

SAFE WELL PROSPEROUS CONNECTED

# Scheme for Financing Schools 2022

## Version Control

Version	0.1 For Consultation January 2021
	<b>1.0 Final – circulated February 2021</b>
Issued	February 2021
	1.1 DRAFT APRIL 2022
Review	April 2023
Produced by	Rosie Maughan – Specialist (Commercial)
Authorised by	T Elliott – Strategic Lead Finance ServiceDesk

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## THE OUTLINE SCHEME

References throughout this statutory guidance to:

“the Act” are to the School Standards and Framework Act 1998; “the Authority” means the local Authority; and

“the Regulations” are to the School and Early Years Finance (England) Regulations 2014 made under the Act.

The Regulations state that schemes must deal with the following matters:

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the Authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the Authority for schools maintained by them.
6. The payment of interest by or to the Authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
8. The transfer between budget heads within the delegated budget.
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## **SECTION 1: INTRODUCTION**

### **1.1 The Funding Framework**

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

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

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the

governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Authority in accordance with s.48 of the Act and approved by the Secretary of State. All proposals to revise the scheme must be approved by the Schools Forum, though the Authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the Authority.

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

**The Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (s.17 to the Act 1998).**

Each Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the Authority must publish a statement showing out-turn expenditure.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State.

A copy of each year's budget and outturn statement should be made easily accessible to all schools.

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

## **1.2 The role of the scheme**

The role of the scheme is to set out the financial relationship between the Local Authority and the maintained schools which it funds. The scheme contains requirements relating to financial management and associated issues, binding on both the Authority and on schools.

### **1.2.1 Application of the scheme to the Authority and maintained schools**

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units (PRU's) in the area of the Authority, together with any maintained by the Authority but situated elsewhere; it does not cover those in the Authority's area which are maintained by another Authority. Nor does it apply to Academies.

A list of all maintained schools and PRU's to which the scheme applies as at 1st September 2021 showing their school status is shown at Annex A to this scheme.



### **1.3 Publication of the scheme**

The Authority has a duty to publish the scheme and any amendments to it on a website that is accessible to the general public. The date on which the amendments take place must also be published.

### **1.4 Revision of the scheme**

Any proposed revisions to the published scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by North Lincolnshire Council. The 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 that are not acceptable to the Authority, the Authority may apply to the Secretary of State for approval.

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

### **1.5 Delegation of powers to the head teacher**

Each governing body must consider to what extent it wishes to delegate its financial powers to the head teacher. Its decision on this matter (and any revisions) must be recorded in the minutes of the governing body. Guidance on the level of delegation that a governing body may wish to consider is given in the booklet 'Managing School Finances' revised in January 2012 and published by the Governors Support & Development Service.

Each governing body must consider the responsibilities of the Head teacher and Governing Body in respect of the annual budget plan; the first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body.

### **1.6 Maintenance of schools**

The local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary 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 Financial requirements; audit**

#### **2.1.1 Application of financial controls to schools**

Schools are required to abide in the management of their delegated budgets by the Authority's requirements on financial controls and monitoring, not only those in the scheme but also those requirements to be contained in more detailed publications referred to in the scheme but outside and compatible with it. Where requirements may differ for schools with their own bank accounts this will be made explicit in section 3

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

Schools are required to provide the Authority with details of anticipated and actual expenditure and income, in a form and at times determined by the Authority and should so far as possible take account of the Consistent Financial Reporting framework and the

desirability of compatibility with that framework. This is to enable the Authority to carry out its statutory functions relating to financial monitoring.

Secondary schools will have a termly meeting with LA finance officers and primary schools two meetings per year or termly where the school is in financial difficulty.

The requirement to submit such details will not be more often than once every three months, except for those connected with tax or banking reconciliation - unless the Authority has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. This restriction does not apply to schools that are part of an on-line financial accounting system operated by the Authority.

### **2.1.3 Payment of salaries; payment of bills**

For schools without a separate bank account, the payment of all invoices will be through the Director of Governance & Communities<sup>1</sup>. The systems to be operated in this case are described in the 'Finance Manual of Guidance' issued by the Director of Governance & Communities.

For schools that have their own bank account, separate arrangements apply for the payment of all invoices. These are set out in the relevant sections of the 'Bank Accounts for Schools Manual of Guidance' issued by the Director of Governance & Communities.

Unless schools have entered into an agreement with a third party for the payment of salaries, this will continue to be through the Director of Governance & Communities. Certain regulatory functions relating to payroll will continue to be discharged by the Director of Governance & Communities even where a third party performs this task.

### **2.1.4 Control of assets**

Each school must maintain an inventory of its moveable non-capital assets above a value of £1,000 and must abide by the Authority's rules on authorisation procedures for disposal of assets. The requirements in respect of this are set out in the 'Finance Manual of Guidance' Section 12 as issued by the Director of Governance & Communities with specific guidance for locally managed schools at item 12.3. For items with a value of less than

£1,000 schools must keep a register but they are free to determine the form of that record. Schools should also register portable and attractive items, such as electronic tablets.

### **2.1.5 Accounting Policies (including year-end procedures)**

Schools must abide by accounting procedures issued by the Authority for this.

### **2.1.6 Writing off of debts**

A governing body is authorised to write off debts to a maximum of £1,500 per single debt. Above this level it will be required to seek the authorisation of the Director of Governance & Communities.

## **2.2 Basis of accounting**

The Authority may specify that reports and accounts furnished by the school to the Authority be on either a cash or accruals basis, and schools must comply with this instruction.

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<sup>1</sup> Director of Finance or Chief Finance Officer relates to the post designated as the statutory section 151 Officer i.e. the Director of Governance and Communities

However, the Authority will not require that any particular system be used on schools' internal systems, provided the school meets any costs of modification to provide output required by the LA.

## **2.3 Submission of budget plans**

Each school maintained by the Authority is required to submit a budget plan to the Authority showing its planned income and expenditure for the current financial year and the assumptions underpinning the budget plan. The budget plan will be in the format to be determined by the Authority and must be approved by the governing body or a committee of the governing body and submitted no earlier than 1st May or later than 31st May. A revised plan, again in a format determined by the Authority must be submitted by 20th December each year.

For its part, the Authority will be required to supply schools with all school income and expenditure data which it holds and considers necessary for efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.

In setting their budget plans schools are able to take full account of estimated deficits/surpluses at the previous 31 March. Schools should be aware that Plans which show a deficit in any of the three years will require approval of North Lincolnshire Council and that schools who are unable to set a balanced budget over three years may trigger a 'Notice of Concern'.

The form determined by the Authority for submission of budget plans will so far as possible take account of the Consistent Financial Reporting framework and the desirability of compatibility with that.

### **2.3.1 Submission of Financial Forecasts**

The Authority requires schools to submit a three-year financial forecast. Schools will therefore be notified of forecast budget shares beyond the current year. The purpose of the 3 year plan includes giving the LA the means to ensure school are undertaking effective financial planning, effective evaluation of the SFVS and LA balance control.

## **2.4 School Resource Management**

Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources to maximise pupil outcomes, taking into account the Authority's purchasing, tendering and contracting requirements.

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

There are significant variations in the effective management of resources between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

## **2.5 Transfer**

Schools are permitted to transfer freely between budget headings in the expenditure of their budget shares.

## **2.6 Audit: General**

Schools will operate within an audit regime determined by the Authority as regards internal audit, and the Authority's external audit regime as determined by the Local Audit and Accountability Act 2014, and requires them to co-operate with it. Schools must provide access to the schools' records for both internal and external auditors.

Internal audit arrangements may differentiate between schools that have their own bank account and non- bank account schools. Schools are required to cooperate with these audit arrangements and provide access to the school's records for both internal and external auditors.

## **2.7 Separate external audits**

A school governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Authority internal or external audit process. This is intended to allow schools to seek an additional source of assurance at their own expense should they feel this is necessary.

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

Schools are required to provide the Authority with audit certificates, completed by a competent person, in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school, within six months of the relevant year end.

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

## **2.9 Register of business interests**

Each governing body 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;

The register must be kept up to date with notifications of changes and through an annual review of entries. It must be available for inspection at any reasonable time by governors, staff and parents, and the Authority and to publish the register on a publicly accessible website.

## **2.10 Purchasing, tendering and contracting requirements**

Schools are required to abide by the Authority's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures. However, such rules may not require schools to:

- a. Do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;

- b. Seek Local Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c. Select suppliers only from an approved list;
- d. Seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

Schools may seek advice on a range of compliant deals via the Buying Guide for Schools

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

Schools have a right to opt out of local Authority arranged contracts.

Additionally, although governing bodies are empowered under paragraph 3 of schedule to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share.

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**

The Authority may make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used. Within these conditions, the Authority may permit a degree of transfer but this will not be to the extent of assimilating the allocations into the school's budget shares. Any earmarked funds not spent in year, or within a period over which schools are allowed to use the funding if different, must be returned to the Authority

The Authority is barred from making any deduction, in respect of interest costs to the Authority, from payments to schools of devolved specific or special grant.

## **2.13 Spending for the purposes of the school**

Under s.50(3) of the Act, governing bodies are allowed to spend budget shares for the purposes of the school. This is subject to regulations made by the Secretary of State and any provisions of the scheme. As well as the various standard provisions LA's may wish to propose their own restrictions on this freedom, arising from local circumstances. The School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 allow schools to spend their budgets on pupils who are on the roll of other maintained schools or Academies. In addition s 50(3A) of the Act assume that amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purpose of the school.

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

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

Any planned capital expenditure from schools budget shares must be notified to the Authority and if the expected capital expenditure from the budget share in one financial year exceeds the figure of £15,000 the governing body must notify the Authority and take into account any advice from Director of Governance & Communities as to the merits of the proposed expenditure. For any scheme that will take place on premises that are owned by the Authority, or the school has voluntary controlled status, then the governing body should seek the consent of the Authority to the proposed works, via the Council's 'buildings self-help scheme'. Such consent can be withheld only on health and safety grounds.

## **2.15 Schools Financial Value Standard (SFVS)**

All local Authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the SFVS and complete the assessment form on an annual basis. It is for the school to determine at which time in the year they wish to complete the form. However the inclusion of data relating to financial years makes the Summer or Autumn Terms most appropriate.

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

All maintained schools with a delegated budget must submit the assessment form to the local authority before 31 March each year.

## **2.16 Notice of concern**

The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Governance & Communities/Director of Children and Families, 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 local authority or the school.

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

These may include:

- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local Authority;
- Insisting on regular financial monitoring meetings at the school attended by local Authority officers;
- Requiring a governing body to buy into a local Authority's financial management systems; and



- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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.

The school will become eligible for intervention if the Board of Governors is unable to comply or secure compliance with any of the requirements stated in the notice and when the LA has served a second notice on the Board of Governors informing of its intention to exercise its powers of intervention.

The school will remain eligible for intervention for as long as it is unable to demonstrate that it cannot comply with the requirements set out in the notice. In such circumstances the Council will give serious consideration to using any of the following powers:

- Applying to the Secretary of State for Education for the removal of the Board of Governors and its replacement with an Interim Executive Board
- Directing the school to enter into arrangements with a named school(s) to bring about improvements
- The appointment of additional governors
- The withdrawal of the delegated budget.

## **2.17 Fraud**

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

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

## **SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

For the purposes of this section, Budget Share includes place-led funding for special schools or pupil referral units.

### **3.1 Frequency of instalments**

Instalments of a school budget share will normally be made available to governing bodies on a termly basis. Budget share instalments will be paid on a monthly basis provided a governing body makes a written request prior to the start of the relevant financial year. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

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

The budget share made available to schools at each instalment will be calculated with reference to:

- (a) Whether the instalments are made on a monthly or termly basis,
- (b) Whether the school requests instalments of the full budget share or the payment is requested net of pay costs.
- (c) Patterns of expenditure in previous financial years.
- (d) Schools can opt to receive the budget share net of internal charges from the authority.

### 3.3 Interest clawback

The Authority will deduct from budget share instalments an amount equal to the estimated interest lost by the Authority in making available the budget share in advance. The basis of the calculation is as follows:

$A \times B \times C \times D$  where

- A is the delegated budget amount advanced to schools for the period.
- B is the interest rate for the period (based on the Bank of England base rate prevailing on the day before the advance was made, less 0.25 of 1 percent)
- C is the proportion of the year covered by the advance
- D is the estimated average daily cash balance held by the school, expressed as a proportion of the advance.

Interest will not be charged on advances to schools of devolved specific or special grants.

#### 3.3.1 Interest on late budget share payments

The Authority will add interest to late payments of budget share instalments, where such late payment is the result of an Authority error. The interest rate to be used will be that used in the clawback calculations (see paragraph 3.3 item B).

### 3.4 Budget shares for closing schools

Special arrangements will apply to schools for which approval for discontinuation has been secured, irrespective of the basis previously used. The budget share will be made available until closure on a monthly basis net of estimated pay costs.

### 3.5 Bank and building society accounts

Schools can choose to have their own bank accounts, under the following main terms:

- (a) All schools maintained by the Authority are permitted to have external bank accounts into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within an Authority contract which makes other provision.
- (b) New bank account arrangements can only be made with effect from the beginning of a financial year.



- (c) Schools without bank accounts cannot have one until any deficit balance is cleared.
- (d) Any school requesting a bank account at a later date shall not be able to have one until any deficit is cleared.
- (e) Schools wishing to operate a separate bank account are required to give written notice to the Authority no later 31st January in the preceding financial year.
- (f) Schools can choose to either have the full budget share paid into their bank account or opt to receive budget shares net of estimated pay costs. The net amount will be agreed with the schools, based on their budget plan.
- (g) If a school opens an external bank account the Authority must, if the school desires, transfer immediately to the account an amount agreed by both school and Authority as the estimated surplus balance held by the Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

### 3.5.1 Restrictions on accounts

Schools may use banks and building societies for the purpose of receiving budget share payments providing they hold a credit rating of A- or higher. This is consistent with the Authority's Treasury Management Policy; further guidance can be obtained from the Treasury team email <Treasury@northlincs.gov.uk>

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

### 3.6 Borrowing by schools

Governing bodies may borrow money (including the use of finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives and schools are permitted to use any scheme that the Secretary of State has said is available to schools without specific approval.

It is intended to introduce IFRS16 which will end the distinction between operating and finance leases and allow schools to continue to use leases without additional administrative burden. This new approach will be limited to a particular class of leased asset and full details will be included in the Scheme when the change to the IFRS is fully implemented.

Credit cards must not be used under any circumstances as these are regarded as borrowing.

Procurement cards may be used where available as these cards can be a useful means of facilitating electronic purchase.

Guidance in respect of school banking arrangements can be obtained from <mailto:advisoryservicefinance@northlincs.gov.uk>

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

### **4.1 The right to carry forward surplus balances**

Schools are permitted to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

For a school taking a separate bank account from 1st April, any balance to be transferred to that account would be treated as set out in Section 3.5 paragraph g of this document.

The amount of a surplus balance would be shown in the relevant out-turn statement published under s.251 (although there may be commitments against any figure shown in such a statement).

### **4.2 Controls on Surplus Balances**

The Authority will review individual school balances at the end of each financial year. Where a school has built up significant excessive balances that are not committed consideration may be made as to whether re-distribution would benefit provision across North Lincolnshire.

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

The Authority will not pay to individual schools interest on any surplus balances.

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

Schools are obliged to carry forward a deficit balance, by providing for deficits to be deducted from the following year's budget share (see also 4.9)

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

Schools may not plan to have a deficit budget except in the circumstances set out in paragraph 4.9

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

The Authority will not charge interest to individual schools on deficit balances.

### **4.7 Writing off deficits**

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

The Authority may give assistance towards elimination of a deficit balance by allocating 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 the Schools Forum).

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

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

Where a school closure does not result in a replacement establishment any remaining balance (surplus or deficit) will revert to the Local Authority DSG reserve or High Needs reserve as appropriate.

#### 4.9 Licensed deficits

The Authority may permit schools to plan for a deficit budget in one financial year. The approval of the Director of Governance & Communities must be received.

Such an arrangement is normally funded by the collective surplus of school balances held by the Authority on behalf of schools (although it is open to an Authority with no such surplus to make alternative arrangements if it can do so within the relevant local Authority finance legislation). The following conditions apply:

- a. The application for a licensed deficit budget must be made on a form approved by the Authority not later than 31st May for the current financial year and beyond.
- b. The application must have been approved at a meeting of the school full governing body.
- c. Licensed deficit budget applications will be considered only where there is a temporary projected fall in pupil numbers which will be recovered in future years, or there has been a staff restructuring which will produce greater savings in years two and three. In the case of pupil number fluctuations, information on future trends should be submitted with the application. Applications resulting from any other circumstance will be considered on a case by case basis by the Director of Governance & Communities.
- d. The maximum length over which schools may repay the deficit (i.e. reach at least a zero balance), must not exceed three years. In exceptional circumstances this may be agreed over a longer period.
- e. The maximum size of licensed deficits which will be considered for any school will be determined at the discretion of the Director of Governance & Communities.
- f. The maximum proportion of the collective balances held by the Authority, which will be used to back deficit arrangements, will not exceed 50%.
- g. the approval of the Director of Governance & Communities must be received in agreeing any arrangements for individual schools and the Director of Children and Families notified of any such approvals.

Further information on licensed deficits can be found in appendix D, Licensed Deficit Recovery Procedures

#### 4.10 Loan schemes

The Authority may give consideration to an application by a school for a form of loan arrangement which does not operate by way of a licensed deficit but rather by way of actual payments to the school or expenditure by the Authority in respect of a particular school on condition that a corresponding sum is repaid from the schools budget share.

If such an arrangement is made the same parameters as appear in the scheme as listed at 4.9 above for licensed deficits will apply.

Loans can only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans cannot be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

#### **4.10.1 Credit Union Approach**

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. Such a scheme would require audit certification if the Authority does not act as the administrator.

### **SECTION 5: INCOME**

#### **5.1 Income from lettings**

Schools are allowed to retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use. Schools are allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools are required to have regard to directions issued by the Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools, when considering all lettings.

Income from lettings of school premises should not normally be paid into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

#### **5.2 Income from fees and charges**

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

#### **5.3 Income from fund-raising activities**

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

#### **5.4 Income from the sale of assets**

Schools are allowed to retain the proceeds of sale of assets except in cases where a) the asset was purchased with non-delegated funds (in which case it should be for the Authority to decide whether the school should retain the proceeds), or

b) the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

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

Guidance on the procedures that schools should use when collecting income that accrues to the Authority (e.g. where a school has contracted with the council meals service), covering matters such as charging policies and VAT, is given in the 'Finance Manual of Guidance', issued by the Director of Governance & Communities.

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

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

## **SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES**

### **6.1 General provision**

There are specific circumstances in which the Authority may make a charge on the budget share of a school without the consent of the governing body. The Authority must first consult a school as to the intention to make such a charge, and notify the school when this has been done. The circumstances in which such a charge can be made are set out in paragraph 6.2 below.

For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

6.1.2 The Authority 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 Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority);

6.2.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B);

6.2.3 Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the governing body contrary to the Authority's advice

6.2.4 Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;

6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status.

6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;

6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority;

6.2.8 Recovery of penalties imposed on the Authority by the Contributions Agency, HM Revenue and Customs, Teachers Pensions, Environment Agency or regulatory authorities as a result of school negligence.

6.2.9 Correction of Authority errors in calculating charges to a budget share (eg pension deductions)

6.2.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.

6.2.11 Legal costs which the Authority incurs because the governing body did not accept the advice of the Authority (see also section 11).

6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.

6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;

6.2.15 Costs incurred by the Authority in securing provision specified in an Education, Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;

6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data;

6.2.17 Recovery of amounts spent from specific grants on ineligible purposes;

6.2.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.

6.2.19 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangements, for example where this has funded staff providing services across a cluster.

## **SECTION 7: TAXATION**

### **7.1 VALUE ADDED TAX**

The Authority is registered with HM Revenue and Customs and Excise for the purpose of Value Added Tax. Schools are able to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity, and all monies so reclaimed will be available to schools.

In summary, the arrangements for schools to reclaim VAT on non-business activity are as follows:

(a) When using the system for paying invoices provided by the Director of Governance & Communities a school should complete the certification slip, as instructed in the 'Finance Manual of Guidance', so as to separately identify the net value of the invoice and the VAT.

This will ensure that only the net cost of the purchase is shown on the schools accounting record. In this way the school benefits from the Authority's VAT registration.

(b) Where the invoice payment facility of the Director of Governance & Communities is not used (e.g. if there is a separate bank account) and the schools pay invoices directly to the creditor, records of payment must be kept in a format approved by the Director of Governance & Communities. It may also be necessary to provide copy or original invoices to the Director of Governance & Communities. The VAT on non-business expenditure will then be claimed back from H.M. Customs and Excise and repaid to the school on a monthly basis. Details of procedures for schools with a separate bank account are given in the 'Schools Bank Account Manual of Guidance'.

## **7.2 CIS (Construction Industry Scheme)**

Schools are required to abide by procedures issued by the Authority in connection with CIS. These procedures are set out in section 4.14 of the 'Finance Manual of Guidance'

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

## **8.1 Provision of services from centrally retained budgets**

The Authority will determine the basis on which services from centrally retained funds (including existing PRC and redundancy payments approved by the Authority) will be provided to schools.

In determining this basis, the Authority will not discriminate in its provision of services on the basis of categories of schools except where this would be permitted under the Schools and Early Years Finance Regulations or the dedicated schools grant (DSG) conditions of grant.

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

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Authority will be limited to a maximum of three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement relating to the same services. However, schemes may contain an extension to five and seven years respectively for contracts for supply of catering services.

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 must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

### **8.2.1 Packaging**

Where the Authority offers to provide services on a buyback basis, in relation to services for which funding has been delegated, it is a requirement that any service offered by the Authority is done so in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.



### 8.3 Service level agreements

Service level agreements need to be agreed between schools and the Authority by 1st March for the following financial year. Schools will have at least one calendar month to consider the terms of agreements.

8.3.1 Where the Authority provides services under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that time. The Authority is able to specify, for a particular SLA, a deadline by which the agreement is in place if the service is to be effective for the following year.

8.3.2 Where appropriate to the service, an SLA will offer provision on an ad hoc basis as well as extended agreement, lasting twelve months or longer

The price of an SLA must generate income that is no less than the cost of providing those services.

8.3.3 Centrally arranged premises and liability insurance are specifically excluded from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

### 8.4 Teachers' Pensions

Governing bodies of schools, which provide payroll services, should submit a monthly return of salary and service to the authority. Governing bodies must also ensure that details of Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit showed in the AVC scheme.

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

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format



and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

## **SECTION 9: PRIVATE FINANCE INITIATIVE and PRIVATE PUBLIC PARTNERSHIPS**

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

The Authority 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.

This provision also relates to the contracts entered into as part of the Building Schools for the Future agreements, which governing bodies have entered in to.

## **SECTION 10: INSURANCE**

### **10.1 Insurance cover**

All schools have funds for premises and liability insurance included within their delegated budget. Where a school proposes to make their own arrangements for such services, the authority will require the school to demonstrate that cover relevant to the authority's insurable interests, under a policy arranged by the governing body, which must have this authority as joint names with the school, is at least as good as the relevant minimum cover determined by the authority, and is secured through an insurance company, of suitable repute and financial standing. The required cover will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

The evidence required to demonstrate the parity of cover will be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

This must be provided before the beginning of February prior to the commencement of each financial year in question. Where this is not provided, the authority will arrange for suitable cover and charge the delegated budget actual costs, including administration.

Details of relevant requirements are available on request from the Director of Governance & Communities.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA when any insurance contract of which they are part expires.

All primary and/or secondary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

(see also 6.2.6)

## **SECTION 11: MISCELLANEOUS**

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

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

### **11.2 Liability of governors**

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

### **11.3 Governors' expenses**

The following provision will apply to governors' expenses.

- (a) The Authority may, if it wishes, delegate to the governing body of a school yet to receive a delegated budget, funds to meet governor's expenses.
- (b) Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations 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. The amount of the allowances will be set by the Authority
- (c) Schools are forbidden to pay expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

### **11.4 Responsibility for legal costs**

The cost of legal costs incurred by the governing body, including any costs awarded against the Authority, although the responsibility of the Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority.

In seeking legal advice, the governing body's first point of contact may be the legal staff employed by the Authority, although it is open for any other source of legal advice to be approached directly. Where the Authority's legal staff feel that there is a potential conflict of interest between the school and the Authority, or where the school considers that it would be

in its best interests to do so, independent legal advice should be obtained. This will always be in the case where the school governing body is considering legal action against the Authority. In such circumstances where the school is not acting in accordance with the advice of the Authority, the cost of external legal advice will be met from the school's budget share.

### **11.5 Health and Safety**

Governing bodies, in expending the school's budget share, are required to have due regard to duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

### **11.6 Right of attendance for Director of Governance & Communities**

Governing bodies are required to permit the Chief Finance Officer of the Authority (Director of Governance and Communities) or any officer of the Authority nominated by the Director of Governance & Communities, to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities. Prior notice of such attendance will be given unless it is impracticable.

### **11.7 Special Educational Needs**

Schools are required to use their best endeavours in spending their budget share to make suitable provision for pupils with special educational needs for whom funding has been delegated.

### **11.8 Interest on late payments**

Schools are reminded that in accordance with the Late Payment of Commercial Debt (Interest) Act 1998, small businesses are able to claim interest on invoices that are paid late.

Schools need to have arrangements in place to ensure that invoices can be paid within the payment terms during the school holidays.

### **11.9 'Whistle blowing'**

The Whistle blowers Charter is part of the Anti-Fraud, Theft and Corruption Strategy adopted by North Lincolnshire Council and is shown at Annex C. The policy set out the procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with.

### **11.10 Child Protection**

Schools are reminded of the need to release staff to attend child protection case conferences and other related events. The cost of cover in such cases is included in schools' delegated funding.

### **11.11 Redundancy/early retirement costs**

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

## **SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

12.1 Schools are responsible for carrying out and funding revenue repairs and maintenance to schools. Capital Expenditure should be met primarily from Devolved Formula Capital Funds in line with asset management priorities. The Authority will work in partnership with schools to deliver major capital projects. Expenditure is treated as capital only if it fits the definition of capital used by the local Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority Accounting and the Council's Capitalisation Policy. The Authority does operate a de minimis limit of £10,000 in its definition of capital expenditure. This limit may be waived for capital expenditure in schools subject to meeting the capital definition.

12.2 Responsibilities for voluntary aided governors have responsibility for repairs and maintenance to their school on the same basis as Community and Foundation schools. Eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by DFE to categorise such work, not the de minimis limit used by the Authority.

## **SECTION 13 COMMUNITY FACILITIES**

### **Introduction**

13.1 Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

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

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

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

13.3 With effect from April 2011, schools expenditure on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

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

### **Consultation with the LA – financial aspects**

There is no longer a requirement for schools to consult the LA when establishing community facilities under Section 27 of the Education Act 2002. Nor do schools need to have regard to advice given to them by the authority.

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

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

13.6 The Authority will require in relation to funding agreements with third parties (as opposed to funding agreements with the Authority itself) that any such proposed agreement should be submitted to the Authority for its comments and may impose a time requirement for doing so to give the Authority adequate notice. However, the Authority will not have a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Authority consent to the agreement for it to proceed, such a requirement and the method by which Authority consent is to be signified is a matter for that third party.

#### **Other prohibitions, restrictions and limitations**

13.7 The Authority may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

13.8 Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The Authority may if it wishes propose other scheme provisions of that nature which they believe necessary. In considering whether to approve any such provisions for inclusion in the Authority's scheme, the Secretary of State will adopt as her principal criterion that restrictions should only be in existence if they are necessary to safeguard the financial position of the Authority or school, or to protect pupil welfare or education.

#### **Supply of financial information**

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

13.10 The Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, to require such financial statements to be supplied every three months and, if the Authority sees fit, to require the submission of a recovery plan for the activity in question.

#### **Audit**

13.11 The school will be 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.

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

### **Treatment of income and surpluses**

13.13 Schools are allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Authority or some other person.

13.14 The school will be allowed to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.

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

### **Health and safety matters**

13.16 Any health and safety provisions of the main scheme also extend to the community facilities power.

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

### **Insurance**

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

13.19 The Authority has the power to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

### **Taxation**

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

13.21 Schools are reminded that if any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not – see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

13.22 Schools are required to follow Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

## **Banking**

13.23 The school is required to either maintain separate bank accounts for budget share and community facilities, or has one account but with adequate internal accounting controls to maintain separation of funds. Alternatively the scheme may provide, but cannot require, that the school utilises LA banking arrangements which would permit adequate separation of such funds from the school budget share and other Authority funds.

13.24 The banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters should mirror those in the main part of the scheme, except that a provision requiring that a mandate show the Authority as owner of the funds in the account should exempt the community facilities funds from that if they are in the same account as the budget share.

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

**ANNEX A**

Schools and Pupil Referral Units maintained by the North Lincolnshire Council as at 1 September 2020 to which the scheme applies

**Key:**

CS = Council School

VA(CE) = Voluntary Aided (Church of England) School

VA(RC) = Voluntary Aided (Roman Catholic) School

VC = Voluntary Controlled

VC(CE) = Voluntary Controlled (Church of England) School

VC(CE/M) = Voluntary Controlled (Church of England and Methodist) School

F = Federated

**Primary Schools**

Alkborough CS

Althorpe and Keadby CS

Castledyke CS

Barton St Peter's CE VC(CE)

Belton All Saints CE VC(CE) F

Berkeley CS

Bowmandale CS

Brigg CS

Broughton CS

Burton Stather CS

Crosby CS

East Halton CS F

Eastoft CE VA(CE) F

Goxhill CS F

Gunness & Burringham CE VC(CE)

Haxey CE VC(CE) F

Holme Valley CS

John Harrison CE VC(CE)

Killingholme CS

Kirmington St Helena's VC(CE) F



Kirton Lindsey CS  
 Lincoln Gardens CS  
 Luddington & Garthorpe CS F  
 Messingham CS  
 New Holland CE/Methodist VC(CE/M) F  
 Oakfield CS  
 Priory Lane Community Primary CS F  
 Scunthorpe CE VC(CE)  
 South Ferriby CS F  
 St Barnabas CE VC(CE) F  
 St Martin's CE VA(CE) F  
 St Peter & St Pauls CE CS  
 The Grange Primary CS  
 West Butterwick VC(CE) F  
 Westcliffe CS F  
 Winteringham CS F  
 Wootton CE VA(CE)  
 Wroot Travis VC(CE) F

### Junior Schools

Bottesford CS  
 Leys Farm CS  
 Lincoln Gardens CS  
 Winterton CS F

### Infant Schools

Bottesford CS  
 Bushfield Road CS  
 Enderby Road CS  
 Frodingham CS  
 Winterton CE CS F

### Secondary Schools

Baysgarth CS  
 Frederick Gough CS

Sir John Nelthorpe    VC

**Special Schools**

St Hugh's        CS

St Luke's        CS

**PRU's**

None.

## ANNEX B

### RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

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

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

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

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, or set up 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 schools 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.

7(B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education Acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

## **Annex C**

### **Reporting a Concern (Whistleblowing)**

#### **1.0 Introduction**

1.1 North Lincolnshire Council is committed to running the organisation with accountability and transparency.

1.2 Employees are often the first to realise there is something wrong within the organisation, but may worry that by raising a concern they are being disloyal to their colleagues or the council, or that they might not be taken seriously. They may also fear harassment or victimisation if they speak out.

1.3 This policy aims to enable employees to raise concerns about malpractice or wrongdoing and to reassure them that it is safe and acceptable to do so. It encourages them to raise concerns at an early stage and supports them with the process.

1.4 We will not tolerate the harassment or victimisation of anyone raising a genuine concern, and disciplinary action may be taken if this arises.

#### **2.0 Legal framework**

2.1 If an employee brings information about a wrongdoing to their employer, or another relevant organisation, this is commonly referred to as 'blowing the whistle'.

2.2 The Public Disclosure Act 1998 gives protection to whistleblowers, to enable people to speak out if they believe there is malpractice within an organisation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'.

2.3 The Act makes it unlawful to victimise, harass or treat someone unfairly because they have blown the whistle.

#### **3.0 What to report**

3.1 Disclosures which are protected under the Act are disclosures of information which are in the public interest: this usually means that they affect other people. A disclosure should be made in good faith, where you genuinely believe that one or more of the following is either happening, has happened, or is likely to happen in the future:

- A criminal offence e.g. fraud, abuse of clients, unlawful discrimination;
- Financial misconduct
- the breach of a legal obligation;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- risk or damage to the environment;
- an attempt to cover up any of the above.

3.2 Unless the concern you have is covered by another council policy, this policy may also be used to report something that:

- Makes you feel uncomfortable compared to the standards you believe the council subscribes to;
- is against the council's constitution;
- falls below established standards of practice;
- amounts to improper conduct.

3.3 If you have a concern relating to your own personal circumstances at work, you should refer to C.4 Dignity at Work or C.5 Grievance in the HR Manual as appropriate.

#### **4.0 How to report a concern**

Safeguarding concerns – children and young people

4.1 If you have a concern regarding the safety of child or young person, then you should make immediate contact with the child protection team on 01724 296500/296555 (available 24 hours).

Safeguarding concerns – adults at risk

4.2 If your concern relates to abuse or neglect of an adult, you should contact the Safeguarding Adults Team on 01724 297000 or by email at [safeguardingadults@northlincs.gov.uk](mailto:safeguardingadults@northlincs.gov.uk)

#### **All other concerns**

4.4 You may raise a concern either verbally, or in writing. If you are making a written report, you may find it helpful to use the following format:

- The background and history of the issue (giving any relevant dates where possible);
- the reason why you are particularly concerned about the situation;
- any details that show there are reasonable grounds for your concern.

#### **Stage one**

4.4 You should initially raise the issue with your immediate manager. Your manager should be responsive to your concerns and take them seriously. They will encourage you to talk openly and will treat the issue in confidence, unless legally they must do otherwise (e.g. if a crime has been committed). Your manager will inform you if they are obliged to report the issue to a third party. Managers can seek support in dealing with concerns raised through the contacts outlined at paragraphs 4.5, 7.0 and 8.0.

#### **Stage two**

4.5 If you feel unable to approach your manager, or if you feel that your concern has not been dealt with satisfactorily, you may prefer to speak to one of the council's senior officers who specialise in dealing with whistleblowing cases. You can contact the Head of Legal and Democracy on 01724 296204 or the Head of Audit and Assurance on 01472 323799.

#### **5.0 How the council will respond**

5.1 Within ten working days of a concern being raised, the matter will be assessed and the person to whom you reported it will write to you:

- Acknowledging that the concern has been received;
- indicating how the council proposes to deal with the matter;
- telling you whether any initial enquiries have been made;
- giving an estimate of how long it will take to provide a final response and;
- supplying you with information on the support available to you.

Note: If you report a concern anonymously, while the council will still respond to this appropriately, direct feedback on the progress of the case cannot be given. See section 6.0 for more information.

5.2 If the concern you have raised falls under a different policy or procedure you will be informed at this stage.

5.3 The action to be taken will depend on the concerns raised, but may include an informal review or a more formal investigation.

5.4 As part of any investigation, you may be invited to attend a meeting to discuss your concern in more detail. If so, you may wish to be supported by a trade union representative or another council worker.

5.5 Wherever possible, you will be given feedback on the outcome of any investigation, but precise details on action taken may not be disclosed where there is a duty of confidentiality to another person. Any feedback will be within the provisions of the General Data Protection Regulation 2018.

5.6 If you are not satisfied with the council's response, you are entitled to take your concern to an appropriate external organisation. The details of some relevant contacts are given at section 8.0.

### **Untrue allegations**

5.6 No action will be taken against you if you have raised a concern in good faith. However, allegations which are found to be malicious or vexatious may result in disciplinary action being taken.

## **6.0 Anonymity and confidentiality**

6.1 The council would like you to put your name to any concerns you report. Your concerns will be treated confidentially when requested and every effort will be made to conduct any investigation so as not to disclose your identity, if you so wish. Being a witness is not always easy, but your participation will be valued and you will be fully supported throughout the process.

6.2 Anonymous concerns will be evaluated and will be investigated where possible, but they may be more difficult to substantiate where the council is limited in its ability to follow up on the reported information. A decision will be made on the most appropriate way to deal with anonymous concerns based on:

- The seriousness of the issues raised;
- the credibility of the concern;
- the likelihood of verifying the concerns through other sources.

## **7.0 Support**



7.1 If you require advice or support during any stage of this process, you can contact your trade union representative. Contact details for each trade union are available on TOP Desk.

7.2 Support is also available through the council's Confidential Staff Welfare and Counselling Service.

7.3 Protect, the independent whistleblowing charity, offers free, confidential practical and legal advice. If you are unsure whether it is appropriate to use this policy or want advice at any stage, you can contact them by telephone on 020 7404 6609, or email [whistle@protect-advice.org.uk](mailto:whistle@protect-advice.org.uk).

## **8.0 External contacts**

8.1 The council hopes this policy will give you the necessary confidence and assurance to raise any concerns internally. However we recognise that there may be certain circumstances in which you do not feel this is possible; we would rather you raise a concern with the appropriate regulatory body than not at all. Details of relevant external organisations can be found at: <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>.

8.2 Other external organisations which may be able to offer assistance with you raising a concern are as follows:

- Your local councillor. If you live within the North Lincolnshire Council boundary, your local councillor can be contacted;
- a professional association. If you are a member of a professional association you may ask them to raise a matter on your behalf;
- the police - suspicions of fraud or corruption may be reported directly to the police;
- the National Audit Office;
- the council's external auditors, Mazars (there is a dedicated whistleblowing hotline);
- a Citizens Advice Bureau.

## Annex D

### Deficit Budget Procedures

#### Introduction

This annex sets out what is expected of schools to meet the requirements of the Scheme for Financing Schools in respect of schools which are identified as having a potential revenue deficit during the course of the financial year or have a deficit revenue budget at the year-end. The requirements of the Scheme are set out in section 4 of the Scheme, the main points of which are:

- ☐ Schools are required to carry forward deficit balances
- ☐ Schools are not allowed to plan for a deficit budget
- ☐ In certain circumstances schools are required to submit a recovery plan

#### Scrutiny of School Budgets

LA finance staff aim to identify schools that are at risk of having a potential deficit and use various factors in determining such schools.

Upon receipt of the Schools Three Year Budget Plan, LA finance staff will carry out a range of checks on the schools planned income and expenditure which are designed to identify any obvious errors or omissions and to ensure the budget is reasonable and achievable. The checks result in:

- ☐ Acceptance of the budget or
- ☐ Clarification of queries and/or amendment of the budget

If a school is unable to substantiate or explain elements of its budget that have been queried then the LA has right to reject the school's budget plan if it feels it is unreasonable or unachievable.

All schools are expected to monitor their actual income and expenditure against budget. Through regular budget monitoring and control schools are expected to identify at an early stage any potential variance between actual and budgeted expenditure. However, for schools that are identified as having a potential deficit, the school's own budget monitoring is supplemented by monitoring by LA finance staff.

The reasons for this include:

- ☐ Authority for spending decisions has been delegated to the school's Governing Body but it is the LA, through the Director of Governance & Communities, where statutory responsibility lies for all the financial affairs of the Council (including maintained schools)
- ☐ A budget deficit could impact on the future educational standards of the school. Even if a school is deemed to be excellent through its results it cannot be given an outstanding judgement if it has a deficit budget.

Depending on the outcome of this budget scrutiny, LA finance staff may write to the school to raise concerns about the school's financial position, recommend action or to request

further information. Such a letter will be clear about the action and response required from the school.

If the requested response / action is not forthcoming then LA finance staff may inform the Director of Children and Families of concerns about leadership and governance.

It is important that action is taken to prevent a significant deficit, which will hinder the school's development, and the procedures are set out below.

### **Scheme Requirements – Schools which have a deficit at the year-end (short term)**

Schools with a revenue deficit in excess of 2% of their budget share at the end of any one year, or a revenue deficit in excess of 1% of their budget shares in two successive years, measured as at 31 March are required to submit an action plan along with their 3 year budget plan showing recovery within one year. This will be reviewed by LA Finance Staff and agreed by the Strategic Lead (Finance).

The action plan must include details of

- savings, efficiency gains and/or increases in income with implementation dates
- a breakdown of income budgets with sources of income and timetable for the collection of income
- the school's management procedures for authorising expenditure and its financial monitoring and control system

### **Scheme Requirements – Licensed Deficits (long term)**

Schools may not generally plan for a deficit budget. In exceptional circumstances, a deficit revenue budget may be permitted, which must have the written approval of the Director of Governance & Communities and the Director of Children and Families and conform to the following terms and conditions:

- the maximum period of deficit budgets to be 3 years; although in exceptional circumstances this may be extended to 5 years;
- the purpose of the agreed deficit must be to avert or reduce the need for redundancies or other budgetary saving in the short term that are not required to produce a balanced budget over a longer period;
- the maximum size of any agreed deficit will be 25% of a secondary or 20% of a primary or special school's budget in the year of application;
- a recovery plan being agreed with the Director of Governance & Communities and the Director of Children and Families, which must include details of:
  - savings, efficiency gains (taking into consideration any risks attached) and/or increases in income with implementation dates,
  - a breakdown of income budgets with sources of income and timetable for the collection of income,
  - the school's management procedures for authorising expenditure and its financial monitoring and control system
  - details of benchmarking information with comparisons and explanations to support the recovery plan

- Where a staffing restructure is to take place full details of the current staffing establishment and the proposed establishment must be included with detailed costings. Schools should work with the LA's HR Service to ensure that their proposed savings can be met and that reduction/reallocation procedures are followed.
- Any approved licensed deficit must balance within the defined period.
- Where the recovery of the deficit is likely to impact on teaching standards, the school should also liaise closely with the LA's Standards and Effectiveness Team
- The plan must include sufficient detail for LA officers to understand the proposals and be confident that they will be realised, supporting documents/statements will assist the explanation.

Examples might be:

- □ Details of staff turnover and/or age profile of existing staff.
- □ Additional income from increased pupil numbers, supported by trends data, housing development within catchment area, etc.

Where there are delays in producing a recovery plan, the Chair of Governors and Head Teacher will be required to meet with LA Finance to explain the reasons for the delay and for actions to be agreed.

### **Authorisation of Licensed Deficits**

The Director of Children and Families must be satisfied that the school's staffing establishment is appropriate to the size and nature of the school and that the agreed deficit and recovery plan will enable the school to maintain standards;

The Director of Governance & Communities must be satisfied as to the soundness of the school's financial management and its ability to meet the reduction of deficit schedule.

The total amount of deficits outstanding must not exceed 50% of the total collective schools balances at the beginning of the financial year

The recovery plan will be scrutinised by LA Finance who will liaise with the school, and the school HR Business Partner and the Standards and Effectiveness Service as required to resolve any queries or concerns they may have.

Once the above scrutiny process has been completed, the recovery plan will be presented to the Director of Governance & Communities who will formally authorise the licensed deficit, subject to any further queries which might arise. This process should normally be complete within one month of receipt of the recovery plan –any delay will be notified to the school.

The school will be notified of the decision in writing which will include any terms and conditions attached to the authorisation which will include:

- 1) The maximum deficit allowed for each year covered by the authorisation;
- 2) The period covered by the authorisation;
- 3) The monitoring and reporting requirements; and

- 4) Measures which may be taken if the school fails to adhere to the agreed plan or the terms and conditions.

### **Monitoring and Reporting**

The head teacher, members of the senior leadership team and school governors are all responsible for monitoring and reviewing the recovery plan. It is a requirement for schools to have monitoring of the recovery plan as a standing agenda item for the Finance Committee and to submit a copy of all finance committee minutes to the LA Finance Team. Schools are expected to honour any commitments regarding monitoring procedures given in their application for a Licensed Deficit.

All schools with a licensed deficit will be required to submit a quarterly monitoring report to LA Finance by the 20th of the following month during the period covered by the licensed deficit to demonstrate current and forecast expenditure. The forecast information should clearly state further actions agreed to mitigate non achievement of recovery plan financial milestones.

The monitoring reports will be scrutinised by the LA Finance team who will raise any concerns directly with the Chair of Governors or Headteacher in the first instance and meet with the school to resolve any issues.

### **Local Authority Intervention**

As an interim step, and in order to prevent the necessity of using the local authority's statutory powers, a pre-warning notice can be issued to governors where the local authority has significant concerns about the financial viability or effective management of a school's budget.

Local Authority intervention will apply where:

- ☐ The school is persistently in breach of the Scheme for Financing Schools
- ☐ The school will not set a balanced budget
- ☐ The school will not engage in the licensed deficit process
- ☐ The deficit is worsening and no action is being taken by the school
- ☐ There is evidence of financial mismanagement by the school

Intervention will escalate through four levels. It is envisaged that deficit schools will engage with the LA well before the need for intervention as this process is the ultimate sanction for the protection of public monies and the overall resource for all schools.

The levels of intervention are:

1. Financial Review Meeting and first warning notice
2. Referral to Education Standards Board
3. Formal Notice of Concern – Warning Notice
4. Suspension of delegated financial powers

## Further Advice

Further support and advice is available from:

Commercial Specialist      Rosie Maughan      <mailto:Rosie.Maughan@northlincs.gov.uk>

Strategic Lead (Finance)      Tracy Elliott      <mailto:Tracy.Elliott@northlincs.gov.uk>

**DEFICIT BUDGET PROCEDURES FLOW CHART**

