



SCHEME FOR FINANCING SCHOOLS: NEWCASTLE UPON TYNE

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SECTION 1 - INTRODUCTION

1.1 The Funding Framework: MAIN FEATURES

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

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to its schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items.

Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure).

The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). 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 regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

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

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 at both central level and for each school, and the balances held in respect of each school. These statements are known as Section 251 Budget and Outturn statements and are available from the DfE website and Newcastle City Council website annually.

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

1.2 The Role of the Scheme

The scheme sets out the respective roles and responsibilities of Newcastle schools and the LA in relation to the funding of maintained schools and the application of such funds. The scheme sets out a framework that does not unreasonably limit the flexibility of maintained schools in the control and deployment of their budgets, but sets a background against which public monies are properly accounted for and recorded.

In this respect, the LA has established various conditions and requirements that form the framework within which local management will operate. Although such rules are inevitably prescriptive, they are necessary both to protect Governing Bodies and Headteachers when exercising their powers and responsibilities, and to ensure that the LA is able to fulfil its statutory obligations in respect of education. The regulatory powers of the City Council are included within the following documents:

- Special Needs Policy Statement
- City Council Financial Regulations (Newcastle Charter 2012)
- Statement of General Policy on Health and Safety
- Insurance Schedule
- Policy Statement on Charges, Remissions and Income
- directed changes deleted April 2012 Division of Responsibility for Building and Grounds Maintenance between LA and Schools

Under Standing Order 25 of the City Council, Financial Regulations are deemed to be incorporated in, and to have force of, Standing Orders. It is a condition of the scheme that Governing Bodies shall comply with the above regulations and policies and any version, which may be introduced from time to time.

1.2.1 Application of the Scheme

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. This scheme does not apply to academies. Schools which the Authority will be maintaining are listed for information in annex A to this scheme.

1.3 Publication of the Scheme

The Newcastle scheme, and any amendments to it, will be published on the NCC website and made accessible to the general public in line with regulations. We will include the date on which any amendments take effect and publish a record.

1.4 Revision of the Scheme

Any proposed revisions to this scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the Schools Forum for approval by members of the Forum representing maintained schools. Should the situation arise where the Schools Forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

1.5 Delegation of Powers to the Headteacher

The provisions of the School Standards and Framework Act 1998 allow the governing body of a school with a delegated budget to delegate financial powers to the Headteacher, subject to the provisions in the LA's Scheme for Financing Schools. Any such decision should be recorded (including any revisions) in the minutes of the governing body.

Governing Bodies are encouraged to draw up and record in the minutes of meetings those areas of financial responsibility that the Headteacher can be expected to perform. The Headteacher should then be expected to report back to the next governing body meeting any such actions taken under the delegated responsibility. 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 LA is responsible for maintaining the schools covered by the scheme and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is

through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

SECTION 2 – FINANCIAL CONTROLS

2.1.1 Application of Financial Controls to Schools

Local Management of Schools has conferred responsibilities and powers to individual schools within the City. It is the LA's policy to encourage delegation of resources and responsibilities consistent with its statutory obligations. In the management of their delegated budgets, schools are required to abide by the Authority's requirements on financial controls and monitoring, not only those in the scheme but also those requirements contained in more detailed publications referred to in the scheme but outside and compatible with it. The LA's Financial Handbook For Schools provides both policy and guidance in this area.

2.1.2 Provision of Financial Information and Reports

The Director of People and Director of Resources are required to produce the LA's accounts in accordance with statutory requirements and Statements of Standard Accounting Practice. Schools covered by the scheme must keep sets of accounts in the prescribed format of the LA and maintain internal budgetary control systems and controls in order to produce accounts that will integrate with those for the Authority as a whole.

Accounts, financial records and prime documents must be kept in a suitable place and condition for the statutory period of six years after the end of the financial year to which the records relate.

The LA offers comprehensive financial advice, guidance and support services to all schools managing their own budgets. The LA also has a monitoring role to ensure that schools are effectively managing the resources delegated to them. This monitoring role is fulfilled in a number of ways. This includes review of budget monitoring information produced by schools, systems-based audits of key financial systems and detailed scrutiny of grant related expenditure.

Submission of financial reports will not be required more often than once every three months, except for those connected with tax or banking reconciliation – unless the LA 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. The restriction to a minimum three-month interval does not apply to schools that are part of any on-line financial accounting system operated by the LA.

Schools will be required to submit to the Authority the following reports in order to ensure that the LA's statutory responsibilities can be fulfilled and financial probity assured:

- By 31st May in any financial year schools must submit a summary report showing the school budget for the financial year. This should show the allocation of

resources as approved by the Governing Body for the financial year ahead. Further information on this requirement can be found in section 2.3.

- During each term, schools must submit a monitoring report (see Annex D) which is based on the latest financial information and approved by the Governing Body, which summarises the school budget, projected year end spend and projected year end variance against budget.

These reports should be submitted to the Financial Services for Schools email address.

At the Financial Year End, schools must submit any information required to allow the accounts to be closed, in line with the closedown timetable published each year:

Through the means of a school's own budget monitoring, if they consider that they may be in a potential deficit situation in the current financial year, they **must** notify the Lead Assistant Director for Education and Skills in writing and set out their plans for dealing with the situation.

There may be occasions when the LA may require further information to be assured that the budget is being managed appropriately. Should the LA need to undertake such work on behalf of a school, then the school may be liable to a charge.

Schools that operate the chequebook scheme will have further requirements for reporting as follows:

- VAT report on all expenditure and income as it is entered onto its financial management information system to be used as the basis for the claim to the HM Revenue and Customs.
- A bank account claim report detailing the period expenditure and income code analysis in order for the LA's General ledger system to be kept in line with its financial management information system.
- A petty cash expenditure analysis in order for the LA's General Ledger system to be updated and kept in line with its financial management information system.
- A bank statement comparison report detailing all expenditure and income transactions presented through the local bank account.
- A bank reconciliation statement
- An account summary report, a bank account history report, a petty cash expenditure analysis, a petty cash reimbursement list detailing all expenditure and income transactions in its financial management information system.

The LA delegates the funding for the provision of payroll services; therefore schools must make their own arrangement for the provision of payroll services.

The Local Authority will continue to offer a payroll service to schools on a buyback basis. The detailed procedures are set out in the LA's Financial Handbook for

Schools and the Personnel Practices and Procedures Handbook. Schools should also refer to the DfE guidance on Consistent Financial Reporting.

2.1.3 Payment of Salaries; payment of bills

The policies and procedures in respect of salaries and payment of bills will be prescribed by the Director of People and Director of Resources within the framework of the Financial Handbook for Schools. The procedure for schools with their own bank accounts is different and is also set out in the LA's Financial Handbook for Schools.

2.1.4 Control of Assets

All schools are required to maintain an inventory of assets which complies with the guidance given in the LA's Financial Handbook for Schools. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000.

In order to discharge efficiently the responsibility for stores, the Headteacher should maintain inventories of stores. This will include the maintenance of stock books.

All schools should maintain a stock record that contains details of significant goods purchased. As a general guide the LA suggests anything costing over £100 or expected to last longer than one year should be entered. The stock book should be kept up to date when invoices are processed and should include the following information:

- date of purchase
- description of item
- supplier
- order number
- serial number or other unique identification marks
- location of equipment
- details of disposal or write-off
- date and signature of entry

Wherever possible, stores should be effectively marked as the property of the school. Items Leased either by the Council or the school should be distinctively marked to this effect, and entered in a separate section of the stock book.

Security of assets

The Headteacher should be responsible for ensuring the security of all stocks and stores within the school. Stores and equipment should be secured by means of physical and other security devices.

Disposals

Items that are to be disposed of by sale or destruction must be appropriately authorised for disposal and, where significant, should be sold following competitive

tender. The Financial Handbook for Schools specifies the requirements for obtaining consent and notifying disposals.

Loan of assets

Items of school property should not be removed from school premises without the appropriate delegated authority. The school should record any loan and update the record when the asset is returned. The position relating to insurance should be clarified and explained to staff concerned before any assets are taken off the school premises. If assets are on loan for extended periods or to a single member of staff on a regular basis, the situation may give rise to benefits-in-kind. This has implications both for tax purposes for the individual concerned and for the proper use of public funds. Loans should therefore be kept under review and advice sought from the relevant City Council department (for example Exchequer Services for any personal tax implications). The Financial handbook for Schools specifies the requirements for recording information and obtaining appropriate authorisation.

2.1.5 Accounting Policies and Year End Procedures

At the end of each financial year, the Director of Resources is responsible for preparing the final accounts for the LA. These accounts are prepared in line with the LA's published accounting policies that are detailed within the Annual Report, and the CIPFA Code of Practice on Local Authority Accounting.

Schools will be provided with detailed written procedures to comply with the requirements for the financial year-end. The guidelines and procedures are designed to ensure that any goods or services received in the relevant financial year are correctly recorded.

Schools must ensure that staff involved with financial closedown are familiar with the relevant procedures. The LA is able to offer training and advice on this matter.

Schools are required to produce statements at the end of the financial year that comply with the DfE requirements for Consistent Financial Reporting. The local authority will provide assistance to schools to be able to comply with this task. Further guidance around the retention of financial records can be found within section V (Policy – Retention of Documents) of the Financial Handbook for Schools

2.1.6 Debt Write Off

The LA operates a debt recovery process prescribed by the Director of People, Assistant Director of Legal Services and Director of Resources for all LA Departments, including maintained schools. All income due to the school for the supply of goods or services should be collected promptly. Wherever possible income should be collected in advance of the provision of the goods or service e.g. lettings. If this is not deemed appropriate the reason must be clearly documented and approved by the Headteacher.

Where invoices are required to be raised for the collection of income, they should be issued promptly. Any subsequent writing off of debt should comply with and be in accordance with the Financial Handbook for Schools.

2.2 Basis of Accounting

The City Council's final accounts are prepared on an accruals basis with income and expenditure accounted for in the year in which it arises by the creation of debtors (assets) and creditors (liabilities).

All goods and services received by 31 March will be accounted for in that financial year, either through payment or by raising debtors and creditors. The LA requires financial reports to be provided but will not dictate to schools how they organise their accounts. Therefore schools can use discretion in choosing their financial software, provided they meet any costs of modification to provide the output required by the LA. All accounts must comply with the minimum requirements of Consistent Financial reporting. Further guidance can be found within section D (Accountancy) of the Financial Handbook for Schools.

2.3 Submission of Budget Plans

All schools covered by the provisions of the Scheme must submit a Governing Body approved budget plan to the LA by 31st May following the start of the financial year. This must show a detailed breakdown of planned expenditure for the year and the assumptions underpinning the plan. Schools must submit at the start of each term a further plan if the Governing Body approves any major revisions.

To assist schools in this process, the LA will notify schools of the assumptions made in arriving at their budget allocation. This will include details of any provisions made for pay awards and price increases.

The LA will supply schools with all school income and expenditure data which it holds that is necessary to the efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.

Schools must take full account of estimated deficits/surpluses at the previous 31st March in their budget planning process. Submission of budget plans should so far as possible take account of the Consistent Financial Reporting framework and the desirability of compatibility with that.

Schools should take account of any change in circumstances or status which could impact on the rates charge incurred. Annex C provides further guidance on this matter.

The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.

2.3.1 Submission of Financial Forecasts

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. The information may be used as evidence to support the authority's assessment of the Schools Financial Value Standards and in support of the

authority's balance control mechanism. Such forecasts may be used for other purposes in addition to confirming whether schools are undertaking effective financial planning or not.

2.4 Efficiency and Value for Money

Schools are required to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in section 2.10.

It is for Heads and governors to determine at school level how to secure better value for money. There are significant variations in efficiency 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. Further guidance can be found in section I (Value for Money) of the Financial Handbook for Schools.

2.5 Virement

Governing Bodies will be free to vire (move budgets) between budget heads, but such virements must be approved by the Governing Body. It is good practice to amend budgets in line with known changes in planning, to make reporting more meaningful and ensure that uncommitted budgets remain available to address budget pressures.

2.6.1 Audit

All schools are subject to the audit regime determined by the authority with regard to internal audit and the authority's external audit regime. Schools are required to co-operate with any internal and internal audit inspection and provide access to the school's records.

2.6.2 Internal Audit

A continuous internal audit, under the independent control and direction of the Director of Resources, shall be undertaken to investigate the accounting, financial, and other operations in all departments of the Authority, including schools. All schools covered by this scheme are required to co-operate with the internal audit arrangements. The LA may provide for different audit arrangements for schools having their own bank accounts, compared with non-bank account schools.

2.7 External Audit

The LA's external auditors shall undertake such reviews of financial and other operations in schools, as they deem necessary for the discharge of their statutory functions. All schools under this scheme are required to co-operate with the external audit regime.

School accounts are not required for audit by the LA's external auditors on an individual basis, nor will they be published as part of the Council's formal Annual Report and Accounts. The City Council's Financial Regulations apply to all schools and are detailed in the LA's Financial Handbook for Schools (section E – Audit).

Governing Bodies are permitted to appoint their own external auditor in addition to obtain external audit certification, but this must be funded from the school's own budget share.

2.8 Audit of Voluntary and Private Funds

Schools are required to provide audit certificates in respect of voluntary and private funds held and of the accounts of any trading organisations controlled by the school. The purpose of such a provision is to allow the LA to satisfy itself that public funds are not being misused. The LA does not seek to impose through the scheme a right to audit such funds themselves or otherwise access the accounts of private funds.

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

Further guidance can be found within section T (voluntary funds) of the Financial Handbook for Schools.

2.9 Register of Business Interests

The governing body of each school must maintain 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

This requirement also applies to committees and sub-committees reporting in to the full governing body.

Governing bodies must ensure that this register is kept up to date with notification of changes and through annual review of entries. The register must be available for inspection by governors, staff, parents and the authority and it must be published, for example on a publicly accessible website.

2.10 Purchasing, Tendering and Contracting Arrangements

Schools may purchase goods and services from wherever they see fit, but should take into account the need to ensure best value.

Schools are required to abide by the City Council's Financial Regulations relating to School Governors' Contracts 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 LA's policies and procedures.

However, any section of the City Council's Financial Regulations shall not apply if it requires schools:

- To do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;
- To seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- To select suppliers only from an approved list;
- To seek fewer than three tenders in respect of any contract with a specified value within the Financial Regulations in any one year.

Further details on this matter can be found in section G of the Financial Handbook for Schools.

2.11 Application of Contracts to Schools

In selecting which organisations / partners should provide services, schools have the right to opt out of authority arranged contracts.

Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. 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.

Where schools participate in contracts administered by the LA:

- i. Schools Forum, Governing Bodies and Headteachers will be consulted about specifications.
- ii. Terms and conditions of contracts will be varied during the period of the contract only where the provisions of a contract allow.

Where schools administer their own contracts:

- i. They must do so in accordance with regulations contained within the Financial Handbook for Schools.
- ii. They should be mindful of the associated guidance, which is issued to schools with those regulations.

- iii. They should take legal advice on the application of the TUPE Regulations where the service in question is already provided by staff working within the school.
- iv. They are able to opt for the most economically advantageous tender

Section H (Contracts) of the Financial Handbook for Schools provides further guidance on this matter.

2.12 Central Funds and Earmarking

The Authority is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. The earmarked funding from centrally retained funds must be spent in accordance with the Government's grant conditions and on the purposes for which it is given or on other budget heads for which earmarked funding is given. Allocations should not be assimilated into the school budget share.

An accounting mechanism should be in place for schools to demonstrate that this requirement has been fulfilled. Expenditure will be allocated on the basis of gross costs in order that schools know the total amount of money available to spend.

The method of distributing each individual grant will reflect its nature and purpose; details will accompany the announcement of each grant. Earmarked funds must be returned to the LA if not spent in-year, or within the period over which schools are allowed to use the funding if different.

The Authority will not make 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

Although s.50(3) allows governing bodies 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. By virtue of section 50(3A) (which came into force on 1st April 2011), 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 purposes of the school.

Under s.50 (3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.14 Capital Spending from Budget Shares and Devolved Formula Capital

Governing bodies are permitted to use their delegated budgets to support 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 School Standards and Framework Act 1998.

Any planned capital expenditure from the delegated budget, including instances where funding from a delegated budget is supplementing expenditure from devolved formula capital (DFC), must be notified to the Authority.

If the expected capital expenditure from the budget share in any year will exceed £15,000 the Governing Body must notify the Authority and take account of advice given as to the merits of the proposed expenditure.

Where the premises are owned by the Authority, or the school has voluntary controlled status, then the Governing Body should seek the prior consent of the Authority to any works proposed to the premises, irrespective of value, in accordance with established procedures which are intended to ensure that the appropriate constructional and health and safety standards are complied with. Consent can be withheld only on health and safety grounds. This is to ensure compliance with School Premises Regulations, DfE Construction Standards, and health and safety legislation.

2.15 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 Resources and the Director of People, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the 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 authority;
- insisting on regular financial monitoring meetings at the school attended by authority officers;
- requiring a governing body to buy into an authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for

example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

2.16 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 Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.

It is for the school to determine at what time in the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner.

Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines. All maintained schools with a delegated budget must submit the form to the local authority before 31 March in each financial year.

Further guidance can be found on the SFVS section of the schools extranet.

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 in induction for new school staff and governors.

SECTION 3 - INSTALMENT OF THE BUDGET SHARE; BANKING ARRANGEMENTS

The LA has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities for its banking arrangements. This section only applies to those schools that choose to operate their own bank accounts; non bank account schools may draw on their entire budget share from the start of the financial year.

The majority of schools continue to use the payments and payroll services of Employment administrative services and Exchequer Services. If schools wish to

continue with this arrangement, this section of the Scheme is not relevant. This section updates our arrangements for chequebook schools in order to meet the requirements of all schools.

Schools are able to hold an external bank account for official funds in addition to a petty cash imprest account. They will also have the option to have deposits paid at different times, subject to the discretion of and at a cost determined by the Director of People and Director of Resources.

Schools choosing to hold an external bank account must comply with the conditions of use and all school based staff with the responsibility of discharging school budgets must become familiar with the Council's systems and financial procedures.

3.1 Frequency of Instalments

A school with a local bank account can opt to receive their budget share on a monthly or termly basis. A school without a local bank account is able to draw on its budget share from the start of the year.

3.2 Proportion of Budget Share Payable at Each Instalment

Where applicable instalments will be credited to external bank accounts in June, September, December and March for quarterly instalments and the first working day of each calendar month for monthly instalments.

A revision will be made in the September deposit to take account of:

- a school's actual budget plan for the year;
- any under or overspend on previous year employee costs;
- any interest lost or gained on the adjustment to the first of the deposits.

Schools operating external bank accounts for the first time may have a surplus balance brought forward from the previous financial year. An advance, based on an estimate of the year-end balance, will be paid into the school's bank account. Any adjustment for actual year-end balance will be added or deducted accordingly once the year-end balances have been finalised. Any unplanned deficit balance brought forward from the preceding financial year will be deducted from the funding transfer otherwise due to the school for the ensuing year.

3.3 Interest Clawback

The payment of funds into a school bank account at an earlier stage than invoices or employee pay would normally be paid, will result in a loss of interest to the City Council. This loss of interest will be recouped by a deduction to the advances made to schools.

The rate of deduction will be dependent upon the three-month London Inter-Bank Bid (LIBID) interest rates at the time of the advance. If the proposed method of deposits shown is adopted the loss of interest deduction will be nil.

The basis of the calculation for the interest deduction is as follows:

$$A - B = C \times D/365 \times E\%$$

Where

A = the total forecast budgets to be advanced to schools within the scheme per month.

B = the expected expenditure of schools within the scheme per month based on historic patterns of spending.

C= A-B, the remaining balances

D= the number of days in each month.

E = interest rate,

The formula will give the cost to Newcastle LA on a monthly basis. These costs will be totalled to give the expected annual loss, which expressed, as a percentage of the total annual relevant advances, will give the percentage to be deducted from relevant advances.

It is intended to calculate the percentage deduction at the start of each financial year and the interest will be deducted from the relevant advances.

Due to the different ways of advancing monies in the partial and full schemes, there will be calculation of interest lost for both schemes.

For schools opting for the full scheme but continuing to use Newcastle LA for payroll services, there will be additional transaction charges for processing. These will be recharged to relevant schools on an actual basis.

3.3.1 Interest on Late Budget Share Payments

The LA will add interest to late payments of budget share instalments, only where such late payment is the result of LA error. The interest rate used will be that used for the interest clawback calculations.

3.4 Budget Shares for Closing Schools

Budget shares of schools for which approval for closure has been agreed will be made available, until closure, on a monthly basis net of estimated pay costs, even where a different basis was previously used.

3.5 Bank and Building Society Accounts

All primary, secondary and special maintained schools will be allowed to open external bank accounts into which their full budget share or non-pay costs only can be paid. Schools will be allowed to retain all interest receivable on any external bank account but must bear any charges applicable to the account.

Any school with a deficit balance will not be allowed an external bank account until such deficits have been cleared to the satisfaction of the LA.

If a school opens an external bank account the LA will, if the school desires, transfer immediately to the account an amount agreed by both school and LA as the estimated surplus balance held by the LA 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 have discretion to open their own bank accounts for budget share purposes; bank accounts should be in the name of the school rather than the authority. Schools are able to use any high street bank or member of the Building Society Association. The opening of all accounts must be authorised by the Governing Body after consultation with the local authority.

However, if a school has such an account, the account mandate should provide that the local 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 LA.

A list of approved banking institutions can be obtained from the Director of Resources. No other financial institution may be used without the express approval in writing of the Director of People or Director of Resources. The only exception is, those schools having bank accounts with other banks prior to 1 April 2001 will be allowed to retain those accounts.

The authority will continue to have arrangements negotiated with certain banks whereby the accounts are in the name of the authority but specific to each school, and offer such arrangements to schools. Budget share funds paid by the authority and held in school accounts remain authority property until spent (s.49(5) of the Act).

Schools should have in place a list of authorised signatories for bank accounts, authority and school employees are allowed to be signatories. It is not permissible for governors who are not members of staff to be signatories. A yearly revision of arrangements should be adopted as good practice.

There are no restrictions on the use of direct debits or standing orders for a bank accounts operated by a school, except where the account is part of an authority contract.

Because of the tax status of Newcastle LA, interest should be paid gross, without the deduction of tax. Inland Revenue Form R85 (1990) should be obtained from the bank and completed by schools to ensure the payment of gross interest.

Any new bank account arrangements can only be made with effect from the beginning of a financial year. External banking arrangements will only be allowed to commence from the beginning of the financial year, unless the LA agrees otherwise, and the LA must be given a minimum of four months' notice in writing by the

Governing Body and Headteacher if their school wishes to operate such arrangements.

Schools wishing to participate in the scheme must therefore apply to the Authority by 31 December in any year in order to operate chequebook arrangements from the following financial year. This application must be authorised by both the Headteacher and the Governing Body of the school.

The Authority may delay an individual school's admission to the scheme where the school is experiencing considerable difficulty in maintaining expenditure within its formula budget share or where significant deficit balances are brought forward from previous years. This will only apply following discussions with the Headteacher of the school.

Schools will not be granted bank account status until any deficit balance is cleared.

Applications to open bank accounts and bank mandates must be authorised by the Governing Body and copied to the Director of People. The Governing Body must also authorise the arrangements covering the operation of the accounts including any transfers between accounts and cheque signing arrangements.

3.6 Borrowing by Schools

A Governing Body will only be allowed to borrow money (which includes the use of finance leases) from an external source after seeking approval in writing from 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.

Schools are permitted to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving. The Director of People must be notified in writing of such intent ten working days before submission of any request to the Secretary of State. The Governing Body in these circumstances has to plan and conduct its affairs to remain solvent. Any school proposing to take this course of action is strongly advised first to consult with the Director of People and Director of Resources.

Schools must not borrow to finance a revenue deficit either through a bank overdraft, credit card or other means. However, the use of procurement cards is permissible, as they can be a useful means of facilitating electronic purchase.

This provision does not apply to loan schemes run by the authority (see section 4.10)

Queries on the Secretary of State's power should be directed to the Department's School Capital team, which issues periodic advice on the matter.

www.education.gov.uk/help/contactus/dfe

Further guidance can be found in section Q (Borrowing by schools) of the Financial Handbook for Schools.

3.7 Other provisions

In order that the Director of People and the Director of Resources can carry out their responsibilities under Section 151 of the Local Government Act 1972, schools will be required to comply with control procedures as laid down in section 6 of the Local Bank Account Guidance Notes.

The City Council will consider withdrawal of the chequebook facility for schools failing to submit balanced monthly reconciliation's in line with the approved timetable and procedures. The City Council reserves the right to consider withdrawal of the chequebook facility if a specified number of unbalanced reconciliation statements are received in a year.

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

4.1 Right to Carry Forward Surplus Balances

Schools must carry forward from one financial year to the next any surplus/ deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

Any school opening a new bank account will receive their estimated carry forward surplus balance on 1st April. The estimated figure will be agreed between the school and the Authority. Any adjustment to this figure will be made following the closure of the accounts using the outturn statement published under S.251 of the Apprenticeship, Skills, Children and Learning Act 2009.

4.2 Controls on Surplus Balances

The local authority reserves the right to apply a mechanism to clawback excess surplus balances. The method of application in the control of surplus balance accrual will have a regard to the principle that schools are moving towards greater financial autonomy. The authority will not constrain schools from making early efficiencies to support their medium-term budgeting planning or apply bureaucratic measures in maintaining a process of monitoring.

Therefore, the authority's intervention over such matters will be focused on only those schools which have built up significant uncommitted excessive balances. As agreed by the Newcastle Schools Forum the authority is entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the school budget share for primary, middle and special schools (5% for secondary schools) or in other circumstances where, in its view, the level of surplus balances may be a cause for concern.

4.3 Interest on Surplus Balances

Surplus balances held by the LA on behalf of schools will attract interest, which will be credited to the school budget share. The calculation will be determined by the Director of Resources and will be credited to the school budget share at the end of each financial year once the schools year-end balance is determined.

4.4 Obligation to Carry Forward Deficit balances

Deficits arising from over spending by a school against its delegated budget will remain with the school and be carried forward from one financial year to the next. Any deficit incurred in a year will be deducted from the following year's budget share.

4.5 Planning for Deficit Balances

Schools may not plan for budget deficits and are required to keep spending within their budget share unless they have sought and have received permission to enter into a "Licensed Deficit".

In some limited circumstances, it may be possible for schools to seek approval to set budgets which only come into balance over a period of time up to a maximum of three years. The Council is not advocating that schools run into deficit in an uncontrolled way. Therefore, such approval will only be given in certain circumstances depending on the size of the proposed deficit and will be agreed in advance by the Director of People and Director of Resources. The level of planned deficit approved will amount to no more than 10% of a school's total budget share for the year (see section 4.9).

In accordance with the Council's policy of paying interest on all balances, planned or unplanned, interest will be charged for the duration of the deficit at a rate to be determined by the Director of Resources.

4.6 Charging of Interest on Deficit Balances

Deficit balances held by the school will incur interest which will be charged to the budget share. The calculation will be determined by the Director of Resources and will be debited to the school budget share once a year.

4.7 Writing Off Deficits

The Authority has no power to write off the deficit balance of any school. Funding to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools (where agreed by Schools Forum), or a central budget for special schools and PRUs.

4.8 Balances of Closing and Amalgamating Schools

When any school is closed, any balances (whether surplus or deficit) revert back to the LA. It cannot be transferred as a balance to any other school, even where the school is a successor to the school, except that a surplus transfers to an academy

where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

4.9 Licensed Deficits

Schools should contain their annual spending within the total resources available to them, but where this is impossible the Governors may seek the approval of the Authority to plan for a deficit. A licensed deficit budget should only be sought in exceptional circumstances as follows:

- Where there is likely to be a significant deficit which, given the school's circumstances, it is unreasonable to expect the school to recover in a single year;
- Where there is a clear explanation as to why the deficit has arisen;
- Where it is possible for the LA to verify that the school has very limited scope to prevent the deficit.

The licensed deficit must be agreed in advance through the following process:

- Schools should submit a written proposal to the Director of People. The Education Management Team will consider the application.
- This proposal should include suitable and robust financial plans for future years, which clearly demonstrate the ability to repay the deficit in the stated time.
- Plans must show the deficit being progressively reduced and eliminated within a maximum period of three years from the year the deficit was agreed;
- The Director of People will write to the school, within two weeks of the meeting that considered the school's proposal, setting out the decisions reached.
- The school will take a final proposal to the Governing Body and will reply to the Director of People within two weeks of the Governing Body meeting, by providing a full copy of the minutes setting out in full both the terms of the licensed deficit and the Governing Body's decisions.
- The process for assessing an application from a school for a licensed deficit will be made against specific criteria prescribed by the Director of People and Director of Resources.

The deficit is also subject to the following guidelines:

- deficit arrangements may be agreed for the following purposes;
 - one-off fall in pupil numbers, with numbers due to rise/stabilise in future years;
 - large, emergency items of expenditure
 - unexpected significant reduction in funding.
- The maximum size of a licensed deficit is 10% of the school's delegated budget or £100,000 for a Primary School & £300,000 for a Secondary School; whichever is the lesser sum. In exceptional circumstances, the local authority may consider a higher limit.
- The maximum proportion of the collective balances of schools that are held by the local authority (this excludes balances held by cheque book schools) that will be used for accounting purposes to back this arrangement is 20% or £2m, whichever is the lesser sum.

Regular financial management information will have to be provided by the school to LA officers to enable monitoring against the submitted financial plan.

4.10 Loan Schemes

The LA provides a loans scheme for schools which does not operate by way of a licensed deficit but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the school's budget share.

The detailed arrangements applying to this scheme are set out below:

- The maximum size of a licensed deficit is 10% of the school's delegated budget or £100,000 for a Primary School & £300,000 for a Secondary School, whichever is the lesser sum. In exceptional circumstances, the local authority may consider a higher limit, subject to submission of a detailed business plan which proves to the LA's satisfaction that the school can meet the ongoing commitment to repay the loan.
- The maximum period over which schools may repay the loan is three years.
- Loans will normally only be made available for the following purposes
 - Repairs and maintenance or improvements to school buildings
 - Investment projects (which may include up-front costs of staffing restructures) to produce revenue savings in response to future funding reductions
 - Purchase of major items of equipment with a useful life of at least the duration of the loan.
- The project must also make a contribution to raising educational standards and progress as part of the school development plan.
- The LA will determine the school's ability to repay the loan by reviewing the following:
 - Last three years' balances
 - Last three years' capital funding allocations if relevant
 - Current five-year financial forward plan
 - School estimates of next five-year pupil numbers and funding allocations, verified by the LA
 - Latest audit recommendations
- The maximum proportion of the collective school balances held by the LA used to back the arrangement shall not exceed 20% or £2m whichever is the lesser sum. If demand exceeds this, applications will be prioritised.
- The Lead Assistant Director and Director of Resources are responsible for approving any loans.
- Interest will be charged in line with the arrangements for charging interest on deficits outlined in this scheme.
- In line with DfE statutory guidance, any school converting to academy status will be required to sign an agreement to guarantee repayment of the loan within the original terms.

4.10.1 Credit Union Approach

In some areas if no other scheme is available, schools can group together to utilise externally held balances for a credit union approach to loans. These arrangements

are not included in the Formula Funding Scheme for Newcastle because of the provision for licensed deficits.

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 or PFI/PPP agreements.

This scheme allows schools to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

However, schools are required to have regard to directions issued by the authority as to the use of school premises, as permitted under the Act for various categories of schools. Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

Further guidance can be found in section P (Land and Buildings) of the Financial Handbook for Schools model lettings policy.

5.2 Income from Fees and Charges

Except where a service is provided by the LA from centrally retained funds, schools are permitted to retain any income from fees and charges generated from school activities. Any income from fees and charges received by Governing Bodies in respect of services provided from central funds will be passed back to the LA. All charges shall have regard to statutory requirements, the LA and Governing Body policies on charges, remissions and income. Income from boarding charges is collected on behalf of the LA and should not exceed that needed to provide board and lodging for the pupils concerned.

5.3 Income from Fund Raising Activities

All schools within this scheme will be able to retain any income arising from fund raising activities.

5.4 Income from the Sale of Assets

The sale of any assets must comply with the procedures set out in the specific requirements on the sale of assets contained in The LA's Financial Handbook for Schools.

All schools within the scheme will be able to retain the proceeds from the sale of assets except in cases where:

- the asset was purchased with non-delegated funds, or;
- where the asset concerned is land or buildings forming part of the school premises and is owned by the LA.

5.5 Administrative Procedures for the Collection of Income

The Head teacher is responsible to the Governing Body for the collection and accounting of all income due to the school. Schools are also required to comply with all relevant legislation relating to income, specifically VAT. And seek advice to whether to charge VAT on lettings and on the services which lead to fees and charges, and on the VAT implications of fund raising activities and sale of assets.

5.6 Purposes for which Income may be used

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

Further guidance can be found within section N (Income collection) and section Z (Schools activities, Charging and Remission Policy) of the Financial Handbook for Schools.

SECTION 6 – THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

The budget share of a schools covered by this Scheme can be charged by the LA without the consent of the Governing Body only in the circumstances set out below (6.2).

If such a charge is to be made, schools will be consulted about the reasons for the charge, the amount and the date when the charge will be undertaken. A full consultation will happen in advance of the charge being levied. Any dispute over a charge will be considered by the Director of People. The authority will not act unreasonably in the exercise of any power given by the scheme

For each of these circumstances the authority would have to be able to demonstrate that it had necessarily incurred the expenditure now charged to the budget share.

This means that where the authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

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

6.1.1 Charging Salaries at actual cost

The LA is required to charge the salaries and related payments of school based staff to a school budget share at actual cost.

Further guidance can be found in section L (Payment of Salaries) of the Financial Handbook for Schools

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 the school had not followed authority advice;

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;

See also 10.1. The authority will consider whether it has an insurable interest in any particular case.

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 Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other 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 authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11** Legal costs which are incurred by the authority 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 a statement of SEN 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 arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.20** Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- 6.2.21** Costs incurred by the authority as a direct consequence of a school's conversion to academy status. This includes, but is not limited to, charges for legal fees.

SECTION 7 – TAXATION

7.1 Value Added Tax (VAT)

The Council is able to reclaim from H.M. Revenue and Customs the net cost of any VAT incurred by schools on non-business activities. In relation to funding made available by the Council, the school acts as an agent of the Council. This does not include expenditure by the Governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings.

7.2 Construction Industry Taxation Scheme (CITS)

The H.M. Revenue and Customs has advised that Newcastle LA must retain direct responsibility for the relevant annual tax returns to the Collector of Taxes and Inspector of Taxes respectively for payments subjected to deduction and for payments to certified sub-contractors. This matter is routinely dealt with for schools that use the LA's payroll and creditor payments service. Schools who have their invoices paid via the School Payments Agency are required to forward all invoices to this service.

Schools who process their invoices via the batching system are required to forward all invoices for payment in batches to the City Council Corporate Controls & Payments Section.

The H.M. Revenue and Customs has made a concession that relieves schools of the requirement to operate the scheme in respect of contracts for which the labour element does not exceed £1,000. Schools must guarantee that work, which would normally form one contract, will not be broken into a number of smaller contracts, each under the £1,000 limit.

When schools arrange for work to be carried out that comes under the Construction Industry Tax Deduction Scheme they must confirm with the sub-contractor that he has presented his registration documents to the Corporate Controls & Payments Section, as the invoice cannot be paid until this is done.

If the sub-contractor has not presented their registration documents to the Corporate Controls & Payments Section they may produce them at the school where the work is taking place. The school must photocopy the registration card, insert the name and address of the sub-contractor and authorise that the person presenting the registration card is the same person whose photograph appears on the card. The endorsed photocopy should then be sent to Corporate Controls & Payments Section where it will be updated onto our creditors system. Again no payment will be made until this formality is completed.

Further advice on CITS administration is provided in Section Y (Construction Industry Scheme) of the Financial Handbook for Schools.

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

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

The authority will not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

8.1 Provision of services from centrally retained budgets

In accordance with Section 48 of the SSFA 1998, it is for the Council to determine on what basis services from centrally retained funds will be provided to schools.

The Council's total revenue expenditure on Education will be divided into three categories:

- Non school expenditure (for example, Early Years, and Student Support)
- Ongoing school related commitments (for example, servicing and repayment of capital debts)
- All other expenditure (to be termed the Individual schools budget and divided between the Council and schools)

On the basis that funding will be aligned with responsibilities, centrally retained funding will be identified under the following headings:

Strategic Management

This category covers the overall management of the LA's responsibilities and includes the Director of People plus personal staff; corporate planning for Education; statutory financial duties; etc.

School Admissions

- Includes expenditure incurred in connection with the Authority's functions under section 85A of the 1998 Act (as inserted by S46 2002 Act). This includes the administration of the system of admissions of pupils to schools including expenditure incurred in:
- carrying out consultations under section 89(2) of the 1998 Act, establishing, maintaining and consulting with representative bodies for the purposes of admissions;
- relation to appeals, except where the governing body have agreed with the authority that this proviso should not apply to them or where the authority are satisfied that factors or criteria within the funding formula already make

suitable provision.

School Improvement

Expenditure incurred by the authority in respect of action to support the improvement of standards in the authority's schools

Special Education

This category covers support for pupils with special educational needs (SEN), and expenditure on other services and functions relating to individual pupils

Support to schools over the above areas will be provided on an equitable basis except where funding has been delegated to some schools only, or discrimination is justified by differences in statutory duties.

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

Any service offered to schools by the City Council under a Service Level Agreement (SLA) will be limited to the term of arrangement. Schools buying services from the Council will be subject 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 an extension to five and seven years respectively for contracts for supply of catering services is permissible. The exceptions to this are centrally funded premises and liability insurance and services provided within any scheme under the Private Finance Initiative (PFI) (see section 9). In respect of catering contracts these dates can be five and seven years respectively.

There is no minimum period, although arrangements lasting less than two years may well be uneconomic.

When a service is provided for which expenditure is not retainable centrally by the LA under the Regulations made under section 45A of the Act, it must be offered at prices that 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.

This provision complements the implied requirements of the regulations on central retention of funds. It is recognised that absolute break-even or profit is not always achievable over fixed financial years: the LA may show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

8.2.1 Packaging

Services which the authority is providing on a buy back basis will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available. 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 must be in place by 31st March each year to operate from 1st April. When a service produces an SLA, this must allow schools at least one month to consider the terms of the agreement before that agreement comes into force.

8.3.1 Where services or facilities are provided under a service level agreement – whether free or on a buy back basis – the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.3.2 Where services are offered by the LA they will be available on a basis, which is not related to an extended agreement, as well as on the basis of such agreements.

Where services are provided to schools on a use as required basis, it is likely that the costs of that type of support will reflect a higher rate than support that is provided through a service level agreement.

8.3.3 Excluded from this scheme are centrally arranged premises and liability insurance arrangements, as the limitations envisaged may be impracticable for insurance purposes.

All Services from the City Council will be on the basis of service level agreements which will set out in detail:

- a definition of the service;
- how service delivery will be measured and monitored;
- service costs

And where appropriate, the school's responsibilities.

8.4 Teachers Pensions

Governing Bodies of schools that provide payroll services should submit an annual 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

The Major Projects team within the local authority can be contacted for all matters relating to BSF/ PFI matters including proposals for the development construction and refurbishment of the school estate. Contractual and Service Level Agreement advice is also within the remit of the Major Project Team.

The operating charge elements of PFI fees will usually be for premises related services, which schools normally meet from their delegated budgets. When a PFI project is considered the Governing Body will be consulted on the proposals. If the proposal is to proceed, the Governing Body is likely to be required to meet a specified part of the PFI fee for the duration of the PFI contract. Such contributions from the delegated budget will be agreed with the Governing Body.

SECTION 10 – INSURANCE

10.1 Insurance Cover

The Director of Resources (Section 151 Officer) retains overall responsibility for ensuring that schools are adequately insured. Since 1 April 1999, schools have been given the option of receiving delegated resources with which to negotiate their own insurance arrangements.

If funds for insurance are delegated to any school, the school must demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the LA if the LA makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.

The LA has regard to the actual risks that 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. To enable the Director of Resources to assess the adequacy of insurance cover, specifically Fire, Employers and Public Liability insurances, any school making its own arrangements must provide details of such cover at least one month before the commencement of the relevant financial year.

The councils own insurance exceeds the following minimum cover levels that have been listed below and therefore minimum levels of cover expected, should a school opt for their own cover,

- **Business Interruption £1m**
- **Employers & Public Liability £25m**
- **Governors Liability £5m**
- **Libel & Slander £500,000**

These categories are not exhaustive.

If the Director of Resources deems that the insurance cover is inadequate the Council retains the right to arrange separate and additional insurance cover that will be charged against the school's delegated budget share.

In the event of a school becoming unable to secure adequate insurance with an insurer, (for example, as a result of a poor claims history) then the Director of Resources reserves the right to arrange an appropriate level of cover within the authority scheme and levy the associated charge against the school's delegated budget share. Schools will not be permitted to opt out of authority insurance schemes part way through the year. Further guidance can be found within section R (insurance) of the Financial Handbook for Schools.

SECTION 11 – MISCELLANEOUS

11.1 Rights of Access to Information

Section 2 of this scheme places a requirement upon the Governing Body of a school to provide the Director of People and Director of Resources (or their representatives) with adequate financial information to enable the Council to satisfy itself as to the school's effective management of its delegated budget share, or the use made of any central expenditure on the school. Further detail around data protection can be found within section O (Data Protection) of the Financial Handbook for Schools.

11.2 Liability of Governors

Under Section 50 (paragraph 7) of the School Standards and Framework Act 1998, because the Governing Body is a corporate body, Governors of maintained schools will not incur personal financial liability in the exercise of their power to spend the delegated budget of the school within the framework of this scheme, provided that they act in good faith.

11.3 Governors' expenses

In accordance with Schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of those purposes specified in regulations published by the Secretary of State may be paid to Governors from a school's delegated budget share. The payment of any other allowances is not permitted.

Should the Secretary of State choose to pay expenses to additional Governors appointed to schools under special measures, the payment of these expenses should not be duplicated. Further guidance can be found within section M (Allowances for Travelling and Subsistence) and also the "Allowances and Expenses" section on the HR for schools website.

11.4 Responsibility for legal costs

Any legal costs incurred by a Governing Body (although the responsibility of the Council as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school Governors for buildings) may be charged to a school's budget share unless the Governing Body acts in accordance with the advice of the authority. See Section 6 of this scheme for further detail.

Where there is conflict of interest between the Governing Body and the Local Authority, the Governing Body may obtain legal advice from an independent legal adviser, the costs of which should be met from the school's budget share.

11.5 Health and Safety

The Governing Body must take account of the published Health and Safety policy in the discharge of their delegated responsibilities.

Under s.39 (3) of the School Standards and Framework Act, LAs may issue directions to the Governing Body and Headteacher of a community, community special or voluntary controlled school on health and safety matters; these directions are enforceable, so far as Governing Bodies are concerned, via s.497 of the Education Act 1996 if not complied with.

The LA, or for voluntary aided and foundation schools, the Governing Body, will retain primary responsibility as the employer under Sections 2 and 3 of the Health and Safety At Work, etc Act 1974. As such, it will continue to have power to issue directions on health and safety provision. The following criteria will therefore apply:

- Governing Bodies of community and voluntary controlled schools should comply, insofar as it is within their power to do so, with the statement of its Health and Safety Policy, as detailed in the Personnel Practices and Procedures Handbook.
- Governing Bodies of voluntary aided and foundations schools will continue to exercise their statutory duties in respect of health and safety.
- Governing Bodies of community, voluntary and controlled schools will be responsible for the health and safety aspects of those functions delegated to them.

Where a Governing Body fails to comply with the LA's Policy, the LA may arrange for the work to be carried out and charge the school budget share (Section 6).

11.6 Right of attendance for Chief Finance Officer

Governing Bodies shall permit the Director of Resources or his representative to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of Section 151 responsibilities.

The Director of Resources' attendance will normally be limited to items that relate to issues of probity or overall financial management, *such attendance should not be regarded as routine. The authority will give prior notice of attendance unless this is impracticable.*

11.7 Special Educational Needs

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

11.8 Interest on Late Payments

Provisions are contained in Chapter 3 Section 3.3.1 that deal with interest on late payment of budget share instalments.

11.9 Whistleblowing

Employees are often the first to realise that there may be something wrong within their school. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues, the school or to the City Council. They may also fear harassment or victimisation. The City Council has relevant procedures to be followed by persons working at a school or school Governors who wish to complain about financial management or financial probity at the school; the policy details how such complaints will be dealt with and how the Council's commitment to good practices, to valuing staff and seeking continuous improvement in our service delivery. The City Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with who have concerns about any aspect of the City Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

The details of this policy for confidential reporting of concerns ("whistleblowing") are contained in the **Newcastle Charter Document, Part 5.3A - POLICY FOR CONFIDENTIAL REPORTING OF CONCERNS ("WHISTLEBLOWING")**.

11.10 Child Protection

Schools are reminded of the need to release relevant staff to attend child protection case conferences and other related events. Funds will be held centrally to support schools for the costs of supply cover and attendance at case conferences in respect of child protection issues.

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
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12.1 The local authority has delegated all revenue funding for repairs and maintenance of school premises and grounds. The responsibility lies with the school Governing Body to discharge this funding against school priorities.

12.2 Only limited capital expenditure is retained by the authority. For these purposes, expenditure may be 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. The local authority will spend capital funding in accordance with the priorities set out in its Asset Management Plan.

12.3 For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, 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.

12.4 The funding for the repair and maintenance of all kitchens and kitchen equipment including for seating and dining fixtures are the responsibility of the Governing Body

SECTION 13 –COMMUNITY FACILITIES

13.1 APPLICATION OF SCHEMES FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that. However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities. Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. This part of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the authority and schools to secure the provision of adult and community learning.

For the avoidance of doubt, this chapter covers the provision of childcare and other "community focused" activities, in children's centres, where run directly by school's governing body acting in that capacity. It also covers similar activities run by the school through a network or confederation, where the risk of those activities ultimately lie with the school or with the local authority (ie the school enters into contracts or employs staff).

13.2 Schools are reminded that mismanagement of community facilities can be grounds for suspension of the right to a delegated budget.

CONSULTATION WITH THE LA: FINANCIAL ASPECTS

13.3 In accordance with Section 28(4) of the Education Act 2002, requires that before exercising the community facilities power, Governing Bodies must consult the LA regarding their proposals and have regard to their advice.

From April 2011 there has been a change in the law to allow schools to spend their delegated budget on community facilities. Schools are able to use their delegated budget for community facilities. However, there is a prohibition on schools using their community facilities power if this would interfere with their primary focus of raising standards.

13.4 Schools are encouraged to seek the LA's advice and submit their proposals as soon as possible, but no later than 3 months before the intended start date. When submitting their proposals formally, schools must include a detailed business plan containing a description of the service they plan to introduce along with a robust financial framework to support the proposals.

13.5 Schools are strongly advised to seek professional advice in developing their plans and to ensure that any concept proposals or strategies are complete before formally seeking advice from the LA. In general schools will be required to have regard to providing information in relation to their proposals. The LA will comment on the school's submission as soon as practically possible, in most circumstances, within 6 weeks of receipt of the complete information profile. Where the LA offers advice to a school, the school must respond to the LA outlining what action it has taken in response to that advice before commencing with the scheme. There will be no charge levied for advice in relation to this area of activity.

FUNDING AGREEMENTS: LA POWERS

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

13.7 Schools must not enter into any financial relationship or agreement with a third party until they have submitted the terms of the proposed agreement to the LA and acted in accordance with the LA's advice and comments. Any submission to the LA for consideration should be sent as soon as practicably possible but not less than 2 months prior to the proposed date for the agreement completion. The LA will not become a signatory to any such agreement, unless it is a requirement imposed by the third party or by the Governing Body. Should this matter arise the method by which the LA consent will be subject to advice from Newcastle City Council Legal Services.

If an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS

13.8. The LA does not have the right of veto to either funding agreements with third parties or for other proposed uses of the community facilities power. The Authority reserves the right in specific instances 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 LA.

13.9. Section 28 of the Education Act provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools. The Authority does not intend to propose any further scheme provisions.

SUPPLY OF FINANCIAL INFORMATION

13.10. Schools are required, at the discretion of the Lead Assistant Director for Education and Skills where the project carries significant financial risk to submit summary statements at least every 6 months. The Lead Assistant Director for Education and Skills will determine the format of the statement. Statements will detail income and expenditure for the school arising from the facilities in question for the previous 6 months and on an estimated basis for the next 6 months. Summary statements will also contain a provision to report any significant departures from estimates that were submitted in a previous period.

13.11. In circumstances where the LA has given notice to a school that it believes there is cause for concern in the school's financial management in relation to the exercise of the community facilities power, the LA may require financial statements to be supplied every 3 months and, if deemed appropriate, a requirement to submit of a recovery plan for the activity in question. All statements and returns must be certified by the Headteacher and Chair of Governing Body and sent to the Lead Assistant Director for Education and Skills within two weeks of the end of each quarter (or month). Financial information relating to the community powers facility must also be included within the Consistent Financial Reporting (CFR) framework returns of the school.

These provisions do not preclude the LA from inserting further financial reporting requirements arising from the funding in question.

AUDIT

13.12. Regard must be given to the content within the Newcastle Financial Handbook for Schools, Audit Section (E). Schools are expected to apply the same principles and procedures of conduct to the management of financial affairs in relation to the community facilities power as they do to every-day school financial activity. Schools must grant access to records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

13.13. If a school enters into an agreement with other persons or bodies pursuant to the exercise of the community facilities power, they shall ensure that such agreements contain adequate provision for access by the LA 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 LA to satisfy itself as to the propriety of expenditure on the facilities in question.

TREATMENT OF INCOME AND SURPLUSES

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

13.15 Surplus income above expenditure levels generated during the financial year will be carried forward over into the following financial year within the community facilities account. Similarly, any deficit accrued during the financial year will be carried forward over into the following financial year in the same account. Where a school wishes to transfer all or part of any accumulated surpluses and add it to the budget share balance, the school must seek the agreement of the LA before doing so.

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

HEALTH AND SAFETY MATTERS

13.17 Schools wishing to utilise the community facilities power must ensure that the Governing Body extend their Health and Safety responsibilities to the additional hours of use of school premises. All Health and Safety provisions of the main scheme apply to the community facilities power. The only exceptions are where a transfer of control agreement or trust deed specifically delegates control of an external organisation or provider.

13.18 The Governing Body will assume responsibility for the costs of securing Criminal Records Bureau 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

13.19 Schools must note that 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. It is recommended that the school seek the LA's advice before finalising any insurance arrangements. Such insurance should not be funded from the school budget share.

13.20 The LA will undertake its own assessment of the insurance arrangements made by a school in respect of community facilities power, and if it judges those arrangements are inadequate, it will make the necessary arrangements itself and charge the resultant cost to the school. Such costs cannot be met from the school's budget share.

TAXATION

13.21 Schools must seek the advice of the LA 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.

13.22. Schools are reminded that if any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in the school's own bank account set up for the purpose (see section 11), the school will be liable for payment of income tax and National Insurance, in line with HMRC rules.

13.23. Schools are required to follow the LA's advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

BANKING

13.24. Where a school exercises the community facilities power and already operates with an independent bank account for its budget share, there is a requirement to open a separate bank account for transactions in connection with community facilities. Furthermore, when a school exercises the community facilities power and uses the LA's banking arrangements for its budget share, it shall either open an independent bank account for transactions relating to community facilities or use the LA's banking arrangements. At all times transactions between community facilities power and school budget share must be kept separate.

13.25. Any independent bank account relating to community facilities expenditure may be opened in the name of the school or of joint status with the City Council, however, the account must be opened only with those banks authorised by the City Council. All financial transactions must be undertaken in accordance with the LA's "Financial Regulations for Schools". The general approach to these matters should mirror those in the main part of the scheme, except that a provision requiring that a mandate show the LA 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.

13.26 A Governing Body will only be allowed to borrow money from an external source after seeking approval in writing from the Secretary of State. The Director of People must be notified in writing of such intent ten working days before submission of the request to the Secretary of State. Schools must not borrow to finance a revenue deficit either through a bank overdraft or other means, and must demonstrate good financial management by accurately forecasting their cash position. This requirement does not extend to monies lent to schools by their maintaining LA.

For further guidance see section Q (Investment, Borrowing and Loans) of the Financial Handbook for Schools

ANNEX A

SCHOOLS COVERED BY THE NEWCASTLE SCHEME
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NURSERY SCHOOLS

Ashfield Nursery
Atkinson Road Nursery
Monkchester Road Nursery
Newburn Manor Nursery

EARLY YEARS CENTRE

Cruddas Park

FIRST SCHOOLS

Archbishop Runcie CE
Archibald
Broadway East
Brunton
Dinnington
Gosforth Park
Grange
Regent Farm
South Gosforth

PRIMARY

Beech Hill
Benton Park
Bridgewater
Broadwood Primary
Byker Primary
Canning Street
Chillingham Road
Cragside
Hawthorn
Hotspur
Knop Law
Lemington
Milecastle
Moorside
Newburn Manor
Ravenswood
Simonside
St. John's
Throckley
Walbottle Village
Waverley
West Denton
West Jesmond

Westerhope
Westgate Hill
Wingrove

CHURCH OF ENGLAND AND ROMAN CATHOLIC PRIMARY SCHOOLS

Christ Church CE
English Martyrs' RC
Our Lady & St Anne's RC
Sacred Heart RC
St Alban's RC
St Bede's RC
St Catherine's RC
St Charles' RC
St Cuthbert's Kenton Catholic
St Cuthbert's Walbottle RC
St George's RC
St John Vianney RC
St Joseph's RC
St Lawrence's RC
St Mark's RC
St Michael's RC
St Oswald's Catholic
St Paul's CE
St Teresa's Catholic
St Vincent's RC

MIDDLE SCHOOLS

Gosforth Central
Gosforth East

SECONDARY / HIGH SCHOOLS

Benfield
Heaton Manor
Walbottle Campus Technology College
Walker Technology College

SPECIAL SCHOOLS

Hadrian
Linhope PRU
Newcastle Bridges
Sir Charles Parsons
Thomas Bewick

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. The section is based closely on Annex B of the DFE Statutory Guidance on Schemes for Financing Schools, as updated in December 2010.

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

Newcastle City Council Arrangements

The fact that circumstances are listed in the DFE Statutory Guidance where it might be appropriate for a local authority to meet premature retirement costs centrally does not mean that Newcastle City Council will always, or ever, meet such costs in those circumstances. If such costs are to be met, this must be expressly agreed by the Lead Assistant Director for Education and Skills **before** the retirement occurs.

Costs of redundancies will be met by the Schools delegated budget unless:-

- the redundancy arises from a local authority sponsored school closure or amalgamation OR

- the school meets the financial viability criteria as outlined in the Scheme for Compensation, Funding and Approval of Redundancy & Early Retirement

In such circumstances, the local authority will meet all costs arising from a local authority sponsored schools closure or amalgamation and will meet the costs of a school initiated redundancy where the school can demonstrate that it meets the budget deficit criteria. The Lead Assistant Director for Education and Skills must approve all such funding before the redundancies take effect.

<p>Premature Retirement Costs and Redundancy Costs for Community Facilities Staff</p>
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For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Section 37 now states:

(7) Where a local education authority incur costs—

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

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

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

ANNEX C

Rates Charges

As required by the School Funding Regulations all schools (and academies) are funded for the actual costs incurred in respect of rates charges. Typically this is either at 100% of the full assessed charge (as is the case with most schools) or at 20% of the full assessed rates charge (after mandatory relief of 80% has been applied where charitable status exists).

Historically some schools have benefited from an additional 20% 'Discretionary' relief due to Voluntary Aided Status, the cost of which has been borne by the local authority. Upon conversion to academy this has created an anomaly whereby some academies are funded and receive mandatory relief (at 80% of the assessed rates charge) while former Voluntary Aided schools receive the mandatory relief in addition to the historic discretionary relief.

To ensure consistency across the academy sector mandatory relief only will apply so that relief of 80% against the assessed rates charge will be granted. This is cost neutral to each academy as budget will be allocated through the funding formula to match the actual cost incurred in line with School Funding Regulations.

Annex D

School Monitoring Report

School Name e.g. Newcastle Primary
 Figures based on end of month e.g. Period 3 - June
 Date agreed by full Governing Body e.g. 17.7.2017

	Budget	Actual expenditure to date	% of budget spent to date	Projected year end spend	Projected year end variance	Comments
Teaching Staff						
Support Staff						
Other Staff Costs						
Premises Related Costs						
Transport						
Supplies & Services						
Extended Schools						
Miscellaneous Costs						
Agencies						
Other						
Income						
Contingency and Adjustments						
TOTAL	0	0	0	0	0	

The total budget should agree to your approved budget

Please provide explanations for any variances greater than £5,000 or 10% of the budget.