



Directorate of Children's Services

Scheme for Financing Schools/PRUs

April 2013

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2004-2005
Transforming the School Workforce

Directorate of Children's Services

Scheme for Financing Schools/PRUs

April 2013

List of Contents

1. Introduction

- 1.1 The funding framework
- 1.2 The role of the scheme
- 1.2.1 Application of the scheme to the Authority and maintained schools/PRUs
- 1.3 Publication of the scheme
- 1.4 Revision of the scheme
- 1.5 Delegation of powers to the headteacher/Head of Centre
- 1.6 Maintenance of schools/PRUs

2. Financial Controls

- 2.1.1 Application of financial controls to schools/PRUs
- 2.1.2 Provision of financial information and reports
- 2.1.3 Consistent Financial Reporting
- 2.1.4 Payment of salaries; payment of bills
- 2.1.5 Control of assets
- 2.1.6 Accounting policies (including year-end procedures)
- 2.1.7 Writing off of debts
- 2.2 Basis of accounting
- 2.3 Submission of budget plans
- 2.4 Submission of outturn statements
- 2.5 Schools Financial Value Standard
- 2.6 Virement
- 2.7 Audit: General
- 2.8 Separate external audits
- 2.9 Audit of voluntary and private funds
- 2.10 Register of business interests
- 2.11 Purchasing, tendering and contracting requirements
- 2.12 Central funds and earmarking
- 2.13 Spending for the purposes of the school/PRU
- 2.14 Capital spending from budget shares

3. Instalments of Budget Share; Banking Arrangements

- 3.1 Frequency of instalments
- 3.2 Proportion of budget share payable at each instalment
- 3.3 Interest clawback
- 3.4 Budget shares for closing schools/PRUs
- 3.5 Bank and building society accounts
 - 3.5.1 Restrictions on accounts
- 3.6 Borrowing by schools/PRUs

4. The Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Shares

- 4.1 Right to carry forward surplus balances
- 4.2 Reporting on the intended use of surplus balances
 - 4.2.1 Multi Year budgets
 - 4.2.2 Controls on surplus balances
- 4.3 Surplus balances
- 4.4 Obligation to carry forward deficit balances
- 4.5 Planning for deficit balances
- 4.6 Charging of interest on deficit balances
- 4.7 Writing off deficits
- 4.8 Balances of closing and amalgamating schools/PRUs
- 4.9 Borrowing for agreed purposes
 - 4.9.1 Loan scheme
 - 4.9.2 Licensed deficit scheme
 - 4.9.3 Equal pay loan facility

5. Income

- 5.1 Income from lettings
- 5.2 Income from fees and charges
- 5.3 Income from fund raising activities
- 5.4 Income from the sale of assets
- 5.5 Administrative procedures for the collection of income
- 5.6 Purposes for which income may be used
- 5.7 Charging for school/PRU activities

6. The Charging of School Budget Shares

- 6.1 General provision
- 6.2 Circumstances in which charges may be made
- 6.3 General Teaching Council

7. Taxation

- 7.1 Value Added Tax
- 7.2 Income tax and National Insurance

8. The Provision of Services and Facilities by the Authority

- 8.1 Provision of services from centrally retained budgets
- 8.2 Timescales for the provision of services bought back from the LA using delegated budgets
 - 8.2.1 Packaging
- 8.3 Service level agreements
- 8.4 Teachers Pensions

9. PFI Clauses

- 9.1 PFI/PPP
- 9.2 Paragon Project

10. Insurance

- 10.1 Insurance cover

11. CRC

- 11.1 CRC

12. Miscellaneous

- 12.1 Right of access to information
- 12.2 Liability of governors/members
- 12.3 Governor/Members expenses
- 12.4 Responsibility for legal costs
- 12.5 Health and Safety
- 12.6 Right of attendance for Treasurer
- 12.7 Delegation to new schools/PRUs
- 12.8 Optional delegation
- 12.9 Special educational needs
- 12.10 Whistle blowing
- 12.11 Child Protection
- 12.12 Criminal Records Bureau (CRB)
- 12.13 Notice of Concern
- 12.14 External Funding

13. Responsibility for Repairs and Maintenance

13.1 Division of responsibilities

14. Extended Services and Community Facilities

14.1 Extended Services - funding agreement with third parties

14.2 Extended Services – governor/member’s responsibilities

14.3 Extended Services – financial control

14.4 Extended Services – supply of financial information

14.5 Extended Services – treatment of income and surpluses

14.6 Extended Services – audit

14.7 Extended Services – health and safety

14.8 Extended Services – insurance

14.9 Extended Services – taxation

14.10 Extended Services – income tax and national insurance

14.11 Extended Services – banking

14.12 Extended Services – borrowing by schools/PRUs

15. School/PRU Trusts

15.1 Financial Considerations

16. Partnership/Collaborative working

16.1 Financial arrangements for partnership/collaborative working by Schools/PRUs

ANNEX A: Schools/PRUs to which the scheme applies

ANNEX B: Provision of Financial Information

ANNEX C: Format of Budget Plans

ANNEX D: Format of Outturn Statement

ANNEX E: Community Activity

ANNEX F: Proportion of budget share payable at each instalment

ANNEX G: Proposed Use of Surplus Balances

ANNEX H: Voluntary Aided/Foundation School/PRUs Application for Equal Pay Back Pay Loan



Dudley Metropolitan Borough Council

Scheme for Financing Schools/PRUs

From April 2013

Section 1: Introduction

1.1 The Funding Framework

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

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

Authorities must distribute the ISB amongst their maintained schools using a formula, which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 51 of the Act.

The financial controls within which delegation works are set out in a scheme made by the LA in accordance with section 48 of the Act and approved by the Secretary of State. The Secretary of State, who has power to modify schemes or impose one.

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

An LA may suspend a school or PRUs right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily, including the mismanagement of extended services funds there is a right of appeal to the Secretary of State. A school or PRUs right to a delegated budget share may also be suspended for other reasons (Section 17 School Standard and Framework Act 1998) in that case there is no right of appeal.

Each authority is obliged, under section 52 of the Act, to publish each year a statement (the Section 251 Budget Statement) setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school and PRU, the formula used to calculate those budget shares, and the detailed calculation for each school and PRU. After each financial year the authority must publish a statement (the Section 251 Outturn Statement) showing outturn expenditure at both central level and for each school, and the balances held in respect of each school or PRU.

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

1.2 The role of the scheme

This scheme sets out the financial relationship between the Authority and the **maintained schools and PRUs**, which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools and PRUs.

1.2.1 Application of the scheme to the Authority and maintained schools and PRUs

The scheme applies to all community, nursery, voluntary, foundation, community special, foundation special schools and PRUs maintained by the Authority. The schools and PRUs to which the scheme applies are listed at Annex A.

1.3 Publication of the scheme

Publication of the scheme will comply with the current school finance regulations. As a minimum, a copy of the scheme will be made available electronically to the governing body and the headteacher of each school and Management Committee and Head of Centre covered by the scheme, and any approved revisions will be notified to each such school and PRU. It will be placed on a publicly accessible website (www.dudley.gov.uk), and on the Dudley intranet (inside Dudley).

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with all schools and will require approval by the Schools Forum or Secretary of State.

1.5 Delegation of powers to the headteacher/Head of Centre

Each governing body or Management Committee is asked to consider the extent to which it wishes to delegate its financial powers to the headteacher or Head of Centre, and to record its decision (and any revisions) in the minutes of the governing body or Management Committee. Such decisions by the governing body or Management Committee will be subject to any requirements of regulations to be made under section 38 of the School Standards and Framework Act 1998. However, the first formal budget plan of each financial year must be approved by the governing body, committee of the governing body or Management Committee.

The LA has no wish to impose uniformity on schools or PRUs but will provide guidance on recommended levels of delegation to the Headteacher or Head of Centre. This will be based on current best practice in Dudley schools and PRUs.

1.6 Maintenance of Schools & PRUs

The LA is responsible for maintaining the schools and PRUs covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body).

Part of the way an authority maintains schools and PRUs is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

Section 2: Financial and Audit Requirements

2.1.1 Application of financial controls to schools and PRUs

The Council's Chief Finance Officer (CFO) has a duty to ensure the proper administration of the Council's financial affairs (Section 151 Local Government Act 1972). The CFO is also required to produce annual accounts in accordance with statutory requirements of standard accounting practice. In Dudley LA this Section 151 responsibility lies with the Treasurer.

In managing their delegated budgets schools and PRUs must abide by the Authority's requirements on financial controls and monitoring. These are contained within Financial Regulations for Schools and Standing Orders Relating to School Governors' Contracts. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit Services.

2.1.2 Provision of financial information and reports

Schools & PRUs are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the Authority and compatible with the Consistent Financial Reporting framework. All reports should be completed in a timely manner, should be accurate and duly authorised. The Authority has a duty to challenge school and PRUs financial performance and will monitor and check school and PRUs financial returns as part of the challenge process. For further guidance see Section 5.3 of Schools Financial Regulations – Financial Management.

Where the school or PRUs financial performance gives cause for concern, the school or PRU will be required to attend a financial review meeting with the Authority, to work in collaboration to review the reasons for concern and agree a way forward.

Schools and PRUs connected to the Authority's networked online financial systems and which have opted not to operate independent bank accounts and which purchase the in-house Accountancy support service at level B do not need to submit paper reports.

Schools and PRUs which are connected to the Authority's networked online financial systems but which purchase the in-house Accountancy support service at a level other than level B are required to submit quarterly income and expenditure reports in the format specified in Annex B(i).

Schools and PRUs, which are not connected to the Authority's networked online financial systems, are required to submit quarterly income and expenditure reports in the format specified in Annex B (ii).

Schools and PRUs operating independent bank accounts are required to submit quarterly cash flow statements in the format specified in Annex B (iii).

Quarterly income and expenditure reports and quarterly cash flow reports are required by the following dates:

	Dates covered	Deadline for return
Quarter 1	1 April to 30 June	31 July
Quarter 2	1 July to 30 September	31 October
Quarter 3	1 October to 31 December	31 January
Quarter 4	1 January to 31 March	No additional return: part of final accounts returns

Any of those schools or PRUs required to submit quarterly reports may at the discretion of the LA be required to submit these reports more frequently. These will only be required should the LA have a concern about the financial position of the school or PRU or should the school or PRU be in its first year of operation. No school or PRU will be required to produce reports more frequently than monthly and where required these are to be returned to the Authority by the 20th of the subsequent month.

All schools and PRUs are reminded that their Governing Bodies or Management Committees should receive termly reports on the income and expenditure of the school or Unit. This may be a separate item or may be a section of the head teacher's report to governors or members of management committee.

Most of the detailed work on financial arrangements will be delegated either to the headteacher or Head of Centre or to the finance committee/Management Committee. The minutes of the finance committee will reflect this, and it is expected that the members of the finance committee will have a more detailed knowledge of the school or PRUs financial position.

All staffing budget amendments decisions should be approved by governors or members of management committee.

However, all governors/members of Management Committees should be aware of the main financial issues affecting the school or PRU, the size of the budget, plans for spending resources, and the impact of alternative policies on the financial state of the school or PRU.

It is recommended that as a minimum headteachers/Head of Centre include in a termly report to the full governing body/Management Committee:

- A summary statement showing by category
 - all expected income and expenditure for the financial year
 - income or expenditure to date
 - current variance to budget
 - projected income or expenditure for the financial year
 - projected variance to budget.
- A note on any ring-fenced grants received by the school or PRU, including a summary of the proposals to spend these.
- A note of reserves held by the school or PRU and the plan for spending these.
- A note of devolved capital funds held by the school or PRU and the plan for spending these.

Any school or PRU that forecasts a possible in-year deficit is required to notify the Director of Children's Services as soon as it is aware that it may have a potential deficit (see Standard Operating Procedure – Schools With An Anticipated Budget Deficit). The school or PRU will be expected to take appropriate action to reduce the forecast deficit as soon as possible.

2.1.3 Consistent Financial Reporting

Section 44 of the Education Act 2002 enables the Secretary of State to require schools and PRUs to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).

CFR regulations brought this into force as a requirement from 1st April 2003. The regulations require that all maintained schools and PRUs submit a CFR return to the DfE each year. These returns will be checked and validated by Children's Services Accountancy.

From 2011, this has included expenditure on the provision of teaching, learning materials, educational resources, transport, meals and accommodation for pupils registered at other maintained schools and community facilities.

The governing body of a school or Management Committee of a PRU incurring such expenditure must submit to the LA by 30 June each year a Consistent Financial Reporting statement setting out details of the income and the expenditure incurred in the previous financial year.

2.1.4 Payment of salaries; payment of bills

The procedures for these will vary according to the choices schools or PRUs make about buying back the authority's payroll system and the holding of bank accounts.

Where a school or PRU opts to contract with a payroll provider other than the LA, they need to be mindful that there are certain obligations placed upon them in order that the LA can fully discharge its statutory requirements. This includes the right to be provided with information, as the employing body, to fulfil requirements to report employee statistical data to Ofsted and other statutory organisations.

The settlement of invoices should be made within the agreed credit terms offered by the supplier.

The procedures, which apply to the different choices made by schools, are set out in Section 19 of Schools Financial Regulations - Payment to Employees.

2.1.5 Control of assets

Each school or PRU must maintain an inventory of its moveable non-capital assets, and must set out the basic authorisation procedures for disposal of assets.

The format of the required inventory and the basic authorisation procedures for disposal of assets is as set out in Section 25 of Schools Financial Regulations - Inventories. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit

For assets worth less than the value stated in Financial Regulations, schools or PRUs may determine their own arrangements for keeping an inventory and recording disposal of assets. It is, however, a requirement that an inventory be kept for all assets.

Schools and PRUs should note that Internal Audit will monitor schools and PRUs arrangements for inventory maintenance and control and will expect schools and PRUs to use the model in Section 25.3(a) of Schools Financial Regulations - Inventories or a template with the equivalent headings, to record acquisition of all assets.

2.1.6 Accounting Policies (including year-end procedures)

Schools and PRUs must abide by procedures issued by the authority in relation to accounting policies and year-end procedures. These procedures will be issued annually by Children's Services Accountancy.

2.1.7 Writing off of debts

Governing bodies and Management Committees are only authorised to write off debts up to a level stipulated by the Treasurer. The current limit is set at debts up to and including £1,000. In the case of debts over £1,000 the school or PRU must consult with the Treasurer. The Cabinet Member for Finance must approve all debts over £1,000 for write-off except for those arising from liquidation and bankruptcy, where the Treasurer may authorise their write-off. Schools and PRUs are referred to Section 17 of Schools Financial Regulations – Income and debtors. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit Services

2.2 Basis of accounting

Reports and accounts furnished to the LA must be on an accruals basis.

2.3 Submission of budget plans

Each school or PRU is required to submit a budget plan to the Authority by 1 May each year:

The budget plan must show the school's/PRUs intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Schools and PRUs must take estimated deficits at the previous 31 March into account in their budget plans and may take estimated surpluses at the previous 31 March into account in their budget plans.

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

The format of the budget plan shall be as set out in Annex C (i) and shall be compatible with the requirements of the Consistent Financial Reporting framework.

Schools or PRUs operating independent bank accounts shall also submit an annual cash flow statement and a budgeted balance sheet to the Authority by 1 May each year.

The format of the annual cash flow statement and the budgeted balance sheet shall be as set out in Annex C (ii) and (iii).

Each school or PRU shall also submit a multi year budget projection to the Authority by 31 July each year or any other date specified by the LA. This should cover the period that the schools or PRUs have been notified of budget shares by the LA.

This will provide reassurance to the LA that schools or PRUs are undertaking financial planning.

The format of the multi year budget projection shall be as set out in Annex C (iv).

The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The LA will supply schools and PRUs with all income and expenditure data, which it holds and which is necessary to efficient planning by schools and PRUs. The LA will give guidance to schools and PRUs on assumptions likely to apply to all schools and PRUs, for example inflation factors.

2.4 Submission of outturn statements

Following the year end, schools or PRUs, which are not connected to the Authority's networked online financial systems, are required to submit, the following returns by a date specified by the Authority:

Income and expenditure outturn statement – Annex D (i)

Bank Reconciliation – Annex D (ii)

Balance sheet – Annex D (iii)

Devolved Formula Capital outturn statement – Annex D (iv)

Trial Balance – From school's financial system

2.5 Schools Financial Value Standard

In November 2010 the DfE ceased the requirement to comply with FMSiS. In July 2011 FMSiS was replaced with Schools Financial Value Standard - a simpler and more effective standard, drawn up in association with schools themselves to give governors and heads, PRU Management Committees, local authorities and

Government real assurance about both value for money and proper use of public resources. Information relating to this standard can be accessed at the following website –

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/>

2.6 Virement

A governing body or Management Committee shall make arrangements to ensure that its budget may be varied to meet changing circumstances provided that the school's or PRUs budget share shall not be exceeded. These arrangements shall be recorded in the minutes of the Governing Body or Management Committee. Governors and PRU Management Committees are advised to establish criteria for virements and financial limits above which the approval of the governors/members is required.

2.7 Audit: General

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

With regard to internal audit, all maintained schools and PRUs come within the audit regime determined by the LA. The Treasurer, or her/his duly authorised representative, is authorised to visit schools and PRUs to inspect cash, stores and other property, and to have access to all documentation including computer files. He/she can require any employee to furnish information and provide explanations in relation to any matter.

The headteacher or Head of Centre should consider and respond promptly to recommendations in audit reports and report to the governing body or Management Committee on the results of audits and any action by the school or PRU.

The headteacher or Head of Centre should immediately notify the internal auditors of any suspected irregularities.

The requirement to co-operate with internal and external auditors, and to grant access to appropriate records, includes income and expenditure relating to extended services (in the exercise of the community facilities power).

Schools and PRUs, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, must also 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 or PRU 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.

Further details are as set out in Section 10 Schools Financial Regulations- Audit.

Different arrangements may be made for schools or PRUs with or without their own bank accounts, as considered necessary by the Head of Internal Audit.

In relation to external audit all maintained schools and PRUs come within the LA external audit regime as determined by the Audit Commission.

2.8 Separate external audits

In instances where a school or PRU wishes to seek an additional source of assurance at its own expense, a governing body or Management Committee is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school or PRU chooses to seek such an additional audit it does not remove the requirement that the school or PRU must also cooperate with the LA's internal and external auditors.

2.9 Audit of voluntary and private funds

Schools and PRUs must provide evidence to internal auditors that any voluntary and private funds have been audited and so too have accounts of any trading organisations controlled by the school or PRU. The purpose of this provision is to allow the LA to satisfy itself that public funds are not being misused. The LA does not seek to impose through the scheme a right to audit such funds itself or otherwise access the accounts of private funds. However, a school or PRU refusing to provide audit certificates to Internal Audit as required by the Scheme is in breach of the Scheme and the LA may take action on that basis.

The Consistent Financial Reporting framework requires that private funds under the control of the governing body or Management Committee be included in returns.

The procedures for furnishing audit certificates and advice on the handling of such voluntary and private funds is set out in Section 28 of Schools Financial Regulations- Unofficial and Voluntary Funds

2.10 Register of business interests

The governing body or Management Committee of each school or PRU is required to establish a register which lists for each member of the governing body or Management Committee and the headteacher or Head of Centre, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, Management Committee, staff, parents and the LA.

2.11 Purchasing, tendering and contracting requirements

Schools and PRUs are required to abide by the Authority's Schools Financial Regulations (Section 12)- Purchasing arrangements and Standing Orders Relating to School Governors' Contracts in purchasing, tendering and contracting matters.

Schools and PRUs should note the requirements detailed in Financial Regulations for Schools and PRUs and Standing Orders to assess the health and safety capability of contractors where relevant, including obtaining copies of potential contractors' health and safety policies as part of the tendering process.

2.12 Central funds and earmarking

The LA is authorised to make sums available to schools and PRUs from central funds, in the form of allocations, which are additional to and separate from the school or PRUs budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used; and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the LA itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school or PRUs budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school or PRUs budget share. Earmarked funds must be returned to the LA if not spent within the period over which schools and PRUs are allowed to use the funding.

Schools and PRUs will be notified of their allocations of devolved specific or special grant where possible at the same time that they receive indicative notification of their budget share for the forthcoming financial year. Where the LA is notified of a devolved grant after this time – a number of grants are announced during the course of a financial year – schools and PRUs will be notified of their allocations as soon as possible.

Schools or PRUs without independent bank accounts may, in effect, draw on their whole grant allocation from the start of the year drawing on the funds available within the LA's bank account and the internal payment mechanisms made available to schools and PRUs to assist in this process. However, it is not permitted for schools or PRUs without independent bank accounts to withdraw funds in the form of cash equivalent to their grant allocation from the LA for investment elsewhere.

Schools or PRUs operating independent bank accounts will receive their allocations of devolved specific or special grant in accordance with the following principles:

- Where the DfE or other paying government department pays the LA its total allocation in instalments schools and PRUs will receive their individual allocations in the same proportion and at the same times;
- Where there is a statutory date by which the LA must pass on a grant to schools or PRUs, they will receive their individual allocations by this date;
- Where the DfE or other paying government department pays the LA its total allocation in full, schools and PRUs will receive their individual allocations in full within one month of the LA receiving it.

Details of the expected payment profile for each school or PRU operating independent bank accounts will be issued to it at the start of each financial year and updated thereafter as new information becomes available.

The principle underlying this allocation profile is that schools or PRUs with independent bank accounts receive their allocations of grant as soon as the LA itself has received the funding. In the event that a school or PRU operating an independent bank account requires access to specific or special grant funding in advance of the normal payment profile, it should contact the Assistant Director for Children's Services to request an advance payment, giving details of:

- the amount requested in advance of the expected allocation
- the grant(s) concerned
- The reason(s) for the request (e.g. payment to contractor due, project completed during the first half of the year).

2.13 Spending for the purposes of the school

In accordance with section 50(3A) of the School Standards and Framework Act 1998, governing bodies and Management Committees are free to spend budget shares 'for the purposes of the school or PRU', subject to any provisions of this scheme.

2.14 Capital spending from budget shares

Governing bodies and Management Committees are permitted to use their budget shares to meet the cost of capital expenditure on the school or PRUs premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSFA 1998.

If the expected capital expenditure from the budget share in any one year will exceed £15,000 per capital scheme, the governing body or Management Committee must notify the LA and take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure. Where the premises are owned by the LA or if the school or PRU has voluntary controlled status then the governing body or Management Committee shall seek the consent of the LA to the proposed works, but consent may be withheld only on health and safety grounds. The reason for these requirements is to help ensure compliance with the current School Premises Regulations, DfE Construction Standards and health and safety legislation. The requirements do not apply to expenditure from any capital allocation made available by the LA outside the delegated budget share.

The relevant information should be submitted to the Building and Estates team within the Directorate of Children's Services. The information supplied should include:

- project title
- details of scheme
- value of scheme
- timescale
- any other funding streams set against the project

These details should be included on the core data pro forma (available from Buildings and Estates Team)

Schools and PRUs are, however, urged to have regard to their Building Development Plan and the priorities of the Authority's Asset Management Plan when planning to incur capital expenditure.

However DfE recommend that schools and PRUs? revenue funding should not be used for major capital expenditure.

Further guidance is contained in the Authority's Financial Regulations- Section 5.6. From 2011/12, the DfE devolved formula capital grant to schools and PRUs is allocated on an annual basis and therefore draw down of future years grant allocation no longer applies.

In order for schools or PRUs to set aside contributions to capital schemes in year end reserves, community schools and PRUs should ensure that the scheme is on the LA's capital programme, VA and Foundation schools should obtain approval to the scheme by Buildings and Estates.

The LA reserves the right to request from schools and PRUs operating other trading activities the same level of financial information as it does from schools providing community facilities, described in Section 13.

Section 3: Instalments of the Budget Share; Banking Arrangements

3.1 Frequency of instalments

The LA will make available budget share instalments on a monthly basis to schools and PRUs which so request it. The request must normally be made at least two months prior to the start of the relevant financial year (unless this represents continuation of the existing payment arrangements for the school/PRU).

Where the LA is administering payroll for a school or PRU, the LA will ask the school or PRU concerned to consider whether it needs to take up the option of receiving funds gross of salary costs.

Schools or PRUs without independent bank accounts may, in effect, draw on their whole budget share from the start of the year drawing on the funds available within the LA's bank account and the internal payment mechanisms made available to schools and PRUs to assist in this process. However, they must be able to show from their budget plan that they will be able to meet all forecast expenditure commitments for the year, and the LA may request the submission of revised plans (section 2.3) should a school or PRU without an independent bank account demonstrate an actual spending profile that does not appear to match its budget plan.

It is not permitted for schools or PRUs without independent bank accounts to withdraw funds in the form of cash equivalent to their budget share allocation from the LA for investment elsewhere.

3.2 Proportion of budget share payable at each instalment

The proportion of the budget share to be made available to schools and PRUs operating independent bank accounts shall be calculated as set out in Annex F.

3.3 Interest claw back

The LA may deduct from budget share instalments an amount equal to the estimated interest lost by the LA in making available the budget share in advance. This will be calculated using the average 7 day local authority deposit rate as quoted in the Financial Times at 31 March proceeding the financial year. Interest will be calculated at the beginning of the year, based upon total sums estimated to be advanced in the year.

Interest will be calculated in the following manner:

Total sum advanced during the year x interest rate at previous 31 March

2

The total sum advanced to the school or PRU will be based on the school or PRUs detailed budget plan for the year.

In the event of late payment of budget share, the LA will add interest to the payment if the delay is the result of LA error. The interest will be calculated in the following manner, using the average 7 day local authority deposit rate as quoted in the Financial Times at 31 March preceding the financial year

Delayed budget share payment x ((interest rate at 31 March/number of days in month) x number of days' delay)

3. 4 Budget shares for closing schools

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

3. 5 Bank and building society accounts

All schools and PRUs have the option to continue with existing LA banking arrangements or to operate an external bank account into which their budget share instalments (as determined by other provisions) are paid.

Where schools or PRUs have such accounts they shall bear any charges made by their bank and shall be allowed to retain all interest payable on the account unless they choose to have an account within an LA contract which makes other provision.

New bank account arrangements may only be made with effect from the beginning of each financial year, except as below.

Any school or PRU wishing to opt for its own bank account for the first time may only do so after giving a period of notice of not less than four months.

Schools or PRUs without bank accounts at the start of the scheme cannot have one until any deficit balance is cleared; and any school or PRU requesting a bank account at a later date shall not be able to have one until any deficit is cleared.

A school or PRU opening an external bank account for the first time may, on request, receive an immediate transfer of its estimated surplus balance (agreed by the school/PRU and the LA), on the basis that there is a subsequent correction if necessary when the accounts for the relevant year are closed. Unless this is a school or PRU converting to Academy status.

Schools and PRUs should note that if they choose to exercise the community facilities power or provide extended services activities they should ensure that their internal accounting controls are adequate to maintain the separation of funds between the school budget share and other funds.

Further guidance on banking arrangements can be found in School Financial Regulations – Section 18.

3. 5.1 Restrictions on accounts

Schools and PRUs will be able to use any of the authorised financial institutions on the list given below, which will be revised annually by the Treasurer.

AUTHORISED FINANCIAL INSTITUTIONS

<u>UK BANKS</u>	<u>BUILDING SOCIETIES</u>
Santander	Nationwide
Bank of Scotland	
Barclays	
Halifax	
HSBC	
Lloyds TSB	
National Westminster	
Royal Bank of Scotland	

Schools and PRUs are allowed to have accounts for budget share purposes which are in the name of the school or PRU rather than the LA. Money paid by the LA and held in such accounts remains LA property until spent (section 49(5) of the Act). If this is the case, the account mandate should provide that

- the LA is the owner of the funds in the account;
- the LA is entitled to receive statements;
- the LA can take control of the account if it suspends the school or PRUs delegated budget.

Independent bank accounts shall be controlled in accordance with procedures specified by the Treasurer and shall be subject to Internal Audit scrutiny.

The LA will continue with the arrangements negotiated with HSBC Bank PLC whereby the accounts are in the name of the LA but specific to each school or PRU, for schools/PRUs wishing to use such arrangements.

3.6 Borrowing by schools

Governing bodies or Management Committees may not enter into any borrowing arrangements – including finance, hire purchase or other leasing deals – without the specific and written permission of the Secretary of State.

The general provision in this paragraph, which forbids governing bodies or Management Committees to borrow money shall not apply to schemes run by the Authority, as set out below in paragraph 4.9 ‘Borrowing for agreed purposes’.

This prohibition applies whether it relates to spending for the purposes of the school /PRU or in relation to the exercise of the community facilities power or for extended services activities.

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

Any school or PRU considering such action is required to consult first the Director of Children’s Services and the Treasurer for advice. Under normal circumstances, all borrowing is undertaken by the Council centrally, which allows the Council to use its resources most effectively and obtain the most advantageous financial outcome.

From 2005/06, a LA’s budget can include costs on prudential borrowing. Prudential borrowing means borrowing money for the purpose of facilitating the modernisation and rationalisation of the school estate, where the revenue savings that will be achieved are equal to or more than the expenditure that will be incurred in borrowing the money. Regulation 1 of The School Finance (England) Regulations 2008 support new powers of Schools Forums in respect of prudential borrowing. It is important to note that any expenditure retained under paragraph 35 of schedule 2 must conform to the definition set out in regulation 1 and cannot be taken to refer to expenditure whose scope is wider than that set out in the definition. So for example, expenditure on the costs of prudential borrowing, must meet the savings test defined for them in regulation 1 and may not under any circumstance include expenditure where the savings test is not demonstrated. Schools Forum only have the power to approve expenditure items to be included in the Schools Budget which conform to the definition set out in these regulations. In addition this paragraph imposes limits on the amount that a local authority may retain against any of these types of expenditure.

However, it remains essential to manage all borrowing and finance deals corporately to maximise the use of resources and ensure that best value is obtained and all relevant legislation is followed.

Schools or PRUs may not use credit cards, unless they are issued or approved by the Treasurer. The use of debit cards or electronic purchase cards, however, is recommended as these are efficient methods of purchasing which offer equivalent facilities to credit cards. Any school or PRU wishing to use a credit card must first discuss this with the Internal Audit Division, which will recommend to the Treasurer whether permission should be granted.

As with borrowing, Trustees and Foundations may use credit cards as private bodies, but any debt may not be serviced directly from the delegated budgets.

For further guidance see the Section 8.2 of Schools Financial Regulations – Borrowing.

Section 4: The Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares

4.1 The right to carry forward surplus balances

Subject to the operation of controls on surplus balances described below, schools and PRUs may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

Schools or PRUs opening an external bank account for the first time, unless the school or PRU is an Academy convertor, may receive, on request, an immediate transfer of its estimated surplus balance (agreed by the school and the LA), on the basis that there is a subsequent correction if necessary when the accounts for the relevant year are closed.

4.2 Reporting on the intended use of surplus balances

In order to allow the LA to monitor excessive balances, governing bodies or Management Committees are required to report to the LA on the use which the school or PRU intends to make of surplus balances. This will be required by early May each year in a format and detail set by the LA (return provided at Annex G). There is no intention to introduce provision for allowing balances to be taken into account in calculating budget shares.

4.2.1 Multi year budgets

At the same time as issuing its budget statement as required by section 52 of the Schools Standards and Framework Act 1998, the Authority will inform each maintained school or PRU of its estimate of the budget share and central government grant income paid via the LA. This will be for the period covered by the forecast DSG provided by the DfE. The estimate will be provided in a format determined by the Authority and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the Authority at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the Authority to fund the school at the level shown in the estimate. The Authority may issue additional budget estimates from time to time.

4.2.2. Controls on surplus balances

Surplus balances held by schools and PRUs as permitted under this scheme are subject to the following restrictions with effect from 1st April 2008.

- (i) The Authority shall calculate by 31 May each year the surplus balances, if any, held by each school or PRU as at the preceding 31 March. This will include all school and PRU balances at 31st March, as required by Consistent Financial Reporting and reported in the Section 251 outturn statement. For Dudley Schools and PRUs this will include:
 - School budget share arising from the delegated budget;
 - Extended school activities;
 - Community facilities;
 - Private funds.
- (ii) The balances covered by the CFR framework intend to give an overall picture of the resources available to the school or PRU from one year to the next. These balances relate to both revenue and capital.

This section of the scheme shall only apply to those surplus balances arising from the school budget share maintained within the delegated budget.

The definition of a school's budget share surplus balance will include those balances accumulated in previous years and held in the reserve categories detailed in section 4.3 of the Scheme of Financing for Schools at the end of the financial year.

It should be noted that funds derived from sources other than the Authority will be taken into account in the calculation of surplus balances if paid into the budget share account of the school, whether under provisions in this scheme or otherwise and for those funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) and any other activity accounted for outside of the school budget share will not be taken into account unless added to the budget share surplus by the school or PRU as permitted by the Authority.

- (iii) The value each school or PRU can hold in reserves will be subject to a maximum limit.
- Secondary schools will be able to hold 5% of their delegated budget for that financial year
 - For nursery, primary, PRUs and special schools the limit will be 8%.
 - For schools with boarding facilities the limit will be 10%.
 - Schools with boarding facilities, where the account is operated through the local authority, can also retain 100% of the boarding account reserve.

The normal year end accounting rules apply in that schools and PRUs should highlight to the Authority where there is a prior year commitment to pay for goods or services from the surplus balances identified at the year-end. A prior year commitment will include work or goods for which a contract has been entered into, or a scheme which is included on the LA's approved capital programme. Prior year commitments will not count towards the limit imposed on the reserve.

Funds set aside in the Single Status and Equal Pay costs Contingency will be maintained outside of the local management of schools reserves and excluded for claw back purposes at this stage.

- (iv) For reserves within the cash limits the governing body/Management Committee of each maintained school or PRU will be required to make a detailed return to the local authority by early May stating how it wishes to assign its budget share surplus balances which it will need to spend in the next financial year. These plans will be described as a Reserve plan.
- (v) For those schools and PRUs that set aside reserves to balance the following year's budget, but subsequently don't require some or all of the amount set aside, the excess amount may be clawed back by the Director as permitted by the Schools Finance Regulations 2008.

- (vi) If at the end of the following year a school or PRU has not spent its surplus balances in line with its Reserve Plan and is unable to justify this action to the satisfaction of the Director of Children's Services, then the Director may claw back school budget share reserves, as permitted by the Schools Finance Regulations 2008 and retain some or all of any unspent balances at the financial year end.

Schools and PRUs will be notified of the Director of Children's Services decision to claw back any balances by Children's Services Accountancy.

- (vii) The total of any amounts deducted from schools' budget share reserves by the Authority under this provision is to be applied to the Schools Budget of the Authority and allocated in accordance with Schools Forum approval.
- (viii) Schools Forum will be notified on an annual basis of the total surplus balance held by schools and PRUs for all activities including; full service extended services, community activities, private and other funds.

Process & Timetable

- Financial Year end 31st March;
- Unspent balances at the end of the financial year confirmed early May;
- Children's Services Accountancy will review:
 - any excess reserves set aside to balance the previous year's budget
 - reserves over the cash limit
 - whether the previous year's reserves have all been spent and whether they have been spent in accordance with the plans.
- Schools and PRUs provide Reserves Plans for the next financial year for unspent balances held in the reserve categories listed in section 4.3. These will be sent to Children's Services Accountancy by early May;
- Provisional plans to be discussed with Building and Estates – where capital works planned;
- Director of Children's Services notifies schools or PRUs of their intention to claw back balances;
- Reserve plans for the new financial year in respect of clawback will be taken to Schools Forum in the Summer term
- Process recommences.

4.3 Surplus Balances

Balances will be categorised as follows:

- Single Status and Equal Pay Costs (code VA25) – funds set aside to meet the costs arising from the single status agreement and equal pay claims. This only applies to schools.
- Specific Contingency (code VA49) - this may include balances set aside for staff stabilisation, for example to deal with changes in pupil numbers, SEN issues or to achieve sustainability where specific grant funding comes to an end. A clear reason should be specified for holding this contingency;
- Approved Capital Schemes (code VA59) – revenue contributions to capital outlay (RCCO) approved by Cabinet for community, Foundation schools and PRUs incurring capital expenditure.
- Capital Schemes waiting to be approved (code VA55) - revenue contributions to capital schemes for VA schools where a project notification form has been approved by Buildings and Estates. Also includes revenue contributions by all schools and PRUs to capital projects at the 31st March, not yet included in the programme to be approved at the Council's first meeting of full Cabinet in the following financial year;
- Approved Loans (code VA69) – loans approved to schools or PRUs under the asset purchase or licensed deficit schemes (see paragraphs 4.9.1 and 4.9.2 for details of the schemes);
- Reserves to Balance Following Year's Delegated Budget (code VA79) – balances brought forward to meet a projected deficit budget in the following financial year.

The Audit Commission launched a toolkit in 2005 which supports Council's work in managing school/PRU balances. The toolkit is available on the Audit Commission website

<http://www.audit-commission.gov.uk/schoolbalances/downloads/schoolbalances-tool.xls>

4.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

4.5 Planning for deficit budgets

No school or PRU may plan for a deficit budget. In exceptional circumstances governors or Management Committees may apply to anticipate their budget for the following year for specific objectives. However, no commitments of such a nature may be entered into without the prior approval of the Treasurer.

If a school or PRUs year end position is, despite warning and without prior negotiations with the Council, persistently and/or unreasonably in excess of the budget share such action may be considered by the Council as grounds for the withdrawal of the delegated budget from the governing body/Management Committee. Schools and PRUs should refer to the Standard Operating Procedure for schools with an anticipated budget deficit.

4.6 Charging of interest on deficit balances

The LA may charge interest on any deficit balance accumulated.

Interest shall be charged for a fixed period, normally six months, at a rate to be determined annually, based on the market rates current at that time.

4.7 Writing off deficits

The LA has no power to write off the deficit balance of any school or PRU.

If an LA wishes to give assistance towards elimination of a deficit balance, this should be through the allocation of a cash sum from the LA's own resources

4.8 Balances of closing and replacement schools/PRUs

When a school or PRU closes any balance (whether surplus or deficit) shall revert to the LA; it cannot be transferred as a balance to any other school/PRU, even where the school or PRU is a successor to the closing school/PRU, except that a surplus transfer to an academy where a school or PRU converts to academy status under section 4(1) (a) of the Academies Act 2010. The reason for this is that the Education Acts make no provision for transfer of balances between schools/PRUs.

This does not preclude the LA from making available additional sums to new schools or PRUs, which may be equal to or less than the balances of relevant closing schools.

If a closing school or PRU closes with a deficit, then the LA may not reduce the new school/PRUs normal funding entitlement in order to recover the deficit. However, if the LA is giving the new school or PRU additional funding above its normal entitlement (to assist in start-up costs for example), and then it may reduce this additional funding to take account of the deficit of the closing school or PRU.

4.9 Borrowing for agreed purposes

The general provision in 3.6 above forbidding governing bodies/management committees to borrow money shall not apply to schemes run by the Authority as set out in the following sections:

4.9.1 Loan schemes

A school or PRU may apply to borrow from the LA, against the collective surplus of school balances held by the Authority on behalf of schools/PRUs, in order to fund asset purchases. The following conditions will apply:

- the maximum length of a loan will be 5 years;
- the maximum amount borrowed will normally be 10% of the school or PRUs budget share, unless a greater amount is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- no more than 10% of the collective surplus of school balances will normally be available for loan, unless a greater proportion is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- a school or PRU wishing to borrow under this scheme must submit a detailed application in the form required by the LA;
- all loans will be agreed by the Director of Children's Services and The Treasurer;
- a school or PRU may not borrow under this scheme if it has an outstanding balance under the licensed deficit scheme, unless agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- interest will be payable on the outstanding balance at the same rate of interest as that paid on school balances, plus 1% additional to cover administration charges;

- the LA will deduct loan payments at source from a school's/PRUs budget annually.

Further details can be found in the Standard Operating Procedure in respect of the Loan scheme.

4.9.2 Licensed Deficit scheme

A school or PRU may plan for a deficit budget only via the LA's licensed deficit scheme, whereby a school or PRU may borrow against the collective surplus of school/PRU balances held by the Authority on behalf of schools/PRUs, in order to set a balanced budget. The following conditions will apply:

- the maximum length of a loan will normally be 3 years unless a longer period (up to a limit of 5 years) is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- the maximum amount borrowed will normally be 3% of the school's/PRUs budget share unless a greater amount is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- no more than 10% of the collective surplus of school/PRU balances will normally be available for loan, unless a greater proportion is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- a school or PRU wishing to borrow under this scheme must submit a detailed application in the form required by the LA, stating clearly how the deficit has arisen, what action is being taken to reduce the deficit and how the school /PRU will be able to set a balanced budget by the end of the loan term;
- all loans will be agreed by the Director of Children's Services and The Treasurer;
- interest will be payable on the outstanding balance at the same rate of interest as that paid on school/PRU balances, plus 1% additional to cover administration charges;
- the LA will deduct loan payments at source from a school's/PRUs budget annually.
- it is expected that other than in exceptional circumstances applications for licensed deficits will be received in the appropriate format by 1 May of the year for which the licensed deficit is requested.

Further details can be found in the Standard Operating Procedure in respect of the Licensed Deficit scheme.

4.9.3 Equal Pay Loan Facility

What is Equal Pay?

An equal pay claim is where an employee seeks to demonstrate that the work that he or she has undertaken is the same as, has been rated under a job evaluation study as the same as, or should be viewed as equivalent in value to that carried out by an employee of the opposite sex who has received more pay. The amount used for the comparison may include, for example, bonuses and other allowances. Equal pay claims are most commonly brought by employees from work groups that are predominantly and traditionally staffed by one gender and are usually based on a comparison with the pay of a group of staff of the opposite gender (e.g. lunchtime supervisors comparing their pay to refuse collectors).

Liability for Schools

Potentially, there are significant financial implications for schools with claimants being entitled to claim (up to) 6 years in back pay if a claim is successful.

The Government guidance and the Schools Finance Regulations 2011 state that the cost of EPBP (Equal Pay Back Pay) is a charge against the Schools Budget and Dudley has always worked on the basis that the cost of EPBP, whether financed by borrowing or otherwise, would be charged against school budgets and/or school reserves.

The School Finance Regulations 2011 (Part 2 Chapter 2 - 6a ii and 6 b ii) permit schools to meet from their delegated budget either capital expenditure appropriated to the schools budget for the purposes of funding pay arrears or expenditure on capital financing for the purposes of meeting the costs of financing the payment of pay arrears.

Borrowing for Schools

Governing bodies may not enter into any borrowing arrangements (see paragraph 3.6) – including finance, hire purchase or other leasing deals – without the specific and written permission of the Secretary of State unless it is a scheme operated by the Local Authority as part of the LMS scheme under ‘borrowing for agreed purposes’.

Since 2007/08 schools (only schools applies here) have been encouraged to set aside funds in the knowledge that there will be EPBP liabilities and therefore some schools will be able to fund their EPBP liability in total from either their reserves or delegated budget. Where a school is unable to meet this cost outright then the Council has put in place a loan facility option. The nature of the loan will depend upon the category of which the school falls into:

Community and Voluntary Controlled schools
Foundation and Voluntary Aided schools

Community School and Voluntary Controlled

For all Community Schools (but not Voluntary Aided or Foundation Schools where the Governors are the employer) it is the Council's responsibility, as Employer, to respond to employment tribunal cases.

In this instance the Council will apply for capitalisation direction from the Department for Communities and Local Government (DCLG) in order facilitate a capital loan repayment process over a number of years.

If you are a community or VC school then you will be able to apply for a loan to finance your EPBP liability (or any part of that liability) through the Council's capitalisation direction approved by the Department for Communities and Local Government (DCLG).

Capitalisation for Equal Pay

The legislation implementing the prudential capital finance system, the Local Government Act 2003 ("the 2003 Act"), preserved the Secretary of State's power to issue capitalisation directions.

The effect of a direction is that specified revenue expenditure becomes treated as capital expenditure, so that instead of having to be charged to revenue, it may be funded from capital sources (e.g. borrowing or capital receipts), thereby increasing an authority's financial flexibility.

The only kind of expenditure relating to equal pay for which a capitalisation direction would be likely to be issued is the one-off lump-sum back-pay payments to present or former employees of the local authority in respect of equal pay.

Directions apply only in respect of expenditure which is incurred in the same financial year that the direction is used.

Process for EPBP Loan Applications and Administration

The following procedure will apply in respect of the loan repayment (these procedures follow the DCLG rules in respect of the capitalisation direction):

Minimum Repayment of Principal (MRP) for the Debt

The debt (referred to as 'the principal') will be repayable on a minimum annual 4% reducing balance at the year end. However schools are permitted to make a lump sum repayment during the year if they wish.

Interest Payments

The debt outstanding at the beginning of the financial year will incur annual interest payments, set in accordance with the Council's 7 day lending rate prevailing at the time.

The annual loan repayment will be charged to the School by either journal transfer or invoice, if a non agresso school, at the year end. Schools will be notified of the amount to be charged beforehand and supplied with a reconciliation statement on a periodic basis.

A formal Loan Agreement will be required to be signed by the Headteacher and the Chair of Governors to be returned to Children's Services Accountancy.

Foundation and Voluntary Aided Schools

The determination for capitalisation from the DCLG covers 'present or former employees of the local authority' therefore Voluntary Aided and Foundation schools are precluded from Dudley's capitalisation direction and loan facility under this option.

There are no equivalent capitalisation facilities offered by central government for foundation and voluntary aided schools because the LA is not the employer of the staff in these schools.

In order to offer a similar facility to community and VC schools the Director of Children's Services has earmarked the 2009/10 Dedicated Schools Grant reserve of £1.3m for internal loan facility purposes. This will be administered on a 'first come first served' basis.

Process for EPBP Loan Applications and Administration

The following procedure will apply in respect of the loan application process.

Written applications must be submitted to the DCS (c/o Children's Services Accountancy) supported by the following:

- evidence of actual total liability supported by letters of acceptance signed by claimants;
- evidence of funding already applied by the School to offset the total liability in the first instance; this can be from the school budget and/or reserves;
- the net balance of actual liability outstanding for the School which will form the basis of the loan application; (see Annex H)

Once the School loan application has been agreed the value of the loan will be transferred into the School delegated bank account;

Schools will be responsible for raising the relevant cheques for offers made.

A formal Loan Agreement will be required to be signed by the Headteacher and the Chair of Governors.

The following procedure will apply in respect of the loan repayment

Minimum Repayment of Principal (MRP) for the Debt

The debt (referred to as 'the principal') will be repayable over a straight line method over 5 years. Schools are permitted to make a lump sum repayment during the year if they wish.

Interest Payments

The debt outstanding at the beginning of the financial year will incur annual interest payments, set in accordance with the Council's 7 day lending rate prevailing at the time.

The annual loan repayment will be charged to the School by either journal transfer or invoice if a non agresso school, at the year end. Schools will be notified of the amount to be charged beforehand and supplied with a reconciliation statement on a periodic basis.

It is the responsibility of the Headteacher and Governing Body to ensure that the school can meet the cost of repayment of MRP and interest each year for the duration of the loan agreement.

Section 5: Income

5.1 Income from lettings

Schools and PRUs may retain net income from lettings of the school or PRU premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools and PRUs are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share.

However, schools or PRUs whose premises are owned by the LA shall be required to have regard to directions issued by the LA as to the use of school/PRU premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools and PRUs and should also ensure that adequate insurance arrangements are in place. Income from lettings of school/PRU premises may not be paid into voluntary or private funds.

5.2 Income from fees and charges

Schools and PRUs may retain net income from fees and charges except where a service is provided by the LA from centrally retained funds. However, schools and PRUs are required to have regard to any policy statements on charging produced by the LA. Income from boarding charges is collected on behalf of the LA and should not exceed that needed to provide board and lodging for the pupils concerned.

5.3 Income from fund-raising activities

Schools and PRUs may retain net income from fund-raising activities.

5.4 Income from the sale of assets

Schools and PRUs may retain the net proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the LA to decide whether the school/PRU should retain the proceeds), or the asset concerned is land or buildings forming part of the school/PRU premises and is owned by the LA. Assets which are leased cannot be sold.

5.5 Administrative procedures for the collection of income

Because of the potential VAT implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the LA will establish administrative procedures for the collection of income which may vary from time to time in the light of advice from the VAT authorities.

Schools and PRUs are referred to Section 17 of Schools Financial Regulations – Income and Debtors.

5.6 Purposes for which income may be used

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

5.7 Charging for school activities

Schools and PRUs should have regard to Section 449-462 of the Education Act 1996. This sets out the law on charging for school/PRUs activities. It covers items such as residential visits, music tuition, transport and voluntary contributions.

Section 6: The Charging of School and PRU Budget Shares

6.1 General provision

The Authority shall charge salaries of school and PRU based staff to school budget shares at actual cost.

The budget share of a school or PRU may be charged by the LA without the consent of the governing body/Management Committee only in circumstances set out in 6.2 below.

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

Schools and PRUs are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under section 496 of the Education Act 1996.

The LA shall make arrangements for an arbitration procedure for such charges,

6.2 Circumstances in which charges may be made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the LA (*see Standard Operating Procedures – Redundancies and Premature Retirements*) to bear such costs. The amount chargeable being only the excess over any amount agreed by the LA.
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed LA procedures *as stated in Standard Operating Procedures – Redundancies and Premature Retirements*.
- 6.2.3 Awards by courts and industrial tribunals or out of court settlements against the LA arising from action or inaction by the governing body/Management Committee contrary to the LA's advice.
- 6.2.4 Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body/Management Committee for such work, but the governing body/Management Committee has failed to carry out the required work.
- 6.2.5 Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or where the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the LA in insuring its own interests in a school or PRU where funding has been delegated but the school/PRU has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA. There can be no charge against the budget share where the LA has no relevant insurable interest.
- 6.2.7 Recovery of monies due from a school or PRU for services provided to the school or PRU, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school/PRU to the LA.

- 6.2.8 Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers' Pensions, Environment Agency or regulatory authorities as a result of school or PRUs negligence.
- 6.2.9 Correction of LA errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10 Additional transport costs incurred by the LA arising from decisions by the governing body or Management Committee on the length of the school day. Failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs incurred by the LA because the governing body/Management Committee did not accept the advice of the LA (see also section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the LA, where funding for training has been delegated but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school or PRU enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools or PRU using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the LA in securing provision specified in a statement of SEN where the governing body of a school or Management Committee of a PRU fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.16 Costs incurred by the LA due to submission by a school or PRUs incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Costs incurred by the LA as a result of a governing body or Management Committee being in breach of the terms of a contract.
- 6.2.19 Costs agreed under a PFI/PPP agreement entered into by the governing body/Management Committee of a school/PRU.

6.2.20 Payments due to the LA under the provisions of a loan or licensed deficit scheme.

6.2.21 Costs incurred by the LA in making adequate arrangements for insurance relating to provision of extended services facilities in schools or PRUs, if it judges the arrangements made by the school to be unsatisfactory.

6.2.22 Costs incurred by the authority or another school or PRU as a result of a school or PRU withdrawing from a cluster arrangement, for example where this has funded staff providing services across a cluster.

6.3 General Teaching Council

The General Teaching Council is scheduled to be disbanded on the 31st March 2012. The future of the GTC's functions is yet to be determined by the Government. GTC fees will still be applied during 2011-12 financial year but there will be no fees for 2012-13 financial year. Current arrangements under the GTC are as follows -

Schools must deduct, or arrange for the deduction of, the GTC registration fee from the salaries of teachers who are registered, or who are required to register, with the GTC, and who have not paid the fee by any other means.

The General Teaching Council for England (Deduction of Fees) Regulations 2001 ("the Regulations", S.I. 2001 No. 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England ("the GTC") or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No.1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have indicated to the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not indicated how they wish to pay the fee.

In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations 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.

- (1) By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (S.I. 2001 No.475, Part II and Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.

- (2) A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:-
 - (a) Where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;

 - (b) Where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and

 - (c) Where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.

- (3) A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, a governing body shall:-

- (a) Where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the Authority to the GTC on the governing body's behalf. The Authority shall agree to any such amendment. The governing body shall meet any consequential costs from the school's budget share;
 - (b) Where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
 - (c) Where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.
- (4) All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share instalments which have been held by the school in an independent bank account, or the salary costs are directly charged by the Authority to the school's budget share account.

Section 7: Taxation

7.1 Value Added Tax

The LA VAT registered and in order to comply with VAT legislation must charge on its income where appropriate and also to maximise budgets to reclaim on its expenditure where it is able.

The LA VAT registration applies to all transactions that the school or PRU enter into where it is acting on behalf on the Local Authority.

In circumstances where Governors/Management Committees of PRUs may be acting in their own power rather than on behalf of LA, the VAT position needs to be considered separately and a separate VAT registration may be needed and advice should be sought.

Amounts reclaimed through VAT reclaim procedures will be passed back to the school or PRU. In the case of schools or PRUs that operate independent bank accounts and/or independent financial systems, these sums will be paid into the school's or PRUs bank account. In the case of schools or PRUs that use both the Authority's corporate financial systems and bank account, invoices are charged to school/PRUs budget codes net of VAT so that both payment and reclaim of VAT are administered centrally.

Schools or PRUs which operate their own financial systems need to submit the VAT return monthly in accordance with the LA accounting periods within 3 working days of that period closing. Failure to do so may result in VAT being repaid late and penalties.

Schools and PRUs are reminded that if the Council incurs financial penalties owing to the failure to comply with procedures the school or PRU will be liable for the cost (see section 6.2.8). Failure to comply with procedures includes submission of information by the required date for the correct periods.

For schools or PRUs with independent bank accounts, Invoices and other records relating to VAT claims must be held at each school. Customs and Excise officers may visit individual schools or PRUs to inspect these.

Guidance is available from the VAT and Tax Team or can be accessed on the Dudley intranet site, Inside Dudley by going to http://insidedudley/finance/financial/info&res/taxandvat_/default.htm

7.2 Income Tax and National Insurance

Schools and PRUs cannot make payments to individuals (non employees) without considering their income tax status; there is a statutory duty to ensure PAYE is operated where applicable. Non compliance will result in the school being liable to penalties imposed by the Inland Revenue.

If any member of staff employed by the school, PRU or LA in connection with extended services facilities at the school is paid from funds held in a school/PRUs own bank account, the school or PRU is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules, just as for any other employee.

Further guidance on payments to individuals can be found in Section 19 of Schools Financial Regulations – Payments to Employees.

Section 8: The Provision of Services and Facilities by the Authority

8.1 Provision of services from centrally retained budgets

The LA shall determine on what basis services from centrally retained funds (including PRC and redundancy payments) will be provided to schools and PRUs, but the LA is debarred from discriminating in its provision of services on the basis of categories of schools/PRUs except where (a) funding has been delegated to some schools or PRUs only or (b) such discrimination is justified by differences in statutory duties.

8.2 Timescales for the provision of services bought back from the LA using delegated budgets

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

Exceptions to this rule are:

- any centrally funded premises and liability insurance
- services provided under the Dudley Grid for Learning Private Finance Initiative, the Paragon Project Private Finance Initiative (see section 9) or under any other PFI/PPP arrangement.
- Contracts for supply of catering services, which may be for a maximum of five years from the date of the agreement and seven years for any subsequent agreement relating to the same services.
- Access to the LA's computer systems.

Where a service is provided for which expenditure is not retainable centrally under regulations made under section 46 of the School Standards and Framework Act 1998, it will be offered at a price which is intended to generate income that is no less than the projected cost of providing the service. Schools or PRUs may be charged differentially, but the total estimated cost of the service will be met by the total estimated income, so that there is no central subsidy of services.

8.2.1 Packaging

The LA may provide any services for which funding have been delegated. Where the LA is offering the service on a buyback basis it will do so in a way which does not unreasonably restrict a school or PRUs freedom of choice among the services available. Where practicable, this will include provision on a service-by-service basis as well as in packages of services.

8.3 Service level agreements

8.3.1 If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed annually. Details of the nature, level, quality, and method of charging of services offered under a service level agreement will be made available to schools and PRUs via the Traded Services Brochure in early January prior to the start of the next financial year. Details of the proposed actual cost of these services will be made available at the same time as details of the delegated budgets for the relevant financial year. Schools and PRUs are required to respond to the LA with their decisions on purchase of services under service level agreements by the date specified by the LA.

8.3.2 Services, if offered at all by the LA, shall be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. Where services are provided on an ad hoc basis, they may be charged for at a different rate than if provided on the basis of an extended agreement.

8.4 Teachers' Pensions

Governing bodies/Management Committees of schools or PRUs which provide payroll services should 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/Management Committees of all maintained schools and PRUs covered by this Scheme in relation to their budget shares.

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

A governing body of any maintained school or Management Committee of a PRU, whether or not the employer of the teachers at such a school or PRU, 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 and PRUs each year of the timing, format and specification of the information required. A governing body/Management Committee 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/Management Committee shall meet any consequential costs from the school's or PRUs budget share.

A governing body of any maintained school or Management Committee of a PRU 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 and PRUs each year of the timing, format and specification of the information required from each school. A governing body/Management Committee 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/Management Committee shall meet any consequential costs from the school's or PRUs budget share.

Section 9: PFI/PPP

9.1 PFI/PPP

The LA shall issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies/Management Committee of schools/PRUs as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

9.2 Paragon Project

The Authority signed a contract with Newmount Ltd in January 2002 to replace Colley Lane Primary School and The Summerhill School and to provide a facilities management service for 27 years.

Colley Lane Primary School's new building was completed in January 2003 and The Summerhill School's new building was completed in September 2003.

Operating procedures have been agreed with Newmount Ltd and the two schools in the contract.

Section 10: Insurance

10.1 Insurance cover

Schools and PRUs are referred to the Insurance Guide for Schools, which provides details of insurances offered by the LA and Section 23 of Schools Financial Regulations - Insurance.

Funds for the minimum required insurance cover are delegated to schools and PRUs and may be bought back from the LA. In addition, schools may purchase optional insurances as detailed in the Insurance Guide for Schools.

Any school or PRU making its own insurance arrangements should ensure it complies with legal requirements for certain insurances and ensure all insurance covers are suitable and commensurate with risk profiles.

In the interests of the protection and safety of people and to minimise risks to other assets, the school or PRU must pay due regard to building maintenance. Evidence of testing and or maintenance of: electrical systems, Fire Risk assessments, portable appliances, engineering items and other heating systems is a requirement under Health & Safety legislation. Documentary evidence relating to inspections and maintenance should be securely retained by an appropriate officer. Further details are available in the “Building Guide for Schools” and within the Traded Services to Schools brochure.

Section 11: Carbon Reduction Commitment (CRC)

11.1 Carbon Reduction Commitment

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a mandatory emissions trading scheme introduced by the UK Government in 2010. The scheme, as it currently stands requires large organisations in both the public and private sector to purchase allowances to cover their carbon dioxide emissions.

Dudley Council is legally obliged to participate in the scheme, with a series of fines and penalties for non-compliance. It must record and report to government information about its energy consumption and resulting carbon emissions, including those arising from schools/PRUs.

The Council will purchase all allowances under the CRC on behalf of schools/PRUs using Dedicated School Grant funding, but schools need to provide the Council with reasonable assistance to fulfil their statutory duty.

The CRC applies to ALL schools and PRUs– all Maintained Schools, PRUs ,Foundation and Trust, Voluntary Aided, Voluntary Controlled, City Technology Colleges, Academies and applies even if the school or PRU buys its own energy or pays its own bills directly to the supplier.

However, it does not apply to Independent Schools.

What responsibilities do schools have?

Schools and PRUs must provide the Council with the necessary information to participate in the CRC. The CRC requires participants to submit their annual energy consumption between April and March each year from 2010. This data has to be based upon actual meter readings or energy bills. Dudley Council has requested these annual energy statements from suppliers on behalf of schools on the corporate contract.

Funding for the Carbon Reduction Commitment Allowances in Schools

The Schools Finance Regulations 2011 (Schedule 2 paragraph 39) permits the element of CRC tax relating to schools to be an allowable item against the central part of the Schools Budget.

Section 12: Miscellaneous

12.1 Right of access to information

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

Governing bodies and Management Committees are requested to consult with the LA at least termly when setting agendas for meetings, in order to allow the LA to put forward items it may wish to be on the agenda.

12.2 Liability of governors/Members of Management Committee

Because the governing body or Management Committee is a corporate body, and because of the terms of section 50(7) of the SSFA, governors of maintained schools and Management Committees will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. In this context “good faith” refers to contracts entered into honestly and with no ulterior motive: an example of behaviour which is not in good faith is the carrying out of fraudulent acts.

12.3 Governors'/Members of Management Committees expenses

The LA shall have the power to delegate to the governing body of a school or Management Committee of a PRU yet to receive a delegated budget, funds to meet governors' or members expenses. The amounts of such allowances will be set by the LA.

Only allowances in respect of purposes specified in regulations (currently schedule 11 of the School Standards and Framework Act 1998) may be paid to governors or members from a delegated budget share. Schools /PRUs are expressly forbidden from paying any other allowances to governors or management committee members.

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

12.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the LA as part of the cost of maintaining the school and PRU - unless they relate to the statutory responsibility of aided school governors for buildings - may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. Legal costs are defined as those of legal actions, including any costs awarded against an LA, not the cost of legal advice provided.

12.5 Health and Safety

Governing bodies and Management Committees are required to have due regard to duties placed on the LA in relation to health and safety and the Authority's policy on health and safety matters in expending the school's or PRUs budget share. The LA may, under section 39(3) of the School Standards and Framework Act 1998, issue directions to the governing body and headteacher of a community, community special or voluntary controlled school or Management Committee and Head of Centre of a PRU on health and safety matters. Such directions are enforceable under section 497 of the Education Act 1996 if they are not complied with. This requirement covers any exercise of the community facilities power by governing bodies/management committees.

12.6 Right of attendance for the Treasurer

Governing bodies and Management Committees are required to permit the Treasurer of the Authority, to attend meetings of the governing body/Management Committee at which any agenda items are relevant to the exercise of her or his responsibilities.

The Treasurer's attendance shall normally be limited to items which relate to issues of probity or overall financial management, carries no voting rights, and shall not be regarded as routine. Wherever practicable, the LA shall give notice of such attendance.

12.7 Delegation to new schools

The LA is empowered to delegate selectively and optionally to the governing bodies of schools/Management Committees of PRUs which have yet to receive delegated budgets.

12.8 Optional delegation

Where a school or PRU exercises an option to receive delegated or devolved funding for an item (for example school meals funding), that option may only be exercised once a year. The school or PRU must give notification to the LA no later than 31 December prior to the start of the financial year from which delegation is requested.

12.9 Special Educational Needs

Schools and PRUs shall use their best endeavours in spending the budget share to secure appropriate provision for pupils with SEN. Schools and PRUs have a duty to assess and make provision for the needs of the pupil population which has been enrolled at the school or PRU as a result of the admissions procedure. All Dudley schools are comprehensive, but some have an additional specialist role. Accordingly, the school or PRU will need to assess the needs of the pupil population as a whole and the needs of individuals from the least to the most able, and to take account of any other needs which they may have.

Governors, Headteachers, Heads of Centres and Management Committees will need to have regard to the SEN Code of Practice in addressing the needs of pupils with additional educational needs. The Individual Schools' Budget will need to be used to formulate an annual school or PRU budget which reflects those needs, and to make contingency arrangements for individual needs which might reasonably arise within the financial year.

The LA may request statistical information from schools, annually, in relation to the application of delegated funding under the SEN formula allocation.

12.10 Whistle blowing

Persons working at a school, PRU, school governors or Management Committee who wish to complain about financial management or financial propriety at the school or PRU may contact the nominated officer at the LA (Assistant Director). Schools/PRUs should also refer to the LA's whistle blowing policy.

12.11 Child Protection

Staff at a school or PRU must be released in order to attend child protection case conferences and other related events.

12.12 Criminal Records Bureau (CRB)

Governing bodies and Management Committees are responsible for the costs of securing CRB clearance for all employees and volunteers in the school or PRU, including all adults involved in extended services activities taking place during the school day. Governing bodies and Management Committees would be free to pass on such costs to a funding partner as part of an agreement with that partner.

12.13 Notice of Concern

From time to time there is need for local authorities to intervene in schools or PRUs where they identify weaknesses in their financial management.

The LA may issue a 'notice of concern' to a governing body or Management Committee where, in the opinion of the Treasurer and the Director of Children's Services, it has failed to comply with any provisions within the scheme, or where action needs to be taken to safeguard the financial position of the authority or the school or PRU.

This notice will set out the concerns of the local authority and can impose a number of requirements on the governing body or Management Committee which would address the concerns identified. These requirements may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school or PRU;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body or Management Committee;
- placing more stringent restrictions or conditions on the day to day financial management of a school or PRU than the scheme requires for all schools /PRUs – such as the provision of monthly accounts to the local authority;
- insisting on regular financial monitoring meetings at the school attended by local authority officers;

- requiring a governing body or Management Committee to buy into a local authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school or PRU manages extended school activity funded from within its delegated budget share – for example by requiring a school or PRU to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are, the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn.

Where the LA issues a notice of concern the notice will be withdrawn once the governing body or Management Committee has complied with the requirements the LA has imposed.

If the governing body or Management Committee does not comply with the requirements, the LA will exercise its power to withdraw delegation.

12.14 External Funding – external code of practice

Schools and PRUs should adhere to the LA's code of practice when applying for external grants. The code of practice is in place to ensure schools and PRUs refrain from committing ongoing expenditure to be covered by grant funding which would leave the school/PRU in a deficit situation should the grant cease.

The Standard operating procedure for the application and monitoring of external grants provides guidelines to be used when applying for external grants and for the financial monitoring of those grants that are partly or wholly funded through external funding. These procedures incorporate the requirements of the Local Authority's (LA) Code of Practice for the Application for, and monitoring of, External Funding approved by Corporate Board. Compliance with the code is a mandatory requirement of the Council's Financial Regulations – Section 14 Schemes Financed Partly or Wholly by External Funding. The Code must be followed where the Council is a 'partner' to a bid even if not the actual bidder. Non-compliance with the code will be reported to Corporate Board.

The external funding code of practice and SOP – Application and monitoring of External Grants can be accessed via the following path

Inside Dudley/Directorates/Children's Services/CS electronic library/Children's services accountancy team/Information for schools/Forma and proformas

Section 13: Responsibility for Repairs and Maintenance

13.1 Division of responsibilities

From 1st April 2005 Governing bodies of schools were responsible for financing all repair and maintenance work in school buildings and school kitchens, whether the repairs are revenue or capital in nature, but exclude caretakers' houses

The LA retains a small centrally managed budget for capitalised enhancements and equipment in school kitchens relating to school meal provision. The budget is allocated in line with priorities identified by the LA.

Practical and professional guidance will be made available from the Building and Estates team regarding the maintenance of school buildings.

Section 14: Extended Services and Community Use

The community use of schools or PRU is a term to describe the use of school/PRU premises for a variety of purposes outside normal hours.

In recent years community activities have been subsumed into the government's extended services agenda. Therefore where extended services are referred to in the remainder of Section 13 this also includes community activities but excludes joint use agreements; transfer of control agreements, or agreements between the authority and the schools or PRUs to secure the provision of adult and community learning.

Extended services work with the LA and other partners to offer access to a range of services and activities. These services and activities include

- Community access through leisure facilities and youth work
- Parenting support
- Study support, play and childcare
- Early years provision
- Health Services
- Children's Centres
- Out of hours activities i.e. breakfast and after school clubs

The policy of the Authority is that buildings should be used for general extended services/community purposes provided that the use of the buildings does not adversely impact upon the general provision for pupils within the school or PRU.

Schools or PRUs which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide extended services/community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Secondly, the school or PRU is obliged to consult its authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies/Management Committees? about a range of issues connected with exercise of the power, and a school or PRU must have regard to that.

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

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

The development of Extended Services is underpinned by the Children's Act 2000 and other associated Acts including the Education and Standards Act 2001 and Childcare Act 2006.

14.1 Extended Services - Funding Agreements with Third Parties

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

Schools and PRUs should have regard to the Standard Operating Procedure for the Application and Monitoring of External Grants when applying for external funding. See section 12.14.

Any such proposed funding agreement should be submitted to the LA for its comments at the earliest possible opportunity. The Assistant Director of Children's Services will be the designated contact.

The LA does not propose a veto on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which LA consent is to be signified is a matter for that third party, not for the scheme.

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

In specific instances of use of the extended services/community power of governors/Members of Management Committees where the LA has reason to believe that the proposed project carries significant financial risks, it may require that the governing body or Management Committee concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA. This will not be funded from the schools or PRUs budget share.

14.2 Extended Services - Governor's/Members of Management Committees Responsibilities

Governors and Management Committees have overall responsibility for the premises, subject to any service level agreements entered into by the school governors/members of PRU Management Committees and various departments of Dudley MBC relating to extended services provision.

14.3 Extended Services – Financial Controls

Schools and PRUs should make proper arrangements for the financial control of accounts for extended services activities.

- Only activities that are the responsibility of the school Governors and Management Committees should be put through the LA's accounting system.

- Schools and PRUs with activities run by a separate Management Committee should make their own private accounting arrangements.
- All costs relating to the activity must be charged to that activity.
- Schools and PRUs should be able to show that any transfers of profit to the delegated budget are representative of a true surplus of income over expenditure.
- It is not acceptable to operate with a deficit balance on any trading activity without a clear plan to return the operation to a balanced budgetary position.
- Consideration should be given to ceasing the activity if there is no clear path to returning the operation to a balanced budgetary position.
- All income must be paid into Dudley MBC's receipt suspense bank account; payments into a private or school /PRU bank account are not permitted in accordance with the Council's Standing Orders and Financial Regulations.
- All income must be banked promptly to avoid the account being overdrawn.

Schools and PRUs should note that mismanagement of extended services funds can be grounds for suspension of the right to a delegated budget.

14.4 Extended Services - Supply of financial information

Schools and PRUs that have exercised their extended services/community facilities power shall provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school or PRU arising from the facilities in question for the previous six months and on an estimated basis, for the next six months. This statement shall include a plan for using any actual or estimated surplus, or for recovering any actual or estimated deficit. For further details see Annex E.

Arrangements will be made through Agresso for schools and PRUs to separate the transactions for extended services and school activities outside of the delegated budget. Profits arising from the extended services activities should generally be used to improve facilities both for the school/PRU and the local community.

The general principle that funds allocated for school based activity must not be used for non-school activity will still apply, with regard both to start-up costs and ongoing expenditure.

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

14.5 Extended Services – Treatment of Income and Surpluses

A school or PRU is able to retain within its extended school trading account all net income derived from extended services facilities except where otherwise agreed with a funding provider, whether that is the LA or some other person.

Funds must be deposited into the Council's approved bank account held on behalf of schools or PRUs and not in to private bank accounts held by schools/PRUs.

A school or PRU may carry such retained net income over from one financial year to the next as a separate extended services surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.

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

If a school or PRU is a maintained school, and the Authority ceases to maintain the school or PRU, any accumulated retained income reverts to the Authority unless otherwise agreed with a funding provider in the case of academy conversions.

If there is a deficit on extended services and the LA needs to recover funds to meet third party liabilities it may only do so from any accumulated extended services surplus. This arises from the provision of section 51A of the School Standards and Framework Act 1998 (inserted by paragraph 4 of Schedule 3 to the Education Act 2002), which provides that such liabilities are part of the expenses of maintaining the school/PRU; may be recovered from the governing body or Management Committee but the expenditure incurred by the governing body or Management Committee in the exercise of the extended services/community facilities power may not be met from the budget share unless such a purpose is prescribed by regulations made under section 50(3)(b) of the 1998 Act.

14.6 Extended Services – Audit

This section cross refers to Section 2.7.

The requirement to co-operate with internal and external auditors, and to grant access to appropriate records, includes income and expenditure relating to the activity. Schools and PRUs, in concluding funding agreements with other persons, must also 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/PRU 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.

14.7 Extended Services – Health & Safety

This section cross refers to Section 11.5 and 11.11.

Governing bodies and Management Committees are required to have due regard to duties placed on the LA in relation to health and safety and the Authority's policy on health and safety matters in expending the school's or PRUs budget share. The LA may, under section 39(3) of the School Standards and Framework Act 1998, issue directions to the governing body and headteacher (to include Head of Centre/Management Committee) of a community, community special or voluntary controlled school/PRU on health and safety matters. Such directions are enforceable under section 497 of the Education Act 1996 if they are not complied with. This requirement covers any extended services facility.

Governing bodies and Management Committees are responsible for the costs of

securing Criminal Records Bureau (CRB) clearance for all employees and volunteers in the school and PRU including all adults involved in extended services/community activities taking place during the school day. Governing bodies and Management Committees would be free to pass on such costs to a funding partner as part of an agreement with that partner.

14.8 Extended Services – Insurance

Insurance and risk issues arising from the use of extended services facilities are largely similar to those arising from normal school use. In line with the requirements stated under section 10.1 of the scheme, it is the responsibility of the governing body and Management Committees to ensure adequate arrangements are made for insurance against risks arising from the exercise of the extended services/community facilities power, taking professional advice as necessary.

Any school or PRU wishing to arrange its own insurance cover for extended services facilities shall give the LA six months notice of its intention in order to ensure that alternative cover is suitable. Any school or PRU making its own insurance arrangements will be required to provide the LA with relevant policy and cover documentation for checking upon request.

Where the LA believes there to be cause for concern as to the school/PRUs insurance arrangements, the LA may exercise the right to undertake its own assessment of the insurance arrangements made by a school or PRU in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school/PRU.

14.9 Extended Services – Taxation

This Section cross refers to Section 7.1

The LA has established procedures to enable schools/PRUs to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Schools and PRUs are required to use these procedures in order to ensure compliance with VAT legislation and regulations.

These are set out in VAT guidelines issued by the Authority

Schools and PRUs that have extended services should be especially mindful of the requirement to comply with these procedures and to seek advice from the Authority, particularly relating to the possible imposition of Value Added Tax on expenditure in connection with those facilities, including the use of the local authority VAT reclaim facility.

Schools and PRUs are required to follow authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the extended services/community facilities power.

14.10 Extended Services- Income Tax and National Insurance

This Section cross refers to Section 7.3

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

14.11 Extended Services Banking

Full details relating to Banking for schools/PRUs is covered in Section 3.5. However in addition the following arrangements must exist:

Schools and PRUs should note that they should not maintain separate bank accounts for budget share and extended services facilities but their internal accounting controls must be adequate to maintain the separation of funds through the financial information system.

In line with the requirements stated under section 3.5.1 of the scheme, schools/PRUs will be able to use any of the financial institutions as authorised by the Treasurer

Further guidance on banking arrangements can be found in School Financial Regulations – Section 18.

14.12 Extended Services – Borrowing by schools/PRUs

This Section cross refers to Section 3.6

Governing bodies and Management Committees may not enter into any borrowing arrangements – including finance, hire purchase or other leasing deals – without the specific and written permission of the Secretary of State.

This prohibition applies whether it relates to spending for the purposes of the school/PRU or in relation to the extended services

Section 15: School Trusts

15.1 Financial Considerations

Schools and PRUs should maintain separate accounting records for Trust activities. These should be kept separate from those relating to the delegated budget. A separate bank account in the name of the Trust should be opened for receipts and payments relating to the Trust. VAT should not be reclaimed through the LA for activities relating to the Trust.

Section 16: Partnerships/Collaborative Working

16.1 Financial Arrangements for Partnership/Collaborative Working by Schools

Schools and PRUs entering any form of partnership/collaborative working arrangement, be it with other schools/PRUs or other organisations, should ensure that any financial relationship is clearly defined, documented, and agreed by all parties. Any partnership that receives grant funding should ensure that it complies fully with the terms of the grant.

ANNEX A

List of Schools/PRUs to which this Scheme Applies

Nursery Schools

Netherton Park Children's Centre

Primary Schools

Alder Coppice Primary (F)

Amblecote Primary

Ashwood Park Primary (Nursery Unit)

Belle Vue Primary (Nursery Unit)

Blanford Mere Primary

Blowers Green Primary (Nursery Unit)

Bramford Primary (Nursery Unit)

Brierley Hill Primary (Nursery Unit)

Brockmoor Primary (Nursery Unit)

Bromley-Pensnett Primary (Nursery Unit)

Bromley Hills Primary

The Brook Primary

Caslon Primary (Nursery Unit)

Christ Church Primary (VC) (Nursery Unit)

Church of the Ascension Primary (VC)

The Church of England Primary School of St Edmund and St John (VA)

Colley Lane Primary (Nursery Unit)

Cotwall End Primary

Cradley CE Primary (VA)

Crestwood Park Primary

Dawley Brook Primary (Nursery Unit)

Dingle Community Primary

Dudley Wood Primary (Nursery Unit)

Fairhaven Primary

Foxyards Primary (Nursery Unit)

Gig Mill Primary (Nursery Unit)

Glynne Primary (Nursery Unit)

Greenfield Primary

Halesowen CE Primary (VA) (Nursery Unit)

Ham Dingle Primary

Hasbury CE Primary (VC)

Hawbush Primary (Nursery Unit)

Hob Green Primary (Nursery Unit)

Howley Grange Primary

Huntingtree Primary (Nursery Unit)

Hurst Green Primary
Hurst Hill Primary
Jesson's CE Primary (VA) (Nursery Unit)
Kate's Hill Primary (Nursery Unit)
Lapal Primary
Lutley Primary
Maidensbridge Primary
Manor Way Primary
Milking Bank Primary (Nursery Unit)
Mount Pleasant Primary (Nursery Unit)
Netherbrook Primary (Nursery Unit)
Netherton CE Primary (VC) (Nursery Unit)
Newfield Park Primary
Northfield Road Primary
Oldswinford CE Primary (VC)
Olive Hill Primary (Nursery Unit)
Our Lady and St Kenelm RC Primary (VA)
Pedmore CE Primary (VA)
Peter's Hill Primary
Priory Primary (Nursery Unit)
Quarry Bank Primary (Nursery Unit)
Queen Victoria Primary (Nursery Unit)
Red Hall Primary (Nursery Unit)
The Ridge Primary
Roberts Primary (Nursery Unit)
Rufford Primary (Nursery Unit)
Russells Hall Primary
Sledmere Primary (Nursery Unit)
St Chad's RC Primary (VA)
St James's CE Primary (VA)
St Joseph's RC Primary Dudley (VA) (Nursery Unit)
St Joseph's RC Primary Stourbridge (VA)
St Mark's CE Primary (VC) (Nursery Unit)
St Mary's CE Primary (VC)
St Mary's RC Primary (VA)
Straits Primary
Tenterfields Primary (Nursery Unit)
Thorns Primary
Wallbrook Primary
Withymoor Primary
Woodside Community School and Children's Centre
Wollescote Primary (Nursery Unit)
Wren's Nest Primary (Nursery Unit)

Secondary Schools

The Bishop Milner RC (SA)
Castle High (VA)
The Coseley
The Crestwood
The Dormston
The Ellowes Hall (F)
The Hillcrest School and Community College
Leasowes High School and Community College (F)
Oldswinford Hospital (VA)
Pedmore Technology College and Community School (F)
Redhill (F)
Ridgewood High (F)
The Summerhill
The Thorns School and Community College (F)
The Wordsley

Special Schools

The Brier
Halesbury
Old Park
Pens Meadow
Rosewood
Sutton School & Specialist College
The Woodsetton

Pupil Referral Units

The Mere Education Centre
Secondary Short Stay School Key Stage 3
Secondary Short Stay School Key Stage 4
Cherry Tree Learning Centre

ANNEX B

PROVISION OF FINANCIAL INFORMATION

Annex B, C, and D documents can be downloaded using the following path:

[iDudley](#) » [CS Electronic Library](#) » [Childrens Services Accountancy Team](#) » [Information for Schools](#) » [Non agresso schools](#)

B (i) - Quarterly income and expenditure statement (to be completed by schools/PRUs connected to the Authority's networked online financial systems but who do not buy back level B Accountancy Service)

B (ii) - Quarterly income and expenditure reports (to be completed by schools/PRUs not connected to the Authority's networked online financial systems)

B (iii) – Quarterly cash flow reports (to be completed by school/PRUs operating independent bank accounts)

ANNEX C

FORMAT OF BUDGET PLANS

See following pages for

C (i) – Budget Creation Plan (to be completed by all schools/PRUs)

C (ii) – Annual Cash flow Statement (to be completed by schools/PRUs operating independent bank accounts)

C (iii) – Budgeted Balance Sheet (to be completed by schools/PRUs operating independent bank accounts)

7C (iv) – Multi Year Budget Projection (to be completed by all schools/PRUs)

ANNEX D

FORMAT OF OUTTURN STATEMENT

See following pages for

D (i) – Actual Income and Expenditure Statement (to be completed by schools/PRUs not connected to the Authority’s networked online financial systems)

D (ii) – Bank Reconciliation Statement (to be completed by schools/PRUs not connected to the Authority’s networked online financial systems)

D (iii) – Balance Sheet (to be completed by schools/PRUs not connected to the Authority’s networked online financial systems)

D (iv) – Devolved Formula Capital Statement (to be completed by schools/PRUs not connected to the Authority’s networked online financial systems)

NAME OF ACTIVITY:

FINANCIAL CODE:

	APRIL TO SEPT ACTUAL	YEAR END FORECAST POSITION
	£	£
INCOME		
Grant Income		
Other Income		
TOTAL INCOME	<hr/>	<hr/>
EXPENDITURE		
Staff Costs:		
Premises Costs		
Occupancy Costs		
Educational Supplies		
Other Supplies and Services		
TOTAL EXPENDITURE	<hr/>	<hr/>
Excess of Income Over Expenditure		
Balance b/fwd from previous year		
Balance c/fwd to next period	<hr/>	<hr/>

Please state intended use of surplus funds:

OR

Please state how deficit will be recovered

Signed by (1)
(Block caps)
(Position) HEADTEACHER/HEAD OF CENTRE
(Date Signed)

Signed by (2)
(Block caps)
(Position) GOVERNOR/MEMBER
(Date Signed)

This form should be sent to:-

(Children's Services Accountancy),
Directorate of Corporate Resources
Council House,
Dudley,
West Midlands
DY1 1HF

THIS FORM SHOULD BE RETURNED TO CHILDREN'S SERVICES ACCOUNTANCY
BY 31ST JULY & 30TH APRIL EACH YEAR

ANNEX F

Proportion of Budget Share Payable at each Instalment

A school/PRU operating its own bank account will receive payment of its budget share on the following dates and in the following proportions:

Month	Date	Proportion
April	First banking day	4/36 th
May	Nearest banking day to 15 th	1/12 th
June	Nearest banking day to 15 th	1/12 th
July	Nearest banking day to 15 th	1/12 th
August	Nearest banking day to 15 th	1/12 th
September	Nearest banking day to 15 th	1/12 th
October	Nearest banking day to 15 th	1/12 th
November	Nearest banking day to 15 th	1/12 th
December	Nearest banking day to 15 th	1/12 th
January	Nearest banking day to 15 th	1/12 th
February	Nearest banking day to 15 th	1/12 th
March	Nearest banking day to 15 th	2/36 th

The governing body/Management Committee should formulate its own profile of cash flow requirements. If it becomes clear that the school/PRUs forecast profile varies significantly from the standard profile and this will cause difficulties for the school/PRUs (taking into account any balances held by the school/PRU), the LA may consider a change to the profile of payments in order to overcome any difficulty.

ANNEX G

Reporting on the intended use of Surplus Balances

ASSIGNMENT OF RESERVES

SCHOOL/PRU:

Reserves Title		Closing Balance £	Details of how the reserves balance will be utilised in the next financial year	£
25	Single status/equal pay			
49	Specific Contingency			
55	Other Approved Capital schemes			
59	Approved DMBC Capital Schemes			
69	Approved Loans			
79	Reserve to Balance Following Years Delegated Budget			

Authorised by Head Teacher/Head of Centre (signature) _____ **(print name):** _____

Authorised by Governor/Member (signature) _____ (print name): _____