

SCHEME FOR FINANCING SCHOOLS

Section 48 of the School Standards and Framework Act 1998

Revised October 2020

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FAIR FUNDING

Financial Management Scheme for Schools

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I. INTRODUCTION

I.1. The funding framework

I.1.1 The "Plymouth Scheme for Financing Schools" is made in accordance with section 48 of the School Standards and Framework Act 1998. 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 as amended by Sections 41-45 of the Education Act 2002.

I.1.2 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 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.

Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools 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 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).

Under the legislation a contingency from the DSG is allowed but is held outside of the Individual School Budget (ISB) and forms part of the Central Expenditure Limit, which is retained at the centre.

Central Expenditure Limits are set to ensure spending does not increase faster than the funding delegated to school, except in exceptional circumstances. If the limit is exceeded then this will need to be agreed by Schools Forum.

I.1.3 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 section 51 of the Act.

The financial controls within which delegation works are set out in a scheme made by the City Council in accordance with section 48 of the Act and approved by the Schools Forum. Where the Schools Forum does not agree with the City Council proposals for changes to the scheme, the Secretary of State will adjudicate.

I.1.4 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act. Spending by the governing body on providing community facilities or services under section 27 of the Education Act 2002 is treated as if they were amounts spent for the purpose of the school.

I.1.5 A Local Authority may suspend a school's right to a delegated budget if the provisions of the Authority's 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 (section 17 of the SSAF Act 1998) but in that case there is no right of appeal.

1.1.6 Plymouth City Council is obliged to publish each year a statement setting out details of its planned Local Schools Budget and City Council 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.

1.1.7 The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment.

The Authority is required to publish their scheme for financing schools and any revisions to it on a website that is available to the general public, by the date the revision comes into force together with a statement that the revised scheme comes into force on that date.

1.2. The role of the scheme

1.2.1 The scheme sets out the financial relationship between Plymouth City Council (hereafter referred to as the City Council) and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the City Council and on the Schools.

1.3. Application of the scheme to schools

1.3.1 The scheme applies to all community, nursery, voluntary and foundation (including Trust Schools) and community special and foundation special schools and maintained Pupil Referral Units (PRUs) in the area of the City Council. The scheme also applies to any new maintained schools which open after 1 April 2001.

1.4. Publication of the scheme

1.4.1 A copy of the scheme will be supplied to the Head Teacher and to the governing body of each school covered by the scheme.

1.4.2 A copy of the scheme will be available at reasonable times at schools maintained by the authority and the Local Authority offices. Any approved revisions will be notified to each such school and on the City Council website and School Room.

1.5. Revision of the scheme

1.5.1 Any proposed revisions to the scheme will be the subject of consultation with all schools and will require approval by the Schools Forum members representing maintained schools.

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

1.6. Delegation of powers to the Head Teacher

1.6.1 Each governing body is required to consider the extent to which it wishes to delegate its financial powers to the Head teacher and to record its decision (and any revisions) in the minutes of the governing body.

1.6.2 Under guidance issued with The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 the governing body's, or a committee of the governing body's major responsibilities are:

- To consider the annual budget plan proposed by the head teacher and to amend the budget plan where appropriate;
- To approve the first formal annual budget plan;
- To spend the delegated budget;

- To decide how to spend grants paid to Plymouth City Council where Plymouth City Council has delegated such decisions to the governing body;
- Decide whether and to what extent to delegate their powers to spend the delegated budget and any grants, to the head teacher.
- To prepare and submit to the governing body (or committee of) an annual budget plan in accordance with Plymouth City Council's Scheme for Financing Schools.

1.6.3 In addition, governing bodies ought to consider the following key areas of headship when determining its delegation to Head Teachers:

- The strategic direction and development of the school;
- The teaching and learning in the school;
- Leading and managing staff to secure improvement;
- The effective management of the premises;
- The efficient and effective deployment of staff and resources; and,
- Accountability to governors and others such as parents, pupils, staff and the local community.

1.7. Maintenance of schools

1.7.1 The City Council is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998 as amended by Sections 41-45 of the Education Act 2002.

2. FINANCIAL CONTROLS

2.1. Application of financial controls to schools

2.1.1 Section 50(3) of the SSAF Act 1998 provides that the governing body of a school, which has a delegated budget, shall be entitled to spend any sum made available to it in respect of the school's budget share for any financial year, as it thinks fit for the purpose of the school, subject to the requirements of the scheme.

2.1.2 Schools must abide in the management of their delegated budgets by the provisions contained in this scheme and the requirements set out in Financial Regulations & Procedures (hereafter referred to as Financial Regulations) and Contract Standing Orders as determined by the City Council <https://www.plymouth.gov.uk/aboutcouncil/councilconstitution>. In the event of there being incompatibility between the Financial Regulations, Contract Standing Orders and the scheme, the scheme provisions would prevail.

2.2. Provision of financial information and reports

2.2.1 The City Council's Assistant Director for Finance has a duty to ensure the proper administration of the Council's financial affairs (s151 Local Government Act 1972). The Director is also required to produce annual accounts in accordance with statutory requirements and statements of standard accounting practice. Schools must keep accounts that meet the prescribed format of the City Council and will integrate with those of the Authority as a whole. They must also meet the requirements of the Department for Education Consistent Financial Reporting Framework. The overall responsibility for monitoring the spending of resources allocated by the Cabinet rests jointly with the Strategic Director for People and the Assistant Director for Finance.

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2.2.2 The City Council, as the Accountable Body for grants secured from external sources, will require schools to have in place a robust financial and output monitoring procedure as determined by the Accountable Body.

2.2.3 In order that the responsibility may be discharged satisfactorily, schools are required to provide financial statements, and where appropriate give reasons for under or over-spends, in respect of each financial year. These are:

- Projected Annual Cash Flow Plan (only local payment schools) – send ~~a copy to Plymouth Learning Partnership and a copy to~~ schoolsfinance@plymouth.gov.uk by 3rd week of March in preceding year.
- ~~A 3 year budget forecast~~ ~~an annual budget plan~~ – send to schoolsfinance@plymouth.gov.uk and ~~a copy to Plymouth Learning Partnership~~ by 31 May in the financial year (See Section 2.8).
- A budget monitoring statement for the accounting periods ending June, September and December should be sent to schoolsfinance@plymouth.gov.uk by 31 July, 31 October and 31 January respectively. ~~The City Council's finance team will send a summary copy to Plymouth Learning Partnership by 31 August, 15 November and 15 February respectively.~~
- An outturn statement as at 31 March should be sent to schoolsfinance@plymouth.gov.uk by the end of the month of May following the financial year. ~~The City Council's schools finance team will send a summary copy to the Authority by 15 June.~~
- Bank statements and bank reconciliation statements in the prescribed format for the months ending September, December and March (local payment schools only) to be sent to schoolsfinance@plymouth.gov.uk. Monthly VAT returns in the prescribed format (local payment schools only) to be sent to schoolsfinance@plymouth.gov.uk. Outstanding debtors reports in September, December, and March (local payment schools only) to be sent to schoolsfinance@plymouth.gov.uk.

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- 2.2.4 The format of these statements and the timing of submissions may vary from year to year according to the accounting systems in use by the schools and reporting timetables for Committees of the City Council.
- 2.2.5 The City Council will discharge its monitoring role and ensure that schools are effectively managing resources delegated to them by the monitoring of these returns and by the review of internal audit reports.
- 2.2.6 Information provided by the local payment schools is reconciled by the City Council's Schools Finance Team on a period basis to verify the integrity of the information returned as the information forms part of the City Council's official records and accounts. Schools are informed of any discrepancies in the information provided and asked to make the necessary corrections in their local accounting systems.

Local payment schools not buying back into the City Council's financial services and information systems are responsible for demonstrating the integrity of their returns by completing each quarter:

- A cash expenditure reconciliation – this will reconcile the City Council and monthly VAT input returns to the bank balance.
 - A suspense account reconciliation – a reconciliation explaining the balance held on any nominated suspense accounts (e.g. payroll control), which is not included in the school income and expenditure return.
- 2.2.7 The City Council has a duty to ensure the effective management of resources by schools. To this end we require schools to submit returns as mentioned above. All submissions should be completed in a timely manner and should be accurate. The City Council has a duty to challenge schools financial performance and will monitor and check school financial returns as part of the challenge process.
- 2.2.8 Section 44 of the Education Act 2002 enables the Secretary of State to require schools to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).
- 2.2.9 CFR regulations require that all Local Authority maintained schools will have to submit a CFR return to the DfE by the third Friday in July each year. These returns will be prepared, validated and submitted to the DfE by the City Council's schools finance team.

2.3. Payment of salaries; payment of bills

- 2.3.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all staff employed by schools, bills to third parties, and the collection of income may be made by the ~~Assistant Director of Finance~~ ~~Head of Integrated Finance~~ under buy back arrangements as agreed with schools. Should schools wish to make other arrangements then these arrangements must meet the requirements of Financial Regulations. Any school making its own arrangement for payroll will need to ensure that timely information in an agreed format is made available to the ~~Assistant Director of Finance~~ ~~Head of Integrated Finance~~ so that statutory returns may be made to HM Revenue and Customs, the Contributions Agency and the Teachers' Pensions Agency.

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2.4. Control of assets

- 2.4.1 Each school must maintain an inventory of its moveable non-capital assets, in a form to be determined by the City Council, and setting out the basic authorisation procedures for disposal of assets. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. Schools are encouraged to register anything that is portable and attractive, such as a camera. They must keep a register in some form. It is suggested that schools follow the guidance currently laid down with regard to all moveable non-

capital assets. The form of the inventory and guidance on the disposal of assets are included in the Schools' Finance Manual issued separately to this scheme.

2.5. Accounting policies (including year-end procedures)

- 2.5.1 Schools must adhere to the accounting procedures as set out in the Schools' Finance Manual.
- 2.5.2 Year-end procedures will be issued annually with a timetable that must be adhered to by schools to meet the statutory time frame for the City Council.

2.6. Writing off of debts

- 2.6.1 The Governing Body may write off debts of less than £2,500. Any other write off will require the approval of the Assistant Director for Finance in accordance with the Financial Regulations.

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2.7. Basis of accounting

- 2.7.1 The accounts of the City Council are on an accruals basis. When schools submit their final accounts at the end of the year their return must therefore be on this basis in the format required by the City Council (see s2.2 above).
- 2.7.2 How schools organise their accounts internally will be up to the governing body but advice is available from [the City Council's Finance Department](#)~~the Plymouth Learning Partnership~~.

2.8. Submission of spending plans

- 2.8.1 Each school is required to submit their spending plans that show the expected income and expenditure for the current financial year and a projection for the following two years. The spending plans must be approved by the full governing body or a committee of the governing body where the responsibility has been delegated to that committee by the full governing body. This must be completed by 31 May of each year and sent to schoolsfinance@plymouth.gov.uk ~~with a copy to Plymouth Learning Partnership~~ in a format determined by the Council's schools finance team which will, as far as possible, take into account Consistent Financial Reporting. In submitting their spending plan the governing body should also include the assumptions underpinning their spending plan. [The 3 year budget forecasts may be used in support of the City Council's balance control mechanism](#).
- 2.8.2 Local payment schools should also submit an annual cash flow statement together with an estimate of the proportion of the budget to be spent on items covered by the local payment scheme (see section 2.2 above) to enable timely cash advances to be made to schools.
- 2.8.3 The City Council will provide condition and suitability surveys of school buildings for governing bodies to set capital and maintenance priority budgets.
- 2.8.4 The City Council will provide to the governing body of each school all relevant school income and expenditure data that it holds and which is necessary for efficient planning, and supply schools with an annual statement showing when this information will be available at times through the year. The City Council will also provide schools with general planning assumptions, e.g. inflation factors, to assist schools in preparing their budgets.
- 2.8.5 Schools, in determining their budgets, should take into full account the estimated deficits/surpluses at the previous 31 March in their budget plan.
- 2.8.6 The school's formal annual spending plan must be approved by the full governing body or a committee of the governing body where the responsibility has been delegated to that committee by the full governing body. The governing body should review the plan once every three months and submit this revised plan to the authority with the quarterly budget monitoring statements (see section 2.2 above).

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2.9 Submission of financial forecasts

2.9.1 ~~Each school must submit a 3 year budget forecast each year by 31 May. The authority may require schools to submit a financial forecast covering each year of a multi-year period.~~

2.9.2 ~~The 3 year budget forecasts may be used in conjunction with the City Council's balance control mechanism. However, the requirement to submit a financial forecast should not place undue burdens on schools and should be proportionate to need. In requesting such forecasts authorities should state the purposes for which they intend to use this forecast: such a forecast may be used in conjunction with an authority's balance control.~~

2.10 Schools Resource Management

2.10.1 The scheme must include the following provision, which imposes a requirement on schools to achieve efficiencies and value for money, to optimise their resources and invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements.

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

2.10.3 It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money

2.10.4 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.

2.10.5 The Governing Body must have an ongoing regard to the Schools Financial Value Standard considerations and should through its recorded decisions be able to demonstrate that they have been applied. As per the requirements as set out in the Schools Financial Value Standards (SFVS).

2.11 Virements

2.11.1 The governing body has the power to vire provisions between different heads in the expenditure of their budget shares. When considering such virements the governing body should take into account the effect of the virement in subsequent years, and ensure that the virement will not lead to the school ending up in an overall deficit.

2.11.2 The governing body may also approve virements to, but not from, budgets earmarked for some specific purposes such as ring fenced Pupil Premium and PE Sports Funding. Resources must not be vired from Schools' budget share to support non-school activities. The level at which the Head Teacher has authority to approve virements must be determined by resolution of the governing body. These limits to delegated authority should be set down in the school's Financial Policy statement.

2.12 Audit: General

2.12.1 Schools will be subject to regular internal audit within a regime determined by the Assistant Director for Finance. Specific guidance relating to the City Council's audit requirements is contained in Financial Regulations.

Schools can expect reasonable notice of any forthcoming audit unless that audit is required as a result of an irregularity, financial or otherwise.

2.12.2 Schools also fall within the scope of the City Council's external audit and could receive a visit if the External Auditors considered it appropriate.

2.12.3 Governors and staff must fully co-ordinate with any internal auditors commissioned by the City Council or the Council's external auditors. Schools must give internal and external auditors access to all the school's records.

2.13 Separate external audits

2.13.1 The governing body of each school may use the school's budget share to obtain external audit certification of its accounts. This is separate from any Plymouth City Council internal or external audit process and will be at the school's own expense. A copy of any such audit report shall be provided to the Assistant Director for Finance.

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2.13.2 Where a school chooses to seek such an audit it does not remove the requirement that the school must cooperate with the City Council's internal and external auditors.

2.14 Audit of voluntary and private funds

2.14.1 Every school that has private or voluntary funds or trading organisations must provide annual audit certificates to the Governing Body in respect of these funds. A copy of any audit report should be sent to the Authority and any other requirement as to audit of such funds is a matter for those making the funds available, and any Charity Commission requirements.

2.15 Register of business interests

2.15.1 The Governing Body of each school must have in place a register which lists for each member of the Governing Body, the Head Teacher and staff:

- -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-

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-The register should be kept up to date with notification of changes and through annual review of entries, and should be made available for inspection by governors, staff, parents and the City Council by publishing the register on a publicly accessible website.

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2.16 Purchasing, tendering and contracting requirements

2.16.1 Schools must abide by the City Council's Financial Regulations and Contract Standing Orders in purchasing, tendering and contracting matters and should assess in advance, where relevant, the health and safety compliance of contractors, taking account of the City Council's policies and procedures.

2.16.2 Schools will not however be bound by any provisions in the Financial Regulations and Contract Standing Orders which would require them to:

- a) Do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive
- b) Seek the authorising counter signature of a council officer for any contracts for goods or services for a value below £60,000 in any one year (the City Council and schools should not aggregate or disaggregate the value of contracts to avoid or impose the counter signature requirements)
- c) Select suppliers only from an approved list
- d) Seek fewer than three quotations in respect of any contract with an estimated value exceeding **£10,000** in any one year.

2.16.3 Schools may seek advice on a range of compliant deals via [Buying for schools](#)

2.17 Application of contracts to schools

- 2.17.1 Each school has the right to opt out of contracts arranged by Plymouth City Council except for:
- Contracts for services agreed by schools in respect of which funding was delegated by the City Council prior to 1 April 1999;
 - Contracts for services agreed by schools in respect of which funding is delegated by the City Council after 1 April 1999;
 - Certain contracts listed in the scheme as approved by the Secretary of State for services for which funding has been delegated after 1 April 1999, irrespective of the agreement of schools;
 - Capital contracts for non-delegated funds over £100,000.
- 2.17.2 Governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts. In most cases they do so on behalf of the City Council as maintainer of the school and the owner of funds in the budget share. 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.

2.18 Central funds and earmarking

- 2.18.1 From time to time the City Council will make sums available to schools from central funds in the form of allocations which are additional to and separate from the schools' budget shares.
- 2.18.2 Such allocations shall be subject to conditions setting out the purpose or purposes for which funds may be used. While these conditions need not preclude virement (except where the funding is supported by a specific grant which the City Council itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the schools' budget shares.
- 2.18.3 Any earmarked funding from centrally retained funds must only be spent on the purpose for which it is given and cannot be vired into the schools' budget shares.
- 2.18.4 There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with. The City Council may require earmarked funds to be returned if they are not spent within the period over which schools are allowed to use the funding.
- 2.18.5 The City Council is barred from making any deduction, in respect of interest costs to the City Council, from payments to schools of devolved specific or special grant.

2.19 Spending for the purposes of the school

- 2.19.1 Section 50(3) of the SSAF Act 1998 allows governing bodies to spend budget shares "for the purposes of the school" subject to any provisions of this scheme. The Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur.
- 2.19.2 Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.20 Capital spending from budget shares

- 2.20.1 Governing bodies are permitted to use their budget share 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 SSAF Act 1998.

- 2.20.2 Any capital spending from budget shares should be notified to the Strategic Director for People. Where the expected capital expenditure from the budget share on any one project in any one year will exceed £15,000, the governing body must notify Plymouth City Council and take into account any advice from the Strategic Director for People and the Assistant Director for Finance as to the merits of such expenditure. Schools should not artificially disaggregate projects to avoid this requirement.
- 2.20.3 If the premises are owned by the City Council, or the school has voluntary controlled status, then the governing body must seek consent from the Council to the proposed works. Consent will only be withheld on health and safety grounds or for other statutory reasons.
- 2.20.4 The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

2.21 Capital grants

- 2.21.1 The objective of the grant is to provide access to funds that reduce the backlog of repairs across the school estate and/or enable curriculum-related projects to be undertaken. The grant should be allocated to address the most pressing capital needs as identified through the School Improvement Plan.
- 2.21.2 Schools are required to prepare a detailed business case outlining the aims and objectives of the scheme, options concerned and how the proposal will add value to learning.
- The Strategic Director for People, or their representative, will approve the submitted business proposal.
- 2.21.3 Once the City Council has concluded that a school should benefit from funding, it will then agree the management arrangements for the capital project and associated funding. This may mean effectively retaining its management within the City Council or devolving the funding to the school.
- 2.21.4 The City Council will inform and clearly communicate to all schools how it intends to broker the funding. It is essential that the process is transparent and seen to be fair by all schools.

2.22 Leasing of equipment

- 2.22.1 Lease, rental or other deferred payment arrangements for equipment such as computers, photocopiers and telephone systems must not conflict with the Council's application of government capital controls.
- 2.22.2 Schools may not enter into a "finance lease" or "hire purchase" unless the written permission of the Secretary of State has been obtained, since these are classified as borrowing.
- School may enter into an "operating lease". However, such arrangements must meet the following criteria:
- The agreement must not allow the school to become the owner or buy the equipment at any stage, or receive any proceeds from the sale of the equipment.
 - The value of the equipment at the end of the agreement, as estimated by the school at the beginning of the agreement, must be at least 10% of the leased value of the equipment. Where possible this should be supported by an independent view from, for example, the supplier of the equipment. The lease agreement may contain a clause stating that the school has undertaken this estimation and is prepared to sign to that effect.
 - The agreement must not give an automatic right to continue with the agreement at the end of the lease period, although this could subsequently be arranged at what is termed a fair open market rental.

- Schools, with the exception of local payment schools, should not enter into direct debit arrangements with suppliers or lease companies without the prior approval and authorisation of the ~~Assistant Director of Finance~~ Head of Integrated Finance. All payments should be by cheque on the production of a VAT invoice from the finance company/supplier.
- Schools should give careful consideration before committing future years' budget provision.

2.22.3 Schools must contact the Plymouth City Council schools finance team before entering into any lease agreement to ensure they comply with government capital regulations.

2.23 Setting up school companies

2.23.1 The government has put in place new provisions under the Education Act 2002 Sections 11 & 12 that enable schools to form companies on their own, or with other schools or with certain other education bodies. Details with regard to this are shown at Annex B.

2.23.2 Governing bodies are required to advise the Strategic Director for People of their intention to either set up, or participate in, a school company.

2.24 Schools Financial Value Standard (SFVS)

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

2.24.2 Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines. All maintained schools with a delegated budget must submit the form to the local authority before the end of the financial year.

2.25 Notice of concern

2.25.1 The City Council may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the ~~Assistant Director of Finance~~ Head of Integrated Finance and the Strategic Director for People, 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 City Council or the school.

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

These may include:

- Insisting that 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 local authority;
- Insisting on regular financial monitoring meetings at the school attended by local authority officers;

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

2.25.3 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.

2.26 Fraud

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

2.26.2 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.

2.26.3 Governors and staff have a duty to expose mismanagement and fraud. Financial Regulations require that the ~~Head of Integrated Finance Assistant Director~~ is immediately notified where there are grounds to suggest any irregularity affecting cash, stores or other assets. Normally such notification will be made by the Head Teacher. However, it may be circumstances make it inappropriate for the person alleging the irregularity to raise the matter with the Head Teacher or governors.

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3. INSTALMENTS OF BUDGET SHARES AND BANKING ARRANGEMENTS

3.1. Frequency of instalments

3.1.1 In accordance with Section 47 of the SSAF Act 1998 and the regulations thereunder, each school will be notified of its annual budget share by the 31 March of each year.

3.1.2 Schools wishing to operate their own bank accounts must apply prior to 1 April following a minuted decision by the governing body. Applications will not normally be considered for commencement other than from the 1 April each year.

3.1.3 Schools not operating their own bank accounts will be allocated their budget shares and may draw on their budget shares from the start of the financial year to which it relates.

3.1.4 Schools with bank accounts will receive budget share instalments on a monthly basis.

3.1.5 Where a school with a bank account requests it, Plymouth City Council will make available budget share cash instalments at the beginning of terms 5, 1 and 3. This request must be made prior to the start of the relevant financial year.

3.2. Proportion of budget share payable at each cash instalment

3.2.1 Where schools with bank accounts receive their budget share on a monthly basis, their monthly instalment will equal the amount of the non-pay elements in their cash flow plan, required under Section 2.2.3 of this scheme, for the relevant month.

3.2.2 Where schools with bank accounts receive their budget share on an alternate termly basis, the allocations will be weighted to reflect the non-pay cash flow of the school. The school should have submitted a cash flow plan for the year as required under Section 2.2.3 of this Scheme. The installment in April will equal the sum of the non-pay amounts in the school's cash flow plan for April, May, June, July and August; the September installment will equal the sum of the non-pay

amounts in the school's cash flow plan for September, October, November and December; the January installment will equal the sum of the non-pay amounts in the school's cash flow plan for January, February and March.

- 3.2.3 Where schools with bank accounts have opted to buy payroll services from an alternative source (not PCC), the pay element of the cash flow plan will be advanced on the 18th day of the relevant month.
- 3.2.4 All instalments whether monthly or termly will be paid directly into the school's bank account.
- 3.2.5 Place-led funding is included in arrangements for payments by instalment.
- 3.2.6 Top-up payments should be made monthly unless otherwise agreed.

3.3. Interest clawback

- 3.3.1 The City Council will deduct from the budget share instalments for those schools with bank accounts an amount equal to the estimated interest lost by the City Council in making the budget share in advance. The reason for deducting foregone interest is that the City Council receives its income in fortnightly instalments. The City Council may have to borrow or will have less money to invest where schools receive their cash in advance. The calculation is equivalent to the loss of interest to the Council.
- 3.3.2 The interest clawback is calculated by comparing the cash instalments to be made to schools to the notional payments which would have been made on behalf of the schools if they did not have a bank account. The notional interest lost can then be calculated and expressed as a percentage.
- 3.3.3 The percentage of foregone interest calculated is then applied to each cash instalment to calculate the interest clawback.
- 3.3.4 The interest rate will be the 7 day Local Authority Deposit Rate as at 1 April at the start of each financial year.

3.4. Interest on late budget share payments

- 3.4.1 The City Council will add interest to late payments of budget share instalments, where such late payment is the result of City Council error. The interest rate used will be that used for clawback calculations described above.

3.5. Budget shares for closing schools

- 3.5.1 This scheme provides for budget shares of schools for which approval for discontinuation has been secured, to be made available until closure on a monthly basis net of estimated pay costs, even where some different basis was previously used.

3.6. Bank and building society accounts

- 3.6.1 All schools maintained by the City Council may have external bank accounts into which their budget share instalments are paid.
- 3.6.2 Any school wishing to have its own bank account for the first time must give the City Council at least three months' notice. The ~~Assistant Director of Finance~~ **Head of Integrated Finance** should approve all banking arrangements for City Council maintained schools, following a minuted decision of their Governing Body.
- 3.6.3 Schools that have a deficit balance will not be allowed to open an external bank account until that deficit is cleared.

- 3.6.4 Where schools hold external bank accounts, schools shall be allowed to retain all interest earned on those accounts.
- 3.6.5 If a school opens an external bank account, as per section 3.7, the City Council must, if the school desires, transfer immediately to the account an amount agreed by both school and City Council as the estimated surplus balance held by the City Council in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

3.7. Restrictions on bank accounts

- 3.7.1 Schools may hold an account for the purpose of receiving budget share payments with any recognised UK Clearing Bank as listed below:
- Barclays Bank PLC
 - HBOS PLC (merger of Halifax and Bank of Scotland)
 - HSBC PLC
 - Lloyds TSB PLC
 - National Westminster Bank PLC
 - The Royal Bank of Scotland PLC (including National Westminster Bank PLC)
- 3.7.2 Money paid in by the City Council and held in school bank accounts remains City Council property until spent. This scheme allows schools to have the bank account in their own name, but the account must be opened in accordance with the Financial Regulations.
- 3.7.3 Schools must notify the Assistant Director for Finance of the bank used, account numbers and authorised signatories for all City Council Bank Accounts. Changes to banks and/or signatories should also be notified.

3.8. Borrowing by schools

- 3.8.1 Governing bodies may only borrow money, or enter into a finance lease with the written permission of the Secretary of State. Schools will only be granted permission for borrowing in exceptional circumstances. From time to time, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use schemes that the Secretary of State has said are available to schools without specific approval, such as the Salix loan scheme, designed to support energy saving.
- 3.8.2 Overdrafts and the use of credit cards are not permitted, and schools must not under any circumstances arrange any such agreements or allow the bank account to become overdrawn. Schools may use procurement cards, as these are a useful means of facilitating electronic purchase.
- 3.8.3 Schools are permitted to use credit or charge cards. However, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis.
- 3.8.4 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 the delegated budgets, but schools are free to agree charges for services which the Trustees or Foundations are able to provide as a consequence of their own borrowing.
- 3.8.5 This provision does not apply to any loan scheme run by the City Council (see section 4.9.1 below).

3.9. Other provisions (local payment schools only)

- 3.9.1 The City Council has formulated rules and guidance in respect of banking arrangements, which are detailed below.

- 3.9.2 The scheme places certain requirements on the school. When accounts are opened, schools should ensure that the following requirements are fulfilled:
- a) Accounts must only be opened with the approval of the ~~Assistant Director of Finance~~Head of Integrated Finance following the approval of governors.
 - b) Accounts must be in the name of Plymouth City Council and the school.
 - c) Governors may authorise a minimum of four and up to a maximum of six signatories. These should be reviewed annually.
 - d) A proforma should be completed by the school, authorising the bank to accept a request from the Assistant Director for Finance or their representatives (Internal and External Audit and Finance staff) for access to information on the school account, in order to fulfil their statutory duties.
 - e) All correspondence from the bank to the school must be addressed to the Head Teacher.
 - f) Bank statements must be provided monthly, sent to the school on the last banking day of each month immediately after the last banking day's transactions.
 - g) A copy of the monthly bank reconciliation statement should be kept by the school and submitted to the City Council, in accordance with Section 2.2.3 of this scheme or when requested by the City Council.
 - h) Paying in books must be provided and used for paying in income.
 - i) Cheque counterfoils must be completed in every case and retained for audit purposes.
 - j) Cheques should be crossed, non-negotiable and 'a/c payee only'.
 - k) The school retains any interest and bears any charges made by the bank. Interest should be paid gross.
 - l) A surplus may be invested, but only in accounts of an approved bank, which bear no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary. Details of this must be provided to the City Council in accordance with paragraph 3.7.
 - m) Direct debits or standing orders may be used for salaries and recurring payments such as utility bills and rates. Schools may also use electronic payment methods i.e BACS/CHAPS.
 - n) Schools with bank accounts are permitted to use debit/charge cards provided the payment is made in full each month and the card has no cash withdrawal facility. Alternatively, the City Council's purchasing card arrangements are available to schools.
 - o) Schools wishing to use telephone or electronic on-line banking systems must ensure that the following control procedures are in place and adhered to:
 - the Assistant Director for Finance is notified of the changes in banking procedures;
 - controls, particularly access controls, are of a level that is comparable to that provided by the current cheque book system;
 - the school recognises that methods of authorisation may change, but the levels of authorisation must comply with the approved bank mandate.

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

4.1. Right to carry forward surplus balances

- 4.1.1 Each school is permitted to carry forward from one financial year to the next any surplus plus/minus any balance brought forward from the previous year, subject to the conditions of Plymouth City Council's Capping Policy (Annex C). The City Council can reserve the right to cap school balances over and above the recommended levels as set out in the Plymouth City Council's Capping Policy (Annex C).

- 4.1.2 School balances are part of the City Council's general reserves and may be used to support the overall financial requirement of the City Council but subject to the absolute undertaking that the balances will always be available for use by individual schools where appropriate.
- 4.1.3 Schools opening an external bank account for the first time will have an agreed balance transferred to the school bank account as determined in Section 3.6.5 of this scheme.

4.2. The control of surplus balances

- 4.2.1 At the same time as issuing its budget statement as required by section 52 of the Schools Standards and Framework Act 1998, the City Council will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the City Council for the two financial years following the year for which the statement is being issued. The estimate will be provided in a format determined by the City Council and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the City Council at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the City Council to fund the school at the level shown in the estimate. The City Council may issue additional budget estimates from time to time.
- 4.2.2 Surplus balances held by schools as permitted under this scheme are subject to restrictions outlined in the Plymouth City Council Capping Policy shown in Annex C.

4.3. Licensed deficits

- 4.3.1 A school wishing to plan a deficit budget may make an arrangement with the City Council known as a Deficit Agreement.
In making such an agreement the following will apply:
 - a) the maximum length of time over which schools may repay the deficit is three years;
 - b) deficit agreements will only be allowed in exceptional circumstances for example when there is a significant variation in pupil numbers from that which was expected i.e. more than 5%;
 - c) the sum total of deficits will not normally exceed 30% of the collective school balances held by the City Council;
 - d) all agreements must be approved by the Strategic Director for People and the ~~Assistant Director of Finance~~ Head of Integrated Finance .
- 4.3.2 The City Council reserves the right to enter into an arrangement whereby funds from schools holding balances over and above the capping policy may be used to meet the deficit experienced by other schools.

4.4. Obligation to carry forward deficit balances

- 4.4.1 Any school that has a deficit at the end of the financial year, will have this deficit carried forward by deducting the amount of the deficit from the following year's school budget share.
- 4.4.2 A school's deficit balance at 1 April, will be equal to that as at 31 March.
- 4.4.3 For those schools with existing Licensed Deficit Budget plans with the City Council, the Licensed Deficit Plan that has been agreed with the school's governing body shall continue.

4.5 Planning for deficit budgets

- 4.5.1 ~~Schools will not be permitted to plan for a deficit except in the circumstances set out in section 4.3 above.~~

4.5.2 The City Council will consider the withdrawal of delegated powers from a school's governing body where the planned deficit in any one year exceeds 15% of the schools delegated budget including funding for post 16.

4.5.3 Schools will be required to give a written account to the Strategic Director for People, the ~~Assistant Director of Finance~~^{Head of Integrated Finance} and the Schools Forum if a deficit occurs without prior agreement with the City Council. The written account must detail how the school intends to repay the deficit.

~~4.5.4 Schools must submit a recovery plan to the City Council Finance Department when their revenue deficit rises above 5% at 31st March of any year. The 5% deficit threshold will apply when deficits are measured as at 31st March 2021.~~

~~4.5.4 Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools, or a central budget for special schools and PRUs.~~

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4.6 Writing off deficits

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

4.7 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 the closure of a school, a local 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.

4.8 Loan schemes for licensed deficits

4.8.1 Plymouth City Council does not operate a loan scheme to manage schools in deficit. The proposed deficit agreements as outlined in section 4.3 of this scheme will apply.

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

4.9 Credit loan arrangements

4.9.1 If schools wish to group together to use externally held balances for a credit union approach to loans, the City Council would wish to be satisfied that these externally held balances are sufficient to cover deficits supported by the credit union. The City Council would require an audit certificate proving such funds are available.

5. INCOME

5.1. Income from lettings

- 5.1.1. Schools will be allowed to retain income from the lettings of school premises subject to any alternative provisions arising from any joint use or Private Finance Initiatives (PFI) agreement.
- 5.1.2. Schools are allowed to cross-subsidise lettings for community and voluntary use, with income from other lettings, provided that there is no net cost to the budget share, including the costs of repairs, maintenance and facilities management.
- 5.1.3. Such income should not be paid into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income.
- 5.1.4. In letting school premises governing bodies should have regard to directions issued by the City Council or the Dioceses as to the use of premises as permitted under the School Standards and Framework Act 1998 for various categories of schools and should ensure adequate insurance arrangements are in place.

5.2 Income from fees and charges

- 5.2.1 Schools will be allowed to retain income from fees and charges except where a service is provided by the City Council from centrally retained funds.
- 5.2.2 Schools, in setting their fees and charges, should have regard to any policy statements on charging produced by the City Council. This guidance will be included in the Schools' Finance Manual.
- 5.2.3 Such income should not be paid into voluntary or private funds held by the school unless it specifically meets the definition of Voluntary Unofficial Fund as determined in Section 1.1 of the Voluntary Unofficial Fund Manual.

5.3 Income from delegated school meals (i.e. non City Council contract provision)

- 5.3.1 A school operating their own school meals provision should ensure its operation complies with guidance issued by the City Council and is in accordance with Section 2.2 of this scheme.

5.4 Income from fund-raising activities

- 5.4.1 Schools will be allowed to retain income from fund-raising activities.

5.5 Income from sale of assets

- 5.5.1 Schools will be allowed to retain the proceeds from the sale of assets except where the asset was purchased from non-delegated funds, in which case it will be for the City Council to decide whether the schools retain the income.
- 5.5.2 Where the decision has been taken by the City Council to dispose of land or buildings that form part of the school premises owned by City Council, schools are not allowed to retain income from that sale.
- 5.5.3 Inventory records should be amended to take account of all disposals.

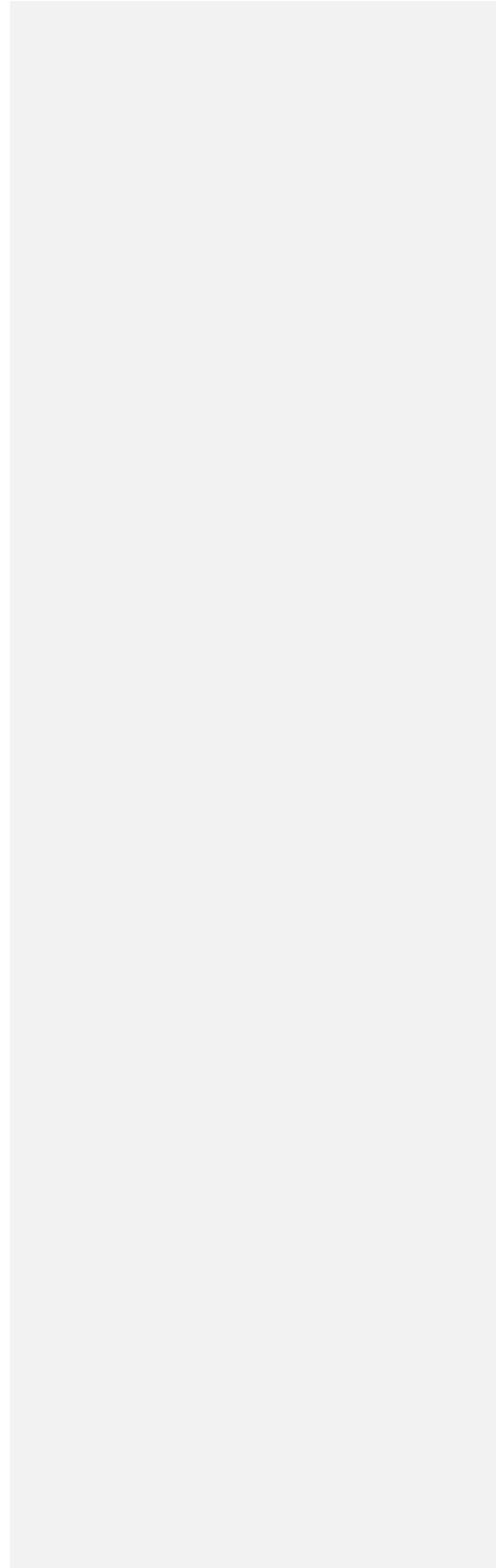
5.6 Administrative procedures for the collection of income

- 5.6.1 Guidance and rules governing the collection of income are included in Financial Regulations, VAT Guidance and the Schools' Finance Manual.

5.7 Purposes for which income may be used

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



6. THE CHARGING OF SCHOOL BUDGET SHARES

6.1. General provision

- 6.1.1. The City Council will not charge the budget share of a school without the consent of the governing body except in circumstances permitted by this scheme (see section 6.2 below).
- 6.1.2. The City Council will consult schools as to the intention to so charge and the basis of calculating the charge, and will notify schools when it has been done.
- 6.1.3. The City Council is required to charge salaries of school based staff to school budget shares at actual cost.

6.2. Circumstances in which charges may be made

- 6.2.1. The following are circumstances in which charges may be made without the consent of the governing body:
 - a) Where premature retirement costs have been incurred without the prior written agreement of the City Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the City Council);
 - b) Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B).
 - c) Awards by courts and industrial tribunals or out of court settlements against the City Council arising from action or inaction by the governing body contrary to the advice of the City Council;
 - d) Expenditure by the City Council in carrying out health and safety work or capital expenditure for which the City Council is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the work;
 - e) Expenditure incurred by the City Council in making good defects in building work funded by capital spending from budget shares, where premises are owned by the City Council or the school has voluntary controlled status;
 - f) Expenditure incurred by the City Council 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 City Council;
 - g) Recovery of monies due from a school for services provided to the school, where a dispute over monies due has been referred to a disputes procedure set out in a service level agreement, and a result is that monies are owed to the City Council;
 - h) Recovery of penalties imposed on the City Council by HM Revenue and Customs, the Contributions Agency, Teachers' Pensions or regulatory authorities as a result of school negligence;
 - i) Correction of City Council errors in calculating charges to a budget share;
 - j) Additional transport costs incurred by the City Council arising from decisions by the governing body on the length of the school day, and failure to notify the City Council of "non-pupil" days resulting in unnecessary transport costs;
 - k) Legal costs which are incurred by the City Council because the governing body did not accept the advice of the City Council;
 - l) Costs of necessary health and safety training for staff employed by the City Council, where funding for that training has been delegated but the necessary training not carried out;
 - m) 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;
 - n) Cost of work done in respect of teacher pension remittance and records for schools using non-City Council payroll contractors, the charge to be the minimum needed to meet the cost of the City Council's compliance with its statutory obligations;

- o) Costs incurred by the City Council in securing provision specified in an Education, Health and Care Plan (EHCP) where the governing body of a school fails to secure such a provision despite the delegation of funds in respect of that statement;
- p) Cost incurred by the City Council due to submission by the school of incorrect data;
- q) Recovery of amounts spent by the school from specific grants on ineligible purposes;
- r) Costs incurred by the City Council as a result of the governing body being in breach of the terms of a contract.
- s) Charges where appropriate support has not been made for a High Needs pupil.

6.2.2 The City Council will take steps to ensure that the governing bodies receive clear advice in circumstances where such charging may result.

6.2.3 The City Council reserves the right to propose additional categories where necessary.

7. TAXATION

7.1. Value Added Tax

The City Council will reclaim Value Added Tax (VAT) on net expenditure relating to non-business activity.

- 7.1.1. VAT amounts reclaimed for schools with their own bank account will be refunded to the schools. School budget shares will be charged net of VAT for all other schools.
- 7.1.2. Further and more detailed information is provided in the Schools' VAT Handbook.
- 7.1.3 Schools should seek the advice of the authority and the 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.

7.2. Income Tax and National Insurance

- 7.2.1. School may arrange (Section 2.3) for the payment of salaries, wages, compensation and other emoluments, other than by the City Council but responsibility for accounting to the relevant agencies for Income Tax and National Insurance deductions cannot be delegated to a third party.
- 7.2.2. Schools cannot make payments to individuals (non-employees) without considering their income tax status. There is a statutory duty to ensure tax and National Insurance is deducted where applicable. Non-compliance would result in the school being liable to penalties imposed by the HM Revenue and Customs.
- 7.2.3. Schools that have a member of staff employed by the school or authority in connection with community facilities at the school and 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 HM Revenue and Customs rules.
- 7.2.4. Schools should follow authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1. Provision of services from centrally retained budgets

- 8.1.1 The City Council will determine after consultation with schools the basis on which services (including premature retirement costs and redundancy) from centrally retained funds will be provided to schools, having regard to any relevant statutory requirements.
- 8.1.2 The City Council will not discriminate in its provision of services on the basis of categories of schools except where:
- a) funding has been delegated to some schools only;
 - b) such discrimination is justified by differences in statutory duties.
 - c) It is permitted under the School and Early Years Finance Regulations or dedicated school grant (DSG) conditions of grant.

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

- 8.2.1 City Council will make arrangements for the provision of services for which funding has been delegated and which may be bought back by schools.
- 8.2.2 Any arrangement to buy services or facilities from the City Council starting on or after 1 April 1999 will be limited to a maximum of three years from the inception of the scheme, or the date of the agreement, whichever is later.
- 8.2.3 Any subsequent arrangement to buy the same services or facilities from the City Council will be limited to a maximum of five years. This may be extended to five and seven years respectively for supply of catering services. The terms relating to the provision of such services under extended agreements, whether free or on a buy back basis, will be reviewed at least every three years.
- 8.2.4 Services will be offered at prices that are intended to generate income which is no less than the cost of providing those services to schools.
- 8.2.5 Services offered to schools on a buyback basis will be provided in a way which does not unreasonably restrict schools' freedom to choose from the services available and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

8.3. Service level agreements

- 8.3.1 The terms relating to any services or facilities provided by the City Council under service level agreements, whether free or on a buyback basis, will be reviewed at least every three years if the agreement lasts longer than that.
- 8.3.2 Where possible services will be offered by the City Council on an ad hoc basis; but in that event they may be charged for at a different rate than if provided on the basis of such service level agreements.
- 8.3.3 Where services are provided by the City Council then these services will not be subject to an extended agreement of more than three years.
- 8.3.4 Service level agreements must be in place by 31st March and schools given at least two months prior to this date to consider the terms of agreement.
- 8.3.5 The City Council will establish appropriate mechanisms to monitor the quality of services provided and make arrangements to ensure schools have the opportunity both to provide comment on the quality and to be involved in the development of the services.

8.4. Teachers' Pensions

- 8.4.1. In order to ensure that the performance of the duty on the City Council to supply the Teachers' Pensions Agency with information under the Teachers' Pension Regulations 1997, the following conditions are imposed on the City Council and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.
- 8.4.2. The conditions only apply to governing bodies of maintained schools who have not entered into an arrangement with the City Council to provide payroll services.
- 8.4.3. A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the City 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 City Council which the City Council requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The City 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 City Council within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.
- 8.4.4. A governing body of any maintained school, which directly administers its payroll, shall supply salary, service and pensions data to the City Council which the City Council requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The City 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 City Council within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

9. PRIVATE FINANCE INITIATIVES

- 9.1.1 The City Council shall have the power to issue regulations from time to time relating to private finance initiatives. 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.
- 9.1.2. Where such an agreement is reached the following conditions will apply:
 - Governing bodies will be required to undertake to contribute a sum towards the unitary charge by the authority. This will be outlined in the legal agreement between Plymouth City Council and the School Governing Body.
 - Income from lettings and other third party agreements agreed as part of the contract may be diverted to the private sector where required. In addition, the proceeds of sales of assets acquired from delegated funds may be diverted to the private sector where appropriate and required by the contract.
 - This arrangement will apply for the entire contracted period and will be amended for future delegated sums associated with expenditure within the remit of the contract.
 - Proposals may be brought forward to develop a separate formula for schools operating in managed buildings under future scheme proposals; such proposals will be the subject of further consultation with schools and final approval by the secretary of state.
 - Monies will be withheld from the contractor in line with an agreed default mechanism that ensures performance is in line with the contract specification. Withheld sums will be used initially to reimburse contract administration costs with any residue returned proportionately to contributors.
 - The City Council will require the governing body to formally agree the appropriate arrangements in respect of PFI at the relevant time.

10. INSURANCE COVER

10.1.1 Insurance budget delegated to each school. Schools then have the option of an insurance package offered via the City Council with a third party insurer or exercising their right to opt out and make their own arrangements. This could be the Risk Protection Arrangement (RPA).

10.1.2 Evidence must be provided to the Head of Integrated Finance by no later than 1st April, i.e. in advance of the financial year that the opt-out will take effect, that appropriate insurance cover has been taken out with a third party insurer or the RPA.

~~10.1.1 The local authority may require the school to demonstrate that cover relevant to an 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 City Council 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~~

~~Insurance budget delegated to each school. Schools then have the option of buying back the insurance package offered by the City Council or exercising their right to opt out and make their own arrangements.~~

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11 MISCELLANEOUS

11.1 Right of access to information

11.1.1 Governing bodies shall supply the City Council with all financial and other information which might reasonably be required to enable the City 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 City Council (e.g. earmarked funds) on the school.

11.2 Liability of governors

11.2.1 The governing body of a school is a corporate body, and because of the terms of Section.50 (7) of the SSAF 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.

11.3 Governors' expenses

11.3.1 Where a school is yet to receive a delegated budget but has a governing body in place, the City Council will delegate to the governing body funds to meet governors' expenses. The rate at which such expenses will be paid will be determined by the City Council.

11.3.2 Only allowances in respect of purposes specified in regulations as stipulated under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Payment of any other allowances is forbidden. The City Council may publish guidance on what it considers to be reasonable expenses.

11.3.3 Where the Secretary of State makes payment of expenses to additional governors, appointed by him to schools under special measures, the schools concerned are barred from making duplicate payments.

11.4 Responsibility for costs resulting from legal action

- 11.4.1 Costs resulting from legal actions incurred by the governing body, although the responsibility of the City Council 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 City Council (see section 6.2.1).
- 11.4.2 In the event of any conflict of interest between the governing body and the City Council it is open to the governing body to seek independent legal advice.

11.5 Health and Safety

- 11.5.1 Governing bodies in expending their school's budget shares are required to have due regard to duties placed on the City Council in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share. The responsibilities and arrangements for the management of health and safety in Plymouth's schools are detailed in the City Council's Health and Safety Policy and associated procedures.

11.6 Right of attendance by ~~Assistant Director of Finance~~Head of Integrated Finance

- 11.6.1 Governing bodies are required to permit the ~~Assistant Director of Finance~~Head of Integrated Finance or any officer of the authority nominated by the ~~Assistant Director of Finance~~Head of Integrated Finance to attend meetings of the governing body and provide advice on any agenda items which are relevant to the exercise of his or her responsibilities. Prior notice of such attendance will be given unless it is impracticable to do so.

11.7 Delegation to new schools

- 11.7.1 Prior to a governing body or a new school first assuming its right to a delegated budget, the Authority may permit the governing body to take such decisions as to the spending of funds from the school's budget as the Authority considers appropriate.

11.8 Special Educational Needs

- 11.8.1 Schools are required to use their best endeavours in spending their budget share, to secure the special educational needs of their pupils. This is a statutory requirement and may lead to suspension of delegation where a situation is serious enough to warrant it. This would not normally relate to an individual pupil.

11.9 Whistleblowing

- 11.9.1 The procedure for persons working at a school or school governors who wish to complain about financial management or financial propriety at the school without prejudice to their personal position should raise their concerns with:
- Head of Partnership
Devon Audit Partnership
Floor 4 Midland House
Notte Street
Plymouth
PL1 2EJ
Telephone 01752 306710
Email intaudit@plymouth.gov.uk

11.10 Child Protection

11.10.1 Schools are required by the scheme to make provision, where applicable, for staff to attend child protection case conferences and other related events.

11.11 School Meals

11.11.1 Governing bodies are required to have regard to the City Council's policy document on school meals in discharging their duties in relation to school meals where the meals service has been delegated along with the funding.

11.11.2 The bought-in meals service is not centrally retained.

11.12 Additional Employment

11.12.1 Schools are required in their pay policy to determine any additional payments for additional employment. Remuneration for such work will be determined by the schools' Pay Committee.

11.13 Employment Status

11.13.1 Whenever the council engages the services of an individual, HM Revenue and Customs (HMRC) requires us to decide on their 'employment status', i.e. whether the individual should be treated as self-employed or as an employee. Naturally, this has implications for any payments we make. In particular, when we determine that the individual is to be regarded as an employee, we are required to deduct income tax and national insurance from payments. This is obviously the case for staff with a contract of employment, but it does also apply to other people who undertake work for us without such a contract.

HMRC are very clear that we cannot assume self-employment, even where the individual has been treated as self-employed previously. The following quotes are taken from their web site (Oct 2011):

"It is a general requirement that those wishing to take on workers consider the terms and conditions of a particular engagement to determine whether the worker is an employee or self-employed.

"Just because a worker is self-employed in one job, doesn't necessarily mean he or she will be self-employed in another job."

Deciding whether an individual can be treated as self-employed or not is sometimes contentious, particularly with the individual concerned, who may regard a previous decision of self-employment as sufficient to support similar treatment on subsequent engagements. However, the following points are useful to bear in mind:

It is the responsibility of the employer and not the individual to ensure that appropriate tax and National Insurance (NI) deductions are made.

If an individual is treated as self-employed and HMRC discover, when auditing PCC, that this is an error PCC would become liable for the tax and NI that we should have deducted. Dependent on the extent of any transgression, fines and interest could also be imposed on PCC.

If a person is treated as self-employed and the decision is later reversed, it is very difficult to then recover the tax and NI that should have been deducted. However, if a person is treated as employed and this decision is reversed, it is relatively simple to refund the tax and NI.

Further guidance on employment status can be found at www.hmrc.gov.uk/calcs/esi.htm and via the Plymouth City Council Staffroom web pages.

11.13.2 HR will carry out annual audits where departments have on-going contracts in place with individuals as this may change the employment status.

11.13.3 Auditors from Devon Audit Partnership will carry out random audits to ensure compliance with the Employment Status Process and to monitor effectiveness of the process.

11.14 Interest of Late Payments

11.14.1 Schools covered by the Scheme must act in accordance with the statutory requirements of the Late Payment of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and the Late Payment of Commercial Regulations 2013.

12 COMMUNITY FACILITIES

12.1 Introduction

12.1.1 Schools that 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:

- Regulations made under S.28 (2), if made, can specify activities, which may not be undertaken at all under the main enabling power.
- The school is obliged to consult with the City Council and have regard to advice from the authority.
- 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.

12.1.2 However, under S.28(1), the main limitations and restrictions on the power will be:

- a) Those contained in schools' own instruments of government, if any;
and
- b) Any prohibitions, restrictions and limitations made elsewhere in this scheme.

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

12.2 Extended Schools Activity funded from the schools delegated budget

12.2.1 Extended school activities which serve to benefit the education of the pupils of the school (Pupil Focused), and which can be funded from the schools delegated budget include: before and after school clubs, study clubs, evening English language classes for pupils' parents or guardians.

12.2.2 Extended school activities which serve to benefit the wider community (Community Focused) and which cannot be funded from the schools delegated budget include: social care, child care and evening classes for the general community.

12.2.3 Schools must account for all income and expenditure relating to community focused extended activities separately to their pupil focused extended school activities based on the current CFR coding structure as determined by the DFE.

12.2.4 Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

12.3 Consultation with the City Council – financial aspects

12.3.1 Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the authority 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 their authority.

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

12.4 Funding agreements – City Council powers

- 12.4.1 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 in the provision. A very wide range of bodies and organisations are potentially involved.
- 12.4.2 Any such proposed agreement with third parties should be submitted to the City Council for its comments; and must give the City Council at least a term to respond.
- 12.4.3 The City Council cannot impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. However, if an agreement has been or is to be concluded against the wishes of the City Council, or has been concluded without informing the City Council, and which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, then that may constitute grounds for suspension of the right to a delegated budget.

12.5 Other prohibitions, restrictions and limitations

- 12.5.1 The governing body should endeavour to protect the financial interests of the City Council. The City Council may require that in a specific instance of use of the community facilities power, the governing body concerned shall make arrangements to protect the financial interests of the City Council. Arrangements for protection may include the setting up of a limited company formed for the purpose, or obtaining indemnity insurance for risks associated with the project in question, as specified by the City Council.
- 12.5.2 Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of SSAF 1998 to make the mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share.

12.6 Supply of financial information

- 12.6.1 Schools that exercise the community facilities power are reminded of the requirements under Section 2.2.2 of this scheme in determining how they supply financial information. Schools must provide the City Council every six months with a summary statement, 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.
- 12.6.2 The City Council, on giving notice to the school that it believes there to be cause for concern as to the school's management of the finances of the community facilities power, will require such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question. Financial information relating to community facilities should be included in any returns made under the Consistent Financial Reporting Framework.

12.7 Audit

- 12.7.1 Where a governing body exercises the power of community facilities, the school will allow access to school records connected with the exercise of this power, in order to facilitate internal and external audit of the relevant income and expenditure.
- 12.7.2 Schools are required, to ensure that funding agreements contain adequate provision for access by the City 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, in order for the City Council to satisfy itself as to the propriety of expenditure on the facilities in question.

12.8 Treatment of income and surpluses

- 12.8.1 Schools will be allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the City Council or some other person.
- 12.8.2 Schools will be able to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the City Council, at the end of each financial year, transfer all or part of it to the budget share balance.
- 12.8.3 If the school is a community or community special school, and the City Council ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider.

12.9 Health and safety matters

- 12.9.1 The School will be responsible for ensuring health and safety provisions are met in respect of the community facilities.
- 12.9.2 The governing body has responsibility for the costs of securing Disclosure and Barring Service 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.

12.10 Insurance

- 12.10.1 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.
- 12.10.2 The cost of insurance should not be funded from the school budget share.
- 12.10.3 Schools 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 school should seek the City Council's advice before finalising any insurance arrangement for community facilities.
- 12.10.4 The City 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. Such costs cannot be charged to the school's budget share.

12.11 Taxation

- 12.11.1 Schools should seek advice from the ~~Assistant Director of Finance~~[Head of Integrated Finance](#) 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.
- 12.11.2 If any member of staff employed by the school or City 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 – see section 11), the school is likely

to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

12.12 Banking

- 12.12.1 Schools should make banking arrangements in accordance with section 3 of this scheme. A school may have just the one account provided there are adequate internal accounting controls to maintain separation and transparency of funds.
- 12.12.2 Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the City Council.

12.13 Staffing

- 12.13.1 For staff employed under the community facilities power, the default position is that any costs must be met by the governing body. It 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.
- 12.13.2 Where a local education authority incur costs; in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agrees with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.
- 12.13.3 Any amount payable by virtue of subsection 12.3.2 by the governing body of a maintained school in England to the local authority may be met by the governing body out of the schools budget share for any funding period if and to the extent that the condition in subsection 12.3.4 is met.
- 12.13.4 The condition is that the governing body are satisfied that meeting the amount out of the schools budget share will not to a significant extent interfere with the performance of any duty imposed on them by Section 21 (2) or by any other provision of the Education Acts.
- 12.13.5 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.

13 RESPONSIBILITY FOR BUILDING MANAGEMENT

13.1 Repairs and maintenance

- 13.1.1 All repairs and maintenance is revenue expenditure and is the responsibility of the school. This includes all expenditure outlined in the CIPFA Code of Practice on Local Authority Accounting, which is abridged and attached in Annex D, and any replacement expenditure that is below the de minimus of £5,000.
- 13.1.2 Schools should make provision within their devolved revenue funding to meet a planned repairs and maintenance programme taking due regard to the Authority's conditions survey and provision for reactive repairs and maintenance to cater for occurrences as they arise.

13.2 Revenue and capital responsibility of fire safety, asbestos, and health and safety legislation

- 13.2.1 The ultimate responsibility for health and safety, fire safety and the role of the duty holder under the Management of Asbestos in the Workplace Act 2002 rests with the Authority. However, under the terms of the legislation many aspects of day-to-day management of premises is delegated to schools by the Authority and the financial implications of this responsibility are also delegated.
- 13.2.2 The Authority remains responsible for the strategic surveys and for providing advice and support, and training of the person in charge. The Authority also holds the duty for enforcement of such duties delegated to schools should a school fail to exercise their duties to the satisfaction of the Authority.
- 13.3 Devolved Capital**
- 13.3.1 Governing bodies are responsible for prioritisation of the devolved capital funds, taking into account the priorities of the Asset Management Plan and using survey data provided by the City Council. Consideration should be given to DfE and Local Authority guidance that the condition of the school buildings should be of the highest priority when considering allocations of devolved capital.
- 13.3.2 There is a requirement for schools to notify the City Council of expenditure that alters the asset management data including condition, suitability, net cap, asbestos, DDA, internal and external floor areas.
- 13.4 Capital bids**
- 13.4.1 The City Council will, from time to time, invite bids against Capital Grant for the purposes of specific objectives. The Authority will set clear criteria by which the bids will be accessed along with the terms and conditions of the grant available.
- 13.4.2 The allocation of such a grant will be notified to the school in writing. The governing body will be responsible for ensuring that the terms of the expenditure are complied with and that the outcomes of such expenditure are notified to the City Council Authority on request.
- 13.5 Capital Grants (non-devolved)**
- 13.5.1 Non-delegated funding may be allocated to individual or federated schools for capital work projects.
- 13.5.2 Projects below £100,000 are considered minor projects and funding will be transferred to school budgets in the year of expenditure. The responsibility for the management of these works will rest with the school unless the governing body request in writing that the Authority manages a project.
- 13.5.3 Projects over £100,000 are considered major projects and shall be subject to the City Council's separate procedures for managing capital works projects. Advice on such procedures can be obtained from Economic Development.
- 13.6 Voluntary Aided Schools**
- 13.6.1 Voluntary aided schools continue to be subject to the regulations of the DfE as outlined in the "Funding for Voluntary Aided (VA) Schools in England" (known as the blue book) until further notice.
- 13.7 Kitchens**
- 13.7.1 Revenue and capital expenditure of primary school and special school kitchens remains the responsibility of the Authority until further notice.

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- 13.7.2 No funds are retained centrally for the repair and maintenance of secondary school kitchens. These have been delegated along with the responsibilities for school meals.

ANNEX A

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.

Costs met from the Schools Budget

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

Costs met from the local authority budget:

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards

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

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

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

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".

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 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 B

Setting up School Companies

1. Introduction

- 1.1. The government has put in place new provisions¹ that enable schools to form companies on their own, or with other schools or with certain other education bodies. School companies will be private companies limited either by shares or by guarantee.
- 1.2. Schools will be able to set up companies to undertake three types of activity:
 - purchasing goods and services for schools in the company
 - providing services or facilities to other schools either directly or facilitating that
 - provision by a third party
 - exercising functions which a City Council is able to contract out

2. Types of Company

- 2.1. A company limited by shares is a more appropriate structure where the company is seeking to make a profit and to divide that profit between the members.
- 2.2. A company limited by guarantee is more appropriate when the company is not seeking to make a profit e.g. when the company is merely purchasing goods and services on behalf of the member schools.

3. Forming a Company

- 3.1. A governing body interested in setting up a company under the Regulations must have the consent of the City Council and must also have a delegated budget within the meaning of Part 2 of the SSFA 1998.
- 3.2. School companies are also required to register under the Companies Act 1985.

4. Membership

- 4.1. Any governing body of a maintained school with a delegated budget can form a company. Schools wanting to form a company together need not be within the same City Council boundaries nor need they be engaged in teaching the same age range.
- 4.2. Schools will need permission from their City Council to join a company. This is in order to ensure that schools have the managerial and financial capability required to take part in a school company.
- 4.3. Other organisations such as Higher and Further Education institutions, Local Authorities in England, independent schools (including City Technology Colleges and Academies) are able to join school companies. Companies providing education services can also become members of school companies, as long as education or the provision of goods or services ancillary to education is 'a significant proportion of their business'.
- 4.4. Individuals are permitted to be members of school companies. Certain categories of people are not allowed to be members of a school governing body - for example, – bankrupts, those with criminal convictions, disqualified directors, those prohibited or restricted from teaching or working with children. These restrictions are extended to prevent those individuals from becoming members of a school company.

¹ Education Act 2002 Section 11 & 12 – School Companies Regulations 2002

- 4.5. Employees of maintained schools' governing bodies and of Local Authorities are excluded from being members of the company as private individuals.

5. City Council Consent

- 5.1. A maintained school's governing body needs permission from the City Council before it can become a member of a school company. In considering applications from governing bodies to join or form a company, the City Council will take account of the financial and managerial capability of the schools concerned.
- 5.2. The City Council can refuse to give permission if the school has:
- a) weak management or finances and joining a company may prevent the school from addressing these weaknesses
 - b) been at fault for a previous insolvency of a school company
 - c) belonged to a school company, which failed to act in accordance with the regulations within the last 3 years
 - d) had its delegated budget suspended.
- 5.3. A school that has been refused permission to join a company and thinks this decision is unfair can refer the matter to the Secretary of State by using the right of complaint schools have against Local Authorities acting unreasonably.

6. Supervision of Company

- 6.1. All school companies will have supervising authorities. The supervising authority has the following functions:
- a) Monitoring the management and finances of the school company, including scrutiny of audited annual company accounts
 - b) Considering requests from school companies to borrow
 - c) Notifying the Secretary of State of company membership, name or registered number and any changes to these details within 28 days
 - d) Directing governing bodies to withdraw from a school company in certain circumstances
- 6.2. The supervising authority will normally be the Local Authority within which the member schools are based. Where member schools are from more than one Local Authority area, Local Authorities will be expected to agree amongst themselves, which will become the supervising authority.
- 6.3. Where local agreement cannot be reached, the Secretary of State will decide which Local Authority should be the supervising authority.
- 6.4. Where a Local Authority is a member of the school company, and is the only Local Authority which maintains schools whose governing bodies are members of the company, it will become the supervising authority. If there is another whose schools are involved and which is not a member then that Local Authority will be the supervising authority.
- 6.5. Where a school company considers that the Local Authority, which is to be the company's supervising authority, would be in commercial competition with the company, the company may request that the Secretary of State designate another Local Authority as the supervising authority.
- 6.6. The supervising authority has defined powers over companies, some of which can only be exercised in certain circumstances:

- a) It may direct the company to provide such information about the company's finances, management and contracts to which the company is a party, as the supervising authority think necessary
 - b) It may direct the company to take certain specified steps in order to comply with the Regulations
 - c) It may direct a governing body of a maintained school, which is a member of the company, to reduce its involvement in the management of the company
 - d) It may direct a governing body of a maintained school, which is a member of the company, to resign as a member of the company.
- 6.7. A supervising authority will need to have evidence for its decisions, and will be bound by the general duty on Local Authorities to act reasonably. Before directing a school to resign from or reduce involvement in a school company, the City Council must give 28 days notice in writing to the governing body and the company. A company that is dissatisfied with a supervising authority's decision can make representations to the supervising authority and if it is still dissatisfied it can complain to the Secretary of State.
- 6.8. The supervising authority will not intervene in the day-to-day running of a company and should only exercise its direction making powers over the company if there is evidence that a company is approaching or is in financial trouble.
- 6.9. The City Council is entitled to receive annual audited accounts, which companies will produce for themselves and Companies House anyway. In the first year of the company's operation it will provide two sets of six monthly accounts to enable closer supervision and faster action by the supervising authority in the initial set up period when the company has a higher risk of financial difficulties.
- 6.10. The additional element of supervision i.e. requesting further information and directing governing bodies only becomes significant if the company is in financial difficulties, is acting illegally or if the schools of the governing bodies are in difficulties.
- 6.11. The other powers and duties of the City Council in relation to its schools are not affected by whether or not it is a supervising authority. Therefore, where the supervising authority is also the maintaining Local Authority for some or all of the schools in a company, it will continue to have available all its powers and duties in relation to the performance or state of those school(s) rather than that of the company. Where the supervising authority is not the maintaining Local Authority for a school in the company it supervises, it may become involved in such school matters only at the request of the Local Authority which maintains the school(s).

7. Appointment of directors and interests

- 7.1. The articles of association of the company will set out the process for appointing a Board of Directors to run the company.
- 7.2. The members of the company will need to bear in mind that:
- a) Directors can bind the company contractually by acting as the company's agent and that they act effectively as trustees of the company's assets
 - b) At least 40% of the directors of a school company must be non-executive directors, that is directors who are not employed by or contracted to the company to provide services for payment
 - c) Companies must limit the circumstances in which they may enter contracts where directors have an interest

- d) Companies would be expected to ensure that appropriate background checks are conducted on directors, members and employees of the company bearing in mind their possible access to school premises. Advice on such procedures can be sought from the supervising authority.

8. Profit

- 8.1. Any profit made by school companies may either be retained by companies to pursue objectives or distributed amongst members or a combination of both.
- 8.2. If profits are to be distributed among members, it is imperative that the members agree at the outset, when they are establishing the company, how a distribution of profits is to be decided upon and how profit is to be divided between the members.
- 8.3. Regulation 10(c) of The School Companies Regulations 2002 provides that the company's constitution must set out either the proportions of profit to be distributed among the members or a procedure to determine how the profit should be distributed.

9. Power to borrow money

- 9.1. Companies can only borrow money with permission of the supervising authority, whether that borrowing is secured or unsecured. It is possible for a company to borrow against its own assets (with permission), but not against assets that belong to the school members of the company. The property of the members of the school company remains separate from that owned by the company itself.

10. Debt

- 10.1. Directors of the school company are obliged under company law not to trade whilst insolvent and if they need to borrow funds to see the company through a period of financial instability, they are required to seek permission from the supervising authority.
- 10.2. If the supervising authority becomes aware that a company has an excessive debt position, it should then notify the school members and the Local Authorities of the member schools of that position. The supervising authority could use its powers to direct the company to provide further information for the assessment of the company's position and could further direct the school governing body members to reduce involvement in or resign from the company.

11. Limited liability status

- 11.1. In the event of a school company failing financially, the liability of each company member would be limited either:
- in the case of a company limited by guarantee, to the size of the guarantee (usually a nominal figure of around £10), or
 - in the case of a company limited by shares, to the unpaid amount outstanding on the shares.
- 11.2. Company members would determine the value of shares and the amount, if any, outstanding on shares, so would always have taken an informed decision at the outset about their potential liability.
- 11.3. In the unlikely circumstance of a school company becoming insolvent, there will be no risk to a school's assets or the employment of the staff at member schools, as the company does not own the member school's assets or employ its staff. Where a school company does become insolvent, then the staff employed directly by the company are likely to be made redundant and the company's assets would be sold.

12. VAT

- 12.1. HM Revenue and Customs have confirmed that companies formed to purchase goods and services for their members will be acting as agents of the City Council. This enables the City Council to reclaim VAT incurred by these companies when spending the member schools' delegated budgets.
- 12.2. Service delivery companies will not be acting as the City Council's agent because they will be spending income from fees paid for provision of services rather than purely money from the school's delegated budgets. Where service delivery companies are delivering services, normal trading VAT rules apply.
- 12.3. School companies providing services will include VAT in their fees. If maintained schools are the recipients of these services, they will be able to reclaim VAT as above.

13. Withdrawing from the company

- 13.1. If the delegated budget of a member school is suspended, the supervising authority would direct that the school become dormant within a company until the delegation is returned, or resign from the company if that were the more appropriate course. If a budget were only suspended for a short period, leaving the company may not be necessary. The intention here is to cause as little disruption as possible, whilst freeing the school to concentrate on rectifying the problems leading to the suspension of its delegated powers.
- 13.2. Should a member wish to leave the company, it will be required to provide 12 weeks notice.

14. Takeovers

- 14.1. School companies will be private companies and so shares in them will not be readily available. A takeover could only happen if school company members holding the majority of the shares agreed to sell their shares to a third party. Any member selling all of their shares would then leave the company.
- 14.2. Although the risk of private sector takeover is remote, schools need to be aware of the risk and ensure that restrictions are placed on the sale of company shares through shareholder agreement or that the constitution of the company provides for doing so only after unanimous decision.
- 14.3. Schools will be free, with the necessary agreement, to sell their interest since a school may want to leave the company at a later stage and take any profits for the benefit of the school. On a more positive note, a number of school companies could group together to operate across a network of schools, perhaps in a federation. Alternatively, the company of which a particularly successful school is a member could, by mutual agreement, take over a company whose members are less successful schools, as part of a package of support to them.

15. Provision of services

- 15.1. School companies will be limited to providing education services or supplying goods and services to other schools including their own members.
- 15.2. It is also possible that services could be supplied to schools on behalf of a Local Authority². School companies will want to assure themselves of the nature of the undertaking they are

² The Contracting Out (Local Education Authorities Functions) Order 2002 means that Local Authorities can choose to contract out a much broader range of services to another organisation, including school companies.

contracting to provide by ascertaining key facts such as staffing, liabilities and intellectual property rights.

16. School staff

- 16.1. School staff would not automatically transfer to a company upon its formation. Staff may transfer to a company if they wished and terms and conditions were agreed.
- 16.2. Schools joining the company are able to provide staff to the company. Schools may wish to negotiate with staff to change the duties of school employees partly to carry out duties for the company.
- 16.3. Schools may wish to second staff to companies for a period of time. Alternatively, schools may consider transferring the employment of staff fully over to the company if the member of staff agrees and appropriate protections for their terms and conditions of employment are in place.
- 16.4. Bearing in mind that the school's governing body can be directed to ensure that its staff are no longer engaged on company business, the school should make clear in its terms of employment that where staff are working on company business their duties may be changed if the governing body is directed to reduce its involvement in the management of the company or is directed to resign from the company.
- 16.5. A school company may take over activities from the school's governing body which result in staff employed by the governing body or City Council transferring to the company by operation of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (SI 1981 No.1794). If this is likely to be the case, the governing body or the City Council and the school company should seek specialist legal advice to ensure that they comply with their duties under employment law.
- 16.6. In the case of staff seconded to a school company, the need may arise to appoint replacement or temporary cover. Responsibility for this will fall to the governing body or the City Council, depending on who is the employer.

ANNEX C

PLYMOUTH CITY COUNCIL - CAPPING POLICY

1. Capping of School Balances

- 1.1. The Capping Policy outlines the process in which Plymouth City Council will control surplus balances of schools as determined by the Fair Funding Financial Management Scheme for Schools, updated 1 April 2009.

2. Operation of Capping Policy

- 2.1. Plymouth City Council shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be recurrent balance category as defined in the Consistent Financial Reporting Framework.
- 2.2. Plymouth City Council shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any Ring-fenced grants for the previous financial year.
- 2.3. Plymouth City Council shall then deduct from the resulting sum any amounts which the school has declared to be assigned for specific purposes permitted by the authority as listed in paragraph 4.1 - 4.4 and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority.
- 2.4. If the result of steps 1 – 3 is a sum greater than the allowable proportion, listed below, then the authority shall deduct from the current year's budget share an amount equal to the excess.

3. Calculation of the Allowable Proportion

- 3.1. The allowable proportion is a percentage of the Schools Budget.

Nursery/Primary & Special – allowable proportion is the greater of 8% or £30,000
Secondary – allowable proportion is the greater of 5% or £30,000
- 3.2. Allowable proportions are maximums.

4. Specific Purposes Permitted by the Authority

- 4.1. A three year financial plan (current year plus next two) demonstrates that carrying forward funds is essential to the implementation of the schools Asset Management Plan (AMP) and is supported by the Property and Economic Development Department. Such plans should be identified to the Schools Finance Team by 31 January each year. Schools may be requested to make the revenue contribution to the capital project before the end of the financial year.
- 4.2. A three year financial plan (current year plus next two) approved by the Strategic Director for People, demonstrates that carrying forward funds will prevent redundancy in the following financial year. Such plans should be identified to the Schools Accountancy Team by 31 January each year.
- 4.3. The school can demonstrate that the carry forwards exists as a result of a significant accounting error, supported by the ~~Assistant Director of Finance~~ Head of Integrated Finance.
- 4.4. The school can demonstrate that there is significant external income in the schools accounts, correctly accounted for but relating to a specific purpose that affects the carry forward.

5. Process for Approving Exceptions to the Scheme

- 5.1. The Schools Finance Team shall review and approve deductions from balances for specific purposes which meet the requirements listed in paragraph 4.1 – 4.4.
- 5.2. Where schools believe they can demonstrate exceptional circumstances, for which an exception to the capping policy scheme should be approved, they must notify the Schools Finance Team in writing by 31 January of the corresponding year, setting out the reasons. A Committee should consider the request.
- 5.3. The Committee should consist of three members of the following list:
 - The Schools and Colleges Portfolio Holder or member representative on the Schools Forum
 - Strategic Director for People or [Service Director for Education, ~~Participation Learning & Skills Families~~](#)
 - Chair/Vice Chair of Scrutiny Committee or Chair/Vice Chair of Schools Forum
- 5.4. An Appeals Committee should consist of three alternate members of the same list.
- 5.5. In all cases the Committee will consider requests properly completed and supported, but are not bound to approve the requests. All decisions of the Appeal Committee are final.
- 5.6. Where a School is found to be in excess of its allowable proportion at 31 March, and no prior warning was received for consideration by the Schools Finance Team by 31 January, the excess balance will be reclaimed by the Authority.

6. Use of Excess Balances Clawed Back

- 6.1. The balances clawed back from Schools would form part of the schools contingency. The Schools Forum will agree the most appropriate use of such funds, whether redistribution to all schools or in support of a strategic project.

ANNEX D

LA CAPITAL/REVENUE SPLIT AND CAPITAL ADMINISTRATION

Capital expenditure is defined in statute through the Local Government Act 2003. In general terms it represents expenditure in relation to:

- The acquisition or creation of a new asset
- The enhancement of existing assets

It **MUST** yield a benefit for a period of more than one year

It is relatively easy to identify the acquisition of a new asset, however, identifying what represents "Enhancement" is not so clear. In short, enhancement refers to works that **SUBSTANTIALLY** increase:

- The useful life of an asset
- The market value of an asset
- The extent to which the asset can be used

In most cases **repairs are excluded** as they usually represent normal maintenance / life cycle costs of an asset over its expected life.

Listed overleaf are common areas of uncertainty and some examples of my interpretation of the Statutory Guidance for your reference.

In accordance with DfE guidance, expenditure on capital works or equipment is expected to be in excess of £2,000. The Authority recognises the diminished level of DFC funding and has not adopted a minimum level as part of its formal accounting policies. However, items charged to your capital budgets are expected to be significant, and eligibility should be considered to reflect this principle.

Please be aware that this note is intended as a general definition of what may be classed as "Capital Expenditure". Where funding is awarded for capital purposes, all expenditure must fit these definitions. However, as all funding awards come with specific conditions, you must also ensure these requirements are met for expenditure to be eligible.

If you are in doubt, please do not hesitate to get in touch with the capital team on 304074 or 304578.

Item	Advice and Guidance
Stationery / Files	In general stationery is classed as a minor consumable item and should be treated as revenue. Exceptions may include items such as specialist printing of plans or other documents where this is directly related to a capital project.
Servicing	Servicing and repairs represent routine maintenance costs and should be budgeted and charged to revenue. However, major replacement of plant and machinery such as boilers or lifts are normally accepted as capital.
Leases	<p>Under no circumstances should leasing charges be treated as capital. Operating leases are a revenue expense, and financing leases are not permitted under the terms of fair funding.</p> <p>For Information:</p> <p>An operating lease is a lease whose term is short compared to the useful life of the asset or equipment being leased. It is commonly used to acquire equipment on a relatively short-term basis.</p> <p>A finance lease is a lease that reflects a commercial arrangement where:</p> <ul style="list-style-type: none"> • the lessee (customer or borrower) will select an asset (equipment, vehicle, software); • the lessor (finance company) will purchase that asset; • the lessee will have use of that asset during the lease; • the lessee will pay a series of rentals or installments for the use of that asset; • the lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the lessee; • the lessee has the option to acquire ownership of the asset (e.g. paying the last rental, or bargain option purchase price); <p>The finance company is the legal owner of the asset during the lease however the lessee has control over the asset providing them the benefits and risks of ownership.</p>
Purchase of furniture and equipment	<p>Generally, individual items of low value should not be treated as capital, with single purchases of desks / chairs normally being considered a revenue cost.</p> <p>However it is usually acceptable to charge bulk purchases or items forming part of a larger project as a capital cost.</p> <p>Significant investment in the purchase of large items may also be allowed (e.g. a new or replacement photocopier with a life expectancy of 3+ years could be considered a capital investment).</p> <p>Fixtures and fittings will normally only be allowed if it is associated with a new building project – which includes the redesign of classroom layouts / change of use.</p>
Access Improvements	Works to improve accessibility are normally accepted as capital investment. This includes items such as access ramps, sound field systems and other adaptations for the disabled or those with special educational needs.

Purchase of ICT and components	<p>Purchase of new computing equipment and software may be treated as a capital cost. Software licences may also be charged only if it is a permanent licence (e.g. for the use of Microsoft products on a number of PCs, where there is no annual charge). Annual licence or subscription charges are not allowed and must be treated as revenue (e.g. antivirus renewal).</p> <p>The purchase of computer components, mice and keyboards should be treated as revenue. (A few exceptional cases have been allowed as Capital, where new machines were built in-house).</p>
Carpets/floor coverings	<p>Replacement of carpets and other coverings, regardless of value, should normally be treated as a revenue expense unless forming part of capital alterations or building works (such as change of structure / room layout etc.)</p> <p>A few exceptions have been made for the purchase of specialist floor coverings.</p>
Vehicles	<p>Purchase of vehicles and large plant is acceptable capital investment. This however excludes maintenance and other running costs e.g. road tax, fuel, etc. which are revenue items.</p>
Roof works	<p>General repairs to roof coverings and associated fixtures are generally considered maintenance costs and should be charged to revenue.</p> <p>Full or substantial replacement of the roof covering, including flat roofs, may be charged as a capital expense.</p>
Painting and General repairs (including guttering)	<p>Painting, cleaning and general repairs to buildings are considered as maintenance and should be budgeted / charged to revenue. Such works can be expensive, but are considered a normal lifecycle cost.</p> <p>Significant repairs to the structure / fabric of the building, including items such as collapsed drains are considered to be capital items – extending the life rather than just maintaining. Where painting and other remedial works are required as a direct result of these works, this too can be charged as a capital expense.</p>
Windows	<p>Significant window replacement may be charged as capital provided a material enhancement can be shown. This could be improved thermal insulation, security etc.</p> <p>Please note that like for like replacement does not represent an enhancement and is therefore a revenue cost.</p>
Asbestos removal / encapsulation	<p>Removal or encapsulation of asbestos may be charged as capital.</p>

ADMINISTERING CAPITAL INCOME AND EXPENDITURE

The notes below detail briefly how you should use Classification (Fund) and Detail codes to record capital income and expenditure. These notes should be read in conjunction with the “What is Capital Expenditure?” guidance notes.

I would draw your attention to the requirement for all capital investments to be significant. In accordance with DfE guidance, expenditure on capital works or equipment is expected to be in excess of £2,000. The Authority recognises the diminished level of DFC funding and has not adopted a minimum level as part of its formal accounting policies. However, items charged to your capital budgets are expected to reflect this principle when considering eligibility.

If you are unsure of any aspect of these notes or have a specific query, please talk to your Finance Officer or contact the capital team on 304074 or 304578.

Classification Codes

You will be aware that where a project features Local Authority (LA) or other external funding, **all income and expenditure** relating to that project must be separately recorded under a **single classification code**. Funding for a number of small value capital “bids” of a similar nature may be grouped together and allocated to a single classification where appropriate.

In addition, capital projects of significant value that are supported by Devolved Capital or other school resources (including School Budget Share) should be separately identified. As stated above, all income and expenditure relating to that project (or asset) must be recorded under a separate single classification code. Again, small projects that are of a similar nature may be grouped together.

A revised list of classifications available to record income and expenditure for specific projects is provided in the table overleaf.

As a guide to the value, the Councils’ Asset Register requires us to identify those items exceeding:

- £5,000 for the purchase of vehicles, plant or equipment
- £10,000 for building works

A specific project may include funding from a number of sources – e.g. grants, income from donations etc. or in the form of contributions from devolved capital or school budget share. Please ensure all income is recorded against the relevant classification, matching the related project expenditure.

In the event of a transfer of expenditure into a capital classification code, the full value of the original transaction must be moved. This ensures that the true capital value is recorded. Where it is intended to meet part of the cost from revenue or another source of funding, these contributions should also be transferred to the relevant capital code. **Please do not** transfer part of a capital expense in order to “balance” a code.

Available Classification Codes

Classification Code	Classification Details	Use
13	Devolved Capital	All general Devolved Capital expenditure. All supported or significant projects should be recorded on separate classification codes (see notes above for details).
08	Project I	Specific Projects

OFFICIAL:SENSITIVE

89	Project 2	Please ensure all transactions relating to a specific project are shown in the allocated classification code.
90	Project 3	
91	Project 4	
88	Project 5	
84	Project 6	
85	Project 7	
86	Project 8	
87	ICT Investment	Any ICT capital expenditure should be included here.

Devolved Capital

Following the Government's spending review the DfE issued a new formula for the calculation of Devolved Capital as shown below.

Devolved Formula Capital Allocation Formula 2012/13				
Per School	Per Non-Boarding Pupil			Per Boarding Pupil
	Per Secondary Pupil	Per Primary Pupil	Per Special School or PRU Pupil	
4,000	16.88	11.25	33.75	33.75

Devolved Capital Abatement for New or 100% Modernised Schools

The abatement period was agreed by the Schools Forum as applying for the first 3 years of a new or 100% modernised school. Taking into account the significant reduction in value, it has been agreed that devolved allocations will be reinstated in full at the end of the 3 year abatement period. Please contact the capital team on 304074 or 304578 if you require any further details regarding this agreement.

Detail Codes

In addition to existing codes it is now necessary to separately identify ICT expenditure between hardware and software. This is because the Council is now required to identify this expenditure as a different asset type within its accounts.

To facilitate this, detail code 7709 has been created to record all software purchases, with code 7704 now being used exclusively for Hardware. Please be aware that renewable annual software licences or subscriptions are **not** valid capital purchases.

Please use only the following detail codes in connection with capital classifications.

Income

- 8852 Income Allocations (IAN – including LA reimbursements)
- 8861 Balances Brought Forward
- 8862 Income - Contributions from budget share
- 8857 Income - Contributions from devolved capital
- 8101 Income from External Grant
- 8103 Other External Capital Funding (including school funds)

Expenditure

- 7703 Furniture and Equipment
- 7704 ICT Hardware
- 7705 Building Expenses
- 7706 Contributions to Other Funds (used to transfer funding between capital classifications in conjunction with 8857 above)
- 7707 Fees and Supervision
- 7708 Local Authority Charge
- 7709 ICT Software

Notes

Please use detail code 7701 for charging school budget share contributions, crediting 8862 in Capital. For adjustments where income needs to be credited back to budget share please credit detail code 8126.

It is anticipated that transfer of funding between classification codes (using 7706 & 8857) will only be required for contributing from Devolved Capital to other project codes.

Common Errors / Problems with Coding

For your reference, below are some of the common coding related problems encountered during closedown and in general monitoring of school capital classification codes. Please review your records to help avoid these in your area

- Revenue income / expenditure codes being used for capital. Please ensure **only** CFR codes in the groups CE or CI (as listed above) are used. The classification code with the most errors is 87, where expenditure is regularly coded using the revenue detail codes for software, hardware, course fees, etc. The only anticipated detail expenditure codes for classification 87 are 7704 and 7709 due to the nature of expenses incurred.
- Significant school "projects" were not notified or separately coded and remained within Devolved Capital. Please ensure that any "projects" as listed above are reported to finance and that all related project costs are shown in a separate classification code. Please note that **you are required to** notify the capital planning team in advance of any building works taking place. (Please forward a copy of completed F9 forms to the PCC capital team).
- Spending against a number of LA supported projects fell short of the amount indicated in the original bids. (For example – Based on their bid for £15k, "School A" was allocated £10k LA funding and expected to contribute a further £5k from devolved capital. On completion, total project expenditure was only £9k). **Please be advised** that where this occurs, we reserve the right to recover a fair proportion of the LA allocation, based on the original bid. Taking the example illustrated, the LA funding would be reduced to £6k, representing two thirds of the total cost as per the original bid.

It is understood that bids are based on estimated costs, therefore where expenditure is close to the original bid value, recovery action is unlikely.

- External / other income has been coded to either IAN (8852), brought forward (8861) or contra detail codes (8857 / 8862). These codes are for specific purposes and should not be used for general income. It is also important that **IAN allocations should reconcile to your most recent IAN statement.**
- Devolved Capital or other contributions to projects were not made. It is expected that project contributions will be made in the financial year they are required, Therefore it is not anticipated that project classifications will be overspent at the close of the financial year. **Please note** all school capital balances are checked during closedown and, where appropriate, an adjustment may be applied to any devolved capital interest charges where unpaid project contributions are noted.
- ICT – please be aware that the only expenditure charged to fund 87 **must** be either computer hardware or software. It **cannot** include consumable items (e.g. additional toner cartridges) or be an upgrade to existing equipment. It is not anticipated upgrades will have a significant increase in value or life of the asset. If you are unsure, please ask the capital team.

Voluntary Aided Schools and VAT

In general, the governors of Voluntary Aided (VA) schools are required to provide 10% of the total value of DfE supported capital projects (including DFC) and therefore only 90% of the DFC allocation is provided for these schools by DfE.

VA schools receive their DFC direct from the DfE, as opposed to being paid via the Local Authority, but can agree the detailed management and/or payment arrangements with their diocese.

You should be aware of the “Blue Book” guidance in respect of capital transactions for VA schools, and that in general, **VAT may not be recovered against governor’s liability.**

As per this guidance and following recent discussions with HM Customs and Excise, it has come to our attention that there is a potential VAT liability against larger (£2,000+) transactions deemed to be of a “capital” nature, **even if these have been charged against the revenue budget.**

Please ensure you check all items with a value exceeding the £2,000 limit and seek advice (from ~~Plymouth Learning Partnership (formerly PAPH) or designated finance officer Finance Officer or the City Council’s Capital and Major Projects Team or City Council’s designated Finance Officer~~) if you are unsure of the VAT implications. We will endeavour to review all high value VA transactions on a regular basis and will contact schools individually with any queries.

As VA schools do not have access to any VAT refund scheme for their capital costs, DfE or Local Authority capital funding paid to these schools is deemed to include an element of funding for VAT.

Again, if you have any queries in respect of these notes, please talk to your Finance Officer or contact the capital team on 304074 or 304578.

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. Regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Section 88 of the Children and Families Act 2014, has removed the requirements in section 28(4) and section 28(5) of the Education Act 2002 for maintained schools in England. Under section 28(4) a school was obliged to consult its authority and under section 28(5) a school must have regard to advice or guidance from the Secretary of State or their local authority when offering this type of provision.

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 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 extended the coverage of schemes to include the exercise of 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 part 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.

Review:-

Paragraph 1.1.6 – removal of advice that an authority must publish a statement showing outturn expenditure “at both central level and for each school, and the balances held in respect of each school”.

Paragraph 1.1.7 – removal of advice that each school must receive a copy of each years budget and outturn statements so far as they relate to that school or central expenditure.

Paragraph 1.5.2 – added “it is possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction”.

Paragraph 2.4.1 – added “schools are encouraged to register anything that is portable and attractive, such as a camera” in relation to schools asset registers.

2.10 – Title changed from “Efficiency and Value For Money” to “Schools Resource Management”

Paragraph 2.10.2 and Paragraph 2.10.4 - wording changed from “efficiencies” to “effective management of resources”

Paragraph 2.10.3- wording changed from “secure better value for money” to “optimise the use of resources and maximise value for money”

Paragraph 2.16.3 – removed “Whilst schools are not compelled to use City Council approved suppliers, the use of City Council approved lists has the advantages of assurance on health and safety issues, the suppliers’ financial standing and technical capacity. If a school selects suppliers that are not on an approved list then the school must satisfy themselves as to the suitability of the supplier and evidence the evaluation the school has undertaken if requested by the Strategic Director for People or their appointed officer.”

Paragraph 2.16.3 – added “Schools may seek advice on a range of compliant deals via [Buying for schools](#)”

Paragraph 2.20.4 – added references to specific legislation relating to school premises and building regulations.

Paragraph 2.24.2 – replaced the deadline for maintained schools to submit their School Financial Value Standard (SFVS) form from the “31 March each year” to “the end of the financial year”.

Paragraph 3.8.3 – added “Schools are permitted to use credit or charge cards. However, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis”, in relation to schools borrowing.

Paragraph 5.1.3 – added “where land is held by a charitable trust, it will be for the school’s trustees to determine the use of any income”, in relation to income from lettings.

Paragraph 6.2.1 - changed wording from “other expenditure incurred to secure resignations where the school has not followed advise from the City Council” to “other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B)”, in relation to circumstances in which charges may be made to the school budget share.

Paragraph 8.1.2 – changed to explain the authority will not discriminate in its provision of services on the basis of categories of schools, except in cases where this would be allowable under the schools and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

Paragraph 8.4.3 and 8.4.4 – revised expectation of monthly not annual returns, in relation to salary and service to Teachers’ Pensions returns.

Paragraph 10.1.4 – added “The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier”, in relation to schools making their own insurance arrangements.

Paragraph 12.3.1 and 12.3.2 – updated to reflect changes to the Children and Families Act 2014, a school is no longer required to consult before establishing community facilities, and there is no longer a need for a school to be mindful of a local authority’s advice, under section 27 of the Education Act 2002. This change has also been updated in Annex E.

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