

THE THURROCK SCHEME FOR FINANCING SCHOOLS

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THE THURROCK SCHEME FOR FINANCING SCHOOLS: SECTION 48 OF THE SCHOOLS STANDARDS AND FRAMEWORK ACT 1998
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THE OUTLINE SCHEME

References throughout this statutory guidance to:

“the Act” are to the Schools Standards and Framework Act 1998;

“the authority” means the local authority; and

“the Regulations” are to the School and Early Years Finance (England) Regulations 2024 made under the Act.

The Regulations state that schemes must deal with the following matters

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the authority for schools maintained by them.
6. The payment of interest by or to the authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be available at each such time.
8. The virement between budget heads within the delegated budget.
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11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.
13. A statement as to the personal liability of governors in respect of schools’ budget shares having regard to section 50(7) of the 1998 Act.
14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 Act.

15. The keeping of a register of any business interests of the governors and the head teacher.
16. The provision of information by and to the governing body.
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SECTION 1: INTRODUCTION

1.1 THE FUNDING FRAMEWORK

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

Under this legislation, Thurrock Local Authority will determine the size of their schools budget (SB) and their non-schools education budget – although at a minimum Thurrock Local Authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure that fall within the (two budgets) Local Schools Budget are prescribed under regulations made by the Secretary of State, but included within the two, taken together, SB is all expenditure, direct and indirect, on maintained schools in Thurrock. Local authorities may retain funding for purposes defined in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be retained centrally are decided by the Authority, subject to any limits or conditions (including gaining the approval of the Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the SB left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to Schools).

Thurrock distribute amounts from the ISB amongst maintained schools using a formula, which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of each school, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in this scheme made by the LA in accordance with s.48 of the Act. All proposals to revise the scheme must be approved by the Schools Forum, although the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to provisions of the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school*. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2022 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

The Authority may suspend a school's right to a delegated budget if the provisions of the school financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (s.17 to the Act).

The Authority will publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services. After each financial year the Authority will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

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

Thurrock will publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The Role of the Scheme

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

1.2.1 Application of the Scheme to the Authority and maintained schools

The Scheme applies to all those community, nursery, voluntary, foundation (including trust) foundation special schools and community special schools and Pupil Referral Units (PRU's), listed at Annex A, maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. It does not apply to Schools situated in the Authority's area which are maintained by another Authority. Nor does it apply to academies.

1.3 Publication of the Scheme

A copy of the Scheme will be supplied to the headteacher and to the governing body of each school covered by the Scheme. The scheme will also be published on a website which is accessible to the general public and any revised versions must be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.4 Revision of the Scheme

Any proposed revisions to the Scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the Authority before they are submitted to the schools forum. All proposed revisions must be submitted to the schools forum for their approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the Authority may apply to the Secretary of State for approval.

1.5 Delegation of Powers to the Headteacher

The governing body is required to consider the extent to which it wishes to delegate its financial powers to the headteacher and must record its decision (and any revisions to that decision) in the minutes of the governing body.

It is the responsibility of the head teacher and governing body to agree the annual budget plan; the first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body.

1.6 Maintenance of Schools

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

SECTION 2: FINANCIAL CONTROLS

2.1 General procedures

2.1.1 Application of Financial Controls to Schools

Thurrock Council, like other major bodies and companies in both the public and private sectors, has to regulate its financial affairs in terms of formal Regulations and Standing Orders. In managing their delegated budgets schools are required to abide by not only the requirements embodied in this Scheme but also by the Authority's requirements on financial controls and monitoring.

2.1.2 Provision of Financial Information and Reports

Schools are required to provide the Authority, with details of anticipated and actual expenditure and income, in a form and at times as determined by the Chief Finance Officer. For the purposes of this scheme, all operating schools are required to submit financial monitoring returns to the Authority in the format specified and in accordance with the timetable set out at Annex B. The form determined by the authority for submission of information should so far as possible take account of the Consistent Financial Reporting framework and the desirability of compatibility with that framework.

Schools are also required to submit a covering written note with their returns to explain any significant variations on position to date and year-end forecast.

Schools may be required to change the frequency of submitting monitoring returns due to a change in financial circumstances. Notification of this requirement will be made to the relevant school in writing.

2.1.3 Payment of salaries; payment of bills

Schools using the corporate facilities are required to abide by the Authority's requirements on financial controls and monitoring.

2.1.4 Control of Assets

Schools are required to maintain an inventory of their moveable non-capital assets in a form that complies with the guidance issued by the Authority and which sets out the basic authorisation procedures within the school for disposal of any such assets. Schools must have In-School arrangements for assets worth less than £1,000 and Schools must keep a register in some form.

2.1.5 Accounting Policies (including year-end procedures)

Schools are required to abide by the Authority's procedures in respect of accounting policies and year-end procedures.

2.1.6 Writing-off Debts

Schools shall ensure that every effort is made to recover debts due to them. Where the Head teacher in consultation with the Governing Body, consider that the sums are not reasonably recoverable, they shall have the authority to amend or write off a debt subject to the following:

- (i) Up to £2,000 in any one case after notifying the Authority's S151 Officer.
- (ii) Above £2,000 in any one case after consultation with the S151 Officer.

2.2 Basis of Accounting

Schools can choose to account for expenditure and income during the financial year on their internal systems using either a cash or accruals basis. Reports submitted to the Authority in accordance with part 2.1.2 of this Scheme must be on an accruals basis. Consistent Financial Reporting returns to the DfE should also be on an accruals basis.

2.3 Submission of Budget Plans

The Authority will aim to notify each school of its budget share as early as practicable, but no later than 31 March preceding the budget year in question. Schools are required to submit an initial budget plan, approved by the governing body, within six weeks of receiving its budget share or by 1 May whichever is later. The format of the budget plan must conform to the Consistent Financial Reporting framework. The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.

The Authority may also require the submission of revised plans if deemed necessary. Such revised plans will not be required at intervals of less than 3 months. Revised plans will be required where it is evident that the original budget plan is no longer sustainable.

The Authority will give guidance to schools on increases to expenditure likely to be the same for all schools e.g. on inflation, in a Budget Advice Note.

Schools must take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

2.3.1 Submission of Financial Forecasts

The Authority has the right to require schools to submit a financial forecast covering each year of a multi-budget period. The Authority has no plans at this time to require schools to submit multi-year budgets. Should the Authority wish to introduce such a scheme, it will inform schools of the decision including the reason why the information is needed.

2.4 Efficiency and value for money

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in Section 2.10.

It is for heads and governors to determine at school level how to secure better value for money. It is important for schools to review and compare their current expenditure to other schools and think about how to make improvements. Comparisons may be made by looking at the Governments Benchmarking website for Schools.

2.5 Virement

Schools may vire freely between budget heads in their budget shares, but governors are advised to establish criteria for virements and financial limits above which the approval of governors is required.

2.6 Audit: General

Schools will be subject to internal audit on a regular basis in accordance with arrangements determined by the Authority. Schools' accounts may also be required for inspection by external audit as schools come within the Authority's external audit regime as determined by the Local Audit and Accountability Act 2014. The external auditors may also wish to undertake such reviews of financial and other operations of schools, as they deem necessary for the discharge of their statutory function.

Governing Bodies and school staff are required to provide all facilities and co-operation to both internal and external auditors. The auditors are entitled to whatever information or explanations required to ensure the correctness or otherwise of any matter under review. The governing body is required to consider audit reports.

The Head of Corporate Finance and the Head of Audit Services should be notified immediately by a governing body or the Head of any financial irregularity or suspected irregularity including those affecting salaries and wages, cash, stores or property, relating to both private and Council funds.

2.7 Separate External Audits

A governing body wishing to seek an additional source of assurance may use its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Any audit commissioned by the school would have to take into account the status of the school as a spender of the Authority's funds and not as a grant aided institution, as was the case with former grant-maintained schools.

2.8 Audit of Voluntary and Private Funds

Schools are required to provide audit certificates in respect of voluntary and private funds held by them and for the accounts of any trading organisations controlled by them. Further guidance is to be found within the Authority's School Private Funds handbook.

A school refusing to provide audit certificates to the authority as required by the scheme is in breach of the scheme and the authority can take action on that basis. Access to the accounts of such funds by other agencies is a matter for them. Any other requirement as to audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

2.9 Register of Business Interests

A governing body is required to establish a register, which lists for each member of that governing body and the headteacher:

- (i) Any business interests that they or any member of their immediate family may have;
- (ii) Details of any other educational establishment that they govern;
- (iii) Any relationship between school staff and members of the governing body;

The register must be kept up to date with notifications of changes and reviewed at least annually. The register must be available for inspection by governors, staff, parents and the Authority's auditors.

The register should be published on a publicly accessible website.

SEE ANNEX C

2.10 Purchasing, Tendering and Contracting Arrangements

Under paragraph 2.1.1 of this Scheme, schools are required to abide by the requirements of the Authority in purchasing, tendering and contracting matters. These include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures. Nothing within those requirements must force schools to:

- (i) do anything incompatible with any of the provisions of this Scheme, or any statutory provision, or any EU Procurement Directive;
- (ii) seek countersignature from an officer of the Authority for any contracts for good or services for a value below £60,000 in any one-year,
- (iii) select suppliers only from an approved list; or
- (iv) seek fewer than three tenders in respect of any contract with value exceeding £10,000 in any one year:

More detailed guidance in the maintenance of such a register is detailed at Annex C.

2.11 Application of Contracts to Schools

Schools have a right to opt out of any contract arranged by the Authority that was not agreed, in advance, by the school. In addition, for certain contracts approved by the Secretary of State, schools are bound by the agreements.

Although governing bodies are empowered under paragraph. 3 of Schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and owner of the funds in the budget share. Other contracts may be made, however, solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.12 Central Funds and Earmarking

The Authority may make sums available to schools, from resources initially held centrally, in the form of allocations that are additional to and separate from schools' budget shares. Such allocations will be subject to specific conditions setting out the purpose or purposes for which the funds may be used. As a general rule, virement of funds allocated on an earmarked basis will not be allowed. Schools should ensure that they have appropriate accounting mechanisms in order to be able to demonstrate that expenditure has been incurred only for the purpose intended. Any such funds not spent within the financial year, or within the period over which schools are allowed to use the funding if different, must be returned to the Authority. The Authority will not make any deduction in respect of interest costs to the local education authority from payments to schools of devolved or special grant.

2.13 Spending for the purposes of the school

Governing bodies may spend budget shares for the purposes of the school, subject to any provisions in this scheme. By virtue of section 50(3A) amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under section 50 (3B) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or Academies.

2.14 Capital Spending from Budget Shares

A governing body may use its budget share to finance capital expenditure on the school premises. This includes expenditure incurred by a governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of Schedule 3 to the School Standards and Framework Act 1998. In those instances where the Authority owns the premises, or the school has voluntary controlled status, the governing body must seek the consent of the Authority to the proposed works, but such consent will only be withheld on health and safety grounds. Any school seeking to incur capital expenditure from its budget share that, in any one financial year, exceeds £15,000 must notify the Authority of its intention and take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure.

The reason for these provisions is to help ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation. These provisions would not effect expenditure from any capital allocation made available by the authority outside the delegated budget share.

2.15 Notice of Concern

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

Such a notice will set out the reasons and the evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include:

- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- Insisting that an appropriately trained / qualified person chairs the Finance Committee of the governing body;
- Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the Authority;
- Insisting on regular financial monitoring meetings at the school attended by officers
Requiring a governing body to buy into the Authority's financial management systems;
- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share, for example requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the Authority may take where the governing body does not comply with the notice. Once the governing body has complied with the conditions the Authority will withdraw the notice of concern.

The purpose of this provision is to enable the Authority to set out formally any concerns it has regarding the financial management of a school it maintains and require a governing body to comply with any requirements it deems necessary. The principal criterion for issuing a notice, and determining the requirements included within it, must be to safeguard the financial position of the Authority or school.

It should not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the authority's concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

Where an authority issues a notice of concern the scheme should provide for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

In placing this provision in their scheme, the Authority may wish to consider the way in which a dispute between it and the school it is issuing a notice to regarding any aspect of the notice may be resolved.

2.16 Schools Financial Value Standard (SFVS)

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

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. **Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.**

All other maintained schools with a delegated budget must submit the form to the local authority before 31st March 2024 and annually thereafter.

2.17 Fraud

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

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

SECTION 3: BUDGET SHARES AND BANKING ARRANGEMENTS

3.1 Frequency of Instalments

All Thurrock schools now run External Bank Accounts and make payments from their own accounts. The whole budget share will be made available as shown in paragraph 3.2 of this scheme.

3.2 Proportion of the Budget Share Payable at each Instalment

For all Thurrock schools their budget share will be made available on the following basis:

- i. An initial instalment on 5 April in each financial year, equivalent to 1/36th of the budget share;
- ii. 11 subsequent instalments payable on the 20th day of each calendar month from April to February inclusive, each instalment equivalent to 1/12th of the annual budget share; and
- iii. a final instalment on 20 March in each financial year' equivalent to 1/18th of the annual budget share

Where 5 April falls on a Saturday, Sunday or Public Holiday, then the instalment due on that day will be paid on the first working day thereafter. Where the 20th day of any calendar month falls on a Saturday, Sunday or Public Holiday, then the instalment due on that day will be paid on the last working day prior to that day.

Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

3.3 Interest Clawback

For Thurrock Schools, the arrangements set out at paragraphs 3.1 and 3.2 of this Scheme have been designed on the basis of no financial disadvantage to the Authority in terms of cash-flow and no need, therefore, to "clawback" any sums in respect of lost interest. Should circumstances change and the Authority finds it necessary to introduce such a charge, then it will only do so following consultation with schools over the proposed basis for the calculation of that charge. Any such change would require the Secretary of State's approval.

3.3.1 Interest on Late Budget Share Payments

The Authority will add interest to late payments of budget share instalments, where such late payments are the result of an error by the Authority. The interest rate used must at least be the current Bank of England base rate.

3.4 Budget Shares for Closing Schools

The budget shares of schools, for which approval for discontinuation has been secured, may be made available until closure on a monthly basis net of estimated pay costs, even when some different basis has previously been used.

In order to minimise the Authority's liabilities, the Authority may wish to take the appropriate action to prevent schools entering into contractual arrangements or committed expenditure beyond the school closure date. Any monies incurred in this way may become the responsibility of the governing body.

3.5 Bank and Building Society Accounts

All Thurrock schools now have an external bank account into which their budget shares or a proportion of their budget shares will be paid, in accordance with the provisions contained at paragraph 3.1 of this Scheme. All Schools shall be allowed to retain all interest payable on the account.

3.5.1 Restriction on Accounts

Schools wishing to open an external bank account may only do so with one of the following banks or building societies:

Santander	TSB
Barclays	Royal Bank of Scotland
Co-op	Halifax – Bank of Scotland
HSBC	Lloyds
Nationwide	Nat West

Schools that had bank accounts with other banks or building societies prior to 1st April 2002 are allowed to retain their account. However, any school choosing to close their account used to receive the budget share must select the new account from the above approved list.

Accounts held by schools for the purpose of receiving their budget shares will be in the name of the school and “Thurrock Borough Council” may be added to the account title. The account mandate should provide that the Authority is the owner of the funds in the account that the Authority is entitled to receive statements and that it can take control of the account if the school’s right to a delegated budget is suspended by the Authority.

Budget share funds paid by the authority and held in school accounts remain authority property until spent (s.49(5) of the Act).

3.6 Borrowing by Schools

The scheme should contain a provision reminding schools that governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. The introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education’s consent.

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

Schools should be aware that entering certain agreements such as finance leases can constitute external borrowing which cannot legally be entered into without the approval of the Secretary of State.

Schools are not allowed to use credit cards, which are regarded as borrowing, but are encouraged to use procurement cards as these can be a useful means of facilitating electronic purchase.

3.7 Other Provisions

None

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

4.1 The Right to Carry Forward Surplus Balances

Schools may carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from the previous year. A school's surplus balance at 1st April is equal to that at 31st March. Surplus balances are, however, subject to restrictions shown in paragraph 4.2 below.

4.2 Controls on Surplus Balances

Not used in Thurrock.

4.3 Interest on Surplus Balances

No centrally held Bank accounts.

4.4 Obligation to Carry Forward Deficit Balances

Deficit balances will be carried forward into the next financial year and will be deducted from that year's budget share (see also paragraph 4.8). A school's deficit balance at 1st April is equal to that at 31st March, in the same account. Any scheduled repayments of deficits agreed with schools maintained by the Authority on 31st March will continue to apply.

The deficit balance would be shown on the Outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case).

4.5 Planning for Deficit Budgets

A governing body cannot plan for a deficit budget other than under the arrangements for a Licensed Deficit as set out in paragraph 4.9 of this Scheme.

4.6 Charging of Interest on Deficit Balances

All Thurrock schools have independent bank accounts. This section therefore does not apply.

4.7 Writing-off Deficits

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

If Thurrock Council wishes to give assistance towards the elimination of a debit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by the Schools Forum)

4.8 Balances of Closing and replacement Schools

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

When a school closes any accumulated balance, whether surplus or deficit, reverts to the Authority. The balance cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1) of the Academies Act 2010.

4.9 Licensed Deficits

Schools which have no deficit as at 31 March, in a given year, may plan for a deficit budget in future years, subject to the agreement of the Director of Children's Services and the Chief Finance Officer in accordance with the following conditions/requirements:

- (i) the maximum length of time over which schools may repay the deficit (i.e. reach at least a zero balance), will be three years. Schools will need to prepare a recovery plan and progress towards the elimination of the deficit will be reviewed formally every term. At no stage, will the period of recovery be extended beyond three years and schools will, therefore, need to adjust their plans accordingly;
- (ii) licensed deficits will only be agreed where circumstances affecting a school change in ways which could not reasonably have been foreseen and that the school needs a period in excess of one financial year in order to effect a reduction in its annual level of expenditure and/or an increase in its annual level of income sufficient to eliminate the budget deficit;
- (iii) the maximum size of a deficit that has been agreed with the Authority will be 5% of the school's budget.
- (iv) no more than 30% of the total schools accumulated balances held by the Chief Finance Officer as part of the General Fund will be used to back these arrangements; and
- (v) no school that operates an external bank account into which its budget share is paid may participate in the Licensed Deficits Scheme.

4.10 Loan Schemes

The authority may make a loan arrangement for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by Thurrock Council in respect of a particular school on condition that a corresponding sum is repaid from the budget share.

Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. Such a loan will not transfer, either in full or part, to a new academy on change of status as per paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010.

4.10.1 Credit Union Approach

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. If schools decide to operate in such a way, they must provide the Authority with audit certificates.

SECTION 5: INCOME

5.1 Income from Lettings

Schools may retain income from lettings of the school premises that would otherwise accrue to the Authority unless a clause in a specific joint use or Private Finance Initiative contract precludes this. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. Schools must, however, have regard to directions issued separately by the Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools. This should include the requirement to conduct the School with a view to promoting high standards of educational achievement.

Income from lettings of the school premises should not normally be paid into voluntary or private funds held by the school.

5.2 Income from Fees and Charges

Schools may retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. Schools must, however, have regard to any policy statements on charging issued separately by the Authority.

5.3 Income from Fund Raising Activities

Schools may retain income generated by fund raising activities.

5.4 Income from the Sale of Assets

Schools may retain the proceeds from sales of assets except in cases where the asset was purchased with non-delegated funds (in which case it is for the Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

5.5 Administrative Procedures for the Collection of Income

The provisions of Section 4.14 of the School Financial Regulations and Scheme of Delegation shall apply in the collection, recording and accountability for income.

Schools should seek advice from the Authority, particularly with regard to the VAT implications of fund-raising activities, the sale of assets and the letting of premises.

5.6 Purposes for which Income may be used.

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

SECTION 6: CHARGING SCHOOL BUDGET SHARES

6.1 General Provision

School budget shares may be charged by the Authority without the consent of the governing body only in circumstances expressly permitted by this Scheme. The Authority will consult a school as to its intention to make such a charge and will notify a school when the charge has been made. The Authority will not act unreasonably in exercising this power and will not make a charge where the statutory responsibility, and therefore any liability, rests elsewhere. The position on charging will vary between categories of school. For all Schools with external bank accounts into which its budget share is paid in accordance with the arrangements set out in paragraph 3.1, any charge will be affected by reducing instalments of budget share paid to the school.

6.1.1 Charging of Salaries at actual cost

Any charges made to a school budget in respect of school-based staff will be made at actual cost.

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 Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school has not followed Authority advice;
- 6.2.3 Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice; or where the Authority was not informed of the hearings referred to in schedules 16 and 17 of the School Standards and Framework Act 1998 or where the Authority was not asked for advice and/or informed of the incidents leading to the court action or industrial tribunal claim.

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

- 6.2.4 Expenditure by the Authority in carrying out building repairs and maintenance, health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
- 6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- 6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;
- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service agreement, and the result is that monies are owed by the school to the Authority;

- 6.2.8 Recovery of penalties imposed on the Authority, relating to a school, by the Board of Inland Revenue, the Contributions Agency, HM Custom and Excise, Teachers Pensions, the Environment Agency or other regulatory authorities.
- 6.2.9 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions) When the error dates back several years the Authority will only make a charge if it considers it reasonable;
- 6.2.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs;
- 6.2.11 Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also Section 11);
- 6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out;
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect;
- 6.2.14 Cost of work done in respect to teacher pension remittance and records for schools using non-Thurrock Council 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 Authority in securing provision specified in an Education Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- 6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data;
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes;
- 6.2.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20 Costs incurred by the authority in administering admissions appeals where Thurrock Council is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

SECTION 7: TAXATION

7.1 Value Added Tax

VAT incurred by schools when spending any funding made available by the Authority is treated as being incurred by the Authority and qualifies for reclaim by the Authority. As such, the cost of VAT is not borne by schools. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

7.2 CIS Construction Industry Taxation Scheme

Schools must abide by procedures issued by the authority in connection with CIS.

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

8.1 Provision of Services from Centrally Retained Budgets

It is for the Authority to determine on what basis services funded from centrally retained budgets will be provided to schools. The Authority cannot, however, discriminate in its provision of services on the basis of categories of schools except where:

- (i) funding has been delegated to some schools only; or
- (ii) such discrimination is justified by differences in statutory duties

Note. The provision of services includes the central payment of premature retirement compensation and redundancy costs, which the Authority agrees to pay.

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

Services or facilities offered to schools by the Authority, under arrangements commencing on or after 1 April 1999, shall not exceed:

- (i) A period of three years from the inception of this Scheme or the date of the agreement, whichever is the later; and
- (ii) a period of five years for any subsequent agreement relating to the same service or services. In the case of contracts for the supply of catering services, these may be extended by five and seven years respectively,

When a service is provided for which expenditure is not retained centrally by the Authority under the Regulations made under section 46 of the Act, it must be offered at prices that are intended to generate income that is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

8.2.1 Packaging

Where the funding for a service has been delegated to schools and the Authority is offering the service on a buyback basis, the Authority will not offer that service in a way which unreasonably restricts schools' freedom of choice to purchase services, either individually or as a package, which are available.

8.3 Service Level Agreements

8.3.1 Service level agreements must be in place, as a minimum, one month prior to the commencement of the financial year. If services or facilities are provided under a service level agreement, whether free or on a buyback service, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.3.2 If services are offered at all by the Authority they will be available to schools on a basis that is not related to an extended agreement as well as on the basis of such agreements. Where any 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.

The above shall not apply to centrally funded premises and liability insurance.

8.4 Teachers' Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Scheme Regulations 2014, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required.

A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

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

SECTION 9: PRIVATE FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIPS

- 9.1 The Authority reserves the right to require a school to make such payments from its Delegated budget as are required under the conditions of a PFI/PPP Scheme that has been entered into with the knowledge of the governing body.
- 9.2 Where the PFI/PPP Scheme relates to the establishment of a new school and the relevant contracts are signed prior to the formal establishment of the governing body then the Authority will retain the right to levy charges against the schools delegated budget in respect of that contract.
- 9.3 Depending on the nature of any such PFI/PPP contract it will be for the recipient of any monies withheld from contractors due to poor performance to make good such failings/defects as have occurred.

SECTION 10: INSURANCE

- 10.1 Where a school requests that funds set aside centrally for insurance to be delegated to the school, the Authority will require the school to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the Authority if the Authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.

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

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

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

11.2 Liability of Governors

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

An example of behaviour that is not in good faith is the carrying out of fraudulent acts. Breaches of this Scheme are not in themselves failures to act in good faith; neither is rejection of the Authority's advice as to financial management.

11.3 Governors' Expenses

The Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. The Authority will set the amounts of such allowances.

Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's budget share. The payment of any other allowances is not permitted under this Scheme. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for Legal Costs

Legal costs incurred by the governing body, although the responsibility of the Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary 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.

Where a conflict exists between a school's governing body and the Authority, schools should seek independent legal advice. The cost of obtaining legal advice is chargeable to the school's budget share. A school cannot expect to be reimbursed costs relating to legal actions against the Authority.

11.5 Health and Safety

Governing bodies should have due regard to duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters in expending the school's budget share. Under s39(3) of the School Standards and Framework Act 1998 the Authority may issue directions to the governing body and headteacher of a community, community special or voluntary controlled school on health and safety matters; these directions are enforceable, so far as governing bodies are concerned, via s497 of the Education Act 1996 if not complied with.

11.6 Right of Attendance for Chief Finance Officer

Governing bodies should permit the Chief Finance Officer or his/her representative to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities. Prior notice shall be given of such attendance unless it is impracticable to do so.

11.7 Special Educational Needs

The Authority has a statutory responsibility for supporting the needs of pupils as outlined in their EHCP. Schools must use their best endeavors' in spending their budget share, to secure provision for all pupils with special educational needs.

11.8 Interest on late payments

Interest on late payments: the terms of the scheme cannot affect statutory requirements now introduced on this matter.

11.9 “Whistleblowing”

The Authority has produced guidance in relations to procedures to be followed by persons who wish to complain about financial management or financial propriety at a school.

11.10 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events and must finance associated costs from within the delegated budget.

11.11 Redundancy / Early Retirement Costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further Guidance is provided at Annex F.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 Basis of Delegation

The Authority will delegate all revenue funding for repairs and maintenance to schools; only capital expenditure will be retained. For these purposes, expenditure will be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting.

12.2 Work delegated

Attached at Annex D to this Scheme is a statement showing which work governing bodies must expect to finance from their budget share. Voluntary Aided governor responsibilities are included in the Annex, but full details are set out in the DfE document “Voluntary Aided and Special Agreement Schools- Determination of Financial Liability.” Voluntary Aided schools are also referred to “How to apply for funding capital and repair projects – changes introduced on 1 April 2000” issued to all voluntary aided schools in March 2000.

12.3 Voluntary Aided Schools

For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de Minimis limit applied by DfE to categorise such work, not the de Minimis limit used by the authority.

SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

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

However, under s.28(1), the main limitations and restrictions on the power will be those contained in schools' own instruments of government and in the maintaining Authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. This section of the scheme does not extend to joint-use arrangements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

The budget share of a school may be used to fund community facilities – either start-up costs or ongoing expenditure – or to meet deficits arising from such activities.

13.2 Consultation with the Authority – Financial Aspects

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, and have regard to advice given to them by their Authority. This advice will be provided to the governing body within 6 weeks of initial consultation. The governing body must then advise the Authority of its intended course of action in light of the advice provided by the Authority.

Authorities may not levy a charge for the aforementioned advice.

13.3 Funding Agreements – Authority Powers

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

Any proposed funding agreement must be submitted to the Authority for comment at the time of initial consultation.

The Authority cannot veto these agreements but if the school concludes an agreement against the wishes of the Authority or has concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the interest of the school or the Authority, then this may constitute grounds for the Authority to suspend the right to a delegated budget.

13.4 Other Prohibitions, Restrictions and Limitations

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

Whilst the Authority may not veto either funding agreements with third parties, or other proposed uses of the community facilities power, the Authority may insist, in specific instances of the use of community facilities powers by a governing body, that the governing body make arrangements to protect the financial interests of the Authority. This may occur by either carrying out the activity through the vehicle of a limited company formed for that purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority. This provision must only be imposed where the Authority has good reason to believe that the proposed project carries significant financial risks.

13.5 Supply of Financial Information

The schools which exercise the community facilities power must provide the Authority, every six months, with a summary statement, in a form determined by the Authority, showing income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis for the next six months.

In the event that the Authority believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, may, upon giving notice, 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.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting Framework, and these should be relied upon by the Authority as their main source of information for the financial aspects of community facilities. However, the CFR timetable is such that authorities are likely to want supplementary information in order to ensure that schools are not at financial risk. (Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for the suspension of the right to a delegation of the budget share).

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

13.6 Audit

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

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

13.7 Treatment of Income and Surpluses

The schools should retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person. The school should carry such retained income over from one financial year to the next, and either add it to any budget share surplus or retain it as a separate community facilities surplus.

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

If there is a deficit on community facilities and the Authority needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient the Authority will have to meet the liabilities from its own resources. This arises from the provision of s.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; may be recovered from the governing body but the expenditure incurred by the governing body in the exercise of the community facilities power may be met from the budget share

13.8 Health and Safety Matters

The health and safety provisions contained within the main scheme extend to the community facilities power.

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

13.9 Insurance

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

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

The Authority is entitled to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

Such a provision is necessary in order for the Authority to protect itself against possible third party claims.

13.10 Taxation

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

Schools must be aware that if any member of the staff employed by the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not – see Annex E), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

13.11 Banking

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

Alternatively the school may utilise the Authority banking arrangements which would permit adequate separation of such funds from the school budget share and other Authority funds.

The banks that are available for use by schools are detailed in 3.5.1.

Schools are not permitted to borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining Authority.

ANNEX A – SCHEDULE OF SCHOOLS

SECONDARY

Grays Convent High School

Category

Voluntary Aided

SPECIAL

None

ANNEX B – TIMETABLE FOR THE PROVISION OF FINANCIAL INFORMATION

Schools, unless otherwise notified, are required to submit quarterly financial reports to Education Finance in accordance with the timetable below:

Report Period	Deadline for Submission
Quarter 1 (1 April to 30 June)	26th July
Quarter 2 (1 July to 30 September)	25th October
Quarter 3 (1 October to 31 December)	24th January
Quarter 4 (1 January to 31 March)	25th April

Schools that are notified of the requirement to submit monthly financial reports should submit their reports to Education Finance as set out below:

Report Period	Deadline for Submission
April	24 th May
May	28th June
June	26th July
July	6th September
August	27th September
September	25th October
October	29th November
November	3rd January
December	24th January
January	21st February
February	28th March
March	25th April

ANNEX C – REGISTER OF BUSINESS INTERESTS

Declaration of Interests

The following points are offered as guidance to governors in the Declaration of Interests:

In general terms, if a governor has a pecuniary (i.e. financial interest) in any matter being considered by the Governing Body, then he or she should declare the interest as soon as possible. This applies whether:

- you stand to lose or gain by the decision;
- your interest is direct or indirect

The same procedures applies to clear and substantial non-pecuniary interests, i.e. personal or private interests even where you may not be directly affected, but a friend, members of your family, or a club or society or other organisation of which you are a member or a client may be affected.

The interests of a spouse or partner should also be treated as your own.

Register of Interests

The following categories of interest should be disclosed and registered accordingly. £nil entries may be made where appropriate:

Employment, office, trade, profession or vocation

Governors should show every employment, trade, profession or vocation and give a short description of the activity concerned, i.e. accountant.

If an employee, the name of the employer should be given. If employed by a company, the name of the company paying your salary or wage should be given, not that of the ultimate holding company.

If you are a partner, state the name of the firm.

Where you hold office, give the name of the person or body which appointed you. In the case of public office, this will be the authority which pays you. In the case of a teacher in a maintained school, the local education authority; in the case of a voluntary aided school, the governing body.

Sponsorship

You should declare the names of any person or body who has made any payments to you in sponsorship in the last twelve months. The amounts do not have to be disclosed.

Contracts with Thurrock Council

You should describe all contracts which are not fully discharged and which are:

- contracts for supply of goods, services or works to the Council or on the Council's behalf;
- between the Council and either yourself or a company in which you have a beneficial interest (i.e. a relative/partner/friend is involved with the company) or of which you are a director, or a firm in which you are a partner.
- You need not say what the financial arrangements are but should specify the length of the contract.
- Interest in companies and securities
- You should list the names of any companies or other bodies corporate that are actively involved with the school or the Council and in which you have an interest. This includes money lent or deposited with an industrial or provident society (including co-operative society). You need not show the extent of your interest.

ANNEX D - THE FUNDING FRAMEWORK: MAIN FEATURES

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.

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 Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.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).

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

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

An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSFA Act 1998) but in that case there is no right of appeal.

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

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

Regulations also require a local authority to publish their scheme and any amendments to it in a manner they determine.

ANNEX E

APPLICATION OF SCHEMES FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER

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

However, under s.28 (1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under s.48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of governing bodies to provide community facilities.

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

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

ANNEX F

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget.

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

Charge of premature retirement costs to local authority non-schools budget:

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

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

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

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

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

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

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

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

- (7) Where a local education authority incur costs –
 - a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
 - b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.
- (7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection (7B) is met.
- (7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by the other provision of the Education Acts.
- (8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

