.3.3 The Local Authority may withdraw a school's right to maintain prime accounts in exceptional circumstances

where there are grounds for concern in relation to the school's financial management or administration.

2.3.4 A school which maintains its own accounts is required to submit the following financial statements to the Local Authority:

- Statement of Income and Expenditure (returned quarterly)
- School Bank Reconciliation Statement (returned quarterly)
- Capital Year-End Statement of Income and Expenditure (returned as per the Local Authorities closure of accounts timetable)
- Revenue Year-End Statement of Income and Expenditure (returned as per the Local Authorities closure of accounts timetable)
- Year-End School Bank Reconciliation Statement (returned as per the Local Authorities closure of accounts timetable)
- School Balance Sheet (returned annually as per the Local Authorities closure of accounts timetable)
- Supplementary Information to Year End Accounts (returned annually as per the Local Authorities closure of accounts timetable)
- Analytical Review (returned annually as per the Local Authorities closure of accounts timetable)
- Statement of Accounts Pro-Forma (returned annually as per the Local Authorities closure of accounts timetable)
- School VAT Return (returned monthly)

Those schools running their own accounts for the first time will be required to submit the Statement of Income and Expenditure and School Bank Reconciliation monthly for the first six months within two weeks of month end.

The Director of Resources reserves the right to request in writing the above information on a more regular basis for those schools that were overspent at the end of the previous financial year.

2.3.5 All schools are required to submit Annual Declaration Statements and Annual Notification of Audited Account Statements in relation to private funds, including school funds.

2.3.6 All schools may also be required to submit other financial information, for example where this information must be disclosed in the Local Authority's published financial statements.

2.3.7 Schools are required to comply with the accounting policies specified by the Local Authority in preparing the returns described above.

2.3.8 The reporting arrangements, including further advice on timetables, formats for the returns and accounting policies are specified in the Schools Finance Handbook.

2.3.9 Schools are required to maintain accounting records and supporting documentation as specified by the Local Authority and to make all such financial records available to officers of the Council, to the Council's external auditors and to others with legitimate rights of access to information, for example HM Revenue and Customs in relation to financial records related to Value Added Tax. This will include access to financial records held by third parties where necessary, for example payroll details held by a contractor supplying payroll services to a school.

Requirements and guidance in relation to financial records are contained in the Schools Finance Handbook.

2.4 Basis of Accounts

2.4.1 The County Council accounts on an accruals basis. The accruals basis of accounting informs users of past transactions involving the payment and receipt of cash and also of the obligations of the Council to pay cash in future for the benefits already received and receive cash in the future for benefits already given.

2.4.2 Schools internal systems may be based on either an accruals or cash basis. Schools information submitted to the County Council for input into the Council's accounts should be consistent with the accruals basis.

2.5 Purchasing, Tendering and Contract Requirements

2.5.1 A framework for the proper financial management of both schools and the Local Authority as a whole is provided within the Local Authority's Financial and Contract Regulations. These are prescribed by the Director of Resources in his "proper officer" role under Section 151 of the Local Government Act 1972. The Regulations are intended to ensure that there is adequate probity, accountability and value for money when purchasing goods and services. Schools should also assess in advance, where relevant, the health and safety competence of contractors, taking account of the Local Authority's policies and procedures. These Regulations shall apply to schools but with the following exceptions or variations:

- that in applying Financial and Contract Regulations this would be incompatible with the provisions of this Finance scheme or with any statutory provision or any European Union Procurement Directive.

- schools shall not be required to select suppliers only from a Local Authority approved list, although this information will be made available to advise schools.

- for all contracts of a value between £0 - £10,000 contacting a single supplier is acceptable, competitive quotations are not required. Schools should be satisfied that the costs are reasonable. It is expected that ESPO will be considered for the majority of this type of purchase. For all goods and services with a value between £10,001 and £25,000, at least three written quotations should be sought based on a Request for Quotation (RFQ) with appropriate terms and conditions. Where applicable, quotations maybe sought from contractors on the Council's Approved List of Contractors, at least one quotation from a local supplier. Where it is not possible to obtain three competitive quotes the school must keep a record of the reasons for this. For all goods and services with a value between £25,001 to the EU Services Threshold at least four written quotations should be sought based on a RFQ document with appropriate terms and conditions. Schools may wish to use a supplier from the Council's Approved List of Contractors, at least two quotations should be sought from a local supplier. Where it is not possible to obtain four competitive quotes the officer must keep a record of the reasons for this. For all goods and services above the EU Services Threshold (non-works and for works) a formal tender process should take place. All purchases must be advertised on Source Lincolnshire. Lincolnshire County Council's Procurement Process Team should be contacted. For all goods and services with the EU Services Threshold (for works) at least five tenders should be sought based on a full Invitation to Tender (ITT) document with appropriate terms and conditions with at least two tenders from local suppliers.

In order that the Local Authority keeps within its borrowing limits, schools may need to notify the Director of Resources prior to entering into leasing or rental agreements. Schools should refer to guidance contained in the Schools Finance Handbook or contact the Local Authority to ascertain whether notification is necessary.

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

2.5.2 Details of the Financial and Contract Regulations, guidance on their application within schools and advice on best practice are provided within the Schools Finance Handbook.

2.6 Application of Contracts to Schools

Schools may opt out of existing Local Authority arranged contracts but schools will be bound by individual contract conditions including periods of notice and termination arrangements. In the case of newly arranged Local Authority contracts, the Local Authority will consult with schools on contract arrangements and will seek to make termination conditions fair and not unduly onerous. Schools can access various Local Authority services which are set out in table 1 of Section 251 Budget Statement. Further guidance is included within the Schools Finance Handbook.

2.7 Central Funds and Earmarking

2.7.1 The Local Authority may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used and may need to be returned to the Local Authority if not spent within the specified period. The Local Authority is not permitted to make any deduction, in respect of interest costs to the Local Authority, from payments to schools of devolved or specific special grants.

2.7.2 Schools must ensure that earmarked funding from centrally retained funds is spent only on the purposes for which it is given and is not vired into the budget share. All schools, including those holding prime accounts, must maintain accounts in such a way as to be able to demonstrate that this requirement has been complied with.

2.8 Capital Spending from Budget Shares

2.8.1 Schools are permitted to meet the cost of capital expenditure on school premises from their budget share. This includes expenditure by a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the Schools Standard Framework Act 1998. In the case of premises that are owned by the Local Authority then the school must seek the consent of the Director of Children's Services to all proposed work,

however, such consent may only be withheld on health and safety grounds.

2.8.2 For all other capital schemes funded from the school budget share in respect of non Local Authority owned premises that are in excess of £50,000, schools must notify the Local Authority and take account of advice from the Director of Children's Services as to the merits of the proposed expenditure.

2.8.3 Capital expenditure met from school budget shares will need to be recorded separately and shown in the accounts. The Local Authority's accounting policy in relation to capital expenditure is that expenditure of a capital nature must be capitalised in the accounts where the cost of individual items is £10,000 or more. Individual capital items where the cost is less than £10,000 may be treated either as revenue expenditure or as capital expenditure. Further guidance on the definition of capital, authorisations and monitoring expenditure is provided within the Schools Finance Handbook. Schools should also refer to the sections of the Scheme covering responsibilities for Repairs and Maintenance.

2.9 Payment of Salaries, Payment of Bills

2.9.1 The school governing body, under delegated authority, is required to implement and maintain adequate controls in respect of both the payment of salaries and bills. These controls must be consistent with guidance set out in the Schools Finance Handbook.

2.9.2 Authority for all payments shall bear the manuscript signature of an approved certifying officer. The school governors are responsible for nominating officers to be designated as certifying officers, which must be notified to the Director of Resources.

2.9.3 The principal matters to be attested to under a certifying officer's signature are:

- in the case of invoices, that the goods and services have been received and that the transaction represents value for money;
- in the case of salary or wage instructions, that the instruction is based on fact and is the result of proper procedures;
- that the transaction or proposed transaction is legal.

2.9.4 Where a certifying officer is in doubt as to the legality of a proposed transaction, he/she should consult the Governing

Body (and the Director of Resources if they so wish) at the earliest opportunity.

2.9.5 Where schools elect to pay salaries through local bank accounts and use an external provider, they will be under a duty to provide information to the Local Authority regarding tax, national insurance and superannuation (teaching and non teaching) deductions.

2.9.6 Before a supplier is used a school must check to ensure the supplier agrees to LCC's standard payment terms. If a school fails to pay an invoice on time, they may be subject to a late payment penalty, subject to the terms and conditions of the supplier.

2.10 Procurement Card

2.10.1 The Procurement Card can be used for purchasing goods and services without the need for purchase orders and invoices. The electronic card can be used like other visa cards and allows staff to pay for business goods and services directly.

2.10.2 The card must be used for making work related purchases only. It remains the property of Lincolnshire County Council and must not be used for personal use.

2.10.3 The card can only be used to purchase agreed supplies within the agreed card spending limit. The card should not be used where other arrangements or specific contracts are in place.

2.10.4 The card should be used in accordance with County Council financial regulations.

2.10.5 Monthly statements are issued which must be reconciled against orders and receipts. Discrepancies should be raised with the supplier in the first instance.

2.10.6 Reasonable care should be taken to ensure the safety of the card. Card details must not be disclosed to anyone except when conducting a transaction. Lost or stolen cards must be reported to the bank.

2.10.7 When purchasing on the internet, schools should ensure that only viable and secure sites/vendors are used.

2.10.8 The card should be surrendered to the Headteacher if employment is terminated, or the holder moves on to other duties.

2.10.9 Further information on the card can be found in the Schools Finance Handbook, and on the Procurement section of the Local Authorities website.

2.10.10 Schools are encouraged to obtain and use the procurement card. The procurement card can reduce transaction costs and can enable schools to benefit from significant discounts.

2.10.11 Schools that do not operate their own bank account are not permitted to set up a school credit card to purchase goods. The use of direct debits or standing orders is restricted to bank accounts operated by schools rather than the Local Authority.

2.11 Control of Assets

All schools will have responsibilities for ensuring the proper recording, control, and disposal of assets. This shall include:

- the maintenance of proper inventories and/or asset registers to include anything that is portable and attractive, such as a camera;
- the adequate security of assets, including loan arrangements;
- proper arrangements in relation to the disposal of assets, including maximisation of income and compliance with any restrictions which may be imposed on assets funded by specific grants or leasing arrangements.

2.12 Writing off of Debts

2.12.1 Schools should seek to receive payment in advance for all debts below £51. All write off of debts between £51 and £5,000 should be signed off by the Strategic Finance Manager, Schools Finance Team. All write off of debts between £5,001 and £20,000 should be signed off by the Strategic Finance Manager, Schools Finance Team, and the Head of Finance for Children's Services.

2.12.2 If the write off debt is above £20,001, in addition to 2.12.1 above, a decision paper should be written and sent to the Executive Councillor for approval.

2.13 Audit Arrangements

2.13.1 Under the 1996 Accounts and Audit Regulations, the Local Authority is responsible for ensuring the provision of an adequate and effective internal audit. This responsibility has been delegated to the Director of Resources whose authorised representatives (both internal and external auditors) shall have authority at all reasonable times to visit and have access to all relevant records and property and may require such explanations as they consider necessary.

2.13.2 The accounts of all schools form part of the Local Authority's overall accounting arrangements and will be covered by the same internal and external audit arrangements applying to the Local Authority as a whole. Such arrangements are determined periodically by the Auditors of the Local Authority's Accounts. The external auditors will not normally visit individual schools but have the powers to do so if they so require. The cost of both internal and external audit is classified under Strategic Management and will not be delegated to schools.

2.13.3 In addition to the core services above, schools may commission additional audit consultancy work, the costs of which will be met from budget shares. There will be no allocation within delegated budgets for additional audit work. Schools must consider value for money and benefit / cost of commissioning this work. The Audit Team at Lincolnshire County Council can provide this service for a fee.

2.13.4 Schools are not permitted to transfer Budget Share funding into School Fund. Any such request requires approval from the Head of Finance for Children's Services.

2.13.5 Further information on the statutory responsibilities in respect of the audit of school funds together with the scope of audit coverage is included within the Schools Finance Handbook.

2.14 Audit of Private and Voluntary Funds

2.14.1 Any private or voluntary funds must be declared to the Local Authority in a manner determined by the Director of Resources.

2.14.2 For all such funds schools must submit an annual statement setting out the audited position in a manner determined by the Director of Resources. This statement will contain a summary position for the previous year and details of the auditor and charity registration. Any school

not complying with this requirement will be in breach of the scheme and the Local Authority will consider further action.

2.14.3 The school must also seek compliance with the relevant requirements of the Charities Act 1993, where appropriate.

2.14.4 Further guidance on school funds can be found in the Schools Finance Handbook.

2.15 Register of Business Interests

2.15.1 Each school must maintain a register which lists for all members of the governing body and senior school management (normally Headteacher and other staff with delegated financial responsibilities) any business or vested interests, which they or members of their immediate family may have. The register must also include any relationships Governors have with staff.

2.15.2 This register should be kept up to date, reviewed at least annually and be available for inspection by the Local Authority, governors, staff, and parents.

2.16 Notice of Concern

2.16.1 The Local Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Resources and Director of Children's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

2.16.2 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 the relevant staff undertake appropriate training to address any identified weakness 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; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

2.17 School Resource Management

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

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

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

2.18 Schools Financial Value Standard (SFVS)

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

2.18.2 Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner.

2.18.3 Governors must monitor the progress of these actions to ensure that all actions are completed with the specified deadline.

2.18.4 All maintained schools with a delegated budget must submit the form to the Local Authority before the end of the financial year.

2.19 Fraud

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

2.19.2 The governing body and headteacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information is contained within LCC's Counter Fraud Policy on the following link: https://www.lincolnshire.gov.uk/local-democracy/how-the-council-works/key-plans-and-strategies/counter-fraud-policy/54441.article
This information must also be included in induction for new school staff and governors.

2.20 Financial Regulations

Schools are required to comply with the Local Authority's Financial Regulations and procedures. A copy of which can be found on the following link:
https://www.lincolnshire.gov.uk/searchResults.aspx?qsearch=1&keywords=financial+regulations

2.21 Spending for the purpose of the school

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 purposes of the school.

3. INSTALMENTS OF BUDGET SHARE, BANKING ARRANGEMENTS

3.1 General

3.1.1 The Local Authority has adopted the CIPFA Code of Practice for Treasury Management.

3.1.2 All schools have the choice of the following two options:

Option 1. Payment of the total budget share into a local bank account (i.e., for those schools holding prime accounts).

Option 2. Continuance of centrally paid payments with the option of an imprest account, extended imprest account (where individual payments of up to £150 may be paid locally) and/or purchasing card.

3.1.3 Schools wishing to hold a local bank account (Prime Account) for the first time should notify the Local Authority no later than the 1st January preceding the start of the financial year.

3.1.4 Where a school has an accumulated deficit at the previous year end, it will only be able to hold a local bank account with the Local Authority's agreement.

3.1.5 Where schools are holding a bank account for the first time, 80% estimate of any surplus balances on the school budget share will be made and added to the deposit paid on 1 April. A subsequent amendment to this estimate will be made once the accounts for the previous financial year have closed. The amendment will be made to the deposit paid in September.

3.1.6 Recommendations regarding bank account signatories are included in the Schools Finance Handbook and not within the Scheme for Financing Schools.

3.1.7 For the purpose of this section, budget share includes any place-led funding for Special Schools or Pupil Referral Units.

3.1.8 Non Prime Account schools are permitted to use their entire budget share funding from the start of the financial year.

3.1.9 Under the school funding reforms that were implemented for 2013/14, some central budgets have been delegated to schools and academies.

3.1.10 Schools Forum maintained primary school members will vote each year to decide which central services should be provided centrally. Maintained primary school budgets will be reduced so that these services can be provided centrally (de-delegation).

3.2. Frequency of instalments

3.2.1 For option 1, at paragraph 3.1.2 above, deposits will be made on the 18th of each month, with an additional deposit on 1st April.

The deposits will be profiled as follows:

	Funding for SEN 1:1 Support		Remainder of Budget Share
1st April	n/a	+	1/36th
18th April to 18th February	1/12th	+	1/12th
18th March	1/12th	+	2/36ths

3.2.2 If, due to an error by the Local Authority, the deposits to school bank accounts are made later than the dates shown above, interest will be added to the payment based upon the average base rate over the period of the delay.

3.2.3 Higher Needs top-up entitlement's will be published on the 1st March and updated in September, March, and the following June. Top up payments for pupils with high needs will be made on a termly basis following a review by SEN.

3.2.4 Where approval of a school closure has been agreed, the budget share of the school may be made available until closure on a monthly basis net of estimated pay costs, even where a different basis of calculation was previously used.

3.3 Banks and building society accounts

3.3.1 The credit crunch and near banking collapse during 2008/09 highlighted the risk factors involved when choosing a bank or building society for current account or deposit account facilities. When making the decision, it is the responsibility of each school to consider the following factors in the order of importance in which they appear:

3.3.1.1 *Security of Investment the* risk of loss of investment due to a bank/ building society failure has been highlighted, two factors to consider are:

3.3.1.2 <u>The Financial 'Credit' quality of a Bank/ Building Society</u> – this should be assessed by the school before making investments. The list of approved banks and building societies attached at Annex B are well known UK 'high street' establishments and it is felt very unlikely that these banks would be 'allowed' to fail' if they got into financial difficulty, as evidence suggests with the UK Government rescue of RBS and Lloyds TSB. However, there are no guarantees that this will be the case in the future. Schools should be comfortable with their chosen bank or building society's financial strength and credit quality.

3.3.1.3 Diversification of Investments – Spreading investments over different banks/ building societies reduces the risk of total loss, should an establishment fail. Schools should consider the total level of their investments and spread these over several different banks/ building societies (taking account of any group structures) at an appropriate level which is deemed reasonable both to achieve an adequate spread of investments to mitigate the risk of loss and for administrative purposes. (Schools should make this decision bearing in mind the point highlighted above for establishments listed in Annex B being unlikely to be allowed to fail.) Some degree of protection for deposits may be available from the FSA UK Deposit Compensation Scheme which protects depositors for up to £85,000 per person per authorised bank/building society. This may be relevant to school bank deposits, although confirmation of this should be ascertained by the school at the time of making the deposit.

3.3.2 *Liquidity* – Schools should consider their likely access to cash requirements in the future and place investments accordingly.

3.3.3 In times of banking market uncertainty, it is not advisable to lock into long term fixed investments and schools should set a duration limit for investments which reflects the quality of the bank concerned and the existing economic environment. It is felt for those establishments listed in Annex B a maximum duration limit of 6 months would be appropriate, however this is ultimately for the school to decide taking into account its liquidity requirements.

3.3.4 *Return / Yield on Investments*- Only after the factors of security and liquidity have been considered should the school turn to the issue of maximum return available on investments. Schools should be wary of banking products that offer a return which seems too good to be true. There will be a reason for the high yield being offered and it will often be at the risk of the security of the investment.

3.3.5 Bank accounts may be held in the name of the school and reference need not be made to the Local Authority. However, the account mandate should provide that the Local Authority is the owner of the account and that it can take control of the account if the school's right to a delegated budget is withdrawn.

3.3.6 All applications made to banks to open accounts or vary the signatories of existing accounts must be signed by at least two authorised bank signatories.

3.3.7 For school bank accounts there is a minimum requirement to have three authorised signatories at the school, any two from the three should be authorised to sign cheques. One of the three must be the Headteacher.

3.3.8 For Imprest Accounts there should be a maximum of three authorised signatories on the Bank Mandate. These should not include the Imprest Operator. There should also be a separate list of people authorised to cash cheques, which should not include the Imprest Holder. In exceptional circumstances these individuals need not be Council employees.

3.3.9 Any interest payable on the bank account will be retained by the school.

3.3.10 Further guidance on the conditions of setting up a bank account are contained within the Schools Finance Handbook.

3.4 Borrowing by Schools

3.4.1 Schools will not be eligible to negotiate overdraft facilities. Schools may only take out loans or finance leases with external agencies with the prior permission of the Secretary of State. The Local Authority will operate a loans scheme, the details of which are at paragraph 5.10.

3.4.2 Schools are encouraged to use the procurement card as it is a useful means of facilitating electronic purchases. For further details please see section 2.10**.**

3.5 Other Provisions

3.5.1 The Local Authority operates a policy of paying invoices within 28 days from the date of the invoice. Governing bodies of schools paying their own invoices locally can determine their own payment policy provided that payments are made within 28 days (i.e., an earlier payment can be made).

3.5.2 Other rules and conditions connected with the administration of a local bank account can be found within the Schools Finance Handbook.

4 TAXATION

4.1 Value Added Tax (VAT)

4.1.1 The Local Authority will reclaim VAT on behalf of all schools in accordance with VAT legislation. Every school will receive the full benefit of the VAT reclaimed on its behalf. This does not include expenditure by Governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. However, in relation to a school which maintains its own accounts, VAT can only be reclaimed and repayment made to the school where school VAT returns are completed accurately and promptly as required.

4.1.2 Detailed requirements and guidance are contained in the Schools Finance Handbook.

4.2 Construction Industry Tax (CIS)

4.2.1 Schools are required to adhere to procedures issued by the Local Authority in connection with CIS.

5 THE TREATMENT OF SURPLUSES AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

5.1 The Right to Carry Forward Surplus Balances

5.1.1 Schools have the right to carry forward from one year to the next any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from the previous year, subject to paragraph 5.3 below.

5.2 Reporting on the Intended Use of Surplus Balances

The Local Authority will request the governing body of schools with carry forward surpluses in excess of their carry forward limit to complete a pro-forma setting out how the school intends to make use of the surplus balances.

5.3 Carry Forward Balances

5.3.1 The Local Authority's school carry policy forward remains in place.

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5.3.2 Primary and Special schools may retain for any purpose, up to 8% of the school's budget share or £30,000 whichever is the greater.

Nursery schools may retain for any purpose, up to 10% of the school's budget share or £30,000 whichever is the greater.

Secondary schools may retain for any purpose, up to 5% of the school budget share or £30,000 whichever is the greater.

Schools with boarding houses will be allowed to retain an additional sum; this being the greater of 50% of the previous year's boarding income or £0.2m.

5.3.3 Additional sums can only be retained for specific, time limited, costed, capital projects that are consistent with the priorities set out in the School's Asset Management Plan (although an exception applies to schools with boarding houses).

5.3.4 Schools are encouraged to build modest reserves where possible, to help deal with minor fluctuations in funding or expenditure in the years ahead.

5.3.5 The amount of a surplus balance will be shown in the relevant outturn statement published under Section 251.

5.4 Interest on Surplus Balances

5.4.1 All schools will be able to earn interest on surplus balances.

Schools operating their own bank account will retain surplus balances and so will attract interest automatically**.**

5.4.2 Schools without bank accounts will receive interest on their balances by reference to the following formula:

(a+b)/2 x c,

where:

'a' represents the surplus/deficit brought forward at the start of the financial year (as recorded in the section 251 outturn statement);

'b' represents the surplus/deficit carried forward at the end of the financial year (as recorded in the section 251 outturn statement); and

'c' represents the average Bank of England base rate percentage, less 2%, in force during the financial year.

Interest will be credited to each non-bank account school's budget share by 30 September following the end of the relevant financial year.

5.5 Obligation to Carry Forward Deficit Balances

5.5.1 Schools with deficit balances will be required to carry them forward. The Local Authority will deduct deficits from the following year's budget share.

5.5.2 The amount of a school's deficit balance will be shown in the relevant outturn statement published under Section 251.

5.6 Planning for Deficit Budgets

5.6.1 Schools are not permitted to overspend. Where this is unavoidable, schools must seek prior, written approval from the Local Authority.

The policy states that schools must submit a recovery plan to the Local Authority when their revenue deficit rises above 5% at 31 March of any year. However, the Local Authority can set its own threshold and Lincolnshire will continue to include any school that plans to overspend will require a deficit recovery plan. Those schools are supported and monitored closely through the Monitoring and Intervention Policy.

5.6.2 In exceptional circumstances, the Local Authority may approve plans which allow a school to overspend. Such schools will be required to submit detailed, medium term financial plans for approval and, thereafter, detailed budget monitoring reports to demonstrate that the repayment plan is being adhered to. The maximum length allowed for repayment of the deficit should not exceed 5 years.

5.7 Charging of Interest on Deficits

5.7.1 Schools will be charged interest if they overspend.

5.7.2 Schools without bank accounts will be charged interest by reference to the following formula:

$(a+b)/2 \times c$,

where:

'a' represents the surplus/deficit brought forward at the start of the financial year (as recorded in the section 251 outturn statement);

'b' represents the surplus/deficit carried forward at the end of the financial year (as recorded in the section 251 outturn statement); and

'c' represents the average Bank of England base rate percentage plus 2%, in force during the financial year.

Interest will be debited to the school's budget share by 30 September following the end of the relevant financial year.

5.7.3 Special arrangements will exist for those schools with deficits arising from additional expenditure as a result of rising rolls. The Local Authority will negotiate separately with each school falling into this category**.**

5.8 Writing Off Balances

5.8.1 The Local Authority cannot write off the deficit balance of any school.

5.8.2 If the Local Authority decides to give assistance towards the removal of a deficit balance this will be through the allocation of a cash sum, from the Authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum).

5.9 Balances of Closing and Replacement Schools

5.9.1 When a school closes, and a new school does not form in its place any balance, whether surplus or deficit, will revert to the Local Authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school.

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

5.10 Licenced Deficits

5.10.1 The Local Authority will operate a licenced deficit / cash position arrangement to enable Prime Account Schools to meet temporary budget pressures or to secure extra funds for school improvement, where the school is not overspent.

5.10.2 The maximum period over which a school may repay a cash position arrangement for licenced deficit purposes will

not exceed 5 years in respect of loans for revenue purposes.

5.10.3 Licenced deficit / cash position arrangement applications must be approved by the Strategic Finance Manager – Schools Finance Team or the Head of Finance Children's Services.

5.11 Loan Scheme

5.11.1 The Local Authority will operate a loans scheme for schools. The full terms and conditions of this scheme are detailed in the Schools Finance Handbook and School Loan policy.

5.11.2 Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

5.11.3 Repayment periods for capital loans are negotiable, e.g., capital projects and re-scheduling of existing loans.

5.11.4 Loans may be granted for a wide variety of capital purposes. Each loan will be considered against the key objective of securing school improvement and value for money.

5.11.5 The total value of loans to any one school should not, in normal circumstances, exceed 10% of its current budget share.

5.11.6 The maximum level of funding available for loans to schools will not exceed 25% of the collective surplus balance for all schools, as shown in the Local Authority's outturn statement.

5.11.7 Loan applications must be approved by the Strategic Finance Manager – Schools Finance Team or the Head of Finance Children's Services

6 INCOME

6.1 Income from Lettings

6.1.1 Schools will be able to retain income from lettings of the school premises. Governing bodies are free to determine lettings charges for all categories of users although the Local Authority will continue to publish recommended lettings rates which schools and user groups may adopt if they wish.

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

6.1.3 Detailed guidance on the use of school premises and the standard lettings charges can be found in the Premises Handbook.

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

6.2 Income from Fees and Charges

6.2.1 Education provided by schools should be free if it takes place wholly or mainly during school hours. In accordance with legislation, the Local Authority has drawn up a statement of charging policy. This can be found in the Schools Finance Handbook. However, governing bodies may wish to be more or less generous than the policies of the Local Authority, provided that they meet the requirements of the legislation. Any additional expenditure incurred as the result of adopting a more extensive policy will have to be met by the school.

6.2.2 Schools will be able to retain income from such fees and charges except where a service has been provided from centrally retained funds.

6.3 Income from Fund-Raising Activities

Schools will be able to retain income raised from fund-raising activities. Any associated costs arising from fund-raising activities

must also be met by the school. Many schools operate fund-raising activities via the school fund.

6.4 Income from the Sale of Assets

6.4.1 Schools will be able to retain the proceeds from the sale of assets except in the cases where the asset was purchased with non-delegated funds (in which case it will be for the Local Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Local Authority. Any proceeds retained must be used for the purpose of the school.

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

6.4.2 Care should be taken when disposing of assets that have been or are subject to leasing agreements. Proceeds from such assets cannot normally be fully retained by the school. Guidance and advice should be obtained from the Director of Resources' office**.**

6.5 Administrative Procedures for the Collection of Income

The administrative procedures for the collection of income and related VAT accounting requirements are contained within the Schools Finance Handbook.

7 THE CHARGING OF SCHOOL BUDGET SHARES

7.1 General

7.1.1 School budget shares will only be charged by the Local Authority without the governors' consent in the circumstances listed in 7.2 below. Prior to charging, the Local Authority will consult with the school and send formal notification once the charge has been made.

7.1.2 For each of the circumstances listed in 7.3 below the Local Authority should demonstrate that the Authority has necessarily incurred the expenditure now charged to the budget share. Where the Authority cannot incur a liability because the statutory responsibility lies elsewhere, no charging is possible. Therefore, the position on charging will vary between categories of school.

7.1.3 For the avoidance of doubt, Local Authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been

approved by the appropriate phase representatives of the Schools Forum.

7.2 Charging of Salaries at Actual Costs

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

7.3 Circumstances in which Charges may be made

Charges may only be made in the following circumstances where the Local Authority can demonstrate that expenditure has been incurred:

- Where premature retirement costs have been incurred without prior permission for the Local Authority to bear the costs. In such circumstances, the amount charged to the school's budget share will be the excess over any amount agreed by the Local Authority.

- Other expenditure incurred to secure resignations where there is good reason to charge this to the school.

- Expenditure incurred by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work (see section 11).

- Expenditure incurred by the Local Authority in making good defects in building work funded by capital or revenue spending from budget shares, where the premises are owned by the Local Authority.

- Expenditure incurred by the Local Authority for insurance costs 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 Local Authority. This applies only for those schools where the Local Authority considers it has an insurable interest (e.g., excluding buildings of a foundation school).

- Recovery of penalties imposed on the Local Authority by the Teachers' Pensions, Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, the Environment Agency, or other regulatory authorities as a result of school negligence (see section 4).

- Additional transport costs incurred by the Local Authority, arising from decisions by the governing body on the school's session times or term dates, to lengthen the school day, or failure to notify the authority of non-pupil days resulting in unnecessary transport costs.

- Legal costs (including Employment Tribunals or out of court settlements) which are incurred by the Local Authority because the governing body did not follow the advice or recommended practices advised by the Local Authority (see section 10.4).

- Expenditure incurred by the Local Authority in respect of payments made to PFI landlords for costs normally borne by the school's budget share.

- Costs incurred by the Local Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.

- Recovery of amounts spent from specific grants on ineligible purposes.

- Recovery of costs incurred by the Local Authority as a result of the governing body being in breach of the terms of a contract.

- Correction of Local Authority errors in calculating charges to a budget share, after considering the date of the error.

- Costs incurred by the authority or another school in a cluster as a result of a school withdrawing from a cluster arrangement that it entered into voluntarily.

- Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school to the Authority.

- Costs incurred by the Authority due to submission by the school of incorrect data.

- Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.

- 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.

- Cost of work done in respect of teacher pension remittance and records for school using non-authority payroll

contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.

- Costs incurred by the authority in administering admissions appeals, where the Authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

8 THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of Services from Centrally Retained Budgets

8.1.1 The Local Authority will determine on what basis services from centrally retained funds will be provided to schools.

8.1.2 The Local Authority will not discriminate in its provision of services on the basis of categories of schools except where this would be permitted under the School and Early Years Finance Regulations or the dedicated schools grant conditions of grant.

8.2 Timescale for the Provision of Services Bought Back from the Local Authority using Delegated Budgets

8.2.1 The term of any arrangements with a school starting on or after 1 April 1999 to buy services or facilities from the Local Authority will 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.

8.2.2 Where the Local Authority offers to provide services for which funding has been delegated, it will do so in a way which does not restrict schools' freedom of choice among the services available. The total cost of the service should be met by the total income, even if schools are charged differentially.

8.3 Service Level Agreements/Contracts

8.3.1 The Local Authority will review at least every three years the terms of service level agreements/contracts entered into on or after the inception of the scheme.

8.3.2 Services provided by the Local Authority will be available on a basis which is not related to an extended agreement.

8.4 Teachers' Pensions

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

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

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

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

9 INSURANCE

The responsibility and budget provision for insurance is delegated to governing bodies. Schools must arrange insurance in relation to property, public and employer's liability and other risks. The scope and minimum levels of insurance cover are specified by the Local Authority

and described in the Schools Finance Handbook. The specified insurance cover is offered by the Local Authority.

If a school chooses to procure alternative insurance not provided by the LA, the LA may require the school to demonstrate that the cover the school has arranged is at least as good as the relevant minimum cover arranged by the LA. The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

From the 1st April 2020 schools can join the Secretary of State's Risk Protection Arrangement (RPA) once their current insurance contract has expired. Schools are advised to discuss with the Local Authority Insurance Team before opting for the RPA cover.

10 MISCELLANEOUS

10.1 Right of Access to Information and Right of Attendance at Governing Body Meetings

10.1.1 The Director of Resources and the Director of Children's Services have overall responsibilities which include**:**

- ensuring proper financial management including provision of an adequate and effective internal audit.
- monitoring and intervention role as prescribed by the School Standards and Framework Act 1998.

10.1.2 In order to discharge these responsibilities and following consultation with the Headteacher (except in exceptional circumstances) the Director of Resources of the Authority, of any officer of the Authority nominated by the Director of Resources shall**:**

- arrange to visit schools and have access to all relevant records and property and may require such explanations as considered necessary.
- arrange to attend governing body meetings where appropriate.

10.1.3 Further information on audit and monitoring arrangements is provided within the Schools Finance Handbook.

10.2 Liability of Governors

The governing body is a corporate body and, under the terms of the School Standards and Framework Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

10.3 Governor's Expenses

10.3.1 Under schedule 19 of the Education Act 2002, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. No other allowances may be paid. Schools are not permitted to pay expenses which duplicate those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

10.3.2 The Local Authority may delegate to the governing body of a school yet to receive a delegated budget, funding for the Governors' expenses.

10.4 Responsibility for Legal Costs

10.4.1 Although legal costs incurred by the governing body are the responsibility of the Local Authority as part of the cost of maintaining the school (excluding statutory responsibilities of aided school governors in connection with buildings), they can be charged to the school's budget share if the Governing body does not act in accordance with advice of the Local Authority (see also Section 7.3).

10.4.2 If there is a conflict of interest between the Authority and the governing body, the school should obtain independent legal advice.

10.5 Health and Safety

10.5.1 When spending the school's budget share, the governing body shall be required to comply (as far as reasonably practical) with the Local Authority's published health and safety policies and shall produce and review their own written policies. Please see link: https://www.lincolnshire.gov.uk/jobs/manuals/health-and-safety-manual/faqs/health-and-safety-policy/47663.article

10.5.2 Where, in the opinion of the Local Authority, the governors are not maintaining an adequate environment in respect of the areas for which they have delegated budgets, the Local Authority has the right to arrange for this work to be carried out and for any expenditure to be charged to the school's budget share (see section 7.3).

10.6 Delegation to New Schools

The Local Authority will delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets.

10.7 Whistleblowing

The Council County has a policy relating to Whistleblowing. Further details are at Annex C.

10.8 Community Facilities

The Local Authority has a policy relating to Community Facilities. Further details are at Annex D.

10.9 Redundancy / Early Retirement Costs

10.9.1 The Local Authorities school redundancy / managing change policy has been amended as per the Government's School Funding Reforms. All schools **excluding Primary Schools** will be required to finance the total cost of redundancy payments.

10.9.2 The Local Authority's Staffing Reduction Panel will continue to meet to consider maintained primary schools' applications to access the 'schools in financial difficulties' budget. Where a school can demonstrate that without implementing its proposed staffing reductions it would fall into deficit within two years, this budget will contribute to the redundancy costs. Therefore, if a deficit is not likely in the short term, schools will have to fund their own redundancy costs in full.

10.9.3 The financial contribution that primary schools will be required to make towards redundancies (if they are able to access the 'schools in financial difficulties' budgets) will be the first £5,000 of the total cost of any redundancy or interests or efficiency; or 50% of the total cost of any redundancy or interest of efficiency, whichever is the greater, subject to a maximum of 2.5% of the school's budget share for the financial year.

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

10.10 Special Educational Needs

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

10.11 Child Protection

10.11.1 Schools are required to use their delegated budgets to uphold their responsibilities for child protection issues. Schools are required to release staff to attend child protection case conferences and other related events. Schools should use their delegated budgets to uphold their responsibilities for child protection issues. The LA will use its budgets for child protection issues where required.

11 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

11.1 The Local Authority's repair and maintenance budget is funded from both revenue and capital sources. The DfE produce guidelines (Annex A) regarding which works are classified as revenue items.

11.2 Revenue expenditure in this context is classified as repairs and maintenance. It can be thought of as expenditure necessary to keep a building and its plant and equipment functioning and in compliance with legislation. Day-to-day repairs, minor renewals/repairs to parts of a structure, internal and external decorations, service contracts and emergency callouts are all examples of work which should be funded from revenue. From 1 April 2001, the revenue items have been delegated to schools through formula funding (with an option to buy-back services if required).

11.3 Capital expenditure is used to fund the initial provision of an element and major renewal of these elements (the planned maintenance programme). Examples of these types of scheme would be a major re-roofing, re-wiring, or re-heating projects. They are projects which significantly enhance the life of a building, as opposed to merely keeping it functioning. This expenditure is retained by the Local Authority and spent in line with the priorities identified in the Asset Management Plan.

11.4 Voluntary Aided School governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.

12 PFI

12.1 Lincolnshire County Council (LCC) entered into a PFI contract for 3 Primary and 4 Special schools in September 2001. This contract runs until the end of 2032. The contract with Focus Education involves LCC being charged for the fixed and variable costs of running these premises (like those costs incurred by non-PFI schools).

12.2 These costs are charged annually to the schools budget share using each school's percentage share of the overall floor space of all PFI schools. This was agreed with PFI schools to be a fair methodology of cost apportionment. This arrangement has been entered into by the school's governing body.

12.3 LCC manages the PFI contract to ensure best value for schools. Schools' charges are reviewed annually and these will be subject to RPIX changes and benchmarking exercises. Benchmarking occurs every 5 years. This is to ensure school charges are fairly applied when comparing to non-PFI schools.

12.4 The Dedicated Schools Grant and Government Grants support the funding gap for the investment into building the 7 PFI schools.

ANNEX A

FURTHER DELEGATION – EXAMPLES OF REVENUE REPAIR AND MAINTENANCE

ELEMENT **Roofs**	
Flat	Structure Repair/replacement of small parts of an existing structure. Screed/insulation Repair/replacement of screed/insulation where defective. Work to improve insulation standards, during work to repair/replace areas of roof. Roof Finish Replacement of roof finish on existing building. Recoating chippings to improve life expectancy. Edge Trim/Fascia Replacement on existing roof including repairs and repainting. Roof Drainage Clearing out gutters and down pipes. Replacement/repair/repainting of gutters/pipes. Others e.g., Flashings, roof lights. Replacement/repair/cleaning of individual items.
Pitched	Structure Repair/replacement of small parts of an existing structure. Insulation Repair/replacement/increasing thickness of insulation in an existing roof. Roof finish Replace missing/damaged on existing roof. Bargeboards/Fascias Repairs/replacement/repainting Drainage Clearing out gutters and down pipes. Replacement/repairs of pipes/gutters. Other e.g., Flashings, roof windows. Repair/replacement/cleaning.

Other	Covered Link Minor repairs/maintenance to existing. Porch Minor repairs/maintenance to existing.
Floors	
Ground and Upper Floors	Structure and damp proof course Repair/replacement of small parts of an existing structure. Screed and floor finishes Replacement and repair of screed and finishes. Replacement of mat/mat wells. Maintenance e.g., revarnishing wooden floors.
Ceilings	All ceilings Repair/replacement including from water damage and necessary decoration.
Asbestos ceilings	Inspection/air testing, applying sealant coats to asbestos surfaces for protection.
External Walls	
Masonry / cladding	Structure Smaller underpinning/propping/repair works; including preventive measures e.g., tree removal. External Finish Repair/replacement of small parts of an existing structure. e.g., repointing/recladding a proportion of a wall where failure has occurred.
Windows and doors	Framing Repair/replacement of frames. Repainting frames. Glazing Replacing broken glass. Ironmongery Repair/replacement, upgrading locks etc. Internal and external decorations Internal and external decoration to include cleaning down and preparation.

Masonry chimneys	Structure Repair/repointing to jointing including expansion and mortar joints/pointing/DPC.
Internal walls	
Solid	Repairs and redecoration to internal plaster/linings, tiles, pin boards etc. Minor alterations.
Partitions	Repairs and redecoration to complete structure including linings, framing, glazing, decoration etc. Minor alterations.
Doors and Screens	Framing/Screens/Doors Internal maintenance and redecoration. Repair/replacement of defective doors and screens (including glazing, ironmongery, jointing and internal decorations.)
Glazing	Replacement of broken glass.
Sanitary Services	
Lavatories	Repair/replacement of sanitary ware, fittings, waste plumbing etc. Small areas of refurbishment.
Kitchens	Maintain kitchen to requirements of Local Authority. Cleaning out drainage systems. Internal finishes and decorations. Equipment repairs/replacement parts.
Mechanical Services	
Heating/hot water	Servicing and general maintenance of all boiler-house plant including replacement of defective parts. Regular cleaning. Energy saving projects. Health and Safety including monitoring condition of existing asbestos. Replacement of any defective parts.

Cold water	Maintenance and repair/replacement of defective parts of the system such as service pipes. Annual servicing and cleaning of cold water tanks. Water hygiene testing.
Gas	Repairs, maintenance, gas safety testing. All servicing.
Ventilation	Mechanical ventilation and air conditioning systems. Provision of local ventilation. Repair/replacement/maintenance of defective systems and units.
Other	Swimming pool plant (including heat recovery systems) Repair/replacement and maintenance to plant, pumps and controls including water treatment equipment and all distribution pipe work, heat recovery systems, solar heating plant and equipment.
Electrical services	
General	Main switchgear and distribution Testing/replacement/upgrading of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings. All testing, earthing, and bonding to meet Health and Safety. All servicing.
Power	Control gear, distribution, fixed equipment, protection. All testing, repair, and maintenance of small items of equipment.
Lighting	General and emergency luminaries Replacement of luminaries, all testing, adjustments, and improvements to emergency.
Other	Lighting protection Repair/replacement and testing. Alarm systems, CCTV, lifts/hoists Repair and maintenance/servicing/replacement. Communication systems, radio/TV, call, telephone, data transmission, IT Repair/replacement/servicing and maintenance, including all door access systems.

External works	
Pavings	Roads, car parks, paths, courts, terraces, playgrounds, play pitches, steps, and handrails. Maintenance and repairs. Car park and playground markings. Reconstruction and resurfacing of small areas. Repair of ramps and steps.
Others	Walls, fencing, gates, and ancillary buildings Maintenance and repair of all perimeter/boundary/retaining walls, fencing and gates.
Drainage	Drains, soakaways, inspection chambers and sewage plant. Maintenance, repair of drains, gullies, grease traps and manholes between building and main sewers. Cleaning of the above and unblocking, as necessary.
Open air pools	Structure, hygiene/safety Hygiene, cleaning, maintenance, and repairs, including replacement. Simple energy saving systems.
Services distribution	Heating, Gas, Water and Electricity mains Annual servicing and minor repairs & maintenance.

ANNEX B

LIST OF APPROVED BANKS AND BUILDING SOCIETIES

Banks	Building Societies
Barclays Bank plc	Nationwide
HSBC Bank plc	
National Westminster Bank plc	
Royal Bank of Scotland plc	
Yorkshire Bank plc	
Halifax plc	
Lloyds Bank plc	
Bank of Scotland plc	
TSB Bank plc	
Santander plc	

ANNEX C

WHISTLEBLOWING

The Public Information Disclosure Act (1998) applies to the public, private and voluntary sectors. It aims to improve accountability and good governance in all organisations by assuring workers concerned about wrongdoing that it is safe to raise their concerns.

To this end the Local Authority has produced a Confidential Reporting Code (or 'whistleblowing' policy). This document is intended to encourage and enable anyone who works for (or on behalf of) the Council to raise serious concerns within the Council rather than overlooking a problem and also, to make it clear that reporting will happen without fear of reprisal.

Examples of issues which might be raised would include:

- conduct which is an offence or a breach of law
- disclosures related to miscarriage of justice
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- the unauthorised use of public funds
- possible fraud or corruption
- sexual or physical abuse of clients
- unethical conduct

Or it may be something that:

- makes you feel uncomfortable in terms of known standards
- is against the official policies
- is unlawful
- amounts to improper conduct.

This Policy provides for the following stakeholders to raise concerns arising from reasonable suspicion of wrongdoing within or relating to the Council: - Employees, school governors, members, partners, and those contractors working for the Council on Council premises, e.g., agency staff, builders, and drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example care homes. It has been discussed with the relevant trade unions and has their support.

A full copy of the 'whistleblowing' policy is available by visiting www.lincolnshire.gov.uk (the policy is part of The Constitution).

For further details contact:-
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Corporate Audit & Risk Management
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ANNEX D

APPLICATION OF SCHEMES FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER

Introduction

Schools which choose to exercise the power conferred by Section.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under Section.28 (2) specify activities which may not be undertaken at all under the main enabling power. 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 Section.28 (1), the main limitations and restrictions on the power will be:

a. those contained in schools' own instruments of government, if any; and
b. in the maintaining Local Authority'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 the Authority and schools to secure the provision of adult and community learning.

The remainder of this Annex to the Scheme deals in more detail with schools' powers to provide community facilities. It is important to note that:

a. The budget share of a school may be used to fund community facilities or other maintained schools, either start-up costs or ongoing expenditure, or to meet deficits arising from such activities.
b. The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

Consultation with the Local Authority

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

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

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

Proposed funding agreements with third parties should be submitted to the Local Authority, giving the Local Authority adequate notice (i.e., a minimum of three months) to respond. The Local Authority does not, however, have a right to veto such agreements, either directly or indirectly.

If the third party requires Local Authority consent to the agreement for it to proceed, agreement must be sought directly from the Local Authority. If an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

Other prohibitions, restrictions, and limitations
Although the Local Authority has no right of veto, either to funding agreements with third parties, or for other proposed uses of the community facilities power, the Authority may require, in specific instances, the governing body to make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Local Authority. This requirement will only be imposed where the Local Authority has good reason to believe that the proposed project carries significant financial risks.

The Local Authority may impose other prohibitions, restrictions, and limitations where they are necessary to safeguard the financial position of the Authority or school, or to protect pupil welfare or education.

Provision of financial information
Schools which exercise the community facilities power may be required to provide the Authority every three months with a summary statement, in a form determined by the Authority, showing the income, expenditure and end of year outturn position for the school arising from the facilities in question.

The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, may require such financial statements to be supplied every month and, if the Authority sees fit, require the submission of a recovery plan for the activity in question.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework, and these should be relied upon by authorities as their main source of information for the financial aspects of community facilities. However, the CFR

timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk.

Audit
The Local Authority requires the school 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.

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

Treatment of Income and Surpluses
Schools may retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Local Authority or some other person.

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

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

Health and Safety
The health and safety provisions of the main scheme extend to the community facilities power.

The governing body is responsible for the costs of securing the Disclosure and Barring Service for all adults involved in community activities taking place during the school day. Governing bodies will be free to pass on such costs to a funding partner as part of an agreement with that partner.

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

The Local Authority is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. If it judges those arrangements to be inadequate, it may make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

Taxation

Schools should seek the advice of the Local Authority 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.

Schools are reminded that if any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with HMRC rules.

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

Banking

Schools should either maintain separate bank accounts for budget share and community facilities or have one account but with adequate internal accounting controls to maintain separation of funds.

The Local Authority's approach to the banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters is as set out in the main part of the scheme.

Schools are reminded that they may not borrow money, other than via the Local Authority, without the written consent of the Secretary of State.

ANNEX E

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the Local Authority's non-schools budget.

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

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

Charge of dismissal/resignation costs to delegated school budget

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

- Where a school has refused to engage with the Local Authority's redeployment policy

Charge of premature retirement costs to Local Authority non-schools budget

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

Costs of early retirements or redundancies may only be charged to the central part of the Schools Budget where the expenditure is to be incurred as a result of decisions made before 1st April 2013. Costs may not exceed the amount budgeted in the previous financial year.

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

It is important that the Local Authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if Schools Forum agrees, to support individual schools where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share."

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

(7) Where a Local Authority incur costs—

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the

governing body except in so far as the Authority agrees with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

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

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education Acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment, or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.