

2023 Scheme for Financing Schools

**Applicable To: Hounslow
Maintained Schools**

Proposed Scheme: July 2023



**London Borough
of Hounslow**

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SECTION 1: INTRODUCTION

1.1 Role of the Scheme for Financing Schools

- 1.1.1 The Scheme for Financing Schools ‘the Scheme’ sets out the financial relationship between the London Borough of Hounslow ‘the Council’ and the maintained schools which it funds. It contains requirements relating to financial management and associated issues which are binding on both the Council and the schools.
- 1.1.2 The Scheme applies to all community, nursery, voluntary, foundation, community special schools or foundation special schools and pupil referral units (PRUs) maintained by the London Borough of Hounslow.
- 1.1.3 The Scheme does not apply to schools situated within Hounslow which are maintained by another local authority nor does it relate to academies and free schools.
- 1.1.4 The schools to which the Scheme applies are listed in **Annex A**.

1.2 Funding Framework

- 1.2.1 The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45 to 53 of the School Standards and Framework Act 1998.
- 1.2.2 Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget, although at a minimum an authority must appropriate its entire dedicated schools grant to its schools budget.
- 1.2.3 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.
- 1.2.4 Local authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under Section 45a of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the local authority concerned, 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.
- 1.2.5 The balance of the schools budget left after deduction of the centrally retained expenditure 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).
- 1.2.6 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.
- 1.2.7 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

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- delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act.
- 1.2.8 The financial controls within which delegation works are set out in a scheme made by the authority in accordance with Section 48 of the Act and regulations made under that section.
- 1.2.9 All proposals to revise the scheme must be approved by the Schools Forum, though the local authority may apply to the Secretary of State for approval in the event of the Schools Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.
- 1.2.10 This document represents London Borough of Hounslow's scheme.
- 1.2.11 Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under Section 50 of the Act.
- 1.2.12 Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (section 50 (3A) of the Act).
- 1.2.13 A local authority may suspend a school's right to a delegated budget if the provisions of its 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 under schedule 17 to the Act.
- 1.2.14 Each local authority is obliged to publish an annual budget statement setting out the details of its planned schools and children services budget, showing the amounts to be, centrally retained and funding delegated to schools. At the end of each financial year the authority must publish a statement showing the outturn expenditure.
- 1.2.15 The detailed publication requirements for financial statements are set out in the directions issued by the Secretary of State.
- 1.2.16 A copy of each year's budget and outturn statement should be made easily accessible to all schools.
- 1.2.17 Regulations also require a local authority to 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.
- 1.3 Revision and Publication of the Hounslow Scheme**
- 1.3.1 Any proposed revisions to the London Borough of Hounslow's Scheme for Financing Schools 'the Hounslow Scheme' will be the subject of consultation with

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the governing body and Headteacher of every school maintained by the Council before being submitted to the Schools Forum for their approval.

- 1.3.2. All proposed revisions will be submitted to the Schools Forum for approval by members of the forum representing maintained schools.
- 1.3.3 Where the Schools Forum does not approve the revisions or approves them subject to modifications which are not acceptable to the Council, then the Council can choose to apply to the Secretary of State for approval.
- 1.3.4 It is also possible for the Secretary of State to make directed revisions to schemes after consultation with relevant local authorities and other interested parties. Such revisions become part of the scheme from the date of the direction.
- 1.3.5 The approved scheme will be available on the Council's website which is accessible to the general public and schools.

1.4 Delegation of powers to the Headteacher by schools' Governing bodies

- 1.4.1 Each Governing body is required to consider the extent to which it wishes to delegate its financial powers to the Headteacher, and to record its decision (and any revisions) in the minutes of the governing body, or committee if delegated and in the school's local scheme of delegation.
- 1.4.2 Headteachers should manage their establishments in accordance with the policy of the Governing Body set in a context of London Borough of Hounslow's policies and will be responsible to the Governing Body for the management of the school budget share in accordance with the extent of delegation by the Governing Body to them.
- 1.4.3 The school budget plan should be developed by Headteacher in consultation with the Governing Body (or a committee of the governing body with delegated responsibilities). The first formal budget plan of each financial year must be approved by the Governing Body, or by a committee of the governing body with delegated responsibilities. Subsequent revisions to the budget may, with the agreement of the Governing Body, be delegated to the Headteacher.

1.5 Maintenance of schools

- 1.5.1 The Council is responsible for maintaining the schools covered by the scheme.
- 1.5.2 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).
- 1.5.3 Part of the way in which the Council 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 Application of financial controls to schools

- 2.1.1 In managing their delegated budgets schools must abide by the Council's requirements on financial controls and monitoring.
- 2.1.2 Some of these requirements are directly referred to in this scheme, while others can be found in the Schools Financial Regulations issued by the Council:

<https://democraticservices.hounslow.gov.uk/documents/s137398/Schools%20Financial%20Regulations%20Dec%202017%20update%20Cab%20appendix.pdf>

If this link does not work, please copy and paste it into Internet explorer or Google Chrome to access the document. *(please note the Schools Financial Regulations are also currently being updated and an updated link will be added to the final version of this document, once agreed)*

2.2 Provision of financial information and reports

- 2.2.1 Schools are required to provide the Council with details of expected and actual expenditure and income, in a form and at times determined by the Council.
- 2.2.2 Schools are required to submit reimbursement claims for their imprest accounts at appropriate intervals and in a format specified by the Chief Financial Officer.
- 2.2.3 At least once a term the Headteacher should report to the Governing Body on expenditure compared to budget. The report should include expenditure to date and projected expenditure to the year-end together with explanations of any significant variances from the agreed budget.
- 2.2.4 Budget monitoring reports should be provided to the Council at the intervals specified in the Schools Financial Regulations.
- 2.2.5 As soon as it is reasonably possible, after the end of each financial year, and no later than 30 September, the Headteacher must report final outturn figures to the Governing Body together with explanations of any significant variances from budget. The Headteacher must return their CFR submissions to the Council by the date requested by the Council, usually the end of May.
- 2.2.6 Schools that receive instalment payments into their bank accounts are required to submit reports on actual expenditure and VAT in a format and frequency determined by the Council.

2.3 Payment of salaries and bills

- 2.3.1 Procedures for the payment of salaries and bills are set out in the Schools Financial Regulations.

2.4 Control of assets

- 2.4.1 Each school must maintain an inventory of its moveable non-capital assets, in a form determined by the Council, and setting out the basic authorisation procedures for disposal of assets.

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2.4.2 For assets with a value of less than £1,000 schools may determine the format in which the register is kept; but they must keep a register in some form. We encourage schools to register anything that is portable and attractive, such as a camera.

2.4.3 For further advice and instructions refer to the Schools Financial Regulations.

2.5 Accounting Policies (including year-end procedures)

2.5.1 School are required to abide by the guidance issued to schools each year by the Council, on year-end procedures. All budgets, projections of outturn expenditure and income, and actual outturn should be prepared on an accruals basis.

2.6 Writing off debts

2.6.1 No debts exceeding £1,500 may be written off as irrecoverable without the authorisation of the Council. Governing Bodies should keep records of amounts below £1,500 which they have identified for write off.

2.7 Basis of accounting

2.7.1 Reports and accounts furnished to the Council by schools must be on an accruals basis, and in the format required by the Council.

2.7.2 The Council does not seek to impose on schools a particular method of organising their accounts, nor to insist that a particular type of financial software be used, provided that schools meet any costs of modification to provide the required output.

2.8 Submission of budget plans

2.8.1 By the last day of February the Council will inform each school of their delegated budget allocation relating to the following financial year.

2.8.2 The Governing Body must submit a formally approved detailed budget to the Council by mid-June each year.

2.8.3 The budget plan must show the school's intentions for expenditure in the current financial year. Assumptions underpinning the budget plan should be shown in notes accompanying the plan. If the actual balance carried forward from the previous financial year is not known at the time of setting the school budget, a school may take account of the estimated balance in submitting the annual budget plan.

2.8.4 For the Council to manage its responsibilities to "make arrangements for the proper administration of their financial affairs" (Section 151 of the Local Government Act 1972), a school may be required to provide further information to support their School Budget Plan.

2.8.5 As far as possible the school's formal annual budget plan should take account of the Consistent Financial Reporting (CFR) framework and the desirability of compatibility with that. For further information follow the link below to the latest DfE CFR Framework:

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<https://www.gov.uk/guidance/consistent-financial-reporting-framework>

2.8.6 The Council will supply schools on a monthly basis with income and expenditure data which it holds, and which is necessary to efficient planning by schools.

2.9 Deficit Budget

2.9.1 If a school considers they are likely to have to set a deficit budget they must notify the Executive Director Children's and Adults as soon as possible. This will allow ongoing discussion between the school and the Council in order to agree a recovery plan which the school will be required to submit.

2.10 Submission of Financial Forecasts

2.10.1 Schools must each submit a 3-year budget forecast each year. This must be submitted annually by mid-June. This will allow the Council to make better financial assessments of each school's financial position.

2.11 Efficiency and value for money

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

2.11.2 It is for head teachers and governors to determine at school level how to optimise the use of resources and maximise value for money.

2.11.3 There are significant variations in the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements. For further information on benchmarking refer to DfE efficiency tool;

<https://www.gov.uk/government/publications/schools-financial-efficiency-metric-tool>

2.12 Virements between budget heads

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

2.13 Audit

2.13.1 The accounts of schools with delegated budgets are subject to regular internal and external audit.

2.13.2 The external auditors appointed by the Public Sector Audit Appointments Limited to audit the Council's accounts and the Council's internal audit service will have

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such access to schools' records, correspondence, property etc.as the auditors consider necessary. Wherever possible, reasonable notice will be given.

- 2.13.3 The governing body and school staff shall provide any explanations which auditors consider necessary.
- 2.13.4 In the event of the Governing Body or Headteacher suspecting any financial irregularity, the Executive Director Children's and Adults should be notified immediately and will inform Internal Audit.
- 2.13.5 In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Council internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also cooperate with the Council's internal and external auditors.
- 2.13.6 In addition to the normal internal and external audits, schools must provide audit certificates to the Council in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school.
- 2.13.7 A school refusing to provide audit certificates to the local authority as required by the scheme is in breach of the scheme and the authority can take action on that basis.
- 2.13.8 The procedures for furnishing these audit certificates and advice on the handling of such voluntary and private funds is set out the Schools Financial Regulations.

2.14 Register of business interests

- 2.14.1 The governing body of each school is required to have, and maintain, an up to date register which lists for each member of the governing body and the Headteacher:
- Any business interests they or any member of their immediate family have;
 - Details of any other educational establishments that they govern;
 - Any relationships between school staff and members of the governing body.
- 2.14.2 The Governing Body is required to keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the Council and to publish the register, for example on a publicly accessible website.

2.15 Purchasing, tendering and contracting requirements

- 2.15.1 Schools are required to abide by the provisions of the Schools Financial Regulations on purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the professional competence of contractors in areas such as compliance with health and safety regulations and safeguarding practices, taking account of Council's policies and procedures.
- 2.15.2 The scheme has the effect of disapplying from schools any provision of those rules or standing rules which require them:

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- to do anything incompatible with any of the provisions of the scheme or any statutory provision
- to seek local authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year
- to select suppliers only from a compliant framework or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions.

2.15.2 Schools may seek advice on a range of compliantly procured deals via buying for schools

<https://www.gov.uk/guidance/buying-for-schools>

2.16 Application of Council arranged contracts to schools

2.16.1 Schools have the right to opt out of Council arranged contracts.

2.16.2 Although Governing Bodies are empowered under paragraph 3 of schedule 10 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Council as maintainer of the school and the owner of the funds in the budget share. It is therefore important that schools adhere to the provisions set out in the Schools Financial Regulations regarding purchasing, tendering and contracting and seek advice from the Council's procurement service as necessary.

2.16.3 Other contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations for example, contracts made by aided or foundation schools for the employment of staff.

2.17 Central funds and earmarking

2.17.1 The Council will continue, from time to time, to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used. While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Council itself is not permitted to vire), this will not be carried to the point of assimilating the allocations into the school's budget share.

2.17.2 Such allocations might, for example, be sums for SEN or other initiatives funded from the central expenditure of a Council's Schools Budget or other Council budget.

2.17.3 There is usually a requirement that such earmarked funding from centrally retained funds is spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given and is not vired into the budget share. The accounting mechanism used at school level should be able to demonstrate that this requirement has been complied with.

2.17.4 The Council may not make any deduction, in respect of its interest costs, from payments to schools of devolved specific or special grant.

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2.18 Spending for the purposes of the school

- 2.18.1 Governing bodies are free to spend their budget shares for the purposes of the school, subject to any provisions of this scheme and regulations made by the Secretary of State, including where a pupil is on the roll of another maintained school or academy.

2.19 Capital spending from budget shares

- 2.19.1 Governing bodies may use their budget shares to meet the cost of capital expenditure on the school 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 Schools Standards and Framework Act 1998.
- 2.19.2 If the expected capital expenditure from the budget share in any one year will exceed £10,000, the governing body must notify the Council and take into account any advice from the Executive Director Children's and Adults as to the merits of the proposed expenditure.
- 2.19.3 If the premises are owned by the Council, or the school has voluntary controlled status then the governing body must seek the consent of the Council to the proposed works. Such consent would only be withheld on health and safety grounds.
- 2.19.4 These requirements do not affect expenditure from any capital allocation made available by the Council outside the delegated budget share.

2.20 Notice of Concern

- 2.20.1 The Council may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Executive Director Children's and Adults and Chief Financial Officer, 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 Council or the school.
- 2.20.2 Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.
- 2.20.3 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 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 Council;
 - insisting on regular financial monitoring meetings at the school attended by Council officers;
 - requiring the governing body to buy into financial management support organised by the Council; and

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- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.
- 2.20.4 Any 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 Council may take where the governing body does not comply with the notice.

2.21 Schools Financial Value Standard (SFVS)

- 2.21.1 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.
- 2.21.2 It is for the school to determine at which time of the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.
- 2.21.3 All maintained schools with a delegated budget must submit the form to the Council before 31 March annually.

2.22 Fraud

- 2.22.1 All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
- 2.22.2 The governing body and Headteacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them and the consequences of breaching those controls. This information must also be included in the induction for new school staff and governors.
- 2.22.3 If a school suspects that there has been fraud or improper use of school funds or assets they must inform the Executive Director Children's and Adults who will notify internal audit.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE AND BANKING ARRANGEMENTS

3.1 Frequency of instalments

- 3.1.1 Allocation of each school's budget share will normally be through the reimbursement scheme operated by the Council. For most schools the frequency will be monthly, although this may vary according to the time of year.
- 3.1.2 If a school feels that its control sum is no longer adequate a request should be made to the Chief Financial Officer to have it increased.
- 3.1.3 Budget share instalments may be made available on a monthly basis to schools which so request it; but the request must be made prior to the start of the relevant financial year.
- 3.1.4 Hounslow academies are paid in advance and any in year adjustments are made at the end of the financial year. Hounslow maintained schools are advised of the funding termly and all allocations are processed at the year end. All other schools including our out of borough schools are paid upon receipt of their invoice which varies from monthly, termly and yearly

3.2 Proportion of budget share payable at each instalment

- 3.2.1 For a school using the reimbursement system each payment made into the bank account shall be no more than the agreed control sum for the school.
- 3.2.2 If a school should need an additional temporary advance to help it over a period of unusually high expenditure, a request for this may be made to the Chief Financial Officer.
- 3.2.3 Where monthly instalments are made, schools may opt for instalments of the total budget share to be made available to them by payment into a school bank account. Budget shares net of estimated pay costs will be made to schools who use the Council's payroll service.

3.3 Interest clawback

- 3.3.1 The Council does not deduct from budget share instalments an amount equal to the estimated interest lost by it in making available the budget share in advance.
- 3.3.2 The Council will add interest to late payments of budget share instalments, where such late payment has been as a result of Council error. The rate paid will be the average over the relevant financial year of the 7-day LIBOR (London Inter-Bank Offer Rate).

3.4 Budget shares for closing schools

- 3.4.1 Budget shares of schools for which approval for discontinuation has been secured will 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

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- 3.5.1 The school is entitled to keep a bank account for official purposes. Official bank accounts may only be opened or changed by prior agreement with the Chief Financial Officer.
- 3.5.2 Only current members of the school staff can be signatories to the official bank account. The school's local scheme of delegation should name the authorized signatories and detail any limits to their authorisation. Each school must have at least two bank signatories.
- 3.5.3 Any interest earned on a school bank account shall remain with the school.
- 3.5.4 Further guidance on school banking arrangements can be found in the Schools Financial Regulations.

3.6 Borrowing by schools

- 3.6.1 Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances.
- 3.6.2 From time to time the Secretary of State may introduce limited schemes in order to meet policy objectives. Such schemes will be available for schools to use without specific approval.
- 3.6.3 Schools are not permitted to use interest bearing credit cards and overdrafts which are regarded as borrowing.
- 3.6.4 Schools may use Government Procurement Cards which are available to schools via the Council's corporate procurement cards contract. No interest charges should be incurred by the school, with balances fully cleared on a monthly basis.
- 3.6.5 These provisions do not apply to loan schemes run by the Council.

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

4.1 The right to carry forward surplus balances

- 4.1.1 Schools can carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. Schools may also carry forward from one financial year to another any surpluses and deficits arising in relation to any community or capital funding held by the school at year end.
- 4.1.2 The amount of a surplus balance would be shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although there may be commitments against any figure shown in such a statement).

4.2 Use and control of surplus balances

- 4.2.1 School balances held in excess of 8.3% of a school's funding are considered to be excess balances.

A school's funding is defined as:

Formula Funding Certificate:
+ Schools Main Budget
+ Early Years Budget
+ High Needs Budget
+ Pupil Premium Allocation

Additional allocations in Year:
+ Post 16 Funding
+ Devolved Capital Formula (DCF)

- 4.2.2 Schools who hold excess balances at 31 March are required to submit a Use of Balances return to the Council annually in a form specified by the Council, setting out the purposes for which their excess balances are held and by when they are expected to be 'spent'.
- 4.2.3 Where a school also had an excess balance as at the end of the previous financial year their Use of Balances return should include an update on the spend incurred in line with the previous year's Use of Balances return.
- 4.2.4 Schools who have held balances held in excess of 8.3% of their school funding for three consecutive financial years should expect their excess balance at the end of the third consecutive financial year to be clawed back by the Council. Any balances that are clawed back will be earmarked to offset shortfalls in the High Needs DSG budgets.

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

4.2.5 A school may hold an excess balance for up to three consecutive financial years for the following purposes:

- A revenue contribution to an agreed capital scheme
- A contribution to a 'spend to save' scheme
- Managing costs associated with SEN
- to support the costs incurred by the review of contracts of a significant value, where expenditure is not even year on year
- Managing the costs of expansion of pupil numbers
- Managing financial difficulties associated with a budget reduction in the following financial year, resulting from either a significant reduction in pupil numbers or a loss or significant reduction of a specific funding stream
- Managing exceptional circumstances in such a way as to avoid significant financial turbulence that may impact on standards. This may include, for example, outcomes of HR processes.

4.2.6 Schools who have recently amalgamated can hold excess balances for up to three consecutive financial years (year 1 being the year of amalgamation) to be spent on amalgamation related costs as set out in their Use of Balances return.

4.2.7 The purposes for which excess balances are being held will be reported annually to Schools Forum.

4.3 Interest on surplus balances

4.3.1 Balances held by the Council on behalf of schools will attract interest. The Chief Financial Officer will issue guidance on the rate of interest from time to time, and schools may ask the Council's Treasury Service for estimates of these rates at any time during the financial year. The rate paid will be the average over the relevant financial year of the 7-day LIBOR (London Inter-Bank Offer Rate).

4.3.2 Balances held by the school in its own bank account will not attract an interest payment from the Council.

4.4 Obligation to carry forward deficit balances

4.4.1 Deficit balances in schools will be carried forward and will normally be addressed via a deficit recovery plan.

4.4.2 The deficit balance will be shown on the outturn statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009.

4.5 Planning for deficit budgets

4.5.1 The Scheme allows schools to plan for deficits only in certain approved circumstances (see 4.9).

4.6 Charging of interest on deficit balances

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

4.6.1 The Council may charge interest on deficit balances. The rate charged will be the average over the relevant financial year of the 7-day LIBOR (London Inter-Bank Offer Rate).

4.7 Writing off deficits

4.7.1 The Council is not permitted to write off the deficit balance of any school.

4.7.2 Subject to the agreement of Schools Forum, a de-delegated budget may be held for the support of schools in financial difficulty. Where such a budget is held the Council will use a share of this centrally held budget to provide support to schools with deficit balances.

4.8 Balances of closing and replacement schools

4.8.1 Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, the Council 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.

4.9 Licensed deficits

4.9.1 Under certain circumstances schools which have no deficit at the end of the financial year may be permitted to plan for a deficit budget. Such an arrangement would normally be funded by the collective surplus of school balances held by the Council on behalf of schools.

4.9.2 Schools seeking to set a deficit budget need to apply to the Executive Director Children's and Adults for permission to set a deficit budget. The application should include the reasons for the deficit budget and the school's plans to bring their budget back to zero.

4.9.3 Schools must submit a recovery plan to the Council when their revenue deficit rises above 5% at 31 March of any year.

4.9.4 Deficit arrangements may be agreed by the Executive Director Children's and Adults where a school:

- has additional fixed term expenditure
- has a falling roll and needs a period in which to implement cost reductions
- has a falling roll in the current financial year which is expected to increase in the next financial year
- has a falling roll and can demonstrate that its deficit is attributable to vacant places in part filled classes

4.9.5 The Chief Financial Officer will be consulted before any deficit is agreed.

4.9.6 A deficit of up to 10% of the current school year budget may be agreed unless the Council does not hold sufficient collective surplus balances to back this arrangement.

4.9.7 In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

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

4.10 Loan schemes

4.10.1 The Council does not currently operate loan schemes for schools but will consider developing such a scheme if there is demand from schools.

SECTION 5: INCOME

5.1 Overall principles

5.1.1 Schools shall be able to retain income except in certain specified circumstances.

5.2 Income from lettings

5.2.1 Schools may retain income from lettings of the school premises which would otherwise accrue to the Council, subject to alternative provisions arising from any joint use of private finance initiative (PFI) or public private partnerships (PPP) agreements.

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

5.2.3 Schools whose premises are owned by the Council should have regard to any directions issued by the Council as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

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

5.3 Income from fees and charges

5.3.1 Schools may retain income from fees and charges except where a service is provided by the Council from centrally retained funds.

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

5.4 Income from fund-raising activities

5.4.1 Schools may retain income from fund-raising activities.

5.5 Income from the sale of assets

5.5.1 Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the Council 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 Council.

5.5.2 Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State and any conditions the Secretary of State may attach to that consent relating to the use of proceeds.

SECTION 5: INCOME

5.6 Administrative procedures for the collection of income

5.6.1 Schools should refer to the Schools Financial Regulations for further guidance on the collection of income.

5.7 Purposes for which income may be used

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

SECTION 7: TAXATION

6.1 General provisions

- 6.1.1 The budget share of a school may be charged by the Council without the consent of the governing body only in circumstances set out in 6.2 below. The Council shall consult schools as to the intention to so charge and shall notify schools when it has been done.
- 6.1.2 The Council will charge the salaries of school-based staff who are paid via the Council's payroll service to the budget share of a school at actual cost.
- 6.1.3 The Council 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.
- 6.1.4 The Council shall make arrangements for a disputes procedure for such charges.
- 6.1.5 Local authorities may de delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

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 Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council).
- 6.2.2 Other expenditure incurred to secure resignations where there is a good reason to charge this to the school (see the provisions in Annex B).
- 6.2.3 Costs incurred by the Council in completing the Academy conversion process at the average estimated amount as assessed by the authority. An additional charge may be levied where a number of maintained schools are proposing to convert in a short timescale and this requires additional finance, HR, property or project management resources to be employed and / or there are complex property issues that result in legal costs being 50% higher than the Council's expected average charge.
- 6.2.4 Awards by courts and industrial tribunals against the Council, or out of court settlements, arising from action or inaction by the governing body contrary to the Council's advice.
- 6.2.5 Expenditure by the Council in carrying out health and safety work or capital expenditure for which it 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.
- 6.2.6 Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Council or the school has voluntary controlled status.
- 6.2.7 Expenditure incurred by the Council in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has

SECTION 7: TAXATION

arranged insurance cover at least as good as that which would be arranged by the Council.

- 6.2.8 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Council.
- 6.2.9 Recovery of penalties imposed on the Council by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or regulatory authorities as a result of school negligence.
- 6.2.10 Correction of Council errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.11 Additional transport costs incurred by the Council arising from decisions by the governing body on the length of the school day and not approved by the Council, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs.
- 6.2.12 Legal costs which are incurred by the Council because the governing body did not accept the advice of the Council.
- 6.2.13 Costs of necessary health and safety training for staff employed by the Council, where funding for training has been delegated but the necessary training not carried out.
- 6.2.14 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.
- 6.2.15 Cost of work done in respect of teacher pension remittance and records for schools using non-Council payroll contractors, the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligations.
- 6.2.16 Cost incurred by the Council in securing provision specified in an Education, Health and Care (EHC) plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN or specific funding for a pupil with high needs.
- 6.2.17 Costs incurred by the Council due to submission by the school of incorrect data.
- 6.2.18 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.19 Costs incurred by the Council as a result of the governing body being in breach of the terms of a contract.
- 6.2.20 Costs incurred by the Council 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.

SECTION 7: TAXATION

7.1 Value Added Tax (VAT)

7.1.1 HMRC has agreed that VAT incurred by schools when spending any funding made available by the local authority is treated as being incurred by the authority and qualifies for reclaim by the authority. Guidance on VAT is set out in Schools Financial Regulations.

7.1.2 Schools should follow the processes and procedures established by the Council to enable schools to utilise its ability to reclaim VAT on non-business activity via the processes required by HMRC.

7.1.3 Amounts reclaimed on behalf of schools through the Council's processes and procedures for reclaiming VAT on will be passed back to the school.

7.2 CIS (Construction Industry Scheme)

7.2.1 Schools are required to abide by procedures issued by the Council in connection with CIS. More information is provided by HMRC and Gov website below: <https://www.gov.uk/what-is-the-construction-industry-scheme>

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

8.1 Provision of services from centrally retained budgets

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

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

8.2 Provision of services bought back from the Council using delegated budgets

8.2.1 The Council may provide any services for which funding has been delegated. Where the Council is offering the service on a buyback basis it must do so in a way which does not unreasonably restrict schools' freedom of choice among the services available.

8.2.2 Any buyback agreement between a school and a council service is normally made annually via the school opting to purchase the service on the Services for Schools website. Agreements will be limited to a maximum term 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. Schools may withdraw from a buyback service by giving at least six months' notice to the relevant service. There is no minimum period, although arrangements lasting less than 2 years will be deemed uneconomic and are advised against.

8.2.3 Schools will receive details from the Council of the services offered and the pricing structure through the Services for Schools website.

8.2.4 When a service is provided for which expenditure is not retainable centrally by the Council under the Regulations made under section 45A of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services.

8.2.5 The total cost of the service must be met by the total income, even if schools are charged differentially.

8.2.6 Any service which the Council is providing on a buyback basis must be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

8.2.7 Service level agreements must be in place by 30 June to be effective for the financial year. Schools will have at least a month to consider the terms of the agreements.

8.2.8 Apart from centrally arranged premises and liability insurance for which this may be impracticable, 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 usually be reviewed annually and at least every three years if the agreement lasts longer than that.

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

8.2.9 Services, if offered at all by the Council, shall be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements.

8.3 Teachers' Pensions

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

8.3.2 These conditions only apply to governing bodies of maintained schools who have not entered into an arrangement with the Council 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 Council 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 Council which the Council requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.
- A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Council which the Council requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.
- The Council 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 Council 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: PFI/PPP (PRIVATE FINANCE INITIATIVE / PUBLIC PRIVATE PARTNERSHIP)

- 9.1 The Council has the power to issue regulations from time to time relating to PFI/PPP projects.
- 9.2 Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.
- 9.3 Such provisions may be scheme variations requiring consultation and approval.

SECTION 10: INSURANCE COVER

- 10.1 If a school opts to arrange insurance cover other than through buying into the Council's insurance arrangements the Council requires the school to demonstrate that cover relevant to the Council's insurable interests, under any policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council.
- 10.2 The Council cannot expect a school to provide an unreasonable level of evidence to demonstrate parity of cover.
- 10.3 The Council will have regard 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.
- 10.4 Schools are allowed to join the Secretary of State's Risk Protection Arrangement (RPA). Schools may do this individually when any insurance contract of which they are part of expires.
- 10.5 All primary and/or secondary maintained schools may join the RPA collectively by agreeing through the schools forum to de-delegate funding.

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

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

11.2 Liability of governors

- 11.2.1 As the governing body is a corporate body and because of the terms of section 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.
- 11.2.2 An example of behaviour which is not in good faith is carrying out fraudulent acts.

11.3 Governors' expenses

- 11.3.1 The Council has the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses
- 11.3.2 Only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to school governors from a school's delegated budget.
- 11.3.3 Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

11.4 Responsibility for legal costs

- 11.4.1 Legal costs incurred by a governing body may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Council. The costs referred to are those of legal actions, including costs against the authority itself, not the cost of the legal advice provided.
- 11.4.2 It is recognised that, in exceptional circumstances, the interests of the governing body and the Council might be in direct conflict. In these cases, the Council's Legal Advisor's first responsibility must be to the employing authority and the Council.
- 11.4.3 Whilst it might be possible (according to the gravity of the matter) to give informal, preliminary advice to a governing body, if, after discussion, it was quite clear that independent advice was needed then, without making any particular recommendation, the Council would provide lists of alternative solicitors with expertise in the matter under consideration. Governing bodies would be free to choose, or to select their own advisers, as preferred.

SECTION 11: MISCELLANEOUS

11.5 Health and Safety

- 11.5.1 In expending the school's budget share the governing body should have regard to duties placed on the Council in relation to health and safety, and the Council's policies on health and safety matters in the management of the budget share.

11.6 Right of attendance for the Chief Finance Officer

- 11.6.1 Governing bodies are required to permit the Chief Finance Officer or any officer nominated by the Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities.
- 11.6.2 Such attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.
- 11.6.3 The Council would give prior notice of such attendance unless this is impracticable.

11.7 Special Educational Needs

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

11.8 Whistleblowing

- 11.8.1 The Council's Whistleblowing Policy sets out a route for staff to report concerns. Staff do not need to provide evidence for the Council to investigate their concerns, but they will be expected to have reasonable grounds for making a disclosure.
- 11.8.2 If school-based staff feel unable to raise concerns with their Head Teacher, they can contact Safecall an independent hotline to whom you can confidentially and confidently report your concerns:
www.safecall.co.uk/report
0800 915 1571

11.9 Safeguarding and Child Protection

- 11.9.1 All schools will have a designated safeguarding lead. The designated safeguarding lead should take lead responsibility for safeguarding and child protection. Their responsibilities include providing advice and support to other staff on child welfare, safeguarding and child protection matters, taking part in strategy discussions and inter-agency meetings, and/or supporting other staff to do so, and contributing to the assessment of children.
- 11.9.2 The role of the designated safeguarding lead carries a significant level of responsibility. They should be given the additional time, funding, training, resources and support they need to carry out the role effectively.

SECTION 11: MISCELLANEOUS

11.9.3 All schools are expected to release staff where necessary to attend child protection case conferences and other related events.

11.9.4 The Council does not make payments to schools to help meet child protection related costs.

11.10 Redundancy / early retirement costs

11.10.1 The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. The Council will follow the provisions of the Act.

11.10.2 Further guidance is provided at **Annex B** giving further explanation and examples of how payments will be treated.

11.10.3 Schools are required to notify the Executive Director Children's and Adults and the Council's Head of Human Resources (where the Council is the employer of the school's staff) at least one month prior to the commencement of any restructuring exercises that could lead to premature retirement and redundancy costs.

11.10.4 Governing bodies must obtain appropriate HR advice and follow any guidance issued by the Council for seeking funding for any such costs from a council held non schools budget.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

- 12.1 The Council currently delegates funding for repairs and maintenance to schools through the schools funding formula and Devolved Formula Capital. Capital expenditure is otherwise retained by the Council to support priority building works which the schools would not be expected to fund wholly locally.
- 12.2 A schedule providing examples of the categories of work which governing bodies should expect to finance from their devolved funding is provided at Annex C.
- 12.3 Expenditure may be treated as capital expenditure only if it fits within the definition of capital used by the Council for financial accounting purposes in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting. The Council applies a de-minimus limit of £10,000 for what expenditure is treated as capital.
- 12.4 Voluntary Aided Schools will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools. Eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the deminimus limit applied by DfE to categorise such work, not the de minimus limit used by the local authority.

SECTION 13: COMMUNITY FACILITIES

13.1 Community Facilities

- 13.1.1 The Education Act 2002 allowed schools to offer a range of different services to the local community.
- 13.1.2 Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities are subject to a range of controls.
- 13.1.3 Regulations made under Section 28(2) of the Education Act 2002, if made, can specify activities which may not be undertaken at all under the main enabling power.
- 13.1.4 Under Section 28(1) of the Education Act 2002 the main limitations and restrictions on the power are contained in the maintaining local authority's scheme for financing schools made under Section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extends the coverage of schemes to the powers of governing bodies to provide community facilities.
- 13.1.5 Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.
- 13.1.6 This part of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Council and schools to secure the provision of adult and community learning.
- 13.1.7 Mismanagement of community facilities funds can be grounds for suspension of right to a delegated budget.
- 13.1.8 Changes made by the Children and Families Act 2014 mean that schools no longer need to consult with the Council when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by the local authority,
- 13.1.9 However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

13.2 Funding Agreements

- 13.2.1 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.
- 13.2.2 With any funding agreement with third parties, there is a requirement that any such proposed agreement should be submitted to the Council for its comments; and there is a three month lead time requirement for doing so to give the Council adequate notice. The scheme does not impose a right of veto for the Council on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires the Council consent to the agreement for it to proceed, such a requirement and the method by which the Council consent is to be signified is a matter for that third party, not for the scheme.

SECTION 13: COMMUNITY FACILITIES

- 13.2.3 Although the Council does not have a general power of veto for these agreements, it is appropriate to remind schools that if an agreement has been or is to be concluded against the wishes of the Council, or has been concluded without informing the Council, which in the view of the Council is seriously prejudicial to the interests of the school or the Council, that may constitute grounds for suspension of the right to a delegated budget.

13.3 Other Prohibitions, Restrictions and Limitations

- 13.3.1 Although the scheme does not give a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power, the scheme makes provision for the Council to require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the Council 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 Council.
- 13.3.2 Although the Council has such a provision in its scheme it must operate it in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks.
- 13.3.3 Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The Council may if it wishes to propose other scheme provisions of that nature which they believe necessary.

13.4 Provision of financial information to the Council

- 13.4.1 Schools which exercise the community facilities power are required to provide the Council every six months with a summary statement, in a form determined by the Council, showing the 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.
- 13.4.2 The Council may, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, require such financial statements to be supplied every three months and, if the Council sees fit, to require the submission of a recovery plan for the activity in question.
- 13.4.3 Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework.
- 13.4.4 Schedule 15 of the Education Act 2002 provides that mismanagement of funds spent or received for community facilities is a basis for suspension of the right to delegation of the budget share.

13.5 Audit

- 13.5.1 Schools are required to grant access to the records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

SECTION 13: COMMUNITY FACILITIES

13.5 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 Council 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. This is in order for the Council to satisfy itself as to the propriety of expenditure on the facilities in question.

13.6 Treatment of Income and Surpluses generated from community facilities

13.6.1 Schools can retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Council or some other person.

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

13.7 Health and Safety

13.7.1 Any health and safety provisions of the scheme extend to the community facilities power.

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

13.8 Insurance

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

13.8.2 In principle, the insurance issues arising from 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.

13.8.3 The Council may 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.

13.8.4 A school may join the RPA, for risks that are covered by the RPA, as an alternative to buying into the Council's insurance arrangements.

13.9 Taxation

13.9.1 Schools should seek the advice of the Council and the local Value Added Tax (VAT) office on any issues relating to the possible imposition of VAT on

SECTION 13: COMMUNITY FACILITIES

expenditure in connection with community facilities, including the use of Council's VAT reclaim facility.

- 13.9.2 If any member of staff employed by the school or Council in connection with community facilities at the school is paid from funds held in a school's own bank account, whether a separate account is used for community facilities or not, the school is likely to be held liable for payment of income tax and National Insurance, in line with HMRC rules.
- 13.9.3 Schools are required to follow the Council's advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.10 Banking

- 13.10.1 The scheme requires that the school maintains separate bank accounts for its budget share and for community facilities.
- 13.10.2 The school is advised to use one of the major clearing banks, and it is also advised that the bank account should be named as "(*SCHOOL NAME*) COMMUNITY FACILITIES". The general approach to these matters should mirror those in the mirror those in the main part of the scheme.

ANNEX A: SCHOOLS TO WHICH THE SCHEME APPLIES

DfE Code		School
3132014	BS384	Alexandra Primary School
3132073	BS305	Beavers Community Primary School
3132083	BS380	Bedfont Primary School
3132003	BS309	Belmont Primary School
3132006	BS313	Cardinal Road Infant & Nursery School
3132007	BS314	Cavendish Primary School
3133943	BS381	Chatsworth Primary School
3132078	BS373	Crane Park Primary School
3132004	BS382	Cranford Primary School
3132063	BS321	Edward Pauling Primary School
3132079	BS374	Fairholme Primary School
3132021	BS326	Feltham Hill Infant & Nursery School
3132081	BS376	Green Dragon Primary School
3132022	BS331	Grove Park Primary School
3132071	BS332	Grove Road Primary School
3133944	BS383	Heston Primary School
3132032	BS338	Hounslow Heath Infant & Nursery School
3132031	BS337	Hounslow Heath Junior School
3132033	BS339	Hounslow Town Primary School
3132034	BS341	Isleworth Town Primary
3132061	BS342	Ivybridge Primary School
3132036	BS344	Lionel Primary School
3132037	BS345	Marlborough Primary School
3132039	BS347	Norwood Green Infant & Nursery School
3133502	BS354	Our Lady & St John's School
3132030	BS386	Southville Primary School
3132040	BS388	Sparrow Farm Primary School
3132044	BS364	Spring Grove Primary School
3133503	BS355	St Lawrence RC Primary School
3133504	BS358	St Mary's Catholic Primary School, Isleworth
3133505	BS357	St Mary's RC Primary, Chiswick
3133507	BS359	St Michael & St. Martin Catholic Primary School
3133302	BS356	St Paul's C of E. Primary School
3132048	BS368	Strand on the Green Infant & Nursery School
3132047	BS367	Strand on the Green Junior School
3133300	BS340	The Blue School
3133942	BS379	The Orchard Primary School
3133941	BS378	The Rosary Catholic Primary School
3132064	BS353	The Smallberry Green Primary School
3132082	BS377	The William Hogarth School
3132024	BS369	Victoria Junior School
3132050	BS370	Wellington Primary School
3132051	BS372	Worple Primary School
3132035	BS387	Springwell Primary School
3135401	BS462	Gunnersbury Catholic School

ANNEX A: SCHOOLS TO WHICH THE SCHEME APPLIES

3134028	BS463	The Heathland School
3137010	BS614	The Cedars Primary School
3137007	BS611	Lindon Bennett School
3137005	BS604	Marjory Kinnon School
3137006	BS612	Oaklands School
3131100	BS800	The Woodbridge Park Education Service

ANNEX B: 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 Services Budget or the Council's non-schools budget.

Section 37 of the 2002 Education Act says:

- (4) costs incurred by the Council 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 Council 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 Council 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 Council to have good reason for deducting those costs, or any part of those costs, from that share.
- (6) The fact that the Council has 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
- redundancy costs must be charged to the Council's budget.

In the former case, the Council must agree otherwise for costs to be centrally funded, while in the latter case, there must be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

Ultimately, it would be for the courts to decide what a good reason was, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget

Such costs could be charged to the school's budget where:

- A school has decided to offer more generous terms than the Council's policy - then it would be reasonable to charge the excess to the school
- A school is otherwise acting outside the Council's policy
- A school is making staffing reductions which the Council does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- Staffing reductions arise from a deficit caused by factors within the school's control

ANNEX B: RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

- A school has excess surplus balances and no agreed plan to use these
- A school has refused to engage with the Council's redeployment policy

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

Such costs may be charged to a 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 Council or government intervention to improve standards

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

Local authorities are allowed to retain a central budget within the schools budget to fund the cost of new early retirements or redundancies by a deduction from maintained school budgets, excluding nursery schools, only where the relevant maintained school members of the Schools Forum agree.

Council are expected to discuss their policy with the Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

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

Costs relating to staff who are employed under the community facilities power

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 incurs costs

ANNEX B: RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT 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 local 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 7(B) is met.
- (7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.
- (8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

ANNEX C: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

The Council currently delegates funding for repairs and maintenance to schools through the schools funding formula and Devolved Formula Capital. The list below provides some examples of the building elements and the repair and maintenance work that schools are responsible for funding from their delegated budget.

Roofs

- Repair/replacement of small roof areas
- Replacement of small areas of rotten or defective timber
- Clearing out and maintaining gutters, outlets and downpipes

Floors

- Repair/replacement of existing flooring
- Repair/replacement of screed and finishes
- Replacement of mats/matwells
- Maintenance to floor coverings eg sealing wooden floors

Ceilings

- General repairs and decoration

External Walls

- General repairs ie repointing, rendering and brickwork repairs

Windows & Doors

- Repair/replacement of individual window and door frames
- Re-painting window and door frames
- Replacement of broken glass
- Repair/replacement of broken locks

Internal Walls

- General repairs to all wall finishes and plasterwork
- Repair/replacement of defective doors and screens
- Replacement of broken glass
- General repairs to all tiled surfaces

Sanitary Services

- Repair/replacement of damaged sanitary ware, fittings, waste plumbing
- Maintain kitchens to an appropriate standard
- Cleaning of kitchen drainage systems

Mechanical Services

- General maintenance of all boiler plant and associated pipework and equipment, including replacement of defective parts
- Gas safety checks

ANNEX C: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

Electrical Services

- Testing/replacement of electrical boards
- Repair and maintenance of all switchgear and interconnecting cables including those in temporary buildings
- All testing, earthing and bonding of electrical services and small items of electrical equipment to meet Health & Safety requirements
- Replacement of luminaries
- Repair/replacement of security lighting, alarm systems, CCTV, lifts/hoists

External Works

- Maintenance and repairs to car parks, paths, courts, play pitches, play ground markings, steps, handrails etc.
- Maintenance, repair and replacement of all play equipment
- Maintenance and repairs of all perimeter/boundary/retaining walls, fencing and gates
- Management of trees and plants including periodic arboricultural surveys

Drainage

- Maintenance and repairs of all drains, gullies, grease traps and manholes
- Cleaning and unblocking of all drains, gullies, grease taps and manholes

Service Distribution

- Annual servicing of heating services, hot and cold water systems, air conditioning and ventilation systems

SCHEDULE A: CHANGES TO PREVIOUS SCHEME

Changes	Reference
Updated wording to clarify the Scheme's application	1.1.2
Updated to reflect amendments to School Standards and Framework Act 1998, section 50	1.2.12
Updated to reflect DfE publication requirements	1.2.16/17
Changes to heading and wording to reflect DfE terminology	2.11
Update to section regarding school buying	2.15.2
Added provision explaining arrangements for top up payments to schools	3.1.4
Wording updated as the Salix scheme no longer applies	3.6
Updated procedure regarding schools that have a deficit over 5%	4.9.3
Updated to reflect current practice	4.9.4
New Provision added regarding retention of funds from sale of land	5.5.2
New Provision added updating procedure that local authorities can action in regard to de-delegation of funding	6.1.5
Wording updated to better align with DfE guidance	7.1.1
Updated as the Council's arrangements for reporting concerns have changed	11.8.2
Wording updated for 'safeguarding and child protection' section to reflect Safer Schools guidance and requirements in DfE scheme for financing schools guidance	11.9.1/2
Changes made to 'responsibility for repairs and maintenance' section to better align with DfE Guidance	12.2/3/4
Updated to reflect changes to the Children and Families Act 2014 and Education Act 2022	13.1.8/9
Updated to reflect changes to the Education Act 2022	13.4.4
New provision added to 'Insurance' section	13.8.2
Responsibility for repairs and maintenance Annex added	Annex C

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