



# **Fair Funding Scheme of Delegation**

***Consultation Version***

*Revision effective: 1<sup>st</sup> September 2019*

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## Section 1: Introduction

**This section describes the main features of the funding framework; explains the role of the scheme and who it applies to; publication and revision requirements; and delegation of powers to the Headteacher.**

### 1.1 The funding framework

- 1.1.1 The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (hereafter 'the Act').
- 1.1.2 Under this legislation, local authorities (LAs) 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 (DSG) 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 LA's maintained schools except for capital and certain miscellaneous items.
- 1.1.3 LAs may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A 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).
- 1.1.4 Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.5 LAs must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act.
- 1.1.6 The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.
- 1.1.7 Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act).

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- 1.1.8 A LA may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act).
- 1.1.9 Each LA 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 and funding delegated to schools. 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.
- 1.1.10 The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.
- 1.1.11 Regulations also require a LA to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

## **1.2 The Role and Application of the Scheme**

- 1.2.1 The Fair Funding Scheme of Delegation 'Scheme' exists to set out the financial relationship between Coventry City Council and the maintained schools that it funds. The Scheme contains requirements relating to financial management and associated issues. The requirements are binding on both the City Council and on schools.
- 1.2.2 The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and Pupil Referral Units maintained by the authority. A list of schools that are covered by this Scheme as at the 1<sup>st</sup> September 2019 can be found in Appendix A.

## **1.3 Publication of the Scheme**

- 1.3.1 The Scheme will be published on Coventry City Council's Public website including the date that the current version came into force. The City Council will notify any approved revisions to each school. The Headteacher should ensure that the Scheme is available to governors, staff and parents on request for reference purposes.

## **1.4 Revision of the scheme**

- 1.4.1 Proposed revisions to the Scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the LA before they are submitted to the Schools Forum for their approval.
- 1.4.2 All proposed revisions must be submitted to the Schools Forum for approval by members of the forum representing maintained schools. Where the Schools Forum does not approve them or approves them subject to modifications which are not

acceptable to the City Council, the City Council may apply to the Secretary of State for approval.

## **1.5 Delegation of Powers to the Head teacher**

- 1.5.1 The requirements placed on a school by this Scheme are the responsibility of the Governing Body, which may delegate powers to the Headteacher or a sub-committee of Governors subject to any statutory limitation. Any reference in the Scheme to the school, Governing Body, the Headteacher or Governors' sub-committee shall apply to all parties, dependent upon the local arrangements operating within individual schools.
- 1.5.2 The 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.
- 1.5.3 The first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body. The City Council recommends that this is approved by the full governing body.

## **1.6 Maintenance of the Schools**

- 1.6.1 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 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.

## Section 2: Financial Controls

### 2.1 General Procedures

**This section defines the status of financial regulations and the responsibility of the school to observe them.**

#### **Application of financial controls**

- 2.1.1 The Governing Body is responsible for the proper financial management and financial probity of their school, and is publicly accountable for the money that it spends. Governors should conduct the business of the school in a manner consistent with public expectations of legality and propriety.
- 2.1.2 To assist Governing Bodies with discharging this responsibility, this Scheme contains regulations covering all aspects of financial management. The Governing Body is responsible for the observance of these regulations.
- 2.1.3 The Governing Body should ensure that all relevant staff within the school are aware of, understand, and comply with financial regulations. Any staff who fail to observe financial regulations may be subject to disciplinary action.
- 2.1.4 The Director of Finance and Corporate Services is statutorily responsible for ensuring the proper administration of the City Council's financial affairs. This includes all aspects of financial management undertaken by Governing Bodies. The Director of Finance and Corporate Services, or their authorised nominee, has the power to revise the regulations binding on schools regarding financial control, and to issue new regulations. In practice, this responsibility is discharged by the Finance Manager, covering Education, assisted by the Lead Accountant Schools and the Chief Internal Auditor.
- 2.1.5 Every effort has been made to achieve consistency between the provisions of this Scheme and the City Council's Financial Regulations. In the event of any apparent conflict, the Scheme provisions will take precedence.
- 2.1.6 Schools requiring guidance or clarification in respect of any financial regulation should contact the Chief Internal Auditor in the first instance. The Lead Accountant Schools and the Finance Manager covering Education will also be pleased to assist.

#### **Provision of financial information and reports**

- 2.1.7 The Headteacher is responsible for ensuring that copies of any budgetary control reports (and their covering and supporting documents) submitted to the Board of Governors (or Finance Sub-Committee) are submitted to the Finance Manager covering Education if requested.
- 2.1.8 The City Council recommends that all schools undertake their own financial and budget monitoring and prepare their own internal management accounts at least once a month. However, the Local Authority reserves the right to request schools to provide details of anticipated and actual expenditure and income in a prescribed format. Normally such information will not be requested more often than every three months.



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- 2.1.9 Occasions when financial information may be requested more frequently include the need for bank reconciliation, accounting treatment of taxation or where a school has been notified in writing that the City Council has concerns regarding financial probity. Refer to section 2.15.1.
- 2.1.10 The requirement for the provision of financial information is separate to the requirements to submit annual budget plans. The format of this information will, so far as possible, take account of the Consistent Financial Reporting framework.

**Payment of Salaries and Bills**

- 2.1.11 The payment of all salaries and wages is undertaken by the City Council. The cost of this service is delegated to schools and recharged. School budgets are charged with the actual costs of salaries and wages via a monthly download to schools' SIMS financial systems.
- 2.1.12 Any school wishing to purchase payroll arrangements from external providers, or wishing to establish their own payroll arrangements, must obtain specific written approval from the Director of Finance and Corporate Services prior to formalising the arrangement. In the first instance, a detailed written proposal should be submitted to the Finance Manager covering Education.
- 2.1.13 In order to comply with Inland Revenue regulations, Schools must not make salaries and wages payments from their own bank accounts (outside payroll arrangements). Schools requiring further advice or clarification should contact the City Council.

**Ordering and Payments**

- 2.1.14 Schools have a responsibility to pay suppliers' invoices within 30 days of the invoice date, in accordance with legislation and the City Council's policy on this area. This provision applies equally to external suppliers as well as amounts that schools owe to the City Council. Legislation empowers suppliers to claim for interest on late payments, which if successful, would be a charge against the responsible school's budget share.

**Control of assets**

- 2.1.15 Schools are required to maintain an inventory of its moveable non-capital assets, following the guidance contained in Appendix E. As set out in the guidance Schools must also establish a policy and procedure for disposing of assets.

**Accounting Policies and Year end procedures**

- 2.1.16 Schools must abide by procedures issued by the Local Authority in relation to accounting policies and year-end procedures. The Local Authority will, each year in the spring term, notify schools in writing, of the procedures and timescales to be followed to close the financial year. The Governing body is responsible for ensuring that this guidance is followed and required timescales are met.

**Writing off of Debts**

**This section details school responsibilities and write-off approval thresholds in relation to bad debt.**

2.1.17 The Governing Body is responsible for minimising the risk that income owing to the school has to be written off. In particular, the Governing Body must:

- collect payment in advance of the service or goods being provided, where this is practical;
- issue invoices and reminders promptly;
- make full use of the City Council's debt recovery service.

2.1.18 If the write-off of a debt is unavoidable, the authority for the write-off debts is as follows:

| Debt Value           | Approval Required   |
|----------------------|---|
| <b>Up to £500</b>    | Headteacher   |
| <b>£501 - £5,000</b> | Governing Body  |
| <b>Over £5,000</b>   | Governing Body and Director of Finance and Corporate Services |

## 2.2 Basis of accounting

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

## 2.3 Submission of budget plans

**This section details provisions in relation to submissions of budgets and financial forecasts.**

*The section is in line with the DFE statutory guidance "schemes for financing local authority maintained schools" and remains unchanged from the previous Scheme.*

*The DFE has consulted on making a national change to this section of the scheme for 2020/21. Once the consultation response is published this section will be updated as necessary to reflect the updated position. A revised scheme will then be circulated.*

### **Provisional budget plan**

2.3.1 The Governing Body (Headteacher or Governing Body Finance sub-committee) is *strongly* recommended to prepare a provisional outline budget plan for the school by 28th February of the year prior to the application of the budget. The budget should reflect the financial interpretation of the School Development Plan and should represent the school's aims and objectives within the available financial resource.

2.3.2 This SIMS finance package requires the budget to be recorded on the system before any orders can be raised and it also closes for transactions on 31st March

each year. It is therefore essential for a provisional budget to be prepared for input into SIMS.

### **Final Budget Plan**

- 2.3.3 The Governing Body (or Finance sub-committee) will need to review its provisional budget plan against the resources available. The school's formal annual budget plan must be approved by the full governing body or a committee of the governing body. The City Council recommends that this continues to be the full governing body.
- 2.3.4 Each school is required to submit a final budget plan to the City Council by the 30th June each year. This budget plan must have been approved by governors (see section 2.3.3) and must show the schools intentions for expenditure for the current financial year and the assumptions underpinning the budget plan. The Finance Manager covering Education will define the form of the notification, which will, as far as possible, take account of the Consistent Financial Reporting Framework.
- 2.3.5 The City Council will provide the school with relevant expenditure and income information to necessitate efficient planning by schools (refer to section 2.3.10). Full account should be taken within the budget plan of any deficit/surplus balances at the previous 31 March.
- 2.3.6 All budget plans must be set within the resources available to the school. A school Governing Body must not plan for a deficit budget (refer to section 4.5).
- 2.3.7 The City Council believes that fixing the annual budget as soon as practical is of prime importance to sound financial management. The City Council will carry out formal monitoring of this area. The City Council may suspend advances to the bank accounts of those schools that fail to fix their budget before the end of the Summer Term.
- 2.3.8 The City Council may also require submission of revised budget plans as the financial year progresses. The City Council will issue separate guidance covering this requirement as and where necessary. Such revised plans shall not be required at intervals of less than three months or more than four times per year.

### **Submission of Financial Forecasts**

- 2.3.9 The City Council may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. This 3 year budget plan may be requested to:
- support the authorities balance control mechanism (refer to section 4.2)
  - be used as evidence to support the City Council's assessment of Schools Financial Value Standards (refer to section 2.16)
  - support a school's application for a credit union loan (refer to section 4.11)

The Finance Manager covering Education will define the format of the 3 year budget plan. The plan should also include any assumptions made by the school regarding income and expenditure.

- 2.3.10 Regardless of whether multi-year budget shares have been provided, it is *strongly* recommended that schools prepare a multi-year budget plan. Best practice being a

3 year budget plan. This supports the Governing Body in establishing a view of the school's medium term sustainability and provides the ability to take strategic action in a timely manner where financial issues are highlighted.

#### **Provision of School Income Information**

- 2.3.11 By the end of February, the city council shall provide each maintained mainstream school with notification of its school budget share for the following financial year. The funding pack will also include indicative figures (based on the previous financial year) for other major revenue funding streams when actual allocations are not available. These streams include allocations for; Early Years, Sixth Form, Growth Fund, High Needs Top-up and the Pupil Premium Grant.
- 2.3.12 By the end of February, the city council shall provide each maintained special school with notification of the number of commissioned places and the pupil top-up rates for the following financial year. The funding pack will also include indicative figures (based on the previous financial year) for the Pupil Premium Grant.

## **2.4 Efficiency and Value for Money**

***Schools should demonstrate that they are following Efficiency and Value for Money principles in their financial management.***

- 2.4.1 Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources to invest in teaching and learning, taking into account the City Council's purchasing, tendering and contracting requirements outlined in section 2.10. It is for heads and governors to determine at school level how to secure better value for money. It is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.
- 2.4.2 When submitting the budget plan, the school may be required to also submit a statement that sets out what steps they will be taking in the course of the year to ensure that expenditure, particularly in respect of large contracts, will reflect the principles of efficiency and value for money.

## **2.5 Virement**

***This section details provisions in relation to the viring of budgets.***

- 2.5.1 Following the setting of the final annual budget, changes to circumstances, plans and priorities may require that funds are transferred from one budget heading to another. This process is known as virement, and reflects good financial management practice.
- 2.5.2 Schools are permitted to vire between budget headings in the expenditure of their budget shares. Schools must record each virement on their Financial Management System (SIMS FMS). The virement must not change the "bottom line" of the budget, i.e. the total budget available to the school.

#### **Virement limits**

- 2.5.3 Power of virement granted by the Governing Body to the Headteacher or governor's sub-committee shall be limited to a sum determined by the Governing Body, but shall not exceed £10,000. All virements approved under delegated powers must be authorised prior to being actioned. Virements in excess of the approved limit must be authorised by the Governing Body prior to being actioned.
- 2.5.4 Any virements authorised by the Headteacher or sub-committee under their delegated powers must be reported to and minuted by the Governing Body at the earliest opportunity in an agreed format.
- 2.5.5 The only exception to the virements limit relates to creating new income budgets (i.e. on receipt of a newly established grant). In this circumstance schools are permitted to create the income budget at the anticipated grant level, with the corresponding expenditure budget allocated to the school's contingency until such a time as the Governing Body determine where the grant will be spent, and authorise the necessary virement to transfer the budget.
- 2.5.6 Any virement carried out under 2.5.5 to recognise a new income budget must be reported to and minuted by the Governing Body at the earliest opportunity in an agreed format.

## 2.6 Audit Arrangements

**This section details the audit regime applying to schools.**

*The section is in line with the DFE statutory guidance "schemes for financing local authority maintained schools" and remains unchanged from the previous Scheme.*

*The DFE has consulted on making a national change to this section of the scheme for 2020/21. Once the consultation response is published this section will be updated as necessary to reflect the updated position. A revised scheme will then be circulated.*

### Internal Audit

- 2.6.1 The Director of Finance and Corporate Services is responsible for maintaining an ongoing internal audit of the accounting, financial and related operations of the City Council. This responsibility in respect of schools is in practice discharged by the Finance Manager covering Education, assisted by the Internal Audit, who act as the Director of Finance and Corporate Services authorised representatives.
- 2.6.2 The Director of Finance and Corporate Services is responsible for reviewing, appraising and reporting to governing bodies, the Director of Education & Skills, and members on the soundness, adequacy and application of financial and other related management controls in operation in schools.
- 2.6.3 The Director of Finance and Corporate Services (or authorised representative) in pursuance of their duties and responsibilities, shall have the right to:
- enter City Council land or property at all reasonable times;

- have access to all records (including records held on computer), documents and correspondence relating to any financial matter and/or related transaction involving the Council;
- require and receive such explanations as are necessary concerning any matter under examination.

### **Irregularities or potential irregularities**

- 2.6.4 The Governing Body or Headteacher should immediately contact the Finance Manager covering Education or the Council's Chief Internal Auditor if any matter arises which gives cause for suspicion of, involves or is thought to involve irregularities concerning City Council or Governing Body assets or resources. The Finance Manager in conjunction with the Chief Internal Auditor will initiate action as deemed necessary, by way of investigation and report.

## **2.7 Separate External Audits**

- 2.7.1 Schools may spend funds from its budget share to obtain external audit certification of its accounts. This would not replace, and would be separate from, the internal and external audit processes described above.

## **2.8 Audit of Voluntary and private funds**

- 2.8.1 Schools are required to ensure that all unofficial funds are audited on an annual basis by a suitably independent and experienced person. These accounts must be submitted with a report, to the Governing body within four months of the accounting year end of that fund.
- 2.8.2 Schools must provide valid audit certificates to the Director of Finance and Corporate Services, for each unofficial fund when requested by the City Council. Any school refusing to or unable to provide audit certificates to the City Council is in breach of this scheme and the City Council will take action on that basis.
- 2.8.3 Further guidance on the administration and audit of unofficial funds is given in Appendix D. Guidance on the administration and audit of unofficial funds in voluntary aided schools is available from the relevant diocesan authority.

## **2.9 Register of Business Interests**

**This Section specifies the requirement to register business interests for governors and headteachers.**

- 2.9.1 The governing body of each school is required to have a register which lists for each member of the governing body and the head teacher:
- Any business interests they or any member of their immediate family have;
  - Details of any other educational establishments that they govern;
  - Any relationships between school staff and members of the governing body;

- 2.9.2 A business interest in this context is any financial or personal relationship that could be perceived as an unfair influence on the decision-making process relating to official school purchases. An example of this would be a relative working for a local supplier.
- 2.9.3 Employees and Governors who have a business interest must exclude themselves from any decision-making process relating to purchase in the relevant area of business.
- 2.9.4 The Register of Business Interests must be reviewed and updated on an annual basis, and must be made available for inspection by City Council officers, governors, staff and parents. The register should also be published e.g. on a publicly accessible website.

The Department for Education published the regulations and an amendment to the Statutory Guidance for maintained schools in March 2015 entitled: [The School Governance \(Miscellaneous Amendments\) \(England\) Regulations 2015](#)<sup>1</sup> and DfE Statutory Guidance on Publication of Governor's Details and the Register of Interests. Refer to <http://www.coventry.gov.uk/noteongovernancechanges> for further detail and update in relation to this.

## 2.10 Purchasing, Tendering and Contracting Requirements

**This section sets out provisions in relation to purchasing, tendering and contracting.**

- 2.10.1 Schools are required to abide by the City Council's financial regulations and [Rules for Contracts](#)<sup>2</sup> (revised June 2014) in purchasing, tendering and contracting matters unless the effect would require schools to: Subject to the following provisions, schools may purchase goods and services from whatever source they may choose having abided by the processes laid out in 2.10.10, but they must be able to demonstrate in all cases that they have obtained good value for money.
- Do anything incompatible with any of the provisions of the Scheme, or any statutory provision: EU Procurement Directive and/or and Public Procurement Legislation and case law interpretations
  - Seek LEA Officer countersignature for any contracts for a value of below £60,000 in any one year;
  - To select suppliers only from a City Council contract supplier
- 2.10.2 Schools must ensure that statutory requirements regarding Health and Safety issues are followed with regard to purchasing and use of contractors. City Council policies and procedures on Health and Safety should be applied.

### European Procurement Directives

- 2.10.3 European Procurement Directives 2014 and Public Contract Regulations 2015 require the City Council to operate a tendering process and appoint suppliers for

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<sup>1</sup> [http://www.legislation.gov.uk/uksi/2015/883/pdfs/uksi\\_20150883\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/883/pdfs/uksi_20150883_en.pdf)

<sup>2</sup> [http://www.coventry.gov.uk/downloads/file/2875/rules\\_for\\_contracts](http://www.coventry.gov.uk/downloads/file/2875/rules_for_contracts)

those goods and services where the total value of the business placed by the City Council exceeds a given amount. All parts of the City Council are obliged to use those suppliers, or comply independently with European Procurement Directives and Public Procurement Legislation. Failure to do so can jeopardise the City Council's eligibility for grant funding, incur challenges through court injunctions potentially leading to contracts being revoked with substantial fines and damages.

- 2.10.4 Both the Department for Education and HM Treasury have advised that schools could be considered as "discrete operational units" and not part of the corporate whole. However, neither Government department has given firm guidance nor at any stage has this been confirmed by the European Parliament. HM Treasury has recommended that the City Council forms its own view.
- 2.10.5 Accordingly, for the purpose of complying with EC Directives and Public Procurement Legislation, the City Council regards schools as part of the corporate whole and therefore requires schools either to use the City Council central purchasing arrangements, or to comply independently with European Procurement Directives.

#### **City Council Central Purchasing Arrangements**

- 2.10.6 Schools may use City Council central purchasing arrangements for the supply of goods and services, without having to go through quotations and tendering processes. City Council suppliers will have been selected under the Council's Rules for Contracts and financial regulations tendering procedure. Approved suppliers have already provided assurance that they comply with Health and Safety requirements.
- 2.10.7 Schools may use any of the City Council's services. The Internal service provider will be responsible for complying with the City Council's Rules for Contract and financial regulations.
- 2.10.8 Schools may purchase support and guidance from the City Council's Procurement and Commissioning Service to find a source for any goods or services that they may require.

#### **Governing Body's Own Purchasing Arrangements**

- 2.10.9 The Governing Body may decide to issue orders and arrange contracts outside of the City Council's central purchasing arrangements. In such cases, dependent on the value of the order/contract, the following procedures shall apply:

| Purchasing Procedure  | Order Value               |
|---|---------------------------|
| At the discretion of the Governing Body   | Up to £10,000             |
| At least 3 written quotations (where appropriate, a minimum of two should be local)     | £10,001 to £50,000        |
| Competitive Tendering process, which must be advertised. Minimum of 3 tenders received. | £50,001 to EU Thresholds* |
| Advert in OJEU and procedures defined in the Public Contract Regulations 2015.          | EU Thresholds* & above    |

\*2018 EU thresholds: £181,302 for Goods and Services; £4,551,413 for Works



- 2.10.10 City Council Rules for Contracts requires that all contractors for supplies, works and services demonstrate their compliance with the Equalities and Human Rights Commission, e.g. policies, equality, training and monitoring.
- 2.10.11 The Rules for Contracts also requires that all goods and materials used or supplied, and all workmanship shall be at least in accordance with any appropriate current British, European or International Standard specification.
- 2.10.12 Schools must have due regard to the provisions specified in 2.10.10 and 2.10.11 and are recommended to obtain the advice of the relevant City Council officers when selecting contractors for works and services.
- 2.10.13 The Monitoring Officer (Legal Services) must be involved in any tendering process where the value of the contract exceeds £60,000. Any single tender actions for contracts exceeding £100,000 in value must be reported to the relevant Cabinet Member to seek their approval.

## **2.11 Application of contracts to schools**

**This section sets out the position in relation to school contracts.**

- 2.11.1 Schools have the right to opt out of any LA-arranged contract at the point at which the contract is set up and where the school has received delegated responsibility for the areas covered by the contract, except where they have lost that right for particular contracts in accordance with a specified written procedure: in which case the school is bound into the contract for its length.
- 2.11.2 Governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. (This is the main reason for allowing authorities to require authority counter-signature of contracts exceeding £60,000).
- 2.11.3 Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

## **2.12 Central funds and earmarking**

**This section sets out how the City Council can make additional funds available to schools from central funds. These include the Growth Fund and High Needs Top-up fund.**

- 2.12.1 The City Council may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the budget share. Such allocations are specifically prohibited from being vired into school budget shares. Allocations will be subject to conditions setting out the purpose(s) for which the funds may be used.
- 2.12.2 Where this money is ring-fenced or earmarked for a specific purpose Schools may only spend it on the intended purpose(s) for which it has been made available. Schools may be required to demonstrate that this requirement has been complied

with. Specific guidance will be issued as and when ring-fenced or earmarked funding is made available.

- 2.12.3 The City Council may require schools to return such funding if the funds have not been spent in the relevant period to which they relate.
- 2.12.4 The City Council is not permitted to make any deduction, in respect of interest costs to the LA, from payments to schools of devolved specific or special grant.

## 2.13 Spending for the purposes of the school

**This section sets out restrictions on the use of the school budget shares.**

### Principle

- 2.13.1 The Governing Body is empowered to use the resources provided through the budget share for the purposes of the school, subject to restrictions as may be imposed by or under this Scheme.

### Restrictions on the use of the budget

- 2.13.2 The delegated budget share cannot be used to support:
- Non-school activities - even where they take place on school premises and the Governors and Headteacher have overall responsibility for their management.
  - Further education courses provided under Section 12 of the Further and Higher Education Act 1992 (although income raised from course fees may be used for the purposes of the school).
  - The Governing Body does not have the automatic power to enter into any leasing or deferred payment arrangements. In each case, the Governing Body must obtain the specific written approval of the Director of Education & Skills, and Director of Finance and Corporate Services. Schools should contact Children's Finance in the first instance before proceeding with any such arrangement.

### Musical Instrument Scheme

- 2.13.3 This scheme is designed to enable pupils at schools to purchase musical instruments to support music activities, without incurring VAT. Schools may purchase musical instruments via the school budget for individual pupils. The criteria for purchase should be in line with the HMRC [Local authority education services: related activities: assisted instrument purchase scheme](http://www.hmrc.gov.uk/manuals/vatgpbmanual/vatgpb7825.htm)<sup>3</sup>
- 2.13.4 The purchase is on the understanding that the full cost incurred by the school will be repaid by the pupil/parent (if possible, on order / delivery of the instrument). The scheme is not a vehicle for subsidy; it is a means of pupils purchasing musical instruments without incurring value-added tax.

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<sup>3</sup> <http://www.hmrc.gov.uk/manuals/vatgpbmanual/vatgpb7825.htm>

- 2.13.5 Any purchase must be made in accordance with the purchasing, tendering and contracting requirements laid out in section 2.10 of this Scheme.
- 2.13.6 The school should establish effective monitoring and debt recovery arrangements to ensure that all income is received and that the overall effect on the school's financial position is zero.

## **2.14 Capital spending from budget shares**

**This section sets out the regulations on using delegated budgets and devolved capital for capital expenditure and accounting for this as capital expenditure.**

*This section has been rewritten to reflect the current requirements and is in line with the DFE statutory guidance "schemes for financing local authority maintained schools". Key changes are:*

- *Expanded the previous scheme guidance to provide clarity on the process by which schools must seek the LA's consent for any proposed works. Sections 2.14.5 to 2.14.8.*
- *Split out how this guidance applies to Voluntary Aided schools. Sections 2.14.9 to 2.14.11.*

- 2.14.1 Schools are allowed to use their budget shares to meet the cost of capital expenditure on the school premises, provided that the school complies with the notification & approval requirements set out within this section.
- 2.14.2 If the expected capital expenditure from the budget share in any one year will exceed **£15,000**, the governing body must notify the City Council and take into account any advice from the Director of Education & Skills as to the merits of the proposed expenditure.
- 2.14.3 Schools are required to follow the Purchasing, Tendering and Contracting requirements set out in section 2.10 of this document.
- 2.14.4 For accounting purposes, capital expenditure incurred by schools from delegated budget shares is classed as "Revenue Contributions to Capital". Schools may not enter into any arrangement that involves payment deferral as stated in section 2.13.2 of this scheme.

### **Where the premises are owned by the City Council (including Voluntary Controlled Schools):**

- 2.14.5 Once a project has been identified by the school/Governing Body, the school must promptly inform the City Council (as Landlord) to avoid the potential for abortive costs. This initial notification should be sent to [education.consultations@coventry.gov.uk](mailto:education.consultations@coventry.gov.uk).
- 2.14.6 Following the initial notification, the Governing Body must seek the formal consent of the City Council by completing the School Development Approval Form. As part of this the school may be asked to provide further information on work being undertaken; including evidence of Asbestos Survey, Health and Safety, Permit to Dig, and any other relevant permissions requested. Completed School

Development Approval Forms and accompanying documentation must be submitted to [devolvedcapital@coventry.gov.uk](mailto:devolvedcapital@coventry.gov.uk).

- 2.14.7 Notification of consent must be received from the City Council prior to the commencement of the proposed works. The level of notice prior to commencement will be dependent upon the work being undertaken: if planning permission is required then the LA will require at least 8 weeks' notice.
- 2.14.8 If you require any further information about the permissions you will need or the timescales involved please contact [devolvedcapital@coventry.gov.uk](mailto:devolvedcapital@coventry.gov.uk).

**Where the premises are owned by a diocesan authority (Voluntary Aided Schools):**

- 2.14.9 The City Council recommends that the school obtain the consent of the relevant diocesan authority. It should be noted that in most cases the City Council owns the playing fields of VA schools and any proposed works to these would need approval as set out in 2.14.5 - 2.14.8
- 2.14.10 Changes to premises may affect the capacity of the school, operational management, insurance, rateable value or be non-compliant with works previously resourced from specific grants.
- 2.14.11 Schools must consult with the Director of Education & Skills before arranging for any work that may affect the number of places at the school. Consent will not be unreasonably withheld.

## 2.15 Devolved Capital

***This section sets out the position in relation to schools' use of Devolved Formula Capital.***

*This section has been updated to reflect the current position. Key changes are:*

- *Added 2.14.15 to clarify that the DFC threshold is set at £3k, not the LA's main £20k threshold. This is not a change to current practice.*
- *Updated 2.14.15 & 2.14.17 to refer to the latest DFC guidance which is now contained within the School Development Guidance document.*

- 2.15.1 Schools will each receive devolved formula capital (DFC) allocations on an annual basis.
- 2.15.2 This allocation may be used:
- to fund small capital projects;
  - to pay for more substantial projects through accumulation over periods of up to three years;
  - as a contribution to bigger projects sponsored by the LA.

- 2.15.3 The definition of capital is based upon the 'CIPFA code of Practice on Local Authority Accounting in the United Kingdom'. The LA's minimum capital expenditure threshold ("De Minimis") is set at £20,000. This means that, ordinarily, expenditure items beneath the de minimis are classed as revenue, regardless of their asset type.
- 2.15.4 An exception to the LA's de minimis is made with respect to DFC, which is necessarily classed as capital expenditure for schools. For DFC items only, a separate £3,000 capital expenditure threshold is set, in line with [School Development Guidance](#)<sup>4</sup>.
- 2.15.5 Spending of devolved capital must be made in accordance with detailed guidance and the relevant financial procedures. In particular, attention is brought to Section 2.10 Purchasing, Tendering and Contracting requirements.
- 2.15.6 For LA and VC maintained schools the LA should be informed of planned Devolved Formula Capital spend and approval sought for each project, to comply with statutory duties and landlord responsibilities. For further advice and information please refer to the [School Development Guidance](#) and the [Property Asset Management Good Stewardship Guide for Schools](#)<sup>5</sup>.

## 2.16 Notice of concern

**This section sets out sanctions that the City Council can apply to a school**

- 2.16.1 The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Finance and Corporate Services and the Director of Education & Skills 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.
- 2.16.2 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 authority;
  - insisting on regular financial monitoring meetings at the school attended by authority officers;
  - requiring a governing body to buy into an authority's financial management systems; and

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<sup>4</sup> [https://www.coventry.gov.uk/info/139/services\\_for\\_schools/2426/school\\_premises\\_guides](https://www.coventry.gov.uk/info/139/services_for_schools/2426/school_premises_guides)

<sup>5</sup> [http://www.coventry.gov.uk/downloads/file/15864/school\\_good\\_stewardship\\_guide](http://www.coventry.gov.uk/downloads/file/15864/school_good_stewardship_guide)

- 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.

2.16.3 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.

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

## 2.17 School Financial Value Standards

**This section sets out the requirement for schools to demonstrate achievement of and maintain the Schools Financial Value Standard (SFVS).**

2.17.1 All local authority maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.

2.17.2 Completed forms must be signed by the Chair of Governors and must be submitted to the local authority before 31 March each year. Governors must demonstrate compliance through the submission of the SFVS assessment and the form must be signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

2.17.3 The City Council will submit to the DfE a list of schools numbers which have completed the return and notification of any that have not with a valid reason. This will be done in accordance with DfE timescale and signed by the City Council's Chief Finance Officer.

## 2.18 Fraud

***This section details school responsibilities around protecting public funds.***

2.18.1 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 those controls. This information must also be included in the induction for new school staff and governors. Refer also to section 2.6.4 which covers financial irregularities.

## Section 3: Instalments of the budget share; banking arrangements

**This section focuses on the operation of school bank accounts and the instalment of the budget share (including any place-led funding for special schools or pupil referral units where appropriate) and restrictions on borrowing.**

### 3.1 Frequency of instalments

- 3.1.1 Advances will be made in equal portions of the total sum and may be in monthly, quarterly or termly instalments. Schools have the freedom to decide on the frequency of the advance. This decision will apply for a complete financial year and must be made by each 28th February preceding the commencement of the financial year.
- 3.1.2 In exceptional circumstances, schools may request an interim advance payment pending the next regular instalment. The City Council will charge interest on interim advances at the Bank of England Base Rate. The City Council expects schools to manage their bank account effectively to avoid the need for such action.
- 3.1.3 Top up payments for pupils with high needs are dealt with through the quarterly advance process for Special Schools as top-up funding forms a significant proportion of the schools budget. For all other providers it has been agreed that top-up funding will be paid to providers following the end of each term.

### 3.2 Proportion of budget share payable at each instalment

- 3.2.1 Bank account advances will be made on the basis of the estimated non-employee element of each school's budget share, adjusted as necessary for rates, gas contract and other school expenditure that is transacted centrally
- 3.2.2 As the financial year progresses, the City Council will adjust the amount of the bank advance in the light of changes to school's budgeted spending between employee costs and non-employee costs.
- 3.2.3 Advances made at the beginning of the financial year may be based on figures used in the previous financial year pending notification of spending plans to the City Council.
- 3.2.4 At the end of the financial year, the LA will calculate the difference between the estimated sums deducted from the budget share to calculate bank advances, and the actual costs relating to these sums. Any difference will be carried forward into the next financial year and will be charged or reimbursed to the school as necessary.

### 3.3 Interest clawback and Interest on late budget share payments

- 3.3.1 The City Council may charge interest to those schools who elect to have quarterly or termly advances. This is to compensate the City Council for the loss of interest on its own balances or for the cost of borrowing money to make the advance payment. Such a charge would be calculated using the Bank of England Base Rate.



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- 3.3.2 Where budget share instalments are made to schools late as a result of LA error, interest will be added to the instalment at the prevailing Bank of England base rate.

**3.4 Budget shares for closing schools**

- 3.4.1 The City Council may use a different basis for making bank advances in respect of any school that is closing. The individual needs and circumstances of such schools will be considered at the appropriate time.

**3.5 Bank and Building society accounts (including restrictions on accounts)**

- 3.5.1 All City Council-maintained schools are required to operate an official current account which is used to
- receive budget share instalments and other funding from the City Council,
  - to pay in income generated by the school, and
  - to issue cheques for the purchase of goods and services.

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

- 3.5.2 The account is used to meet all non-employee related costs covered by the school's delegated budget except some items which are managed by the Centre (e.g. rates, gas contract). All salaries and wages payments are processed through the City Council's payroll system (see section 2.1.11-2.1.12) and must not be made from school bank accounts (outside the payroll system).
- 3.5.3 The City Council recommends that the name of any official account bears the name Coventry City Council within their title to show that it is a local authority maintained school.
- 3.5.4 The governing body should ensure that:
- blank cheques are stored in a secure environment
  - cheques drawn on the account always bear two signatories
  - there are a sufficient number of authorised cheque signatories available to cover in times of absences
  - authorised signatory lists should always be kept up-to-date with banks
  - bacs/electronic payments generated via online banking are always authorised under dual control i.e. one person enters the details and a different person checks and authorises the payments there are always sufficient funds in the account to cover payments issued
  - cheques are crossed "a/c payee only" and may not have pre-printed signatures
- 3.5.5 The Governing Body should ensure that the balance on the bank statement is reconciled to the finance system on a regular basis (at least monthly), and documentary evidence is retained for audit purposes. The Head should review that



bank reconciliations have taken place on timely and regular basis and maintain evidence that they have done so.

- 3.5.6 Schools can change the bank at which they have their current account with approval from the City Council. Permission will not normally be denied but the chosen bank must meet the minimum investment criteria as determined by the Council's Treasury Management Strategy. The Lead Accountant Schools should be contacted in the first instance.
- 3.5.7 The opening and closing of any official bank account is subject to approval by the Finance Manager covering Education.

### **3.6 Borrowing by schools**

- 3.6.1 Schools may borrow money only with the written permission of the Secretary of State. This means that unless that specific approval is obtained schools cannot overdraw their bank account or arrange overdrafts; take out bank loans; or use credit cards. Schools are able to use purchasing cards – see related [guidance note](#)<sup>6</sup>.
- 3.6.2 Schools are responsible for the operation of their delegated bank accounts and must avoid overdrawing their account. They are therefore required to have effective cashflow management processes in place. Refer also to section 3.1.2.
- 3.6.3 The City Council has no power to grant consent to borrowing. This provision does not apply to the Credit Union Loan Scheme operated by the City Council (see section 4.11), or to borrowing arrangements between voluntary aided schools and the relevant diocesan authority.
- 3.6.4 From time to time, however, the Secretary of State may introduce limited borrowing schemes in order to meet broader policy objectives. Schools are allowed to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

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<sup>6</sup> [http://www.coventry.gov.uk/downloads/download/3437/purchasing\\_cards\\_guidance](http://www.coventry.gov.uk/downloads/download/3437/purchasing_cards_guidance)

## Section 4: The treatment of surplus and deficit balances arising in relation to budget shares

**This section makes clear the rules binding on both the City Council and schools regarding surpluses and deficits. It also specifies the regulations in relation to loans.**

### 4.1 Right to carry forward surplus balance

- 4.1.1 At the end of the financial year, any surplus will accrue to the school and be carried forward to the following financial year (subject to the restrictions set out in section 4.2.1). Similarly, at the end of the financial year, any deficit will be carried forward to the following year.
- 4.1.2 The amount of a surplus balance would be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although there may be commitments against any figure shown in such a statement).
- 4.1.3 If information has been provided from government for a multi-year budget period, then the City Council will inform each school of its estimate of the School's budget share and central government grant for the multi-year budget period. 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 Controls on surplus balances

- 4.2.1 Surplus balances held by schools are subject to the following restrictions:
  - a) the City Council shall calculate by 31 May each year the surplus balance, if any, held by each school as at preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
  - b) the 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;
  - c) the City Council shall write to schools where the balance (after steps a and b) is greater than 5% of the current year's budget share to find out whether amounts have been assigned for specific purposes
  - d) the City 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 City Council as listed at section 4.2.5 of the Scheme, and which the City 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 Authority. In considering whether any sums are properly assigned the Authority 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.

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- e) if the result of steps a-d is a sum greater than 5% of the current year's budget share or £10,000 (where that is greater than the percentage threshold), then the City Council may deduct from the current year's budget share an amount equal to the excess.
- 4.2.2 Funds deriving from sources other than the City Council will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.
- 4.2.3 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 City Council.
- 4.2.4 The total of any amounts deducted from schools' budget shares by the City Council under this provision are to be applied to the Schools Budget of the Authority.
- 4.2.5 Specific purposes for which balances in excess of 5% may be retained are:
- funding earmarked for specific capital projects; and
  - other funding earmarked for specific projects detailed in School Development Plans.

These will need to be approved by the City Council (refer to paragraph 4.2.1). To enable the City Council to do this schools would need to provide a detailed plan of what the expenditure is for including a timescale over which the expenditure is to be incurred. If a school fails to provide a sufficiently robust plan, the City Council will request an improved version(s). Ultimate failure to provide a sufficient plan may result in the amount being returned to the City Council.

#### **4.3 Interest on surplus balances**

- 4.3.1 The City Council will pay interest on surplus balances that it holds on behalf of schools, calculated using the Bank of England Base Rate.

#### **4.4 Obligation to carry forward deficit balances**

- 4.4.1 Any deficit balances at the end of the financial year will be carried forward and provided for by being deducted from the following year's budget share.

#### **4.5 Planning for deficit budgets**

- 4.5.1 All budget plans must be set within the resources available to the school. A school Governing Body must not plan for a deficit budget. Refer to Sections 2.3.6 and 4.9.

#### **4.6 Charging of interest on deficit balances**

- 4.6.1 The City Council will charge interest on deficit balances it holds on behalf of schools, calculated using the Bank of England Base Rate.

#### **4.7 Writing off deficits**

- 4.7.1 The City Council does not have the power to write off the deficit balance of any school or pupil referral unit.

- 4.7.2 If an authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum).

#### **4.8 Balances of closing and replacement schools**

- 4.8.1 When a school closes or amalgamates with any other school, any balance, whether surplus or deficit, reverts to the City Council. It will not be transferred as a balance to any other school, even where the school is a successor to the closing or amalgamating school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

#### **4.9 Licensed deficits**

**This section sets out the circumstance under which a school may enter into a licensed deficit, the approach, and limits of the licensed deficit arrangement.**

*The section has been included in line with the DFE statutory guidance "schemes for financing local authority maintained schools". It is a significant change from the previous Scheme which prohibited licensed deficits.*

- 4.9.1 Where a school is forecast to record a deficit balance at the end of the current financial year it must enter into a Licensed Deficit arrangement with the City Council. Such an arrangement will rely on the City Council agreeing to the school Governing Body's costed 'Deficit Recovery Plan'; which sets out what actions will be taken to repay the deficit (namely, reducing the school's deficit to a nil balance (or greater) by the end of the repayment period).

##### **Limitation to licenced deficits**

- 4.9.2 A licensed deficit can only be supported from aggregate reserves deposited by schools with the City Council. The total level of licensed deficits supported by this Scheme at any time will not exceed a percentage of the school balances deposited with the Director of Finance and Corporate Services, as set from time to time by the City Council. This rate has been set at a combined 50% between Licensed Deficits and Credit Union Loans.
- 4.9.3 The maximum length over which schools may repay the deficit is three years.

##### **The Deficit Recovery Plan**

- 4.9.4 The Deficit Recovery Plan must be approved by the Governing Body and must set out:
- The actions that will be taken in order to repay the deficit, including an itemised list with timings and anticipated savings.

- The length of time over which the school will repay the deficit (i.e. reach at least a zero balance), including a full and detailed multi-year budget plan to demonstrate that the plan is achievable.
- An explanation as to why savings could not have been made at an earlier date in order to prevent the school falling into a deficit; how the Governing Body intends to ensure that it is able to follow through with the plan; and what preventative measures it will put in place to ensure the school does not fall back into deficit position in the future.

4.9.5 Agreement to a licensed deficit can only be made (jointly) by the Director of Education & Skills and the Director of Finance and Corporate Services. A formal response will be sent in writing to the school's Governing Body confirming the outcome and any further steps.

4.9.6 If, after reasonable partnership working, the City Council is not able to agree a licensed deficit arrangement (i.e. due to limitations of the school's proposed recovery plan) then the City Council will look to remove the financial delegation powers given to the Governing Body. Similarly, if the agreed deficit recovery plan does not appear to be succeeding, then the City Council will again consider its position on financial delegation in light of this.

#### **4.10 Loan schemes**

4.10.1 The City Council does not have any loan schemes for schools other than the credit union loan scheme (refer to section 4.11).

#### **4.11 Credit union loan**

4.11.1 Maintained schools may apply to borrow money from the City Council, as detailed in this section. The loan scheme will be funded on a credit union basis, advances being funded from schools' reserves that are invested by schools with the City Council.

##### **Purpose of the loan**

4.11.2 Loans will be available 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.

4.11.3 Loans will be available for the purpose of funding a capital project as part of the School's Development Plan. This could include match funding for an appropriate external resources bid. Any project must demonstrate good value for money and potential efficiency savings. The life of any asset must exceed the period of the loan.

### **Loan application requirements**

4.11.4 A school Governing Body may apply to the Director of Education & Skills for a loan at any time during the year. The application must be supported by a Business and Financial Plan approved by the full Governing Body, which details:

- the amount required
- the purpose of the loan
- the period that the loan is required
- how the loan will influence the progression of the School Development Plan
- detailed costing of the project including any income projections
- how the loan will be repaid (e.g. a multi-year budget plan to demonstrate that the repayments are affordable)

Voluntary aided schools must state in their application for a credit union loan details of any borrowing arrangement it has with the relevant diocesan authority, or state explicitly that no such arrangement exists.

### **Loan details (for each project)**

4.11.5 Loans are available for amounts over £3,000 over periods from 1 year to 5 years. The loan will be charged a fixed rate of interest calculated on the outstanding balance as at 31st March each year, averaged in equal instalments over the life of the loan. The loan may be repaid in full earlier than agreed, with interest due to the date of the repayment. There will be no penalty for early settlement.

### **Limitation to borrowing by schools**

4.11.6 Credit Union Loans may be sought only from aggregate reserves deposited by schools with the City Council. The availability of loans will be subject to the aggregate level of investment made by schools with the City Council. The total level of loans advanced under this Scheme at any time will not exceed a percentage of the school balances deposited with the Director of Finance and Corporate Services, as set from time to time by the City Council. This rate has been set at a combined 50% between Licensed Deficits and Credit Union Loans.

### **Repayments**

4.11.7 Repayments will be requested by direct debit on 1 April each year during the life of the loan, commencing on 1 April immediately following the date the loan is taken up. Repayments will comprise both a fixed principal amount plus interest on the balance outstanding. A school taking up a loan will need to agree that repayment of the loan will be the first call on the budget share in each year during the life of the loan.

### **Approval of loan**

- 4.11.8 The approval process for the application will depend on the value of the loan sought, and is shown below:

|                    |  |
|--------------------|--|
| Up to £100,000     | Director of Education & Skills and Executive Director(Resources)<br><br>(NB Details of all loans, their purpose, amounts, the schools involved and whether approved or refused will be reported for information to the relevant Cabinet Member.) |
| More than £100,000 | The relevant Cabinet Member based upon a report from officers following receipt of the approved Business Plan from the Governing Body.   |

### **Loan Agreement and Conditions**

- 4.11.9 Once approved, and before any funds can be released, the Governing Body will be required to enter a formal, written agreement setting out the full details and conditions of the loan. The loan can be used only for the purpose for which it has been granted.
- 4.11.10 Voluntary aided schools in receipt of a credit union loan must notify the relevant diocesan authority of the loan amount, period and amount of annual repayment. This notification must be repeated in the event of any proposed borrowing arrangement with the diocesan authority.

## Section 5: Income

**This section of the scheme sets out the provisions in relation to income.**

### 5.1 Income from lettings

- 5.1.1 Schools are allowed to retain income from lettings of the school premises, subject to alternative provisions arising from any joint use or any Private Finance Initiatives (PFI) / Public Private Partnership (PPP) agreements which may be made.
- 5.1.2 The Governing Body should ensure that lettings are not subsidised by the delegated budget share.
- 5.1.3 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 educational achievement.
- 5.1.4 Schools are required to have regard to directions / policies issued by the City Council as to the use of school premises. Section 13 of the [Good Stewardship Guide for Schools](#)<sup>7</sup> provides guidance on letting school premises.
- 5.1.5 Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

### 5.2 Income from fees and charges

- 5.2.1 Schools are 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 are required to have regard to any policy statements on charging produced by the City Council.
- 5.2.3 Governing Bodies are required to adopt a charging and remissions policy which should be made available to all interested parties.

### 5.3 Income from fund-raising activities

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

### 5.4 Income from the sale of assets

- 5.4.1 Schools are allowed to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case the City Council or grant funding body as appropriate will 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 City Council.

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<sup>7</sup> [http://www.coventry.gov.uk/downloads/file/15864/school\\_good\\_stewardship\\_guide](http://www.coventry.gov.uk/downloads/file/15864/school_good_stewardship_guide)



- 5.4.2 When selling an asset that is surplus to requirements, the Governing Body should aim to maximise the sale proceeds.

**5.5 Administrative procedures for the collection of income**

- 5.5.1 The Governing Body is responsible for ensuring that all income receivable is collected, banked and accounted for.
- 5.5.2 The Governing Body must ensure that administrative systems used for the collection and banking of income provide adequate protection for the staff involved with handling income, and ensure adequate security for cash and cheques received.

**5.6 Purposes for which income may be used**

- 5.6.1 Income received under 5.1 to 5.4 above is classed as “official income” and must be paid into the school’s official bank account.
- 5.6.2 The only exception to 5.6.1 is lettings income collected by voluntary aided schools, which may be paid into unofficial funds.
- 5.6.3 Official income may only be used for the purposes of the school in accordance with section 2.13 of this Scheme.

## Section 6: The charging of school budget shares

**The section sets out how the City Council can safeguard its financial position from liabilities caused by the action or inaction of Governing Bodies.**

### 6.1 General Provision

- 6.1.1 Occasionally, action or inaction by a Governing Body may create a financial liability for the City Council. The City Council may charge such liabilities to a school budget share without the consent of the relevant Governing Body, but only in the circumstances specified in section 6.2 below.
- 6.1.2 The City Council must consult the relevant school(s) as to the intention to make a charge under this provision.
- 6.1.3 The City Council must notify in advance
- 6.1.4 the relevant school(s) when such a charge will be made.

#### **Charging of salaries at actual cost**

- 6.1.5 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 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);
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed City Council advice.
- 6.2.3 Awards by courts and industrial tribunals against the City Council, or out of court settlements, arising from action or inaction by the Governing Body contrary to the City Council's advice.
- 6.2.4 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 required work.
- 6.2.5 Expenditure by the City Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the City Council or the school has voluntary controlled status.
- 6.2.6 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.
- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a

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- service level agreement, and the result is that monies are owed by the school to the City Council.
- 6.2.8 Recovery of penalties imposed on the City Council by the Board of Inland Revenue, Contributions Agency, HM Revenue and Customs, Teachers Pensions or other regulatory authorities as a result of school negligence.
- 6.2.9 Correction of City Council errors in calculating charges to a budget share, having fully considered whether it is reasonable to do so.
- 6.2.10 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.
- 6.2.11 Legal costs which are incurred by the City Council because the Governing Body did not accept the advice of the City Council.
- 6.2.12 Costs of necessary health and safety training for staff employed by the City Council, where funding of training had been delegated but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers and the contract is of no effect.
- 6.2.14 Cost of work done in respect 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.
- 6.2.15 Costs incurred by the City 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.
- 6.2.16 Costs incurred by the City Council due to the submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Costs incurred by the City Council as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20 Costs of successful claims made against the City Council under the Late Payment of Commercial Debts (Interest) Act 1998, where liability for that claim has arisen due to a school's failure to process invoices within the given credit period.

## Section 7: Taxation

**This section details provisions and requirements in relation to VAT for the City Council and Schools.**

### 7.1 Value Added Tax

- 7.1.1 Schools are covered by the City Council's VAT registration arrangements as part of the Council. Schools may not register for VAT in respect of the activities involving the use of official funds delegated under this Scheme.
- 7.1.2 HM Revenue and Customs have agreed that VAT incurred by schools when spending any funding made available by the authority is treated as being incurred by the authority and qualifies for reclaim by the authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. See also section 13 – community facilities.
- 7.1.3 The City Council is responsible for making returns to HM Revenue and Customs for the purpose of:
- reclaiming VAT on purchases, and
  - paying VAT on income from such items as sales and lettings.
- 7.1.4 Schools are required to keep records of VAT transactions as part of everyday accounting arrangements. In accordance with a timetable and method established by HM Revenue and Customs and communicated to schools by Children's Finance, schools must submit a VAT period-defined claim. School bank accounts will be reimbursed or charged with the VAT recoverable from or payable to HM Revenue and Customs. The reimbursement or charge will be made within eight weeks of the school's VAT claim being submitted.
- 7.1.5 Records should be retained and be available for inspection by HM Revenue and Customs.
- 7.1.6 If the City Council is penalised because of errors in administering VAT, these costs will be charged against the budget of the school(s) responsible for the error(s). Refer to section 6.2.8. Governing Bodies are responsible for ensuring that VAT requirements are followed. The latest [VAT Guidance](https://www.coventry.gov.uk/vatguidance)<sup>8</sup> to follow can be found on the City Council's website.

### 7.2 CIS (Construction Industry Taxation Scheme)

- 7.2.1 The Construction Industry Taxation Scheme no longer applies to schools that directly employ contractors in the construction and related industries.
- 7.2.2 Schools do still have responsibility for checking employment status when engaging an individual for any works (including construction works).

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<sup>8</sup> <https://www.coventry.gov.uk/vatguidance>

## Section 8: The Provision of services and facilities by the authority

**This section defines the rules for the City Council to follow in providing services to schools, and the requirements of schools.**

### 8.1 Provision of services from centrally retained budgets

- 8.1.1 The City Council is responsible for determining on what basis services from centrally retained funds will be provided to schools. However, the City Council will consult with schools when determining service arrangements. For the purpose of this section of the Scheme, the term “service” includes existing premature retirement costs and redundancy payments.
- 8.1.2 In its provision of services the City Council is not permitted to differentiate on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such differentiation is justified by differences in statutory duties.

### 8.2 Provision of services bought back from the authority using delegated budgets

- 8.2.1 The term of any arrangement with a school to buy services or facilities from the City Council may not exceed three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement relating to the same services. This provision does not apply to premises and liability insurance.
- 8.2.2 When a service is provided for which expenditure is not retainable centrally by the authority under the Regulations made under section 45A of the Act, it should 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 should be met by the total income, even if schools are charged differentially.

#### **Packaging**

- 8.2.3 The City Council must not offer services in a way that unreasonably restricts schools’ freedom of choice among the services available. This does not prevent the City Council offering packages of services which offer a discount for schools taking up a wider range of services.

### 8.3 Service Level agreements

- 8.3.1 Where the City Council provides services or facilities to schools under the terms of a service level agreement (SLA), the terms of any such SLA will be reviewed at least every three years if the agreement is for a longer term. Different arrangements may be required for any SLA in respect of premises and liability insurance
- 8.3.2 Services offered by the authority, will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements.
- 8.3.3 Where the City Council makes services available to a school on an ad-hoc/on request basis; this may be charged for at a different rate than the service provided under an extended agreement.

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- 8.3.4 Service Level Agreements must be in place by 31<sup>st</sup> March to be effective for the following financial year. Schools will have at least one month to consider the terms of agreements.
- 8.3.5 If a school decides not to purchase a City Council service, which assists the school to discharge its statutory responsibilities, the school will be required to demonstrate that those responsibilities are being discharged.

**8.4 Teachers' Pensions**

- 8.4.1 In order to ensure that the performance of the duty on the City Council to supply Teachers Pensions with information under the Teachers' Pensions 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. 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.
- 8.4.2 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 annual 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 is varied to require that Additional Voluntary Contributions (AVC's) be 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.
- 8.4.3 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 annual 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 from each school. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVC's) be 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.

## Section 9: PFI / PPP

The section sets out provisions in relation to PFI / PPP.

### 9.1 Private Finance Initiatives and Public Private Partnerships

- 9.1.1 In total one school has a PFI scheme and one will have the new version of PFI – PF2 – under the Government’s Priority Schools Building Programme. Neither school is a maintained school. The City Council’s approach towards PPP/PFI projects is currently being formulated and further detailed information will be communicated to all schools. *Link to guidance to be placed here when available.*
- 9.1.2 School Contributions from the single PFI school are picked up through a school Governing Body Agreement and charged to the school. For the PF2 scheme the Council has no contractual relationship with either the school or the PFI Contractor. The school contribution will be paid directly to the Secretary of State for Education.
- 9.1.3 Where the City Council has a continuing contractual arrangement, a process including contract monitoring arrangements will be set out and agreed with the school.
- 9.1.4 The City Council has the power to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.
- 9.1.5 Governing Bodies must consult with the Director of Education & Skills, at the earliest opportunity, before commencing any work in relation to a proposed PPP/PFI scheme.

## Section 10: Insurance

**This section sets out that schools should obtain sufficient insurance cover.**

*The section is in line with the DFE statutory guidance “schemes for financing local authority maintained schools” and remains unchanged from the previous Scheme.*

*The DFE has consulted on making a national change to this section of the scheme for 2020/21. Once the consultation response is published this section will be updated as necessary to reflect the updated position. A revised scheme will then be circulated.*

### 10.1 Insurance cover

- 10.1.1 Where funds for insurance have been delegated, schools must demonstrate that cover relevant to the City Council’s insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover formerly arranged by the City Council. Voluntary aided schools must demonstrate to the relevant diocesan authority that any insurable interests of that authority are adequately covered (refer also to section 6.2.6).
- 10.1.2 The City Council must have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.



## **Section 11: Miscellaneous**

### **11.1 Right of access to information**

- 11.1.1 In addition to specific requirements detailed elsewhere in this Scheme, Governing Bodies are required to supply all financial and other information to the City Council which may be needed to obtain assurances as to the school's management of its delegated budget share, or the use of any earmarked funds that have been provided.
- 11.1.2 In connection with the above, the Governing Body must allow Children's Finance staff to have access to the school's finance system and other financial records.

### **11.2 Liability of Governors**

- 11.2.1 The Governing Body is a corporate body. Under Section 50(7) of the School Standards and Framework Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.
- 11.2.2 An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the Scheme of Delegation, or rejection of advice from the City Council, do not in themselves constitute failures to act in good faith.

### **11.3 Governors expenses**

- 11.3.1 The City Council may delegate to Governing Bodies of schools yet to receive a delegated budget, funds to meet governors' expenses. The amounts of such allowances will be set by the City Council.
- 11.3.2 Under section 50(5) of the School Standards and Framework Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. The payment of any other allowances is forbidden.
- 11.3.3 Schools are prohibited from paying expenses to governors which duplicate those paid by the Secretary of State to governors appointed to schools under special measures.

### **11.4 Responsibility of legal costs**

- 11.4.1 Legal costs incurred by the Governing Body, although the responsibility of the City Council as part of the cost of maintaining the school, may be charged to the school's budget share if the school acts contrary to the advice of the City Council. The costs referred to are those of legal actions, including costs awarded against an authority; not the cost of legal advice provided.
- 11.4.2 The City Council will liaise with the relevant diocesan authority in the event that a situation referred to in 11.4.1 occurs in a voluntary aided school.
- 11.4.3 If there is a conflict of interest between the School's governing body and the City Council the School will need to seek its own legal advice which it can do by instructing an independent firm of solicitors at its own expense.

### **11.5 Health and Safety**

- 11.5.1 The Governing Body should ensure compliance with all relevant health and safety legislation. In addition, the Governing Body is required to have due regard to the duties placed on the Local Authority in relation to Health and Safety, and the Local Authority's Health and Safety policy and codes of practice in expending the school's budget share.
- 11.5.2 The Local Authority can recoup costs for necessary health and safety work carried out in schools, where the governing body has failed to carry out the required work. It is anticipated that this will only need to be invoked in exceptional circumstances (refer to sections 6.2.4 and 6.2.12).

### **11.6 Right of attendance for Chief Finance Officer**

- 11.6.1 The Director of Finance and Corporate Services, or their City Council officer nominee, is entitled to attend meetings of the Governing Body for any agenda items that are relevant to the discharge of his/her responsibilities. Prior notice of attendance will be given unless it is impracticable to do so.

### **11.7 Special educational needs**

- 11.7.1 Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils.

### **11.8 Whistleblowing**

- 11.8.1 The City Council has a whistleblowing policy the aim of which is to enable employees and school governors who have serious concerns about any aspect of the council's or schools' work, including financial malpractice, to voice those worries without fear of victimisation, discrimination or disadvantage.
- 11.8.2 Concerns should initially be raised with immediate line managers or the Headteacher or nominated whistleblowing representative for the school, but if this is not considered appropriate, may be raised with:

- For fraud and financial irregularity: the City Council's Chief Internal Auditor
- For all other matters: the Monitoring Officer (Legal Services)

If this is not felt appropriate, concerns may also be raised with:

- Director of Education & Skills
- Finance Manager covering Education

- 11.8.3 Within three working days, the person to whom a concern was referred will acknowledge receipt of the concern and indicate how the matter will be dealt with. This may be by internal investigation, referral to the police, referral to the external auditor, or through an independent inquiry. Subject to legal constraints, the outcome of any investigation will be made known.

11.8.4 For further information please refer to the City Council's [whistleblowing procedure](#)<sup>9</sup>.

## **11.9 Child Protection**

11.9.1 Schools are required to comply with City Council practice on matters connected with Child Protection.

11.9.2 Schools must ensure adequate supply cover is arranged to ensure attendance at case conferences and other related events by the appropriate member of staff to ensure that school representation is made at all Child Protection case conferences and related meetings.

## **11.10 Redundancy / Early retirement costs**

11.10.1 The City Council will mirror the funding arrangements set out in Section 37 of the 2002 Education Act, which says:

- 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.
- 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.

11.10.2 Appendix B sets out the DFE guidance in relation to this area, and the City Council will follow this guidance. Please note the areas set out in the guidance where the City Council will pass the dismissal/resignation (which includes redundancy) costs onto a school. The City Council would also expect schools to pick up the cost of settlement agreements in line with current practice.

11.10.3 The Local Authority holds a small pot of funding for maintained school termination costs funded from Core budget.

11.10.4 In order to safeguard this fund for those most at need, schools will be assessed against a set of finance and HR criteria that will check that the school has been taking action to reduce costs since it was first aware of a financial problem; that the redundancy is necessary; and whether the school is in a position to afford the one off termination costs, either in one year or spread over a number of years through the use of a credit union loan. These criteria are set out in appendix F.

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<sup>9</sup>[http://www.coventry.gov.uk/downloads/file/26630/whistleblowing\\_policy](http://www.coventry.gov.uk/downloads/file/26630/whistleblowing_policy)

## Section 12: Responsibility for repairs and maintenance

**This Section sets out the responsibilities of schools and the City Council in relation to Repairs and Maintenance.**

### 12.1 School Responsibilities

- 12.1.1 All maintained schools have delegated budgets and devolved formula capital funding and are responsible for all repairs and maintenance to school sites and buildings including SSO properties up to £20,000.
- 12.1.2 Schools are responsible for all inspections required by the City Council's code of practice for Health and Safety which includes planned preventative maintenance (PPM). Appendix C provides a guide to PPM tasks and their frequency. Where schools do not buy PPM services from the LA, to assess compliance, schools will periodically be required to provide evidence the work has been carried out in accordance with current regulations and where equipment is in warranty, manufacturers recommendations.
- 12.1.3 Repairs costing more than £20,000 would be the responsibility of the City Council where they have been prioritised as part of the City Council's planned capital programme of repairs. Where a school identifies work estimated to cost more than £20,000 they should submit details to the Director of Education & Skills. The school remains responsible for undertaking day-to-day repairs to maintain the Health and Safety of the users of the building and the integrity of the structure until the City Council has agreed and notified the school that it will undertake the work as part of the City Council's capital programme. The City Council may advise the school of alternative approaches to the problem.
- 12.1.4 Where it cannot be evidenced that the school has carried out appropriate cyclical maintenance and day to day repairs and maintenance leading to a deterioration of the asset, the LA may conclude that any remedial or improvement works should be resourced from financial resources available to the school. Refer to section 6.2.4 and 6.2.5.
- 12.1.5 Further advice can be obtained from the [School Good Stewardship guide](http://www.coventry.gov.uk/downloads/file/15864/school_good_stewardship_guide)<sup>10</sup> for Schools which also contains details of relevant contacts.

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<sup>10</sup> [http://www.coventry.gov.uk/downloads/file/15864/school\\_good\\_stewardship\\_guide](http://www.coventry.gov.uk/downloads/file/15864/school_good_stewardship_guide)

## Section 13: Community facilities

*The section describes a school's powers to provide community facilities and the limitations and restrictions and other arrangement related to such a provision.*

### 13.1 Introduction

- 13.1.1 Based on the legislative provisions in section 27(1) of the Education Act (2002) schools have the power to provide community facilities subject to a range of controls.

These are:

- firstly, that regulations made under section 26(2) can specify activities that may not be undertaken at all under the main enabling power;
- secondly, schools are obliged to consult the LA and have regard to advice given; and,
- thirdly, schools must have regard to guidance issued, by the Secretary of State, to governing bodies about a range of issues connected with exercise of the power.

- 13.1.2 In addition, the main limitations and restrictions on the power will be:

- those contained in schools' own instruments of government, if any; and
- those contained in this document, the Fair Funding Scheme of Delegation.

- 13.1.3 In exercising Community Powers, therefore, schools are still subject to the prohibitions, restrictions and limitations in the Fair Funding Scheme of Delegation.

- 13.1.4 The financial arrangements for any community facility must be clearly separated from those of the school itself. The budget share of a school may not be used to fund community facilities – either start-up costs or on-going expenditure – or to meet deficits arising from such activities.

- 13.1.5 The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### 13.2 Consultation with the LA – Financial Aspects

- 13.2.1 School governing bodies are required to consult the City Council before exercising their community facilities power, and have regard to advice given to them.

- 13.2.2 Before exercising community facilities power a business and financial plan approved by the full Governing Body should be submitted at least 12 weeks before the facility is due to begin. This plan should detail:

- the nature of the community facility;
- the funding arrangements;

- a detailed costing of the project including income projections;
- an explanation of how the project will comply with relevant Health and Safety and Child Protection legislation.

13.2.3 The City Council will provide advice to the school governing body within 6 weeks of being consulted on the proposal. The school governing body are required to inform the City Council of the action taken following receipt of this advice before the commencement of the project.

### **13.3 Funding Agreements – LA Powers**

13.3.1 A School governing body's ability to exercise the community facilities power may be dependent on the conclusion of a funding agreement with a third party, which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved.

13.3.2 All funding agreements with third parties should be submitted to the City Council for its comments. The submission of these documents should also give the City Council 12 weeks' notice to respond before the funding agreement is entered into.

13.3.3 While the City Council does not have a right of veto, if an agreement has been, or is to be, concluded against the advice of the City Council, or has been concluded without informing the City Council, and which, in their view, is seriously prejudicial to the interests of the school or the City Council, that may constitute grounds for suspension of the right to a delegated budget.

### **13.4 Other Prohibitions, Restrictions and Limitations**

13.4.1 The exercise of the community facilities power is subject to all other prohibitions, restrictions and limitations prescribed in this Scheme.

13.4.2 In addition, in exercising community powers, schools should have due regard to financial procedures. In particular, schools should ensure that procedures relating to leases are observed and that any funding arrangements with third parties do not constitute finance leases.

13.4.3 Schools and governing bodies will also need to ensure that appropriate arrangements are made to comply with all relevant statutory requirements in relation to the registration and inspection of any community facility.

13.4.4 Where the City Council has good reason to believe that a proposed project carries significant financial risks, they will require the governing body concerned to make arrangements to protect the financial interests of the City Council by either carrying out the activity through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question.

### **13.5 Supply of Financial Information**

13.5.1 Schools exercising the community facilities power are required to provide the City Council with a six monthly summary statement. This should show the income and expenditure for the school arising from the facilities in question for the previous six months, and on an estimated basis, the projected income and expenditure for the next six months.

- 13.5.2 Where the City Council believes there is cause for concern in relation to how the school is managing the financial consequences of the exercise of the community facilities power, the school will be required to provide the financial statement every three months. The City Council will notify the school where this is necessary.

### **13.6 Audit**

- 13.6.1 Schools are required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.
- 13.6.2 Internal and External Audit will, therefore, have the same rights of access to records connected with the exercise of the community facilities power as they do for schools other financial records as detailed in section 2.6 of this Scheme.
- 13.6.3 Schools must ensure that any agreements with other persons pursuant to the exercise of the community facilities power, 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.

### **13.7 Treatment of Income and Surpluses**

- 13.7.1 Schools are allowed to retain all income derived from community facilities except where otherwise agreed with a funding provider, whether that be the City Council or some other person.
- 13.7.2 Schools are allowed to carry any 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, transfer all or part of it to the budget share balance. Schools must notify the City Council within one month of the end of the financial year if they intend to transfer any retained income to their budget share balance.
- 13.7.3 Any deficit on community facilities may not be met from a schools delegated budget share. No expenditure incurred in the exercise of the community facilities power may be met from the budget share unless such a purpose is prescribed by the regulations made under s. 50(3)(b) of the 1998 Act.
- 13.7.4 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 City Council unless otherwise agreed with a funding provider.

### **13.8 Health and Safety Matters**

- 13.8.1 The Health and Safety provisions contained in section 11.5 of this Scheme are extended to the exercise of the community facilities power.
- 13.8.2 Except where otherwise agreed with a funding provider, the school is responsible for the costs of clearance by the Criminal Records Bureau of adults involved in community activities taking place during the school day.

### **13.9 Insurance**

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- 13.9.1 It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share.
- 13.9.2 The City Council may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. If it judges those arrangements to be inadequate, the City Council may make arrangements itself and charge the resultant cost to the school. Such costs will not be charged to the school's budget share. This is necessary in order for the City Council to protect itself against possible third party claims.

### **13.10 Taxation**

- 13.10.1 Schools are required to seek the advice of the City Council and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities. This includes seeking advice on the use of the local authority VAT reclaim facility that may only be used for expenditure from City Council funds.
- 13.10.2 Where a member of school staff employed by the school or City Council, in connection with community facilities is paid from funds held in the 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.

### **13.11 Banking**

- 13.11.1 Schools must ensure there is clear separation of school and community facilities funds. It is recommended that schools maintain separate bank accounts for budget share funding and community facilities funds.
- 13.11.2 If separate bank accounts are not maintained, schools must ensure that adequate internal accounting controls are in place to maintain the separation of funds. Schools should contact the Lead Accountant Schools in the first instance.
- 13.11.3 All other relevant provisions relating to the operation of bank accounts as detailed in section 3.5 of this Scheme are extended to the use of the community facilities power.
- 13.11.4 Schools are reminded that they may not borrow money without the written consent of the Secretary of State. This does not extend to monies lent to schools by their maintaining Local Authority.



## Appendix A: List of schools covered by this scheme

| Name of School | Category on 1 November 19 |
|----------------|---------------------------|
|----------------|---------------------------|

Primary Schools

|                  |           |
|------------------|-----------|
| Aldermans Green  | Community |
| Aldermoor Farm   | Community |
| Allesley         | Community |
| Allesley Hall    | Community |
| Broad Heath      | Community |
| Charter          | Community |
| Coundon          | Community |
| Earlsdon         | Community |
| Eastern Green    | Community |
| Edgewick         | Community |
| Ernesford Grange | Community |
| Frederick Bird   | Community |
| Gosford Park     | Community |
| Grange Farm      | Community |
| Grangehurst      | Community |
| Henley Green     | Community |
| Holbrook         | Community |
| Hollyfast        | Community |
| Howes            | Community |
| John Gulson      | Community |
| John Shelton     | Community |
| Joseph Cash      | Community |
| Limbrick Wood    | Community |
| Little Heath     | Community |

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| <b>Name of School</b>         | <b>Category on 1 November 19</b> |
|-------------------------------|----------------------------------|
| Longford Park                 | Community                        |
| Manor Park                    | Community                        |
| Moat House                    | Community                        |
| Moseley                       | Community                        |
| Mount Nod                     | Community                        |
| Park Hill                     | Community                        |
| Potters Green                 | Community                        |
| Ravensdale                    | Community                        |
| St Christopher                | Community                        |
| Southfields                   | Community                        |
| Sowe Valley                   | Community                        |
| Spon Gate                     | Community                        |
| Stivichall                    | Community                        |
| Stoke                         | Community                        |
| Stoke Heath                   | Community                        |
| Templars                      | Community                        |
| Whitley Abbey                 | Community                        |
| Whitmore Park                 | Community                        |
| Whoberley Hall                | Community                        |
| Willenhall                    | Community                        |
| Wyken Croft                   | Community                        |
| All Saints CE                 | Voluntary Controlled             |
| St. Andrews Infants CE        | Voluntary Controlled             |
| All Souls                     | Voluntary Aided                  |
| Holy Family RC                | Voluntary Aided                  |
| Our Lady of the Assumption RC | Voluntary Aided                  |
| St Anne's RC                  | Voluntary Aided                  |

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| <b>Name of School</b>          | <b>Category on 1 November 19</b> |
|--------------------------------|----------------------------------|
| St.Mary's and St Benedict's RC | Voluntary Aided                  |
| St Osburg's RC                 | Voluntary Aided                  |

Special Schools

Baginton Fields  
Castlewood  
Corley Centre  
Sherbourne Fields  
Tiverton  
Woodfield

Nursery Schools

Hillfields

Pupil Referral Units

Coventry ELC

## **Appendix B: DFE guidance on responsibility for redundancy and early retirement costs**

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget:

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

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

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- 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.

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

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.

## Appendix C: Planned preventative maintenance requirements explained

*NB: \*Information in italics refers to HeadTeacher/site responsibility.*

### 1. Gas Systems

Under the Gas Safety (Installation and Use) Regulations (1998), all gas boilers must be certificated annually, by a 'Gas Safe' registered contractor, the associated service and inspection certificates must be retained and made available for examination. Gas-fired catering equipment and gas-fired kilns should be included in this inspection.

Manufacturers also advise that for safe and continued efficient operation, all gas fired appliances are maintained/serviced, at-least 6 monthly intervals. For this reason, the city council have chosen to adopt a 6 monthly regime for maintenance and servicing.

### 2. Fixed Electrical Wiring Installation Test

The Electricity at Work Regulations (1989) and BS 7671 (2008) require that test and inspection of all fixed electrical installations should be carried out at least every five years and more frequently, as determined by risk assessment. This must be undertaken by a competent and appropriately qualified person(s).

### 3. Fire Detection and Warning Systems (alarms)

Fire alarm tests need to be carried out in accordance with BS 5839 Part 1: 2002. *This requires, daily observation of the fire control panel; weekly tests of the audible fire alarm system (normally by the premises manager\*)*; Periodically, in the case of the city council on a quarterly basis, test 25% of all devices, including heat/smoke detectors, call points and sounders; Annually, all self-contained smoke alarms should be cleaned and the batteries changed. A comprehensive test of all fire alarm equipment and the system wiring should be carried out every 5 years in accordance with BS 7671:2001 and the Electricity at Work Act (1989).

### 4. Emergency Lighting

Emergency lighting *should be tested on a monthly basis, normally by the premises manager\** then annually and three yearly by a specialist contractor, in accordance with BS 5266 Part 8: 2004. *Where practical, visually inspect check daily that emergency lighting units are in good working order and that no faults are evident on the central indicator panel (where fitted)\*.*

### 5. Lightning Conductors

Lightning conductors must be checked by an approved contractor every 11 months, in accordance with BS EN 62305.

### 6. Water Hygiene (storage and distribution)

The HSE's Approved Code of Practice (ACoP) and Guidance "Legionnaires' disease: The control of legionella bacteria in water systems" (L8:2000) requires assessment of risks to employees and others in the workplace, of contracting Legionnaires' disease. Inspection and tests should be carried out in accordance with the local risk assessment.

Water temperature sampling checks in premises water distribution systems must also be completed in line with the HSE's document (L8: 2000). This requires monthly checks of hot and cold water temperatures' in line with risk assessment; quarterly cleaning of showerheads and 6 monthly maintenance of thermostatic mixer valves (TMV's). These checks may be more frequent, as determined by the premises risk assessment. In addition, water storage facilities must be examined in line with local risk assessment.

### **7. Local Exhaust Ventilation (e.g. kitchen canopies)**

The Control of Substances Hazardous to Health Regulations (2002) *require inspections of exhaust ventilation systems prior to use\** and then at intervals NOT exceeding 14 months. This inspection must be carried out by an independent, competent person, the results recorded and a date label clearly affixed. In addition, a visual inspection should be carried out at least quarterly.

Kitchen canopy and extractor systems should be inspected in accordance with DW171 & TR18 from the Heating and Ventilation Contractors Association. This includes for general cleaning, COSHH testing, filter cleaning and degreasing of extract ductwork.

### **8. Automatic Doors**

Powered pedestrian doors (automatic doors) should be serviced every six months and tested annually in accordance with BS EN 16005. When installed in the work place environment, powered doors are subject to PUWER and as such an independent, inspection by a competent must be carried out. A test certificate must also be completed and retained for this inspection.

### **9. Lifts - Passenger**

Passenger lifts should be given an inspection every six months by an insurance surveyor with supplementary tests to be carried out at intervals in accordance with the Safety Assessment Federation (SAFed) usually yearly and the relevant LG1 document must be submitted. In addition, planned maintenance should be carried out each month, in accordance with BSEN 81 Part 1 or 2 (1998) and the Lifting Operations and Lifting Equipment Regulations (1998), regulation 9.

### **10. Non-passenger Lifts**

Non-passenger lifts must have an inspection annually by an insurance surveyor with supplementary tests to be carried out at intervals in accordance with the Safety Assessment Federation (SAFed) usually yearly and the relevant LG1 document must be submitted. In addition, planned maintenance should be carried out each quarter, in accordance with BSEN 81 Part 1 or 2 (1998) and the Lifting Operations and Lifting Equipment Regulations (1998), regulation 9.

### **11. Stair Lifts (Powered)**

Powered stair lifts must have an inspection every 6 months and a planned maintenance inspection in line with the manufacturers specification (usually every 6 months), in accordance with BS5776 (1996). If installed in the work environment PUWER applies also Statutory notices must be displayed.

### **12. Fire Extinguishers (Portable Fire Fighting Equipment)**

*Weekly checks should be carried out to confirm correct location and apparent function of portable fire fighting equipment\*. All portable fire fighting equipment has to be checked by a competent person on an annual basis (e.g. extinguishers, fire blankets and hoses). These inspections should be in accordance with BS5306 Part 3: 1985 for fire extinguishers; BS EN 1869: 1997 for fire blankets and BS 5306 Part 1: 1976 for hose reels.*

### **13. Portable Appliance Testing**

Portable electrical appliances are those that are not hard-wired into a supply of electricity (e.g. those with a three pin plug). These items must be tested at the correct frequency, labelled and dated to confirm the test in accordance with the Electricity at Work Regulations (1989) and in accordance with the IEE Code of Practice for Service Inspection and Testing of Electrical Equipment (2004). Most items will require inspection at least every two years by a competent person, in line with the Code of Practice for Portable Electrical Equipment, However in high risk areas e.g. kitchens these checks may be required at least 6 monthly.



All second hand items of portable electrical equipment (e.g. computers, heaters, fans, kettles etc.) must be tested and labelled prior to use.

#### **14. Microwaves**

Radiation leakage checks should be undertaken at the same time as Portable Electrical Equipment testing, in accordance with the City Council's Policy. These checks should be carried out once every two years. (*Note: increasingly the costs of checks on microwave equipment may prove prohibitive and where there is suspicion of physical damage, then it may prove more cost effective to purchase new equipment*)

#### **15. Ladders**

HSE Guidance states that all access steps and ladders should be regularly inspected by a competent person. In accordance with the City Council Health and Safety Policy Document, all ladders and stepladders must be identified and inspected annually by a competent person and colour coded for the calendar year using the following perpetual calendar;

| Year   | 2012  | 2013 | 2014   | 2015  | 2016   | 2017  |
|--------|-------|------|--------|-------|--------|-------|
| Colour | Green | Blue | Orange | White | Yellow | Green |

Any equipment that does not display the correct colour code for the year by 31st March or is marked RED is not be used and must be removed from service.

#### **16. Kilns**

All work equipment must be subject to regular inspection and maintenance as defined under PUWER (1998).

The Kiln and its associated electrical installation should be maintained in line with the manufacturer's instructions. This includes regular inspection, particularly where sockets and flexible cables are used. Both the electrical installation and the kiln should be periodically tested to ensure that the bonding, earthing, insulation connections and electrical protection will operate for faults on the installation and the kiln. *If faults are apparent, the kiln and the installation should be taken out of service until corrected.*

*The door safety interlock system should be regularly inspected and tested. Adequate technical information about the kiln should be available to enable proper maintenance to be undertaken\*.*

Any works carried out on the kiln or it's electrical installation, should be by a competent person and who is also familiar with this type of equipment. An up to date record of the nature and extent of all maintenance and repairs undertaken on the equipment should be retained along with the inspection certification.

Where local exhaust ventilation has been installed to remove fumes given off by the firing process, this must be subject to examination, test and certification by a competent person, at intervals of no greater than 14 months.

## **17. Personal Fall Protection Equipment**

There are several types of personal fall protection systems and equipment. Users of these systems require high levels of training and appropriate close supervision:

- Work restraint systems and equipment
- Work positioning systems and equipment
- Rope access systems
- Fall arrest systems and equipment

*Following risk assessment, a regime of inspection must be drawn up by a competent person. This regime must include for Pre-use checks, detailed inspections and possibly interim inspection\*.*

*Pre-use inspections should be undertaken prior to use\*.* The detailed inspection is undertaken in line with risk assessment which is usually 12 monthly, however for equipment used more frequently or in more severe operating conditions more frequent interim inspections are required.

## **18. Asbestos**

Works associated with the control of asbestos within buildings are not specifically included within this SLA, but participating schools are able to use the services of their dedicated school contact and the B&CS Asbestos Management Officer for advice and assistance in both procurement and project delivery.

The Control of Asbestos Regulations 2012 (CAR) require that those in control of a premise should;

Assess the potential risk for Asbestos Containing Materials (ACM's); Ensure the condition of ACM's are risk assessed on a continuous basis and provide information on the location of ACM's on their premise Local Asbestos management Plan (LAMP)

Work on or with ACM's is specialised and will usually only be carried out by competent contractors, usually under licence from the Health and Safety Executive. Notification to the enforcing authority is required 14 days in advance of the start of any licensable work on ACMs.

## Appendix D: Unofficial Funds

### 1 INTRODUCTION

- 1.1 This guidance covers the administration of unofficial funds in schools. Unofficial funds are used to account for monies belonging to a school that was not provided through the Local Authority.
- 1.2 All unofficial funds must be maintained entirely separately from official funds, although recommended financial procedures covering unofficial funds will in the main replicate those for official funds. Through following defined procedures, this will ensure that appropriate safeguards are in place for both those who have provided resources for unofficial funds, and to those members of staff responsible for administering the funds.
- 1.3 Whilst it is acknowledged that most schools have had unofficial funds in place for a number of years, this revised guidance should be used by schools to ensure that local arrangements in place are reflective of recommended practice.

### ROLES AND RESPONSIBILITIES

- 2.1 **Governing Body** - The role of the Governing Body (or designated group) is to exercise overall management of the fund. Their responsibilities include:
  - Establishing financial procedures to underpin the operation of the fund.
  - Monitoring income received and expenditure incurred through the fund.
  - Approving the audited / certified financial statement.
- 2.2 **Headteacher** - The Headteacher is responsible for day to day operation of the fund, including ensuring the fund is operated in line with the purpose of the fund as approved by the Governing Body (refer to section 3). It is acceptable for the Headteacher to delegate administrative roles (i.e. those undertaken by a Treasurer) to another member of staff at the school such as the School Business Manager or Finance Officer.
- 2.3 **Treasurer** – Key responsibilities of the Treasurer include:

Ensuring the fund is operated in line with agreed financial procedures and that assets (e.g. cheque book, cash and equipment) belonging to the fund are held securely.

  - Maintaining accurate and up to date financial records for the unofficial fund.
  - Preparing the annual financial statement at the fund's year-end.

- Providing finance reports (e.g. monitoring reports, year-end financial statement) supporting the unofficial fund to the school Governing Body and where necessary, attend meetings to present such reports.

### **3 SETTING UP FUNDS**

The approval of the Head Teacher and Governing Body must be obtained when setting up an unofficial fund. As part of this process, a constitution must be developed detailing the purpose of the fund and the parameters for which the fund has been established.

### **4 FINANCIAL PROCEDURES**

**4.1 Accounting Record** – An accurate record must be maintained to account for all income and expenditure transactions processed through the unofficial fund and receipts / invoices (or equivalent) must be retained in support of all transactions. For retention purposes, all accounting records must be kept for six years plus the current year.

**4.3 Bank Accounts** – In terms of bank accounts:

- A school may choose to operate a separate bank account for an unofficial fund although this is not a mandatory requirement. The key is that all transactional accounting records be easily and separately identifiable from the schools business transactions to ensure that there is no intermixing of funding.
- There must be at least two signatories to the account, i.e. each cheque is signed by two people. To avoid delays in making cheque payments, it is recommended that at least three persons should be authorised as signatories on the account, and that these should predominantly be officers at the school.
- Bank accounts should be reconciled on a regular basis and be subject to independent oversight by the Headteacher.

**4.3 Income** - All income must be supported by receipts or records of collection and banked regularly and intact.

**4.4 Expenditure** – Payments should be made from the fund when supported by an authorised invoice or receipt. On occasions, monies may be allocated in the form of cash for officers to make purchases. These should be kept to a minimum, be subject to approval and monitored to ensure that an invoice / receipt is provided to account for such monies.

**4.5 General** – The following issues needs to be considered in respect of unofficial funds:

- VAT Registration – It is unlikely that the turnover of unofficial funds will exceed the VAT threshold for registration purposes. However, if the taxable turnover is likely to exceed the VAT Threshold (£85,000 @ October 2018), then the school should seek advice about possible registration:
- Inappropriate Use – All expenditure incurred should reflect the parameters for which the fund has been established. Highlighted below are examples of spend which should not be incurred through unofficial funds:
  - To provide cash advances or loans to employees.
  - To make any payments which are liable to income tax, i.e. salary payments.
  - Loans to and from the school official fund.

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| <b>END OF YEAR ACCOUNTS AND AUDIT REQUIREMENTS</b> |
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**5.1 Year End Audit** - The audit process is based upon the following:

- At the end of the unofficial funds financial year, a financial statement should be prepared and forwarded, with all relevant records, to the fund's Auditor.
- The fund's Auditor should audit the accounts as soon as possible or within three months after receipts, and produce a signed audit certificate.
- The signed certificate (and report if required) should be presented to the Governing Body at its next available meeting.

**5.2 Appointment of Auditor** – The qualifications required of the Auditor are dependent on the annual turnover (income or expenditure):

- Annual turnover of less than £25,000 - Competent, independent person with a financial background
- Annual turnover of more than £25,000 - Qualified Auditor or Accountant

Resources Finance can advise on suitable individuals who may be prepared to undertake such audits. It is possible for the school's SFO to undertake audits within the service level agreement, this will depend on the number of days the school has purchased and in some instances that the annual turnover does not exceed £25,000.

|                      |
|----------------------|
| <b>CLOSING FUNDS</b> |
|----------------------|

**6.1** In the event that a decision is taken to close an unofficial fund, the following steps must be undertaken:

- The Governing Body must determine the date that the fund will close.

- Notify the bank of the intention to close the unofficial fund bank account and request a final bank statement.
- To follow the accounts process as outlined in section 5.
- Following the Governing Body (or designated group) receiving the signed audit certificate, to arrange the disbursement of any remaining assets of the fund in accordance with the constitution of the Fund.
- To then request the bank to close the unofficial fund bank account.
- All financial records should be stored safely and securely for the retention period outlined in section 4.1.

## Appendix E: Inventory Control

### 1 INTRODUCTION

- 1.1 This guidance covers the requirements of schools in respect of maintaining an inventory of its assets. The purpose of an inventory is to provide the school with a formal record of its assets / equipment so they can be accounted for.
- 1.2 Governing Bodies in conjunction with the Headteacher need to ensure that:
- An inventory of school assets exists.
  - An individual(s) is allocated responsibility for the day-to-day maintenance of the school inventory.
  - Procedures are in place to support the administration of the inventory (e.g. disposal of assets, annual check).
  - Reporting arrangements are in place to provide assurance that assets are being accounted for in line with agreed procedures.

### 2 INVENTORY RECORD

- 2.1 Schools are encouraged to maintain a computerised inventory and options include the SIMS Asset Register, a database or spreadsheet. Given the type of assets that are likely to be included in an inventory (as per guidance in 3.1), an option available to schools is to use the Electrical Equipment Register as the basis of a school inventory and just add other assets if appropriate.
- 2.2 Regardless of which system is the preferred method, the following information (as a minimum) should be recorded on the inventory
- Description of item, including make and model
  - Serial Number(s) or other identifying details
  - Location where asset is held
  - Value
  - Date received
  - Reason for disposal / Write off
  - Disposal Method
  - Disposal Date

- 2.3 Safeguards must be in place to ensure that there can be no unauthorised access to the inventory record, therefore mitigating against the risk that items are deleted from the inventory and subsequently misappropriated. To this end, access to the inventory should be restricted to authorised staff only.

### **WHAT SHOULD BE INCLUDED IN A INVENTORY**

- 3.1 Inventories are not intended to record all assets belonging to a school but to record those assets which would be regarded as valuable and / or attractive. It is not practical to provide a list of assets that should be included but in principle, inventories should record assets that are:

- Durable – Useful for several years.
- Moveable – Not to include items that are permanently fixed.
- Valuable – worth more than £150. The value indicated is a guide and it is up to a school to determine the value it believes is appropriate. It is recommended that the value should be between £100 and £250 although it can include assets with a lower value but where it is viewed as important to the school.

As well as assets purchased, the inventory should also contain details of any leased, donated or loaned equipment held by the school.

### **UPDATING THE INVENTORY**

- 4.1 The inventory should be updated with new assets at the time they are acquired.
- 4.2 Where assets are identified as being surplus to requirements, the disposal / write off must be submitted to the Headteacher for approval. Once approved the inventory must be updated to reflect the decision made.
- 4.3 On an annual basis, the existence of all inventory items should be checked and where practical, this check should be undertaken by an individual not responsible for maintaining the inventory. This independent check is necessary to reduce the risk of fraud and theft.
- 4.4 Reports around changes in the school inventory should be presented to the Governing Body on at least an annual basis.



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| <b>SELLING SURPLUS EQUIPMENT</b> |
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- 5.1 Where appropriate, the school may sell surplus assets. For sales of less than £250, it is up to the school to determine the process to be followed. If the equipment is valued at more than £250, a formal process needs to be followed based upon the following principles:
- Transparency in terms of who has had the opportunity to purchase the item, i.e. public auction, publicised on website.
  - The value attached to the item is based on some assessment of market value.
  - The equipment is sold to the person / organisation that make the highest offer.
- 5.2 It must be noted that that there are various risks involved in selling assets. As such we recommend that schools seek the view of the Council's Internal Audit Service before selling any assets.

## Appendix F: Employee termination costs funding criteria

### Defined financial difficulty:

1. The school must provide multi-year budget information showing that, without restructuring, the school is unable to set a balanced budget in the subsequent financial year (whilst still maintaining a 1% contingency) after taking into account any prior year balances that the school may have.

### Actions to resolve the financial problem:

2. The school must produce multi-year budget information showing that, following full implementation of the proposed restructure, the school is able to set a balanced budget for that year and the following financial year, without needing to utilise any prior year balances. Where this is not the case, the school must be able to evidence that it has begun planning for a 2nd stage restructure and cost saving analysis to address any further savings required.
3. Where the school can evidence point 2 and shows that following full implementation of the restructure, the school's anticipated contingency is in excess of 3% then the school must fund the costs of its redundancies using any balances above that level.

### Other activity to reduce costs:

4. The school must have considered other options (if available to them) that do not incur cost (e.g. ended temporary contracts on the appropriate date or be planning to end any current temporary contracts at review where the school intends to make redundancies at the same level of post. Within this, consideration will be given to teacher specialisms in secondary schools.)
5. During the previous 12 months the school must have taken a sensible approach to vacancy management (e.g. enforced a non-recruitment policy – other than by specific exception) and not filled non-essential roles (based on teaching ratios and benchmarking).
6. The school must have made/planned for appropriate savings to non-staffing budgets prior to embarking on a restructure process. We will analyse this by using the latest Consistent Financial Reporting (CFR) data to look at the school's per pupil spending compared to the average of its statistical neighbours in Coventry.

### Supportive and willing to take action to reduce the cost to the system:

7. The school must have engaged with the Local Authority's redeployment policy before going through a formal recruitment process when recruiting to an essential post.

### Swift action to resolve:

8. The school must be able to demonstrate that within three months of being made aware that it was in an unsustainable financial position, it began assessing its potential cost saving options and plans for implementation.