

GATESHEAD COUNCIL
CORPORATE RESOURCES



SCHEME FOR FINANCING SCHOOLS

**CIVIC CENTRE
REGENT STREET
GATESHEAD
NE8 1HH**

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References

References throughout this scheme to:

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

“the authority” means Gateshead Metropolitan District Council

“the Regulations” are to the Schools and Early Years Finance (England) Regulations 2018 made under the act

“the Scheme” means this scheme for financing schools in Gateshead

If there is any inconsistency between any of the provisions of the Scheme and the provisions of the Manual of Financial Procedures, the provisions of the Scheme shall prevail.

1 INTRODUCTION

1.1 The Funding Framework

- 1.1.1 This revised scheme for the financing of maintained schools within Gateshead Metropolitan Borough Council will come into operation on XXXX . It replaces all previous versions of the scheme. The framework governing the arrangements for the financing of schools is in accordance with the legislative provisions set out in sections 45 to 53 of the School Standards and Framework Act 1998.
- 1.1.2 Under this legislation the authority (as the Local Education Authority) determines for itself the size of its schools budget and non-schools budget, although at a minimum the authority must appropriate its entire Dedicated Schools Grant to their schools budget.
- 1.1.3 The categories of expenditure which fall within the budgets are prescribed under regulations made by the Secretary of State, but included within them, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and miscellaneous items. The authority may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under section 45A of the Act. The amounts to be retained centrally are decided by the authority, subject to any limits or conditions prescribed by the Secretary of State including gaining approval from Schools Forum. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB), and it is this amount that is delegated to the governing bodies of schools. Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.4 The authority may retain an unallocated reserve within the ISB but must otherwise distribute the ISB amongst its 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. The formulae adopted by the authority are circulated to all schools and is available separate to this scheme. This budget share is then delegated by the authority to the governing body of the maintained 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 this scheme in accordance with section 48 of the Act and regulations made under that section. All schools must be consulted with on any proposals to revise the scheme, and all changes must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority. Furthermore, within the parameters set by this scheme, the governing body's powers and responsibilities for the management of their delegated budget are subject to the general direction of the Strategic Director, Resources and Digital as the statutory Section 151 Officer of the authority.

- 1.1.5 Subject to the provisions of this 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 School Standards and Framework Act 1998.
- 1.1.6 The authority may suspend a school's right to a delegated budget if the provisions of this scheme (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 SSAF Act 1998).
- 1.1.7 The authority will publish each year a statement setting out details of its planned Schools Budget and authority budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. At the end of each financial year the authority will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. Both types of statement are subject to audit certification by external audit, and information in them may be collated and published by the Secretary of State. Regulations also require a local authority to publish their scheme and any revisions onto a website accessible by the public.
- 1.1.8 The detailed requirements for financial statements and for schemes are set out in regulations issued each year from the Secretary of State, but the authority will make available to each school a copy of the scheme and any amendment, and each year's budget and out-turn statements so far as they relate to that school or central expenditure.

1.2 The Role of the Scheme

The scheme sets out the financial relationship between the authority and the maintained schools which it funds and puts in place requirements relating to financial management and associated issues which are binding on both the authority and on schools.

1.3 Application of the Scheme to the Authority and Maintained Schools

The scheme applies to all schools maintained by the authority, i.e. all Community, Voluntary, Foundation, Community Special and Foundation Special Schools and PRU's. 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 authority will make available a copy of the scheme to the head teacher and to the governing body of each school covered by the scheme, and, in addition, will notify each such school of any approved revisions to the scheme. The scheme will also be available to view on the authority's website.

Revised versions must be published by the day they come into force, together with a statement that the revised scheme comes into force on that date.

The authority will comply with regulations made by the Secretary of State in relation to publication of the scheme.

1.5 Revision of the Scheme

Should it be necessary at any time to revise all or part of the scheme; the authority will ensure that any proposed revisions are the subject of consultation with schools and the Schools Forum. Where a Schools Forum does not approve the revisions or approves them subject to modifications that are not acceptable to the authority, the authority can apply to the Secretary of State for approval.

1.6 Delegation of Powers to the Head Teacher

The governing body of each school covered by the scheme is required to consider the extent to which it wishes to delegate its powers to the head teacher, and to record its decision (and any subsequent revisions) in the minutes of the governing body.

Such decisions by the governing body are subject to any requirements of regulations made under section 38 of the Act, and Schedule 11 thereto.

The first formal budget plan of each financial year must be approved by the governing body. To assist governing bodies with this, the authority has provided guidance on levels of delegation as part of the Manual of Financial Procedures.

1.7 Maintenance of Schools

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

2 FINANCIAL REQUIREMENTS; AUDIT

2.1 General Procedures

2.1.1 Application of Financial Controls to Schools

The Strategic Director, Resources and Digital is responsible for the proper administration of the authority's financial affairs in accordance with section 151 of the Local Government Act 1972.

Each school governing body shall comply with the requirements of the Strategic Director, Resources and Digital on the financial controls and monitoring arrangements to be applied in the management of their delegated budget.

The Strategic Director, Resources and Digital requirements are contained:-

- In this Scheme
- In the authority's Financial Regulations
- In the Manual of Financial Procedures
- In such additional instructions as the Strategic Director, Resources and Digital may consider appropriate in particular circumstances.

Any school which operates its own external bank account, under para 3.4 of this Scheme, shall be required to comply with financial and administrative controls specified by the Strategic Director, Resources and Digital to ensure that the interests of the authority and its staff are adequately protected through the operation of a robust system of internal control.

2.1.2 Provision of Financial Information and Reports

The school's governing body shall provide to the authority, in a form determined by the Strategic Director, Resources and Digital, copies of accounts and records and any other relevant documents and information that the authority may, from time to time, require from the governing body.

Details of anticipated and actual income and expenditure shall be provided to the authority, in a form and at times determined by the Strategic Director, Resources and Digital, but no more than once every three months, by any school which operates its own external bank account and/or does not utilise the authority's on-line financial reporting system. Details of these requirements are set out in the Manual of Financial Procedures.

2.1.3 Payment of Salaries; Payments of Accounts

Procedures for the payment of salaries and for the payment of accounts shall be in accordance with the authority's Financial Regulations, the Manual of Financial Procedure and any additional instructions issued by the Strategic Director, Resources and Digital.

Separate regulations are specified according to the position at each school

on the bank account arrangements and/or the buy-back of services from the authority. These will ensure that any school which does not use the authority's corporate systems provides all the necessary information to enable the Strategic Director, Resources and Digital to discharge his/her responsibilities in relation to statutory returns which the authority is obliged to provide to other bodies, including the Department of Health and HM Revenue and Customs.

2.1.4 Control of Assets

Inventories shall be maintained by all schools and kept up to date. They must contain an adequate description of furnishings, fittings, equipment, plant, machinery, vehicles and other property of the authority. The extent of the record and the form of the inventory is to be determined by the Strategic Director, Resources and Digital.

Each school governing body is responsible for making checks of such inventories not less than once per year. Any shortages or surpluses, including those arising out of the disposal of surplus or obsolete items are to be formally authorised by the governing body, all such authorisations to be retained at the school for inspection by the Strategic Director, Children, Adults & Families and the Strategic Director, Resources and Digital. Procedural guidance is given in the Manual of Financial Procedures

Each school governing body is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under their control. They shall consult the Strategic Director, Resources and Digital in any case where security is thought to be defective or where it is considered that special security measures may be needed.

2.1.5 Accounting Policies (Including Year-End Procedures)

The Strategic Director, Resources and Digital shall be responsible for the production of financial management information and shall keep the authority informed of the financial implications of all new policies and changes of policies.

The governing body of the school shall consult the Strategic Director, Resources and Digital with respect to any matter within their purview which is liable materially to affect the finances of the authority before any provisional or other commitment is incurred.

The governing body shall ensure that delegated budgets are managed in accordance with accounting policies and procedures determined by the authority. Specific requirements for any school which operates its own external bank account and/or does not utilise the authority's on-line financial reporting system are set out in the Manual of Financial Procedures.

2.1.6 Writing Off Debts

Sums due to the authority exceeding £500 shall not be written off in the books of account except by the authority of the governing body concerned.

Sums of less than £500 may be written off on the joint authority of two persons duly authorised by the governing body if they are both satisfied that the debt is irrecoverable or it is not worth attempting further to recover in view of the costs involved. Details of amounts written off shall be submitted to the Strategic Director, Resources and Digital for his/her information. Alternatively, the governing body may wish to agree a lower amount for debt write offs. This should be formally agreed on an annual basis.

2.2 Basis of Accounting

The authority's financial year runs from 1 April to 31 March.

The authority prepares its accounts on an accruals basis. Any school which does not utilise the authority's on-line financial reporting system shall provide accounting information on an accruals basis in accordance with the Manual of Financial Procedures and the instructions of the Strategic Director, Resources and Digital.

2.3 Submission of Budget Plans

Each school governing body shall submit to the authority a budget plan, prepared in accordance with the requirements of the Strategic Director, Resources and Digital as soon as possible but no later than 31 May. An example budget plan is included in the Manual of Financial Procedures and takes account of the Consistent Financial Reporting framework.

In consultation with the authority schools can take account of an estimate of surplus at the previous 31 March in their budget plan. Schools must take account of any estimate of deficit at the previous 31 March in their budget plan.

The schools formal annual budget plan must be approved by the governing body or a committee of the governing body.

Any school which is scheduled to close during the financial year must include with its budget plan a profile of the projected expenditure, and also submit to the authority monthly monitoring statements of actual expenditure and all commitments against the budget share.

Revised plans shall be submitted to the authority at quarterly intervals by any school which operates its own external bank account and/or does not utilise the authority's own on-line financial reporting system.

The authority shall provide to the school governing body all income and expenditure data which it holds which is necessary for efficient planning by the school in a form determined by the Strategic Director, Resources and Digital. For those schools using the authority's online financial system this will be on a daily basis. For those schools with external bank accounts it will be at the end of each quarter.

2.4 Submission of financial forecasts.

Schools are be required to submit an indicative 3 year budget plan and financial forecast covering each year of a multi-year period, taking into account the latest information about both income and expenditure and known adjustments to budget share. From financial year 2021/22 these 3 year plans must be submitted by 31 May and will be used to review a schools effective financial planning and could be used in conjunction with other schools process, procedures or mechanisms.

2.5 Efficiency and Value for Money

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. It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money. Schools should undertake annual benchmarking against similar schools to evaluate their efficient use of resources and value for money.

2.6 Virement

A school governing body will have freedom to exercise a virement between budget heads within their delegated budget. Individual instances of virement shall be authorised in accordance with levels of delegation approved by the governing body and shall be formally documented in accordance with the Manual of Financial Procedures.

The schools governing body must, however, ensure that costs are correctly coded against the appropriate budget. If insufficient budget remains to accommodate such costs, then it may be necessary to vire funds from another budget head.

2.7 Audit: General

2.7.1 The schools governing body must co-operate with the local authority audit requirements as determined by the Local Audit and Accountability Act 2014 .

A continuous internal audit under the independent control of the Strategic Director, Resources and Digital shall be maintained. It shall be the responsibility of internal audit to review, appraise and report upon:

- (a) The soundness, adequacy and application of internal controls.
- (b) The extent to which the authority's assets and interests are accounted for and safeguarded from losses of all kinds arising from:

- (i) Fraud and other offences.
 - (ii) Waste, extravagance, inefficient administration, poor value for money or other cause.
- (c) The suitability, reliability and effectiveness of financial and other management data developed within the schools.

2.7.2 The Strategic Director, Resources and Digital or his/her authorised representative shall have authority to:

- (a) Enter at all reasonable times on any school premises or land.
- (b) Have access to all records, documents and correspondence, including those in an electronic form, and any other sources of relevant information relating to any financial and other transactions of the school.
- (c) Require and receive such explanations as are necessary concerning any matter under examination.
- (d) Require any employee of the authority to produce cash, stores or any other authority property under his/her control

2.7.3 The authority and its schools shall be subject to external audit. Each school governing body shall be required to co-operate in the conduct of the statutory audit process.

2.8 Separate External Audits

A school governing body may spend funds from its budget share to obtain specific external audit certification of its official accounts, separate from the normal audit coverage by the authority's external auditors.

2.9 Audit of Voluntary and Private Funds

All voluntary unofficial or private funds held by the school, and the accounts of any trading organisations controlled by the school, must be audited every year by two independent auditors. The school governing body should consider appointing a firm of accountants as auditors, where extensive funds are maintained. Any cost incurred must be met from the fund itself and not from the school's budget share.

The authority must satisfy itself that public funds are not being misused and an audit certificate in the approved form must be completed and forwarded to the Strategic Director, Resources and Digital within three months of the year end of the fund.

A school refusing to provide audit certificates to the local authority as required by the scheme is in breach of the scheme and the local authority will act by informing the Strategic Directors of Resources and Digital and Children's Adults and Families, Internal Audit and the schools Chair of Governors.

2.10 Register of Business Interests

Each school governing body must establish a register which lists for each member of the governing body, the Head Teacher and other staff with financial responsibility:

- Any business interests they or any member of their immediate family have. The register must include all business interests such as directorships, shareholdings and other appointments of influence within a business or other organisation which may have dealings with the school.
- Details of any other educational establishments that they govern.
- Any relationship between school and staff members of the governing body.

The governing body shall ensure that the register is kept up to date with notification of changes and through annual review of entries. The register shall be made available for inspection by governors, staff and parents, and by officers of the authority and be published on a publicly accessible website i.e. the school's website.

2.11 Purchasing, Tendering and Contracting Requirements

Every contract, whether made by the governing body, or by any person appointed to them to act on their behalf, shall comply with the authority's Financial Regulations for Schools, including the requirement on schools to assess in advance, where relevant, the health and safety competence of contractors, taking account of the authority's policies and procedures. No exception from any of the regulations shall be made other than by the direction of the authority. Every exception shall be recorded in the minutes of the next meeting of the governing body.

Detailed procedures, including financial limits for obtaining quotations and tenders, are set out in the Financial Regulations and in the Manual of Financial Procedures.

Schools are exempt from any section of those regulations and standing orders which would require schools:

- a. to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- b. to seek authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c. to select suppliers only from an approved list

- d. or would permit schools to seek fewer than four tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions

2.12 Application of Contracts to Schools

Where responsibilities and the corresponding funding are delegated, schools are free to opt out of contracts arranged by the authority. Before entering into any new contracts, schools are encouraged to seek and follow the advice and guidance of the authority.

Where schools agree or have agreed to enter into a contract or service level agreement with the authority for services paid for out of delegated budgets irrespective of the detail of delegation, schools may not make alternative arrangements until that contract or agreement expires, except with the specific written agreement of the authority. Where a school agrees to be covered by contractual arrangements in respect of services for their school and where these are entered into by the authority on their behalf, it may not make alternative arrangements until those contracts expire.

Under paragraph 3 of schedule 1 of the Education Act 2002 the governing body has the power to enter into contracts, but in mostly it does so, on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. However, contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations, for example contracts made by aided or foundation schools for the employment of staff.

2.13 Central Funds and Earmarking

The 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, e.g. Additional Grants.

Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used, and shall not be vired into the school's budget share.

The authority retains the right to have returned to it any earmarked funds not spent in-year by any school subject to the grant terms and conditions.

Where a school expends earmarked funding for purposes other than those for which the funding was originally allocated, the authority will recover such sum from the budget share in the same or following financial year.

There will be no deduction made to devolved specific or special grant for loss of interest to the authority.

2.14 Spending for the Purposes of the School

It shall be the responsibility of the school governing body to ensure that its budget share is spent only for the purposes of the school (for the educational

benefit of the school's pupils), and in accordance with the provisions of this Scheme.

From April 2011, section 50(3a) of the Schools Standards Framework Act 1998, amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

A school governing body can use its budget share to meet the cost of capital expenditure.

2.15 Capital Spending from Budget Shares

Governors may spend part of their budget share to meet the cost of capital expenditure on the schools premises.

This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 f Schule 3 of the Act.

Where such expenditure in any one year will exceed **£15,000** the governing body must inform the authority in advance and take into account any advice from the authority as to the merits of the proposed expenditure. In the case of voluntary controlled school or if the premises are owned by the authority then the governing body should seek the consent of the authority to the proposed works, but such consent can be withheld only on health and safety grounds.

2.16 Notice of Concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Strategic Director, Resources and Digital and the Strategic Director Children, Adults and Families the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include, but are not limited to:

- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school.
- Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body.
- Placing more stringent restrictions or conditions on the day to day financial management of the school.
- Insisting on regular financial monitoring meetings at the school attended by the authority officers.
- Requiring a governing body to buy into the authorities financial management systems and

- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share, for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what the requirements placed upon the school by the authority as well as expected timescales and any other conditions which need to be met in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

2.17 Schools Financial Value Standard (SFVS)

All 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 Standards (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. **Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.**

All maintained schools with a delegated budget must submit the form to the authority before 31 March each year.

2.18 Fraud

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

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

3 INSTALMENTS OF THE BUDGET SHARE, BANKING ARRANGEMENTS

The authority has fully adopted the CIPFA Code of Practice for Treasury Management (2017). Schools that choose not to operate their own bank account will have access to their entire budget share from 1 April each year. This will include any commissioned place led funding.

All schools may operate their own independent bank account and the provisions of the paragraphs below only apply to schools that choose to operate their own independent bank accounts.

3.1 Frequency of Instalments

Schools that request their budget share to be paid into a bank account will receive an instalment at the beginning of each month. High Needs top up funding for pupils with special educational needs and disabilities (SEND) will be paid on a termly basis, as agreed locally, however individual schools that have bank accounts can request monthly top up payments which must be agreed prior to the start of the financial year.

3.2 Proportion of Budget Share

The proportion of budget share will be equal to $\frac{1}{12}$ th of the non-staffing budget payable on the first working day of the month. The staffing budget will be available on the relevant pay dates, on a basis to be determined by the Strategic Director, Resources and Digital.

Non bank account schools may draw on it's entire budget at the start of the financial year.

3.3 Interest Claw Back

The authority will deduct from the budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance.

Advances are calculated as follows to discount the loss of cash flow to the authority and are credited monthly.

Budget Share instalment (A) minus loss of interest (B)
where B = loss of cash flow based upon the formula as follows:

$$A \times \left[\begin{array}{l} \text{Bank Base Rate - 0.25\%} \\ \text{(Wednesday midday)} \end{array} \right] \times 0.0325 = B$$

This claw back will not apply to devolved funds or specific grants.

3.3.1 Interest on late budget share payments

Were the authority to pay a monthly instalment after the due date, interest would be due to the school at the same rate as in 3.3 above.

3.4 Budget Shares for Closing Schools

Schools that have been approved for discontinuation will receive a pro-rata budget share. Due to the special circumstances individual payment frequency arrangements may be entered into between the closing school and the authority.

3.5 Bank and Building Society Accounts

Schools will be permitted to have external bank accounts into which their budget share instalments are paid. The account must commence from the beginning of the financial year. Where such accounts attract interest, the school will retain interest payable/receivable on the account.

If schools wish to have external bank accounts, they must:

- a) notify the authority 4 months in advance of the proposed date of opening the account (i.e. four months in advance of the commencement of a financial year).
- b) have no deficit balance on 31 March of the preceding year.
- c) meet their own bank charges

On opening an external bank account, if a school desires, there will be an estimate of any surplus balance held by the authority in respect of the school's budget share, agreed between the authority and school. This balance will be deposited into the account and adjusted up or down when the actual final balance is known.

3.5.1 Restriction on Accounts

Schools wishing to set up their own external bank account must seek advice from the authority's Treasury Management Department for a list of approved banks/financial institutions to choose from.

If a school has such an account a mandate should provide that the authority is the owner of the funds in the account, that it is entitled to receive statements and can take control of the account if delegation is withdrawn.

Budget share funds paid by the authority and held in school's accounts remain authority property until spent.

Governors, unless they are members of staff, may not be signatories on a school bank account.

3.6 Borrowing by Schools

Governing bodies may borrow money including bank overdrafts and finance

leases, only with the written permission of the Secretary of State, after discussion with the authority. The Secretary of State has stated that the Salix Scheme introduced to support energy savings is available to schools without specific prior approval.

Schools must not hold credit cards or overdrafts as this is also classed as borrowing.

However there is an in-house loan scheme (see para. 4.8).

3.7 Other Provisions

3.7.1 Gateshead Purchasing Cards

Schools have the option to participate in the Gateshead Purchasing Card scheme.

The card is no substitute for ordering goods through the official order procedures. The card should only be used where it offers better value for money and is to be regarded as a 'supplement' to such systems where the opportunity arises to purchase goods at the point of sale.

3.7.2 Insurance

Any increase in insurance premium deemed payable by the authority's insurers as a direct result of a school operating an external bank account, will be recharged to the respective budget share.

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

4.1 Right to Carry Forward Surplus Balances

The governing body of the school will be allowed to carry forward from one financial year to the next any surplus balance relative to the school's budget share for the year, plus/minus any balance brought forward from the previous year.

A school's surplus balance on 1 April will be equal to that at the previous 31 March.

4.2 Reporting on the Intended Use of Surplus Balances

The governing body may notify the Strategic Director, Resources and Digital by 31 July of any balances in excess of 10% of the school's budget share for secondary schools and 16% or £20,000 for primary and special schools.

In addition, the governing body may be required to report to the authority on the use which the school intends to make of surplus balances in excess of 10% and 16% respectively.

4.3 Interest on Surplus Balances and Cash Flow

Schools which continue to utilise the authority's banking arrangements, will accrue interest on any surplus balance and on their cash flow. The calculation will apply the Bank of England Base Rate less ¼% to the school's average weekly balance.

Interest will be credited quarterly in arrears.

4.4 Obligation to Carry Forward Deficit Balances

A school with a deficit balance must carry the deficit from one financial year to the next plus/minus any balance brought forward from the previous year. Deficit balances will be deducted from the following year's budget share.

A school's deficit balance on 1 April will be equal to that on 31 March previous.

4.5 Planning for Deficit Balances

The governing body of a school cannot plan for or set a deficit budget. However, in extenuating circumstances, schools must submit a recovery plan to the authority when their revenue deficit rises above 5% at the 31 March of any year from the 31 March 2021.

Detailed guidance can be found in the schools procedure note –

4.6 Writing Off Deficits

The authority cannot write off the deficit balance of any school.

4.7 Balances of Closing and Replacement Schools

When a school closes, any balance (whether surplus or deficit) will revert to the authority.

Other than in exceptional circumstances, the balance will not be transferred as a balance to any other school, even where the school is a successor to the closing school/s, except that surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010. The authority may add an amount to the budget share of a new or enlarged school to reflect all or part of the unspent budget share of the closing school for the funding period in which it closes.

4.8 Licensed Deficits

On the advice of the Strategic Director, Resources and Digital and with the prior permission of the authority, a licensed deficit over 2 years may be allowed. This will be a rare occurrence and the authority will work with the governing body concerned over the whole of the period the school remains in deficit.

Approval for a deficit will only be approved where a governing body produces firm and realistic proposals to bring its spending into line with available resources within one financial year. In exceptional circumstances this period can be up to 3 years.

Where ever possible schools shall take the opportunity to pay off deficits more quickly than the agreed term.

Detailed guidance can be found in the schools procedure note – Applying to set a Deficit Budget.

The local authority is prohibited from writing off the deficit budget of any maintained school. The only financial assistance that can be provided to a school is from the authorities centrally held school budget specified for the purpose of expenditure for a special school or from a de-delegated contingency budget where it has been agreed by schools forum.

4.9 Loan Scheme

In support of school improvement and raising achievement, the authority will operate a Loans Scheme for schools covered by the scheme.

- The purpose of the Loans Scheme is to provide schools with another method of financing the cost of large one-off projects of capital expenditure. Loans are not available to support day-to-day expenditure within a school's revenue budget.

- The maximum amount loaned to any individual school will be limited to 5% of the delegated budget of the school concerned. Primary schools with a budget share of £650,000 or less will be exempt from this limit in recognition that a 5% limit places a restriction on the benefit to be gained from the scheme by such small schools.
- The repayment period for a loan will be 3 years, although this may vary in the case of a small primary school which is granted a loan in excess of the 5% (of delegated budget) limit. Each application for a loan will be appraised by the Strategic Director, Care, Wellbeing and Learning and the Strategic Director, Resources and Digital who jointly, will determine applications following consultation with the relevant portfolio holders.
- The authority will limit the Loans Fund each year to 25% of the previous year's collective schools' balances held by the authority, and not in an external bank account.
- The Loans Scheme is not applicable to a school which operates an external bank account.

Loans must 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 must 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, 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 in individual cases.

5 INCOME

5.1 Income from Lettings

Schools are required to have regard to directions issued by the authority as to the use of school premises, subject to alternative provisions arising from any joint use or PFI/PPP agreements.

Schools can retain income from the letting of the school premises and can cross-subsidise lettings for community and voluntary use provided there is no net cost to the school budget share.

Lettings of school premises not owned by the authority are not affected by this provision except that a school's budget share must not subsidise non-school activities.

All income from school lettings must be paid, intact, into the school's budget share.

5.2 Income from Fees and Charges

Schools are required to have regard to any policy statements on charging produced by the authority.

Schools can retain income from fees and charges except where these arise from a service which is provided by the authority from centrally retained funds.

Schools must ensure that all relevant income is collected and paid, intact, into the school's budget share and that the school budget share does not subsidise non-school activities.

5.3 Income from Fund-Raising Activities

Schools can retain income from fund-raising activities. This should be held separate from the school budget share.

5.4 Income from the Sale of Assets

Schools can retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it is for the authority to decide whether the school can keep the proceeds or not). Assets must not be knowingly sold at less than their market rate. Any income must be paid into the school's budget share. Where the asset concerned is land or buildings forming part of the school's premise is owned by the authority, the asset cannot be sold without the authorities consent and the authority shall retain the income.

5.5 Administrative Procedures for the Collection of Income

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- 5.5.1 School governing bodies are required to follow the directions and requirements contained in the authority's Financial Regulations. Procedural guidance for schools is provided in the Manual of Financial Procedures.
 - 5.5.2 Schools should take advice from the authorities VAT advisor as to whether schools should charge VAT on lettings or the services that lead to fees and charges and the VAT implications of fund raisings activities and the sale of assets.

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

6 THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

- 6.1.1 The authority can levy a charge on a school's budget share without the consent of the governing body only in circumstances permitted by the scheme and requires the authority to consult schools as to the intention of the charge, and notify the schools when it has been done. This is to ensure the authority can protect its financial position from liabilities caused by the action or inaction of governing bodies.

The authority does not wish to act unreasonably in the exercise of this power given by the scheme or it may be the subject of a direction under section 496 of the Education Act 1996.

The authority will consult schools as to the intention to do so, and notify schools when the recharge is made.

The authority 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 at Schools Forum.

Some of the main circumstances where charges may occur are listed below:

- 6.1.2 Charging of salaries at actual cost.

The authority must charge salaries for school-based staff, to the school budget shares at actual cost including National Insurance, pension contributions and any other attributable costs.

- 6.1.3 Costs Incurred in Securing the Termination of Employment Contracts

Any school considering the termination of the employment contract of a member of staff employed to work at the school must seek the specific advice of the authority before making any formal commitment to terminate the contract whether or not the school has access to any other source of relevant advice, see appendix B.

6.2 Circumstances in Which Charges Will Be Made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed the authority's advice.
- 6.2.3 Awards by courts and industrial tribunals against the authority or out of court settlements arising from action or inaction by the governing body contrary to the authority's advice.

Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority expenditure protects the authority's position.

- 6.2.4 Expenditure by the authority in carrying out health and safety work or capital expenditure for which the authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5 Expenditure by the authority incurred in making good defects in building work funded by spending from budget shares, where the premises are owned by the authority or the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority.
- 6.2.7 Recovery of monies including interest (where this is deemed to be appropriate by the disputes procedure contained within the terms and condition of the provision of services to schools document) 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 buy-back agreement, and the result is that monies are owed by the school to the authority.
- 6.2.8 Recovery of penalties or assessments including interest imposed on the authority by the Board of Inland Revenue, the Environment Agency the Contributions Agency or HM Customs and Excise, Teachers' Pension or other regulatory authority as a result of school errors, omissions or negligence.
- 6.2.9 Correction of authority errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10 Additional transport costs incurred by the authority arising from decisions by the governing body on the length of the school day, and failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the authority because the governing body did not seek or accept the advice of the authority.
- 6.2.12 Costs of necessary health and safety training for staff employed by the authority if the funding for training has been delegated but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect (including authorised and unauthorised overdrafts).

- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the charge to be the minimum needed to meet the cost of the authority's compliance with its statutory obligations.
- 6.2.15 Cost incurred by the authority in securing provision specified in an Education Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/ or specific funding for a pupil with High Needs.
- 6.2.16 Costs incurred by the authority due to submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Costs incurred by the authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20 Costs incurred by the authority in administering admissions appeals, where the authority and the funding for admissions appeals has been delegated to all schools as part of their formula allocation.

TAXATION

7.1 Valued Added Tax (VAT)

The authority is able to reclaim VAT on behalf of schools any VAT incurred on non-business activities. However this does not include expenditure by the Governors of a Voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their building.

All schools must comply with the instructions of the Strategic Director, Resources and Digital with regard to recovery of VAT. Schools utilising the authority's financial systems must both adhere to the Coding of Expenditure requirements outlined in the Manual of Financial Procedures and maintain supporting records for the refund VAT processed.

Schools not utilising the authority's financial systems must:-

- (a) Submit to the Strategic Director, Resources and Digital on a monthly basis a VAT Return in a format designated within the Manual of Financial Procedures in strict adherence to a timetable laid down at the commencement of each financial year.
- (b) Maintain all records to support this claim as detailed in the Manual of Financial Procedures for a period of not less than six years.
- (c) Ensure that all items included in the VAT Return are authority related expenditure as defined in the Manual of Financial Procedures.
- (d) Ensure that all records are available for inspection by HMRC at their discretion.

All Input VAT claimed on behalf of a school will be passed back to the school net of any Output VAT due, in accordance with systems outlined in the Manual of Financial Procedures.

If schools are unclear on any VAT issue, they should seek advice from the authority on VAT related matters to ensure that the correct VAT treatment is applied to transactions.

7.2 CIS (Construction Industry Taxation Scheme)

In order to facilitate both the necessary tax deductions and provide the required returns to the HMRC schools utilising the authority's financial systems must adhere to the instructions of the Strategic Director, Resources and Digital within the Manual of Financial Procedures when processing contractor's invoices for payment.

Schools not utilising the authority's financial system must:

- (a) Establish a register of contractors.

- (b) Inspect contractor's registration cards to ascertain whether the contractors are exempt or whether tax deductions are required, with all decisions being documented.
- (c) Ensure accurate deduction of tax at the appropriate rates.
- (d) Maintain detailed records of payments made to each contractor.
- (e) Make a monthly return of all vouchers directly to the HMRC or each contractor, together with details of gross amount, cost of materials, net amount and tax deducted.
- (f) Provide the Strategic Director, Resources and Digital with details of tax deducted and payments made to contractors as specified in the Manual of Financial Procedures, to facilitate the authority's annual consolidated return to the HMRC.
- (g) Retain all related documents for inspection purposes for a period of not less than six years, making them available for inspection by the HMRC their discretion.

8 THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of Services from Centrally Retained Budgets

It is for the authority to determine the basis upon which services from centrally retained funds including premature retirement costs and redundancy payments, will be provided to schools.

The authority will not discriminate in its provision of centrally-funded services on the basis of categories of schools except where (a) funding has been delegated or devolved to some schools only, and/or (b) such discrimination is justified by differences in statutory duties.

8.2 Timescales for the Provision of Services Bought Back from the Authority Using Delegated Budgets

The authority wishes to support schools by offering services on a buy-back basis. The type of service, terms and conditions will be determined by the authority.

Buy-back service arrangements will be available for a variety of contract periods. They will not exceed five years in duration and will be reviewed at least every 3 years.

Contracts for supply of catering services will not exceed 7 years and will be reviewed at least every five years.

Where a service is provided for which expenditure is not retainable centrally by the authority under the Regulations made under section 45a of the Act, it should be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service should be met by the total income, even if schools are charged differentially.

8.3 Packaging

In respect of any services for which funding has been delegated, and where the authority is offering to schools the service on a buy-back basis, the authority will package such services in a way which does not unreasonably restrict schools' freedom of choice among the services available, subject to any preferences expressed by a majority or phase of schools covered by the scheme.

8.4 Service level agreements

The terms of any services or facilities offered by the authority, whether free or on a buy back basis, will be reviewed annually. Centrally funded premises and liability insurances are specifically excluded from this requirement.

Schools will be given at least a month to consider the terms of the agreement. The prices for each service agreement will be set at a level that

ensures that the total income generated is at least equal to the cost of providing that service.

Services offered will be on a basis which is not related to an extended agreement, as well as on the basis of such agreements.

8.5 Teachers Pensions

Governing bodies not using the in-house payroll provider must submit an annual return of salary and service to the authority. Governing bodies must also ensure that details of Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit showed in the AVC scheme.

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

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

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

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

9 PRIVATE FINANCE INITIATIVE (PFI) / PUBLIC PRIVATE PARTNERSHIPS (PPP)

9.1 Governing Body Agreements

The authority will set out provisions relating to PFI or PPP agreements within Governing Body Agreements with relevant schools. These agreements will include details of the basis of charges and the treatment of monies withheld from contractors due to poor performance.

9.2 Powers to Charge School Budget Shares

The authority shall have the power to charge a school's budget share with any amounts agreed due under any Governing Body Agreement entered into by the governing body in respect of any a PFI/PPP agreement entered into by the governing body of a school relating to that school.

10 INSURANCE

10.1 Insurance Cover

Insurance requirements for schools relevant to the authority's insurable interests will be arranged by the Strategic Director, Resources and Digital.

Funding for insurance has been delegation to all maintained schools. For schools that wish to arrange their own insurance, the governing body must demonstrate to the authority that the cover relevant to the authority's insurable interests is at least as good as the relevant minimum cover arranged by the Strategic Director, Resources and Digital. Failure to do so will result in the Strategic Director, Resources and Digital arranging cover and recharging the school's budget share.

Maintained schools are able to join the Secretary of States Risk Protection Arrangement (RPA) from 1 April 2020. Schools can either join the scheme on an individual basis or collectively by agreeing through schools forum to de-delegate funding.

11 MISCELLANEOUS

11.1 Right of Access to Information

All school governing bodies are required to supply the authority with all financial and other information which might reasonably be required to enable the authority to satisfy itself as to the school's management of its delegated budget share; of any devolved funding (e.g. additional grant allocations), and the use made of any central expenditure by the authority on the school (e.g. earmarked funds).

11.2 Liability of Governors

The governing body of a school has a separate legal existence as a corporate body. Providing governors act in good faith in exercising their power to spend the delegated budget, any liability will fall on the governing body, rather than on any individual governor(s).

Acting in good faith means acting honestly, without ulterior motives, and reasonably, i.e. within the scope of the governing body's functions and procedures, with care and forethought, taking account of all relevant matters and disregarding irrelevant ones.

11.3 Governors Expenses

Should circumstances permit, the authority can delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses, where deemed appropriate to do so.

School governing bodies can pay to governors from the school's delegated budget only those allowances in respect of purposes specified in regulations under section 19 of the Education Act 2002.

Similarly, school governing bodies may not make payment of expenses which duplicate those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for Legal Costs

In any instance where a school governing body incurs legal costs, which may be deemed to be the responsibility of the authority as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings), these costs will be charged to the school's budget share unless the governing body has acted in accordance with the advice of the authority.

Should circumstances be such that there is a conflict of interests between the authority and a school governing body, the school concerned should seek appropriate legal advice from a suitably qualified person who is not an employee of the authority and who has appropriate professional indemnity cover.

11.5 Health and Safety

The authority (and the governors in Voluntary Aided schools) retains primary responsibility as the employer for health and safety. The authority will issue health and safety directives for community schools and advice for all schools.

In expending the school's budget share, the governors of schools with delegated budgets must comply with the authority's written health and safety policy; individual staff will continue to be responsible for any breaches of the authority's duty caused by them. The categories of health and safety provision which will fall to governors will be:

- purchasing, storage, use, condition and maintenance of all equipment and materials (this includes fire-fighting equipment and electric testing of portable equipment and stage lighting)
- repairs which are the governors responsibilities.

Where a governing body fails to comply with the authority's policy, the authority has the right to arrange for the work to be done and to charge the school's budget accordingly. Any officer of the authority concerned about a health and safety matter in the school shall immediately notify the Head Teacher of his concern. The officer shall notify the Service Director, Learning and Schools, or his representative, who will arrange for the problem to be inspected. If necessary, the Service Director, Learning and Schools will arrange for the work to be carried out if not already put in hand by the governing body of the school.

The power to charge the school will not apply however, where any failure to comply is attributable to inherited conditions rather than demonstrable action or omission by the governing body.

11.6 Right of Attendance for Chief Finance Officer

The Strategic Director, Resources and Digital or his/her representative shall have the right to attend any meeting of a school governing body with the purpose of giving advice, or reporting on any matter which affects the probity and regularity of the authority's financial activities.

11.7 Delegation to New Schools

The authority will delegate powers, selectively and optionally, to the governing bodies of schools which are yet to receive a delegated budget.

11.8 Optional De-Delegation

Where a school exercises an option to have funds de-delegated for an item (for example, maternity credits) that option may only be exercised once in a year.

11.9 Special Educational Needs (SEN)

Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils. Although this is a statutory requirement, the inclusion of it in this scheme makes it possible to suspend delegation where a situation is serious enough to warrant it (this would not normally relate to an individual pupil).

11.10 Whistleblowing

Any employee or governor of a school wishing to complain about financial management or financial propriety at the school should do so by following the authority's Whistleblowing policy. The policy is available on the authority's website.

11.11 Child Protection

Schools should release staff to attend child protection case conferences and other related events.

11.12 Redundancy/Early retirement costs

Section 37 of the 2002 Education Act sets out the position relating to the charging of voluntary early retirement and redundancy costs. Annex B sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual schools budget, the central schools budget or the local authority's non- schools budget. Further information is available in annexe B

12 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

All repair and maintenance costs relating to existing buildings other than rectification of major structural defects or major capital projects are met from delegated or devolved budgets and governing bodies will have to finance the costs of all such repairs and maintenance from their budget shares or from devolved formula capital.

For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools. However, eligibility for capital grant from the secretary of state for capital works at voluntary aided schools depends on the de-minimis limit applied by DfE to categorise such work, not the de-minimis limit used by the authority.

Illustrative examples of capital and revenue expenditure items in line with the DfES' interpretation of the CIPFA code of practice on local authority accounting are included at Annex C. Expenditure may be treated as capital only if it fits with definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting.

13 COMMUNITY FACILITIES

13.1 Introduction

Any school that chooses 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.

- (i) Regulations made under Section 28(2), if made, can specify activities that may not be undertaken at all under the main enabling power.
- (ii) Schools are obliged to consult the authority and have regard to its advice.
- (iii) The Secretary of State will issue guidance to governing bodies about a range of issues connected with exercise of the power, and schools must also have regard to that advice.

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

Schools are subject to the prohibitions, restrictions and limitations in the Scheme for Financing Schools.

In this context the Scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between the authority and designated schools to secure the provision of adult and community learning and Youth Service provision.

Schools may not use their delegated budget to fund community facilities, whether for start-up costs, on-going expenditure or to meet any deficits that might arise.

13.2 Consultation with The Authority: Financial Aspects

In accordance with Section 28(4) of the Education Act 2002, before exercising the community facilities power, governing bodies must consult the authority regarding their proposals and have regard to their advice.

Schools are encouraged to seek the authority's advice and submit their proposals as soon as possible, but no later than 3 months before the intended start date. When submitting their proposals formally, schools must include a detailed plan containing the following information:

- the school's vision and a detailed description of the service

- details of any capital expenditure and the sources of income to fund it
- a detailed profile of projected income and revenue expenditure over the first 12 months of operation of the project. In particular, this should include
 - ◆ one-off start-up costs
 - ◆ details of staffing and associated costs (pay, on-costs, payroll and personnel overheads, etc.)
 - ◆ sources of revenue income and the assumptions underlying it
- an outline profile of the projected income and revenue expenditure in years 2 to 5 of the project
- the time it will take for the project to break-even and come into surplus, and if this is not expected within 12 months of starting, an explanation of why this cannot be achieved within this timescale
- how the governing body will cover any shortfall if the project fails and leaves a deficit
- details of the cash flow of the project, and how any shortfall will be met given that schools cannot borrow from external sources
- proposed banking arrangements
- proposed audit arrangements
- details of the Health and Safety arrangements and of the risk assessments the school has undertaken
- details of the analysis of insurance requirements for the venture and of any additional cover that is to be arranged
- whether or not VAT is to be reclaimed, the justification for this and what consultation there has been with the authorities VAT section.

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

The authority will respond to the school's proposals as soon as practically possible, in most circumstances within 6 school weeks of receipt of complete information. Where the authority offers advice to a school, the school must inform the authority of the action it has taken in response to that advice before embarking upon the scheme.

13.3 Funding Agreements: Authority Powers

Where the provision of community facilities in a school is dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision, the school shall not enter into such an agreement until it has submitted the proposed agreement to the authority and taken proper account of its advice and comments. Proposed agreements should be submitted to the authority as soon as possible, but no later than

3 months prior to the proposed date of signing. The authority will not be a signatory to any such agreement, unless this is a requirement imposed by the third party or by the governing body itself.

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

13.4 Other Prohibitions, Restrictions And Limitations

Whereas the authority does not have the right of veto to either funding agreements with third parties or other proposed uses of the community facility powers, the authority reserves the right, in specific instances, to require that the governing body shall protect the financial interests of the authority by obtaining indemnity insurance for the risks associated with the project, as specified by the authority.

The authority does not intend to impose any additional prohibitions, restrictions or limitations on the use of the community facilities power.

13.5 Supply Of Financial Information

Schools that exercise the community facilities power are required to submit statements at least quarterly to the Strategic Director, Resources and Digital. The format of the statement will be determined by the Strategic Director, Resources and Digital and will include a summary of actual income and expenditure, and give an explanation of any significant variations indicated by the figures from the previously submitted planned profile. In addition, the statement will include projections of income and expenditure for the facilities in question for the following six months.

During the first 6 months of operation of any venture schools will be required to submit statements on a monthly basis. Furthermore, where the authority has given notice to the school that it believes that there is cause for concern as to the school's management of the financial consequences in the exercising of the community facilities power, schools will be required to submit statements on a monthly basis, and in addition submit a recovery plan to bring the activity back into financial viability.

All statements and returns must be certified by the Head Teacher and be sent to the Strategic Director, Resources and Digital within two weeks of the end of the quarter (or month).

All income and expenditure relating to community facilities must be included within the Consistent Financial Reporting Framework returns of the school.

Schools should note that Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the School Standards and Framework Act 1998 to make mismanagement of funds received for community facilities the possible basis for suspension of the right to delegation of the budget share.

13.6 Audit

As with a schools budget share Internal Audit has the right to visit any school, to inspect all records relating to the exercise of the community facility powers and to receive the co-operation of Governors and employees. Governors are required to respond in writing stating how they propose to address any matters raised in the audit report. The authority's external auditor will have the same rights of access and inspection as Internal Audit. Auditors will also report to the Strategic Director, Resources and Digital and the Audit and Standards Committee on any matters of significance or where governing bodies fail to take appropriate remedial action.

Where schools enter into agreements with other persons or bodies pursuant to the exercise of the community facilities power, they shall ensure that such agreements contain adequate provision for access by the authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the authority to satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 Treatment Of Income And Surpluses

Schools will retain all income derived from community facilities except where otherwise agreed with a funding provider, whether that be the authority or some other person. Any surplus income over expenditure generated during the financial year will be carried forward over into the following financial year in the community facilities account. Similarly, any deficit accrued during the financial year will be carried forward over into the following financial year in the community facilities account. Where a school wishes to transfer all or part of any accumulated surplus and add it to the budget share balance, the school should seek the agreement of the authority before doing so.

If a deficit arises from the provision of community facilities and the authority needs to recover funds to meet third party liabilities, the authority will seek to recover the deficit from the governing body. However, any such deficit cannot be met from the school budget share.

Where 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 third party funding provider.

13.8 Health And Safety Matters

When exercising the community facilities power, the governing body must discharge its Health and Safety responsibilities in the same way as it does in relation to the budget share. All the Health and Safety provisions of the main part of the scheme apply to the community facilities power.

When exercising the community facilities power, the governing body are responsible for securing and meeting the costs of any necessary Disclosure and Barring clearance for adults involved in the activity.

13.9 Insurance

When exercising the community facility power, the governing body must undertake an assessment of the insurance implications and costs, seeking professional advice if necessary, and demonstrate that it has made adequate arrangements for insurance cover. The school must seek the authority's advice before finalising any insurance arrangements. Any additional costs cannot be met from the school's budget share.

The authority will undertake its own assessment of the insurance arrangements made by a school in respect of community facility powers, and if it judges those arrangements are inadequate, it will make the necessary arrangements itself and charge the resultant cost to the school. Such costs cannot be met from the school's budget share.

13.10 Taxation

Schools must seek the advice of both the authority on any issues relating to the possible imposition of VAT on expenditure in connection with any community facility including the use of the authority's VAT reclaim facility.

Schools are also reminded that if any member of staff employed by the school or authority in connection with community facilities at the school is paid from funds held in the school's own bank account set up for the purpose (see section 11), the school will be liable for payment of income tax and National Insurance, in line with HMRC rules.

Schools are reminded that they are required to follow the authority's advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11 Banking

Where a school exercises the community facility power and the school already operates an independent bank account for its budget share, it shall open a separate independent bank account for transactions relating to community facilities. Where a school exercises the community facility power and the school uses the authority's bank account for its budget share, it shall either open an independent bank account for transactions relating to community facilities or use the authority's banking facilities but

ensure that all transactions are kept separate from budget share transactions.

Any independent bank account relating to community facilities expenditure can be in the name of the school or jointly in the name of the school and authority. The school should seek advice from the authorities Treasury Management Department before undertaking this.

All financial transactions must be undertaken in accordance with the authority's Financial Regulations, governing bodies are reminded that they may borrow money from an external source only with the written permission of the Secretary of State.

Annex A-List of Schools covered by the scheme

	DFE No
<u>Nursery</u>	
BENSHAM NURSERY SCHOOL	1000
<u>PRIMARY</u>	
CARR HILL COMMUNITY PRIMARY SCHOOL	2008
KELVIN GROVE COMMUNITY PRIMARY SCHOOL	2012
SOUTH STREET COMMUNITY PRIMARY SCHOOL	2036
BEDE COMMUNITY PRIMARY SCHOOL	2039
OAKFIELD JUNIOR SCHOOL	2049
LARKSPUR COMMUNITY PRIMARY SCHOOL	2051
OAKFIELD INFANT SCHOOL	2055
RAVENSWORTH TERRACE PRIMARY SCHOOL	2056
PORTOBELLO PRIMARY SCHOOL	2162
BIRTLEY EAST COMMUNITY PRIMARY SCHOOL	2163
DUNSTON HILL COMMUNITY PRIMARY SCHOOL	2164
EMMAVILLE PRIMARY SCHOOL	2167
HIGH SPEN PRIMARY SCHOOL	2168
SWALWELL PRIMARY SCHOOL	2172
WINLATON WEST LANE COMMUNITY PRIMARY SCHOOL	2177
GREENSIDE PRIMARY SCHOOL	2181
BLAYDON WEST PRIMARY SCHOOL	2182
FRONT STREET COMMUNITY PRIMARY SCHOOL	2184
HIGHFIELD COMMUNITY PRIMARY SCHOOL	2186
RYTON COMMUNITY INFANT SCHOOL	2188
RYTON COMMUNITY JUNIOR SCHOOL	2193
WASHINGWELL COMMUNITY PRIMARY SCHOOL	2194
BILL QUAY PRIMARY SCHOOL	2197
FALLA PARK COMMUNITY PRIMARY SCHOOL	2198
BRANDLING PRIMARY SCHOOL	2200
LINGEY HOUSE PRIMARY SCHOOL	2205
THE DRIVE COMMUNITY PRIMARY SCHOOL	2213
WHITE MERE COMMUNITY PRIMARY SCHOOL	2214
CLOVER HILL COMMUNITY PRIMARY SCHOOL	2216
CROOKHILL COMMUNITY PRIMARY SCHOOL	2219
BRIGHTON AVENUE PRIMARY SCHOOL	2221
LOBLEY HILL PRIMARY SCHOOL	2222

WARDLEY PRIMARY SCHOOL	2224
GLYNWOOD COMMUNITY PRIMARY SCHOOL	2225
BARLEY MOW PRIMARY SCHOOL	2226
WINDY NOOK PRIMARY SCHOOL	2227
COLEGATE COMMUNITY PRIMARY SCHOOL	2228
ROMAN ROAD PRIMARY SCHOOL	2229
FELLSIDE COMMUNITY PRIMARY SCHOOL	2231
FELL DYKE COMMUNITY PRIMARY SCHOOL	2232
CAEDMON COMMUNITY PRIMARY SCHOOL	2233
KELLS LANE PRIMARY SCHOOL	2234
CHOPWELL PRIMARY SCHOOL	2235
PARKHEAD COMMUNITY PRIMARY SCHOOL	2236
ST AIDAN'S CHURCH OF ENGLAND PRIMARY SCHOOL	2237
HARLOW GREEN PRIMARY SCHOOL	2238
ROWLANDS GILL PRIMARY SCHOOL	2239
WHICKHAM PAROCHIAL CHURCH OF ENGLAND PRIMARY SCHOOL	3001
CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL	3313
ST JOSEPH'S ROMAN CATHOLIC VOLUNTARY AIDED PRIMARY SCHOOL, GATESHEAD	3317
ST OSWALD'S ROMAN CATHOLIC VOLUNTARY AIDED PRIMARY SCHOOL	3318
ST PETER'S ROMAN CATHOLIC VOLUNTARY AIDED PRIMARY SCHOOL	3319
	3322
ST JOSEPH'S CATHOLIC JUNIOR SCHOOL, BIRTLEY	3324
ST JOSEPH'S CATHOLIC INFANT SCHOOL, BIRTLEY	3325
ST AGNES' CATHOLIC PRIMARY SCHOOL	3326
ST JOSEPH'S ROMAN CATHOLIC VOLUNTARY AIDED PRIMARY SCHOOL, HIGHFIELD	3327
ST MARY AND ST THOMAS AQUINAS CATHOLIC PRIMARY SCHOOL	3328
ST PHILIP NERI ROMAN CATHOLIC PRIMARY SCHOOL	3330
ST JOSEPH'S CATHOLIC PRIMARY SCHOOL, BLAYDON	3331
ST MARY'S ROMAN CATHOLIC PRIMARY SCHOOL	3333
ST ALBAN'S CATHOLIC PRIMARY SCHOOL	3335
ST AUGUSTINES R.C. PRIMARY SCHOOL	3336
ST WILFREDS R C PRIMARY SCHOOL	3339
<u>SECONDARY</u>	
KINGSMEADOW COMMUNITY COMPREHENSIVE SCHOOL	4041
<u>SPECIAL SCHOOLS</u>	
FURROWFIELD	7006
GIBSIDE	7007
HILLTOP	7008
DRYDEN	7009
ESLINGTON	7010

Annex B -Guidance on Responsibility for Redundancy and Retirement Costs

The 2002 Education Act states that the cost of redundancies should ***normally*** fall to the authority while the cost of premature retirements should ***normally*** fall to the school's delegated budget. There can be locally determined exceptions to these and it is also the case that costs can be charged to the central part of the schools budget if there are resultant savings to the schools budget and the Schools Forum agree. It is important that any exceptions to the norm are clearly defined by authorities and discussed with Schools Forums.

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

Charge of dismissal/resignation costs to delegated school budget

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the authority's policy
- Where the school is making staffing reductions which the 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 authority's redeployment policy

Charge of premature retirement costs to 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 authority or government intervention to improve standards

Costs of new early retirements or redundancies can also be charged to the central part of the Schools Budget if the Schools Forum agree and the authority can demonstrate that the "revenue savings achieved by any termination of employment are equal to or greater than the costs incurred". The Schools Forum must agree to any increase in this budget over the previous financial year. If the Schools Forum does not agree with the authority's proposal, then the authority can appeal to the Secretary of State. The Schools Forum would also be involved if the additional expenditure resulted in a breach of the central expenditure limit, whereby central expenditure increases faster than the Schools Budget as a whole.

An example of where a charge to the central Schools Budget might be appropriate would be a school reorganisation. A reorganisation involving the closure of a number of schools would be likely to result in savings because there would be a reduced amount being allocated through the formula for factors such as flat rate amounts to all schools or floor area. If the savings in the formula exceeded the on-going costs of the voluntary early retirement (VER) or redundancy then this would qualify.

It would be possible to consider savings at an individual school level as well, but this needs to be carefully managed so that there are clear ground rules in place for applications, recommendations and approval. It may be sensible to agree criteria for eligibility which are consistent with the general approach as to when costs should be centrally funded.

It is important that the 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.

There are clearly difficulties in setting a budget, whether inside or outside the Schools Budget, at a point prior to the beginning of the financial year before schools have set their budgets and made staffing decisions. Local authorities can only make a best estimate of what may be needed, based on past experience, local knowledge of the financial position of individual schools and the context of that year's funding settlement. There are dangers in raising expectations that costs will be met centrally if the budget is set too high, and so an alternative would be to keep the budget tight and use contingency or schools in financial difficulties budgets if there is an unexpected need for staffing reductions and it is not appropriate for delegated budgets to fund VER/redundancy costs. To achieve best use of resources, local authorities should also have an active redeployment policy, to match staff at risk to vacancies.

One of the permitted uses of the contingency is where "a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share" while authorities are also allowed to retain funding for schools in financial difficulties "provided that the authority consult the Schools Forum on their arrangements for the implementation of such support."

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

- (7) *Where a Local Education Authority incur costs —*
- (a) *in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*
 - (a) *in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*
- (7A) *Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in Subsection (7B) is met.*
- (7B) *The condition is that the governing body are satisfied that meeting the amount out of the schools 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.*

(9) 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.

Annex C - Authority Capital /Revenue Split and Items Which are the Separate Responsibility Of Governors In VA Schools

Illustrative Examples In Line With DfE's Interpretation of the CIPFA Code of Practice

NB Actual Interpretation of CIPFA Code of Practice for these Purposes will be for Each Local Authority

Element	Capital: As CIPFA Code Of Practice	Revenue: Repairs & Maintenance
Roofs		
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective.
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof.
	Finish on new build.	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy
	Replacement of all/substantially all on existing roof	
	Edge Trim/ Fascia on new build	Repairs/ replacement. (UPVC) Repainting.
	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (UPVC) Repainting.
	Drainage on new build	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/pipes

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

roof

<u>Other</u>	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing covered link	
	Add porch etc. to existing building	Minor repairs, maintenance to existing Structure
	Rebuild or substantially repair structure of existing porch	

Floors

<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of Mats/ matwells. Maintenance e.g. re-varnishing wooden floors.
<u>Upper Floor</u>	Structure - as ground floor	As ground floor
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor

Ceilings

<u>Top/ only storey</u>	Suspension	Repair/ replacement Incl. From water damage, & necessary decoration
	Membrane	
	Fixed	Repair/ replacement Inc. from water damage
	Access panels	Repair/ replacement

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

	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.
<u>Masonry chimneys</u>	Structure	
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing
Internal walls		
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alterations	Minor alterations
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.
	Refurbishment and alterations	Minor alterations
<u>Doors & Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens
<u>All</u>	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass
Sanitary Services		
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.
	Large scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.
<u>Kitchens</u>		

	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of LA
	General refurbishment	Cleaning out drainage systems Redecoration Repairs
	Large and costly items of equipment	Repairs/ replacement parts
Mechanical services		
<u>Heating/ hot water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects
	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.	Monitoring systems Health & safety issues
	Planned replacement of old boiler/ controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/ systems	
<u>Cold water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.
<u>Gas</u>	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety All servicing
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and

Electrical services

<u>General</u>	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment
<u>Lighting</u>	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency
<u>Other</u>	Lightning protection in new build Alarm systems, CCTV, lifts/ hoists etc.,	Repair/ replacement Repair and maintenance
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems

External Works

<u>Paving</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.
<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and

main sewers. Cleaning of the above and unblocking as necessary.

<u>Open air pools</u>	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing

Notes

This illustrative list is the DfE interpretation of the CIPFA Code of Practice and local authorities should refer to the Code when defining capital and revenue.

Where local authorities use de minimis limits for defining capital and revenue in their financial accounts, the same de minimis limits must be used in defining what is delegated. The application of a de minimis limit may change the examples given in the first two columns of the illustrative list.

- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)

(i)

**APPLYING TO SET A
DEFICIT BUDGET
July 2020**

APPLYING TO SET A DEFICIT BUDGET

Introduction

The Department for Education (DfE) have issued a mandatory amendment for all Schemes for Financing Schools to ensure all schemes have a deficit recovery process for all schools that have a deficit of 5% or more. The updated Scheme does not give a definition of how the 5% deficit should be calculated therefore in Gateshead this will be 5% of all revenue income of the previous year.

The Gateshead Scheme for Financing Schools (GSFFS) sets out the financial relationship between the authority and the maintained schools which it funds and puts in place requirements relating to financial management and associated issues which are binding on both the authority and on schools.

Section 4.5 of the GSFFS prohibits schools from setting a deficit budget, except in extenuating circumstances and with the prior permission of the Council.

A deficit budget is defined as when a school's planned expenditure is greater than its planned income inclusive of all reserve funding in any financial year.

A hyperlink to the GSFFS is set out below:

<http://www.gateshead.gov.uk/DocumentLibrary/Education/Strategies/Scheme-for-financing-schools.pdf>

To ensure that all schools comply with this requirement the GSFFS requires:

- Schools to return a governor approved annual budget to the Council by the 31st May each year – in exceptional circumstances this can be extended.
- Schools unable to set a balanced budget must make an application to the Council to apply for a deficit budget.

Schools should only apply for a deficit budget where they cannot set a balanced budget (i.e. where planned expenditure is less than planned income inclusive of all reserve funds) without seriously impacting on the educational provision at the school.

A deficit budget in excess of either £20,000 or 5% of the schools annual budget (including expected additional income) must be approved by the Service Director, Financial Management and the Director of Education, Schools and Inclusion.

A deficit budget below either £20,000 or 5% of the schools/PRUs annual budget (including expected additional income) can be approved by the Business Partner (Schools).

The application for a deficit budget allows the Council to provide the support needed to prepare a deficit recovery plan that sets out the action the school will take to achieve a sustainable balanced budget position over an agreed period. The Council has no power to write off the deficit balance of any school.

A deficit recovery plan will usually cover a three-year period however in exceptional circumstances where a school cannot deliver a recovery plan over three years without seriously affecting its educational provision, a deficit recovery plan can be extended to five

years. If this is still not feasible then these schools will be reviewed on an individual basis and a suitable action plan put in place.

Schools with large deficits should in the first year aim to set a balanced in year budget, to ensure that the deficit does not increase, before the historic or structural deficit is tackled.

Financial Resource Management (FRM), Educationgateshead and other Council Officers will work with any school entering a deficit budget to ensure that the school have taken all reasonable steps to formulate an achievable deficit recovery plan and to ensure that the school is no longer in a deficit budget position at the end of agreed deficit recovery plan period.

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

If schools persistently fail to implement the actions agreed under their deficit recovery plan and fail in reducing their deficit, the council will challenge the school and ultimately may lead to further intervention by the Council.

The following range of support is available to schools applying to set a deficit budget:

- Recovery planning workshop/meeting
- Possible peer mentoring
- Advice from Human Resources and Educationgateshead
- Financial management advice – strategic financial planning, financial systems and controls, multiyear budget projections from Financial Advice & Support team

(viii)

(ix)

(x) Applying to Set a Deficit Budget

(xi) **Step 1: Submit Application for Deficit Budget**

If a school is in a deficit budget position, they must submit an application for a deficit budget and a deficit recovery action plan by the 31st of May. In exceptional cases this can be extended.

The Deficit Recovery action plan must demonstrate how the school intends to balance their budget over the agreed period. This may be through a combination of increased pupil numbers income generation, or a reduction in expenditure.

- (xii) The deficit recovery action plan must be supported by a multi-year budget showing the cumulative effects of the proposed action.

Appendix 1 shows an example deficit budget application.

Appendix 2 shows an example of the deficit recovery action plan

Appendix 3 provides examples of areas that should be reviewed

Where schools are unable to complete a deficit recovery action plan, the Council will determine the appropriate type support required by the school to enable it to complete a plan based on:

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

- Contextual data
- Curriculum Audit

(xiii)

Financial advice and information will be available to support schools in recovering from a deficit financial position by Council officers.

- Telephone support providing advice and guidance
- Recovery planning workshop/meeting – these sessions will be aimed at those schools that with some additional financial advice are able to effectively control and manage their future financial position. Schools may find that by working with colleagues in other schools where applicable, (peer mentoring), they are able to share ideas and best practice which result in reducing the financial deficit of the school.
- Consultancy Support – this support will be provided to those schools where the magnitude of the deficit makes it difficult for them to resolve the position without professional advice and some intervention by the Council.

Step 2: Deficit Budget Application and Action Plan Checked and Validated

Following the submission of the deficit budget application and a deficit recovery action plan several validation checks will be completed by the Council to ensure that the plan is reasonable.

These checks include:

- Comparing the current year's income and expenditure budgets with previous years' actual income and expenditure to identify any significant differences and verify that the budgets are reasonable and accurate.
- Checking that the correct balances have been accounted for in the current year and all funding delegated by the Council has been considered.
- Ensuring actions included in the recovery plan are realistic and that by implementing them the required level of savings can be achieved.
- Any areas that are unclear or considered unachievable will be queried with the school and clarification sought.

Where the plans are deemed to be suitable, they will be passed to the Strategic Director, Resources and Digital and the Director of Education, Schools and Inclusion for approval (where the deficit being recovered is more than either £10,000 or 2% of the schools annual budget or if they are below this limit to Finance Business Partner (Schools)).

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

Step 3: Deficit Application and Deficit Recovery Action Plan Approved

Written confirmation from the Council will be sent to the school once the deficit recovery plan has been approved.

(xiv) **Step 4: School Deficit Recovery Monitoring**

(xv)

The school must have robust internal budget monitoring arrangements in place to ensure that the deficit recovery action plan is being achieved. The progress of the deficit recovery action plan should be communicated to the governors and the Finance Business Partner (Schools) on a termly basis. A governor, usually the chair or vice chair, must be appointed to overview the deficit recovery plan. Review of the deficit recover plan must be minuted in the termly full governing body meeting.

Where it is a multiyear action plan this should be updated on an annual basis to show what has and has not been achieved against the original action plan. Updated future projections using the latest information and funding allocations, are to be used to update the action plan, add additional items to be included or remove items that no longer need to be undertaken.

Where a school's financial position worsens they will be referred to Finance Business Partner (Schools) and Educationgateshead for more intensive support.

(xvi) **Additional Council Monitoring and Intervention**

Further Council monitoring and intervention will be required where:

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

Intervention will escalate to three levels but could also include a request to internal audit to undertake a review of the school.

1. Financial Review Meeting
2. Notice of Concern
3. Suspension of delegated financial powers

(xvii) **1 - Financial Review Meeting**

Schools that do not return a balanced budget or apply for a deficit budget may be required to attend a Financial Review Meeting with the Council.

A similar requirement will apply to schools with a worsening deficit and for those schools who persistently breach the Scheme for Financing Schools.

The review meeting will include Senior Officers from Resources and Digital, Educationgateshead, Human Resources Advice, the Headteacher and Chair of Governors or representative Governor.

The meeting will:

- Review the financial position of the school
- Seek an explanation from the school about the action being taken to safeguard the school's financial position
- Assess what support and challenge the school may require
- Agree an updated action plan

- Account for interest to be charged on the deficit to recognise the seriousness of the situation for the school.

(xviii) **2 - Notice of Concern**

A school that continues to refuse to take the necessary action will be required to attend a meeting with senior officers. Following this meeting they will be given a formal notice of the action the Council recommends they should take to bring the budget back in to balance including the possible charging of interest on the deficit. The school will be given a month to respond.

3 - Suspension of Delegation

Where a school still refuses to take the action identified by the Council the ultimate sanction will be to suspend delegation following a meeting with the Director of Learning and Children and the Strategic Director, Resources and Digital. Under the suspension of delegation, the Council would take control of the budget and take the necessary action before returning control to the Governing Body. During the suspension school staff would be responsible to the Council for the day-to-day financial administration in the school.

Step 5: Reporting and Review

The Council will consider the financial position of schools with a deficit budget each term. Any significant detrimental variances from the deficit recovery action plan will be raised with the school who will be asked to provide an explanation and details of the management action they are taking.

The deficit recovery action plan must be refreshed as part of the annual budget setting process.

A summary report will be provided to the Schools Forum on an annual basis. The Council will report to portfolio holders where it is felt that intervention is required.

(xix)

Appendix 1

Gateshead Metropolitan Borough Council

Application for Deficit Budget

Please complete the following information:

1. Name of school: *ABC School*
2. Value of deficit: *£100k*
 - a. Projected in year deficit to recover: *£25,000*
 - b. Structural deficit to recover: *£75,000*
3. Deficit recovery period: *3 years*
4. Reasons for deficit: *Falling pupil numbers and resultant funding over the past 2 years has resulted in current staffing structure being too high and which is financially unsustainable.*
5. Summary of actions taken to eliminate deficit and financial impact of each action (savings made or additional income generated to reduce deficit):

Staff Restructure – Saving £100k – see 3 year plan and Deficit Recovery Action Plan for details
6. Date of Governing Body resolution requesting the deficit: *19/02/20*

We understand that we will:

- Consult with Resources and Digital prior to advertising any new posts.
- Not commit the school to any further expenditure other than that included in our recovery plan without Resources and Digital approval.
- Implement the savings within the timescale agreed.
- Notify Resources and Digital of any deviation from the recovery plan (once completed) for example long term sickness, disputes.
- Provide any other information as and when required by the Council
- Be liable for interest charges on the deficit
- Chair or Vice Chair of Governors to have overview and monitor the deficit recovery progress
- Arrange for our Chair of Governors/ Management Committee to attend a Council Deficit Recovery training session

Name:

Name:

Signed:

Signed:

Position: Chair of Governors

Position: Head Teacher

Date:

Date:

Please also provide the following information:

1. Minutes of Governing Body meeting where deficit budget request was agreed
2. A three-year budget plan forecast demonstrating the changes in income and expenditure anticipated by the school together with the financial impact of the management action to clear the deficit.
3. An up to date budget forecast position

DEFICIT RECOVERY ACTION PLAN (Confidential)

		School Name:						
		Period covered by Deficit Recovery Plan:						
Action	Detail	Amount of saving (£)	Year of saving	Date of action	Cumulative Saving	Date of effect (if different)	Responsible	Achieved or Unachieved
reduce by one temp TA	TA contract ends Sept 20	£5,543 £12,303 £12,303	20-21 21-22 (22-23	give notice May	£30,149	Sept	HT	Achieved
Reduce teaching staff by 1FTE	Temp contract ended Sept 20 M1	£19,224 £32,956 £32,956	20-21 21-22 22/23		£85,136	Sept 20	HT	Part achieved as needed to retain 0.5 M1

I confirm that the actions listed above will be implemented to recover the deficit position of the school and that any changes to the plan will be advised to the Finance Business Partner - Schools.

Name _____
 Signature _____
 Date _____
 Head Teacher

 Chair of Governors

Appendix 3

Areas for review for recovering from a deficit situation

Overall

Schools should consider accessing the school resource management self-assessment tool, which will show how the schools own data compares against a range of performance measures that are indicators of good resource management. It should assist in identifying “hotspots” where remedial action can then be considered.

Salaries

Salaries form the main portion of expenditure, so any deficit recovery plan that does not start with consideration of salary costs is not a serious one. Governors must challenge the assumption that salary costs are fixed. Even when there is no pressing need to shed staff, there should still be opportunities for economies. Options for identifying long-term savings in respect of staffing include:

- reduce staffing budgets via natural wastage and a moratorium on recruitment wherever operationally possible
- review pupil teacher and pupil adult ratio to see if they can be reduced
- consider mixing classes if numbers permit it
- internal promotion of lower paid staff rather than recruiting more expensive teachers (assuming parity in operational effectiveness)
- review use of any surplus staffing including non-contact times in excess of statutory PPA allowances
- review TLR allowances. Are they truly being used to recognise additional responsibilities or to address retention? Have some been in place for some time and which reflect legacy issues rather than current ones? Schools should develop middle leaders, but if scrutiny of the staffing structure indicates that the majority of MPS teachers are “leaders”, how realistic is this?
- look at redeployment in areas with potential surplus staff (classroom support could be reviewed enabling redistribution of duties and hours)
- review any fixed term contracts. Can the school operate without these posts? Consider non-renewal at earliest opportunity

Schools will know that they have taken serious steps to control their staff costs once the budget shows that staff costs fall within reasonable parameters. An ideal level (as a rough guide) would be between:

- 70% and 75% to grant revenue income
- 65% to 70% of total income
- 60% to 75% total expenditure

Performance related pay

Performance related pay for teachers is highly regulated and inevitably represents an ongoing upward pressure on costs. This is to be kept under review.

Controlling staff supply costs

Schools taking steps to recover deficits commonly see reducing supply costs as a way to close the gap. Budgeted supply costs may look high, but often there is a gap between ambition and reality, with the result that a recovery plan hinging on a cut in supply costs may be simply a paper exercise with no real buy-in from the SLT. Both cultural and organisational steps must be taken to make the ambition a reality. Supply is a legitimate response to an unforeseen staffing shortfall through sickness, but some schools routinely buy-in teaching supply to cover PPA. PPA sessions are planned and predictable, so alternatives may exist. For instance, the hourly rate of a

HLTA or sports or dance coach is likely to be less than that of a supply teacher. Could PPA sessions be clustered to allow for scheduled cover using non-teachers? Is there a member of the SLT, such as an AHT or DHT that could step in for half a day a week to provide backfill for PPA? In the case of longer-term absences, if it is necessary to use supply cover then a reduced day rate should be negotiated, reflecting the extended period. However, schools should look to their own resources and see if there is a way to re-assign existing teaching staff, with appropriate backfill. If a MPS teacher can cover for a UPS teacher, then a NQT may be able to cover for that MPS teacher in turn, and a sports coach or HLTA may be able to cover for that NQT for some of the time. Such considerations highlight the extent to which financial recovery needs the active involvement of the schools teaching leadership. Cluster schools may want to look into shared arrangements for supply to negotiate better day rates.

Goods and services

Schools must review all goods and services contracts to identify potential savings. Are these services still needed? Could they be undertaken in-house at reduced cost? For example:

- subscriptions and licences: these should all be reviewed. Has the school signed up to a “free trial” that has rolled over? Has a subscription been taken out for a product or service that is no longer relevant? Are you paying a licence for software that you no longer use?
- printing and newsletters: could the school reduce its copier and printing costs by moving to an on-line newsletter? Might a school app with push notifications be more effective than newsletters and letters home? Consider not just the direct costs involved but also the “opportunity cost” of in office staff time
- training: does the school still routinely send staff off-site for classroom style training for things like first aid or fire risk refresher training? There may be options available for accredited training to be provided on-line on a self-service basis at a much cheaper cost and with less disruption to school life
- Paying invoices promptly to ensure any early settlement discounts are taken

Is planned expenditure capital or revenue?

There may be items on the margins of revenue and capital where, previously, the revenue budget would have paid for it such as painting or replacement of lights. Can these costs be capitalised? Schools will need to speak to finance about this as they may not agree. Schools should halt or defer, wherever possible, any planned site development until the budget can sustain it, though if some discretionary grant or matched funding might be lost because its availability is time-limited this should be discussed with finance.

Furniture and equipment

Except for action to address health and safety risks, when possible Schools should defer plans for refurbishment of classroom furniture until the budget allows. A prioritised list of areas requiring furniture and equipment renewal should be made so that when funds become available the appropriate areas can be addressed. If old or redundant furniture or equipment needs to be disposed of then residual value should be realised, either on auction sites or even just scrap payments (though caution should be taken with IT hardware where there is risk of data loss).

Joint projects and external service providers

Schools should review all joint projects and subscriptions. Do they provide value for money? What is their impact on the learning outcomes of pupils? Are they still relevant? Can savings be made by not renewing? Does the school have clear agreements for any outcomes of consultancy services procured?

Pupil premium funding

Pupil premium funding must be spent on the identified pupils. These funds may be used to offset some salary costs, but only if the staff are working directly with the identified pupils and with a clear remit in respect of improving attainment. Many schools work hard to ensure that they receive all the pupil premium funding due to them, but this requires constant attention. Since the advent of universal infant free school meals (UIFSM), the number of children registered for means-tested free school meals has fallen. Schools should focus on reception children, and also those transitioning into KS2. Some schools have found that take-up (and, so, funding) increases if parents better understand that the additional funding will directly improve the experience of their own children.

Debt recovery

It is easy to lose track of parental debt especially in relation to school lunches. The daily focus will be on understanding the numbers of pupils in attendance and ensuring that kitchen staff are notified quickly. Even when cashless payment systems have been adopted, it is easy to allow sizeable debt to accumulate. Parents can make mistakes, some choosing to pay in advance, others in arrears and others on a pay-as-you-go basis. All uncollected monies are a strain on the budget, and even a weekly shortfall of a few pounds by a number of parents can, over time, build up into individual debts of hundreds of pounds, and thousands for the school as a whole, perhaps making the difference between a budget that breaks even and one that is marginally in deficit.

Cashless systems may signal to both parent and finance staff the balance owing at any one time, but schools must instigate regular reconciliations and reporting of debt through to the head teacher and governing body. Decisive action may be difficult where the staff need and want to maintain a healthy relationship with families that could be facing challenges in addition to their ability to pay for school lunches. But, in cases where it is evidently a case of unwillingness rather than inability to pay, the result of mounting debt that produces increasing financial strain affecting all pupils, schools need a clear-sighted approach that parents understand.

Nursery Class

Ensure that your nursery class is at least covering its direct cost, e.g. staff that work in in the nursery class and resources. Nurseries are a good way to secure children into the rest of the school but not at the cost of the whole school. It might be worth considering an early years foundation stage unit depending on overall numbers in nursery and reception.

Post 16

As with nursery classes, post 16 provision can also be a drain on resources due to the more specialist nature of the courses and the smaller class size. Again in secondary schools post 16 provision can be a draw for students in the main body of the school, however schools should keep the courses provided under review and ensure that they at least cover their direct costs e.g. staffing and resources.

Wraparound care

Many schools provide wraparound care to provide families with stability and less transition for children. Parents, however, may not appreciate that the major cost of running a breakfast club is not simply the cost of cereal and juice. Adequate staffing cover must be provided and, whether the club is attended by 10 pupils or 30, this is effectively a fixed cost. Care should be taken when calculating the charge of all types of wraparound care to take into account all direct costs incurred: food, supervisory

staff, additional cleaning, administration, etc. schools may decide that this non-statutory provision is something where it would not be appropriate to charge pupils from deprived backgrounds, but if each aspect of wraparound care is treated as a “profit center”, then the notional contribution from pupil premium or the general school budget will be visible. Schools should charge the “going rate” for those who can pay. If the school checks its charges with those of other local providers, it will be able to see if it is out of step. Generally, parents prefer their children at school so that wraparound at both ends of the day is seamless. Schools should consider implementing a system where parents book sessions on at least a weekly or half term basis and with the agreement that all of these sessions will be paid for even if they have not been taken. If it is not viable for the school to provide wrap, then they should consider allowing a private provider to use school facilities at cost to provide this service to parents.