

The Rotherham Scheme for Financing Schools

**Made under Section 48 of the School Standards &
Framework Act 1998**

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SECTION 1: INTRODUCTION

1.0 The Funding Framework

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

Under this legislation, the Authority determines for itself the size of the schools budget and their non-schools education budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but between them is all expenditure, direct and indirect, on an Authority's maintained schools except for capital and certain miscellaneous items. The Authority may centrally retain funding for purposes defined in regulation made by the Secretary of State under s.46 of the Act. The amounts to be retained centrally are decided, subject to any limits or conditions prescribed by the Secretary of State. The balance of the schools budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools budget must be retained centrally (although earmarked allocations may be made to schools).

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

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 s.50. (Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under s.27 are treated as if they were amounts spent for the purpose of the school)

The LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. Paragraph 36 of the Code of Practice on LEA: School Relations provides further exemplification indicating that examples of a school not managing the delegated budget satisfactorily might include (but not be limited to) where there have been breaches of probity or a school is operating with a substantial deficit which the Governing body has no satisfactory plans to contain and eliminate. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998) but in that case there is no right of appeal.

Each authority is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, 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 out-turn expenditure at both central level and for each school, and the balances held in respect of each school. Out-turn statements are subject to audit certification by the Audit Commission, and information in either type may be collated and published by the Secretary of State.

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

1.1 The Role of the scheme

The scheme provides for the delegation of financial and managerial powers to governing bodies of schools and describes the regulations and conditions by which the governing bodies should abide, in order to remain accountable to the public and the Authority.

The scheme is based on the following principles:

- a) That the optimum level of delegation to governing bodies of financial responsibilities should be achieved.
- b) That Head teachers and governing bodies should be allowed the maximum amount of freedom in determining financial and managerial policies for their schools within the Council's framework of Financial Regulations and Standing Orders.
- c) That the scheme will be clear and understandable.

1.2 Application of the scheme to the Authority and Maintained Schools

The scheme applies in respect of all community, community special, voluntary, foundation and foundation special schools maintained by the Authority. The scheme does not apply to academies. The schools covered by the scheme as at 1st April 2019 are attached at Annex A.

1.3 Publication of the scheme

A copy of the scheme will be supplied to the head teacher and to the governing body of each school covered by the scheme, and any approved revisions will be notified to each such school.

1.4 Revision of the scheme

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

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 directed revision.

1.5 Delegation of Powers to the Head teacher

The governing body should consider the extent to which it wishes to delegate its financial powers to a Committee of the Governing Body and to the Headteacher. The extent of such delegation should be recorded in the minutes of the Governing Body and incorporated into each school's Scheme of Delegation.

The scheme does not prescribe the level of delegation to a Committee of the Governing Body and the Headteacher. It does require each school to have a Scheme of Delegation and it does require that the budget plan for each financial year is approved by the Governing Body or by a Committee of the Governing Body. Any approval/decisions of the Committee or a Governing Body should always be reported back up to the Governing Body at the first available opportunity.

Each Governing Body should review its Scheme of Delegation and its Financial Procedures Manual annually and record any revisions to them in the minutes. It is for each school to determine the precise contents of these documents although the LA has provided drafts for guidance and will continue to give advice on their content and format.

1.6 Maintenance of Schools

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

SECTION 2. FINANCIAL CONTROLS

2.1 Application of Financial Controls to Schools

All schools are required to abide in the management of their delegated budgets by the Authority's requirements on financial controls and monitoring, not only those in the scheme but also those requirements to be contained in the Council's Financial Regulations and Standing Orders and the specific sub-set of these "Financial Regulations for Schools with Delegated budgets".

In particular these conditions cover:

- a) arrangements for the management of delegated expenditure, specifically for authorising expenditure for transactions involving commitments to expenditure;
- b) the keeping and auditing of accounts and records;
- c) the provision to the Council of copies of accounts and records and any other relevant documents and information that the Council may from time to time require from the governing body.

The Strategic Director – Finance & Customer Service is responsible for the proper administration of all financial activities in this Authority under the terms of the Local Government Act 1972. These include budgets delegated to governing bodies of schools.

However should an instance arise where the Scheme and Financial Regulations are in conflict, the Scheme provisions will prevail.

2.2 Provision of Financial Information and Reports

The governing body is required to provide the Authority with details of anticipated and actual expenditure and income. This should be submitted in line with the dates specified in the Schools Finance Reporting Timetable. This statement must be submitted in a format specified by the Strategic Director – Finance & Customer Services, and must provide a forecast outturn position, which has been based upon a review of actual spending plans and commitments within the school.

Irrespective of the monitoring arrangements described above, the Governing Body must report to the Strategic Director – Finance & Customer Services as soon as it is aware that the school is likely to overspend in any financial year. In this case financial monitoring reports will be requested more frequently (specific timescales to be determined by the Authority).

2.3 Payment of Salaries; Payment of Bills

The Head teacher is responsible for providing an efficient procedure to administer the payment of salaries and invoices, as detailed in the Schools Financial Regulations.

Irrespective of which payroll provider is used by the school, the Strategic Director – Resources & Customer Services may still require certain payroll information to be provided by the school. It is advisable that these requirements are reviewed prior to a school entering any contract for the provision of payroll services.

2.4 Control of Assets

There is a requirement for each school to maintain an inventory of its moveable non-capital assets and setting out the basic authorisation procedures for disposal of such assets, as outlined in the Schools Financial Regulations. However schools are free to determine their own arrangements for keeping a register of assets worth less than £2,000, although a register in some form must be maintained. This is particularly important for moveable ICT equipment; therefore schools may wish to consider a separate register for ICT equipment. **It is recommended that schools register anything that is portable & attractive such as a camera**

2.5 Accounting Policies (Including Year-End Procedures)

School will abide by procedures issued by the Council regarding all accountancy procedures (including year-end accounts) as issued by the Head of Corporate Finance, or on his behalf by the Finance Team, Children and Young People's Service.

2.6 Writing off Debts

The Governing Body should keep under review the level and age of outstanding debts. When all reasonable steps to secure the recovery of debt have been taken, the Governing body is authorised to write off these debts. Such decisions should be minuted by the Governing body.

2.7 Basis of Accounting

The Council would request that schools adopt accruals accounting basis of reporting when providing reports and accounts to the Council. This means that such reports should reflect actual payments and receipts made by the schools and charged to the school budget, rather than committed or planned income or expenditure yet to be defrayed.

2.8 Submission of Budget Plans

The governing body is required to submit a plan to the Authority annually, by the deadline as specified the document Schools Reporting Timetable (usually the Middle of May), showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. This plan must be approved by the full Governing body or Finance Sub Committee and should be minuted as such. Schools are permitted to take account of what the Council deems as the estimated balances (deficit/credit) when submitting their budget plans. Governing bodies will have to submit revised plans by the middle of October (specific date stipulated on the Schools Reporting Timetable).

The Authority will supply schools with all school income and expenditure data which it holds which is necessary for efficient planning by schools.

2.9 Multi-year Budget Forecasts

It is good practice for schools to prepare a multi-year financial forecast even where the Authority has not provided indicative budget shares, which would only occur where the government has not provided multi-year financial settlements for schools. Where schools are forecasting a

current year deficit, a 3 year plan must be completed. The estimated future years budget share must be based on reasonable assumptions, of which details should be provided.

2.10 School Resource Management

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 LA's purchasing, tendering and contracting requirements.

It is important that schools continually review current expenditure, and compare themselves to similar schools in order to think about how to make improvements.

2.11 Virement

Schools are allowed to vire freely between budget heads in the expenditure of their budget shares. This is in order to preserve the accuracy of the school's budget record on the Council's accounting system. Virement should be approved by the Governing Body and all approved virements should be approved in the termly monitoring returns.

2.12 Audit: General

Schools will operate within an audit regime determined by the Authority as regards internal audit, and the Council's external audit regime as determined by the Audit Commission.

Governing Bodies and members of staff shall provide all facilities and co-operation to both internal and external auditors, who shall be entitled to whatever information or explanations they require in order to be satisfied as to the correctness or otherwise of any matter under examination.

The Governing Body, or a delegated Sub-Committee, must consider any audit reports relating to the school, and should minute its consideration of those reports.

2.13 Separate External Audits

A governing body who wishes may spend funds from its budget share to obtain external audit certification of its accounts, separate from any Council internal or external audit process.

2.14 Audit of Voluntary and Private Funds

It is a requirement that schools provide audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school to the Authority on an annual basis.

The Governing Body should appoint an auditor who is completely independent of the school to provide such audit certification, and should review the audited accounts

2.15 Register of Business Interests

The governing body of each school must have a register which lists for each member of the governing body and every member of staff employed at the school, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, Ofsted, Council, staff and parents. This list should be reviewed at least annually by the Governing body

2.16 Purchasing, Tendering and Contracting Requirements

The governing body must abide by the Authority's Financial Regulations and Standing Orders in purchasing, tendering and contracting matters. There is a requirement for Schools to assess in advance, where relevant, the Health and Safety competence of the contractors with full regard to the Council's policies and procedures. However, schools are **not** bound by any provision of the Council's Financial Regulations and Standing Orders which would require them;

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

Schools must seek at least three written tenders or quotations in respect of any contract with a value exceeding £5,000. Schools may seek advice on a range of compliant deals via Buying for schools (<https://www.gov.uk/guidance/buying-for-schools>).

2.17 Application of Contract to Schools

Although Governing bodies are empowered under paragraph 3 of schedule 10 to the Schools Standards and Framework Act 1998 to enter into contracts; in most cases they do so on behalf of the Council as maintainer of the school and the owner of the funds in the budget share. However other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations e.g. contracts made by aided or foundations schools for the employment of staff.

Governing bodies have the right to opt out of Council arranged contracts. The only exceptions are where they have lost that right for particular contracts (whenever stated) in accordance with a specified written procedure: in which case they would be bound into the contract for its length (although the contract might contain clauses allowing variance of its terms and conditions).

2.18 Central Funds and Earmarking

The Authority may make sums available to schools from central funds, in the form of allocations, which are additional to and separate from the schools' budget shares. Interest Clawback will not be made from payments of devolved grants. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used: and while these

conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Council itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share. Earmarked funds must be returned to the Council if not spent within the financial year for which they were given, or within the period over which schools are allowed to use the funding if different.

It is a requirement that such earmarked funding from centrally retained funds is spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. Governing bodies will maintain an accounting system for schools to be able to demonstrate that this requirement has been complied with. The Council will not make any deduction representing interest costs to the Authority, from payments to schools of devolved, specific or special grants.

2.19 Spending for the Purposes of the School

Governing Bodies are allowed to spend budget shares for the purposes of the school, subject to the provisions of the scheme. 'Purposes of the school' is defined as being for the education of the schools pupils and the operation and management of the school.

Governing bodies may not spend and part of their budget share on activities or items which fall outside this definition.

2.20 Capital Spending from Budget Shares

Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work, which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

If the premises are owned by the Council or the school has Voluntary Controlled basis then the Governing body should seek the consent of the Council to the proposed works, but such consent would be withheld on health and safety grounds only.

2.21 Schools Financial Value Standard

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

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

Maintained schools with a delegated budget must submit the form to the local authority **before the end of the financial year** and annually thereafter.

2.22. Notice of Concern

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Strategic Director – Finance & Customer Services and the Director

of Children's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the Authority or the school.

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

- a) Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- b) Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body, or (if no finance committee exists) leads the governing body on finance matters;
- c) Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority or the setting of a lower approval level above which a transaction must be approved by the Authority;
- d) Insisting on regular financial monitoring meetings at the school attended by officers of the Authority;
- e) Requiring a governing body to buy into the Authority's financial management systems, or into other services provided by the Authority which are relevant to financial management difficulties at the school;
- f) Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what 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.

2.23. Fraud

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

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

SECTION 3: INSTALMENTS OF THE BUDGET SHARE, BANKING ARRANGEMENTS

Although this section refers primarily to schools who wish to operate their own bank accounts, it is not exclusively so. It is open for non-bank account schools to draw on their entire budget share from the start of the year, if they so wish.

3.1 Frequency of Instalments

In respect of the Authority's schools with bank accounts the budget share will be made available to governing bodies, on a monthly basis. For non-bank account schools the Authority will place no restrictions on the school drawing on its entire delegated budget share from the outset of the financial year.

3.2 Proportion of Budget Share Payable at Each Instalment

Schools may opt for instalments of the total budget share to be made available to them by payment into a school bank account.

Schools will receive a proportion of their budget share by the 1st of each month. At the start of each financial year, a schedule of payments is sent out to schools which show the agreed proportion of the budget share to be paid each month. Payments are weighted at the beginning of the year, when higher expenditure is expected. Any amendments to the allocated budget will be reflected in an updated schedule and subsequently sent out to the school.

In the first year a school becomes a bank account school; the balance brought forward is either added to the first monthly advance made after the preceding financial years balance has been determined with certainty.

3.3 Budget Shares for Closing Schools

In the case of schools closing in the financial year in question, budget shares will be paid on a monthly basis net of estimated pay costs.

3.4 Bank and Building Society Accounts

All maintained schools may have external bank accounts into which their budget share instalments are paid. Schools, which have such accounts, shall be allowed to retain all interest payable on the account.

New bank account arrangements may only be made with effect from the beginning of each financial year provided written notification is received and acknowledged prior to the 31st January prior to the financial year commencing. The Authority will not agree to the opening of a school bank account until any deficit balance is cleared on the school delegated budget; and any school requesting a bank account at a later date shall not be able to have one until any such deficit is cleared.

3.5 Restrictions on Accounts

Schools may have accounts for budget share purposes, which are in the name of the school. If a school has such an account, the account mandate should provide that the Council is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to delegated budget is suspended by the Council.

3.6 Borrowing by Schools

Governing bodies may not borrow money from external lenders (including the use of finance leases, credit cards and overdrafts) unless they have the express written permission of the Secretary of State to do so. A detailed set of requirements must be demonstrated in any application. Any application to the Secretary of State must be made through the Strategic Director – Finance & Customer Services, but consent is likely to be given only where the Authority is able to reduce its own credit requirement to maintain public expenditure neutrality. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. However, where borrowing schemes are made available by the Secretary of State schools will be able to access without requiring specific approval.

3.7 Procurement Cards

All schools with a delegated budget share are encouraged to make use of procurement cards to minimise transaction costs.

Schools must not obtain or use credit cards as these constitute borrowing, which is not permitted.

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

4.1 The Right to Carry Forward Surplus Balances

At the end of the financial year any surplus that a school incurs on its delegated budget will be carried forward and added to the budget for the subsequent financial year. However, no interest will be paid by the Council on unspent balances carried forward to the next financial year. The amount of any surplus balance will be shown in the relevant outturn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeship, Skills, Children and learning Act 2009.

4.2 Controls on Surplus Balances

Surplus balances held by schools as permitted under this scheme are subject to the following Restrictions

- a) the 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 the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b) the Council shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance.
- c) the Council shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the Council, and which the Council 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 Council. In considering whether any sums are properly assigned the Council may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
- d. If the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, then the Council may deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the authority will be taken into account in this calculation if paid into the budget share account of the school, whether under the provisions of the scheme or otherwise.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Council.

The total of any amounts deducted from schools' budget shares by the Council under this provision are to be applied to the Schools Budget of the Council.

4.3 Reporting on the Intended Use of Surplus Balances

The expectation is that balances will only exceed 8% in Primary and Special schools and 5% for Secondary schools in specific exceptional circumstances.

Governing Bodies are required to report to the LA on the use, which the school intends to make of surplus balances, in cases where the total balance exceeds either 5% or 8% of the annual budget share. These figures (and accompanying explanation) will need to be reported in a format and to a timescale specified by the Strategic Director – Finance & Customer Services.

The Authority will produce an annual report detailing the overall level of balances in schools and reporting on those schools where balances have exceeded 5/8%.

The LA will consider a deduction equal to the excess. In determining whether to make a deduction, schools will not be penalised for making early efficiency savings in a tighter financial climate. The focus will be where schools have built up excessive balances over a significant period.

4.4 Interest on Surplus Balances

Surplus balances generated from delegated budget shares held by the Authority on behalf of schools will not attract interest. However, where the school sets aside monies in “declared savings” accounts held by the Authority on behalf of schools, these will attract interest.

4.5 Obligation to Carry Forward Deficit Balances

Any overspending will be carried forward and deducted from the school’s budget for the next financial year.

The amount of deficit balance will be shown in the relevant outturn statement, published in accordance with directions given by the secretary of state under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009.

4.6 Planning for Deficit Budgets

Schools will normally be required to plan and submit a balanced budget. However, consideration will be given to approving a deficit budget where the school can demonstrate, in writing, that there are sound educational and financial reasons to do so, e.g. that the school has a rising roll and the proposed deficit can be repaid from additional funding anticipated in future years. The expectation is that schools which identify a financial deficit can clear those deficit balances and that the budget plan will demonstrate how this can be achieved.

If this cannot be achieved, then a school must seek approval for a licenced deficit in accordance with section 4.9 of this scheme.

4.7 Writing Off of Deficits.

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

4.8 Balances of Closing and Replacement Schools

When a school closes or is replaced, any balance (whether surplus or deficit), reverts to the Council; it cannot be transferred as a balance to any other school. In the case of amalgamating schools, balances (whether surplus or deficit) will be amalgamated.

4.9 Licensed Deficits

The scheduling of repayments of deficits, which exist at schools, maintained by the Council will be the subject of a three-year spending plan, which incorporates a maximum repayment term of three years. The deficit will represent no more than 5% of the schools delegated budget – although in exceptional circumstances the Authority may relax this requirement and the three year maximum period.

Any Such an arrangement can only be entered into with the authorisation of the Strategic Director – Children & Young People's Services, and a representative of the Strategic Director – Finance & Customer Services.

In order to secure this authorisation the school must submit a recovery plan which provides the Authority with robust evidence of the size of the financial problem and how it will be addressed. The recovery plan needs to be submitted in a format stipulated by the Authority and unless otherwise agreed, needs to be submitted within three months of the shortfall being agreed.

Once authorised, it is important that progress against the recovery plan is monitored. Monitoring information will need to be provided to a frequency stipulated by the Authority, which may be either monthly or quarterly. The plan will be reviewed on a six-monthly basis by the Strategic Director – Finance & Customer Services. Both the non-provision of monitoring information and/or poor performance against the recovery plan could constitute grounds for the removal of financial delegation.

SECTION 5: INCOME

5.1 Income from Lettings

Governing bodies are empowered to approve the occasional use of school buildings and facilities for other purposes and may retain any income charged for this use. Governors must ensure that such uses are not subsidised by the school budget share and that adequate insurance arrangements are in place for the activities involved.

Where the school buildings are owned by the Authority then any regular use for other purposes (eg lettings) can only be agreed by the Authority as Landlord. Schools are allowed to retain income from such agreed lettings of school premises, which would otherwise accrue to the Authority, subject to alternative provisions from any joint use or Private Finance Initiative (PFI) agreements. Schools may cross subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of education and achievement.

Income from lettings of school premises owned by the Authority must 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 trustees to determine the use of any income generated by the land. Schools are required to have regard to the directions issued by the Authority as to the use of school premises, as permitted under of the Act for various categories of schools. Schools will be liable for any additional costs and responsible for any arrangements associated with external use of their premises, e.g. gaining an entertainment licence if appropriate.

School premises which are not owned by the Authority do not require permission from the Authority before alternative uses are agreed by the governing body; however the owner of the buildings may impose their own requirements. In all cases the budget share must not subsidise non-school use of the premises and facilities.

5.2 Income from Fees and Charges

Schools may retain income from fees and charges except where a service is provided by the Council from centrally retained funds. However, schools should be required to have regard to any policy statements on charging produced by the Council.

5.3 Income from Fund-Raising Activities

Schools are allowed to retain income from fund-raising activities.

5.4 Income from the Sale of Assets

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

Income from the sale of assets purchased from delegated funds, or school budget share, can only be spent for the purposes of the school.

5.5 Administrative Procedures for the Collection of Income

The Financial Regulations for Rotherham School's set out the procedures relating to the recording, collecting and banking of income in respect of charges that may be applied by schools.

5.6 Cash Handling

In line with Rotherham's Financial Regulations, the guidance around cash handling can be seen in appendix 1.



Cash Handling

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

The budget share of a school can be charged by the Council without the consent of the Governing body only in circumstances expressly permitted in 6.2. The Council must consult schools as to the intention to so charge, and notify schools when it has been done.

The Authority will charge salaries of school based staff to schools budget shares at actual cost including National Insurance, pension contributions and any other directly attributable costs.

6.2 Circumstances in Which Charges May Be Made

- a) Where premature retirement costs have been incurred without the prior written agreement of the Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council);
- b) Other expenditure incurred to secure resignations where the school where there is good reason to charge this to the school;
- c) Awards by courts and industrial tribunals against the Council, or out of court settlements, arising from action or inaction by the governing body contrary to the Council's advice;
- d) Expenditure by the Council in carrying out health and safety work or capital expenditure for which the 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 required work;
- e) Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Council or the school has voluntary controlled status;
- f) Expenditure incurred by the Council in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Council;
- g) Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Council;
- h) Recovery of penalties imposed on the Council by the Board of Inland Revenue, the Contributions Agency or HM Customs and Excise, Teachers Pensions or Regulatory Authorities as a result of school negligence;
- i) Correction of Council errors in calculating charges to a budget share (e.g. Pension deductions);
- j) Additional transport costs incurred by the Council arising from decisions by the governing body on the length of the school day, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs;

- k) Legal costs which are incurred by the Council because the Governing body did not accept the advice of the Council (see also Section 11);
- l) Costs of necessary health and safety training for safety staff employed by the Council, where funding for training had been delegated but the necessary training not carried out;
- m) Compensations 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-Council payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;
- o) Costs incurred by the Council in securing provision specified in a statement of SEN where the Governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement;
- p) Costs incurred by the Council due to submission by the school of incorrect data;
- q) Recovery of amounts spent from specific grants on ineligible purposes;
- r) Costs incurred by the Council as a result of the governing body being in breach of the terms of a contract;
- s) Costs incurred by the LA as a consequence of a school entering into a service contract which involves LA or school staff transferring to the new service contractor. These costs would generally relate to the transfer of staff pension entitlements and include actuarial valuations of pensions and costs associated with contractors applying to be admitted into the local government pension scheme.
- t) Costs incurred by the LA or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- u) Recovery of monies and costs from a school where the Governing Body has failed to pay the LA for payment to the administering authority for credit to the South Yorkshire Pension Fund all pension contributions, payments and any other sums required to be paid by the Governing Body of the school under paragraphs (2.3.2, 2.3.3, 2.3.4) following the making of a designation by the LA under regulation 8(1)(b) of the Local Government Pension Scheme (Administration) Regulations 2008 for eligible support staff employed by the Governing Body to be members of the Local Government Pension Scheme.
- v) Recovery of monies and costs from a school where the Governing Body of a school has failed to pay to the LA for payment to the Secretary of State for credit for the Teachers Pension Scheme all pension contributions, payments and any other sums as are required to be paid under the Teacher's Pension Scheme Regulations 2010 and the Teacher's (Compensation for Redundancy and Premature Retirement) Regulations 1997 for teachers employed by the LA or Governing Body of the school

SECTION 7: TAXATION

7.1 Value Added Tax

Schools are required to follow procedures laid out in the Authority's Taxation guidance available on the RMBC intranet page. Following these procedures will enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts reclaimed will be passed back to the school.

7.2 CIS (Construction Industry Taxation Scheme)

Schools are required to abide by procedures issued by the Authority in connection with CIS. (again this does not apply only to schools with bank accounts). Contact the taxation section for further guidance.

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

8.1 Provision of Services from Centrally Retained Budgets

It is for the Council to determine on what basis services from centrally retained funds will be provided to schools.

The Authority is barred from discrimination in its provision of services on the basis of categories of schools, except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

8.2 Provision of Services Bought Back from the Council Using Delegated Budgets

The maximum period for any agreement with a school buying services or facilities from the Authority is three years from the inception of the scheme or the date of the agreement which ever is the later. Subsequent agreements relating to the same services may have a maximum period of five years. These timescales may be extended to five or seven years respectively for contracts for the supply of catering services.

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

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

8.3 Packaging

The Authority will provide any services for which funding has been delegated, and the Council is offering the service on a buyback basis, in a way which does not unreasonably restrict schools' freedom of choice among the services available.

This provision would not prevent the Authority offering packages of services, which offer a discount for schools taking up a wider range of services.

8.4 Service Level Agreements

Service Level Agreements will be in place by the 31st January prior to the following financial year and schools will be given at least a month to consider the terms of the agreements.

Where services or facilities are provided under a service level agreement - whether free or on a buy back basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that. Where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

Premises and liability insurances are specifically excluded from this requirement, because these limitations may be impracticable for insurance purposes.

8.5 Teachers' Pensions

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

The payroll service provided by the Authority ensures that arrangements are made for the deduction and remittance of teachers pension contributions and where applicable Additional Voluntary Contributions in respect of any teacher(s) who have not made an election against membership of the teachers pension scheme.

If governing bodies choose to enter into a contract for payroll services with any other provider they must ensure that any such arrangement or agreement requires that service provider to supply the salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. Schools must meet any consequential costs from the budget share.

A governing body of any maintained school which directly administers its payroll must similarly supply salary, service and pensions data to the Authority in accordance with the Authority's requirements, and must meet any consequential costs from the budget share.

Irrespective of which payroll provider is used by the school, the Strategic Director – Finance & Customer Services, may still require certain payroll information to be provided by the school. It is advisable that these requirements are reviewed prior to a school entering any contract for the provision of payroll services.

SECTION 9: PFI/PPP

9.1 Applying Agreements to Governing Bodies

Where all or part of a school's facilities have been provided under a Private Finance Initiative (PFI) agreement, the governing body will be required to act in accordance with the terms of that agreement (the Project Agreement). In order that a governing body can comply with this requirement, the terms of a PFI agreement will be agreed with the governing body before the contract is entered into.

The Council has the power to charge a school's budget share amounts agreed under the PFI Agreement, subjected to the provisions of the Governors' Agreement. This includes the amount known as the PFI Service Charge. With effect from the 1st April 2013, the amount known as the PFI Factor has been delegated to PFI schools for repayment back to the Authority.

SECTION 10: INSURANCE

10.1 Insurance Cover

As funds for insurance are delegated to schools, the Authority may require the school to demonstrate that cover relevant to the Authority's insurable interests, under any policy arranged by the governing body, (either paid for from central funds or from contributions from schools' delegated budgets), is at least as good as the relevant minimum cover arranged by the Authority, either paid from central funds or from contributions from schools delegated budgets. The 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.

Contract works: £5,000,000

Money: £100,000 Crossed Cheques £500,000

Fidelity guarantee: £15,000,000

Employers and public liability: £50,000,000

Public Liability £50,000,000

Governors' liability: £50,000,000

Libel and slander: £5,000,000

N.B These categories are not exhaustive

Schools must give at least 12 months notice of their intention to seek alternative insurance to that offered by the LA.

Schools will be notified of the charges for LA arranged premises and liability insurance by 31 January preceding the financial year to which they relate. Schools will have one month to consider them and will need to notify the LA Insurance Manager in writing if they wish to opt out. All centrally arranged insurance cover will be for a full year and cannot be cancelled after commencement at the 1 April each year.

The evidence required to demonstrate the parity of cover should be reasonable and not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier. A copy of insurance cover documents should be sent to the LA Insurance Manager (and evidence of payment) within 14 days of commencement. If indemnity limits are not matched (or if documents are not provided) then the LA reserves the right to arrange its own cover with immediate effect and to charge this to the school.

Further guidance may be obtained from the Director of Audit and Governance.

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

As well as specific requirements listed above, the Authority may require a governing body to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school.

11.2 Liability of Governors

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

11.3 Governors Expenses

The Council may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. There should be no payment of any other allowances. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

11.4 Responsibility for Legal Costs

Legal costs incurred by the governing body, although the responsibility of the Council as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. In the rare incidents where the governing body wishes to pursue action, which is at a conflict with the Council, the governing body must fund their own advice from the schools delegated budget. This advice should be from a solicitor who is independent from the Council.

11.5 Health and Safety

The governing body must have due regard to duties placed on the Council in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

11.6 Right of Attendance for Strategic Director – Finance & Customer Services

The governing body must permit the Strategic Director – Finance & Customer Services, or any officer of the Authority nominated by him/her, to attend meetings of the governing body at which agenda items are relevant to the exercise of his/her responsibilities.

11.7 Special Educational Needs Spending

Schools are required to use their best endeavours on spending the budget share, to secure the special educational needs of their pupils. In a situation serious enough to warrant it (although this is unlikely to relate to an individual pupil), this could conceivably lead to suspension of delegation.

11.8 'Whistleblowing'

Schools are required to abide by the Authority's procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school and as to how such complaints are to be dealt with. (See following whistleblowing policy document)

11.9 Child Protection

Schools are reminded of the need to release staff to attend child protection case conferences and other related events. The cost of cover in such cases is covered from central funds where schools buy into the Authority's short-term cover scheme, otherwise this is met from schools delegated budget funding.

11.10 School Meals

The Council does not provide schools with a policy document on school meals

11.11 Redundancy / Early Retirements Costs

Premature retirement costs and redundancy costs will no longer be funded from a centrally retained school budget but will be charged directly to the delegated school budget.

11.12 Delegation To New Schools

The LA reserves the right to delegate funding selectively and optionally to the governing bodies of new schools or to schools which have not yet received delegated budgets. A new school must receive a delegated budget in the funding period prior to the funding period within which it opens (that is to say, the funding period during which it first admits pupils), unless the LA has obtained the Secretary of State's prior approval to a postponement beyond this date.

The LA may also agree to give a delegated budget to a new school in advance of its opening date or to delegate some spending powers to the temporary governing body of a new school before it receives a delegated budget.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 School and Council Responsibilities

For Primary, including Nursery and Special Maintained Schools the local authority delegates all funding for repairs and maintenance to all schools. Delegation to individual schools puts the responsibility for these works on the school previously identified in this document along with items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control (this list is not exhaustive).

For All Maintained Schools: All costs relating to the repair and maintenance of ICT equipment must be met from the school budget share (funded from Dedicated Schools Grant), while replacements may be met from school budget share, Devolved Capital or a combination of both. Capital expenditure, met through funding streams other than the Dedicated Schools Grant (DSG) and Devolved Formula Capital is retained by the local authority and is available to all maintained schools. Allocations will be made in accordance to the local authority's asset management priorities, these priorities may include categories of work normally met in full or in part from schools' revenue budget. Expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes which is in line with the CIPFA Code of Practice on Local Authority Accounting.

12.2 Delegation to Schools

The Authority will delegate all funding for repairs and maintenance to schools. Only capital expenditure is to be retained by the Authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. The Council does not operate a de minimis limit on its definition of Capital expenditure.

12.3 Voluntary Aided Schools

The Authority undertakes to distribute funding to all it's schools in an equitable manner and not apply any discriminatory factors in arriving at the V.A. schools share.

Although the categories of work for which V.A. governors are liable, as shown in Annex A are intended to be comprehensive, they are not exhaustive. For details relating to any items not specifically covered in Annex E2, the DfES document 'Voluntary Aided and Special Agreement Schools – Determination of Financial Liability' should be consulted, although again this may be subject of future amendment pending the implementation of the current DfES proposals.

SECTION 13. COMMUNITY FACILITIES EXTENSION.

13.1 General

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. These controls will include:

- (i) Regulations made under s.28 (2), if made, which specify activities which may not be undertaken at all;
- (ii) Guidance issued by the Secretary of State on a range of issues connected with the exercise of this power;

Changes made by the Children & Families Act 2014 meant that schools no longer need to consult their Local 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. However, as public bodies, schools are expected to act reasonably and this includes consulting those affected by decisions that school make.

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

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

The LA has the right to require a school to make a charge against its school budget or other funding that may be applied to support Community Facilities, to meet an accumulated deficit. This right will not be applied automatically where an activity shows an accumulated deficit but would be applied following consultation of individual circumstances. This right will not be exercised where the school can provide a working business plan showing that the deficit will be cleared within a two year period.

Schools are prohibited from using their delegated budgets to fund community facilities. This includes start-up costs, ongoing expenditure, or to meet deficits arising from such activities.

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

13.2 Funding Agreements – LA Powers

Details of any funding agreements with third parties for the operation of community schemes must be submitted to the LA for its comments at least six weeks prior to the scheme's commencement date.

If the school establishes a funding arrangement which is against the wishes of the LA or which has been concluded without informing the LA, which in the interests of the Authority are seriously prejudicial to the interests of the school or the Authority, the suspension of a right to a delegated budget may be imposed.

13.3 Other Prohibitions, Restrictions and Limitations

Where the LA considers a community scheme to carry significant financial risk it may require the school to arrange indemnity insurance the cost of which must be borne by the community scheme.

The LA has to safeguard its financial position, be aware of the financial risk to a school from the provision of a community facilities agreement and be able to protect pupil welfare or education. As a consequence it may need to impose provisions within individual agreements or to include further provisions in this scheme at a later date.

13.4 Supply of Financial Information

Every six months the school is required to provide the LEA with a financial statement in respect of each community scheme it operates, detailing (to nominal level) income and expenditure for the previous six months and estimated income and expenditure for the following six months. In the event that the LA has cause for concern relating to the school's management of the financial consequences of the exercise of the community facilities power, these financial statements may be requested every three months and, if the Authority sees fit, require a recovery plan for the community activity in question.

Expenditure and income relating to community schemes will be processed in accordance with the Consistent Financial Reporting (CFR) Framework.

13.5 Audit

The school must grant open access to the school's records connected with each community facility it operates in order to facilitate internal and external audit of relevant income and expenditure.

Where funding is provided by third parties, any agreement with the third party must contain adequate provision for access by the Authority to any and all records.

13.6 Treatment of Income and Surpluses

The school may retain all net income derived from each community facility except where otherwise stipulated in an agreement with a funding provider.

The school may carry forward from one financial year to the next, the balance on each community activity. The school will be responsible during the annual accounts close-down procedure for notifying the LA of the accrual(s) required to facilitate this.

13.7 Treatment of deficits

If the activity results in a deficit, this must be charged against any accumulated community facilities surplus previously generated by the school.

Where a deficit cannot be charged against any accumulated surplus the LA has the right to require a school to make a charge against other funding that may be applied to support Community Facilities, to meet the accumulated deficit.

13.8 Health and Safety Matters

The Health and Safety provisions of the Fair Funding Scheme (11.5) are extended to the community facilities power.

The governing body is responsible for securing **Disclosure Barring Service** clearance for all adults involved in community activities taking place during the school day. These costs may be passed on to a funding partner as part of an agreement with that partner.

13.9 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are in place for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. The school must also seek the Authority's advice before finalising any insurance arrangement for community facilities. Insurance for community activities must not be funded from the schools delegated budget.

The LA may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges these arrangements to be inadequate, make arrangements itself and charge the resultant cost to the account maintained in respect of the community activity in question.

13.10 Taxation

The school must seek advice from the LA and the local VAT office on any issues relating to the possible imposition of VAT on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

Where a member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in school's own bank account, the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules. The school is required to follow LA advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11 Banking

Schools are required to maintain separate accounts (via distinct cost centres) for each community scheme.

Schools are prohibited from borrowing money to operate community facilities without the written consent of the Secretary of State.

13.12 Premature Retirement / Redundancy Costs

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and will 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:

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.

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 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.

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.