

Directorate of Children's Services

Scheme for Financing Schools

'Putting Learning First for Dudley'

January 2007

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2004-2005
Transforming the School Workforce

Directorate of Children's Services

Scheme for Financing Schools

November 2006

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Dudley Metropolitan Borough Council

Scheme for Financing Schools

From November 2006

Section 1: Introduction

1.1 The Funding Framework

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

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

¹ The categories of expenditure which fall within the Local Schools Budget are prescribed under regulations made by the Secretary of State.

² These purposes are defined in regulations made by the Secretary of State under s.46 of the School Standards and Framework Act 1998.

³ 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.50 of the School Standards and Framework Act 1998 Act.

⁴ S.48 of the School Standards and Framework Act 1998.

⁵ In regulations made under s.49 of the School Standards and Framework Act 1998.

⁶ A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998), but in that case there is no right of appeal

⁷ Outturn statements are subject to audit certification by the Audit Commission, and information in either type of statement may be collated and published by the Secretary of State.

retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under section 45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions ***(including gaining the approval of their School Forum or the Secretary of State in certain instances)*** as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).

Local authorities must distribute the ISB amongst their maintained schools using a formula, which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 51 of the Act. The financial controls within which delegation works are set out in a scheme made by the LA in accordance with section 48 of the Act and approved by the Secretary of State. The Secretary of State, who has power to modify schemes or impose one, must also approve all revisions to the scheme.

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

An LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily, including the mismanagement of community facilities funds. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (section 17 of the Act) but in that case there is no right of appeal.

Each authority is obliged, under section 52 of the Act, to publish each year a statement (the Section 52 Budget Statement) setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year the authority must publish a statement (the Section 52 Outturn Statement) showing outturn expenditure at both central level and for each school, and the balances held in respect of each school.

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

1.2 The role of the scheme

This scheme sets out the financial relationship between the Authority and the maintained schools, which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

1.2.1 Application of the scheme to the Authority and maintained schools

The scheme applies to all community, nursery, voluntary, foundation, community special and foundation special schools maintained by the Authority. The schools to which the scheme applies are listed at Annex A.

1.3 Publication of the scheme

Publication of the scheme will comply with the current school finance regulations. As a minimum, a copy of the scheme will be supplied to the governing body and the headteacher of each school covered by the scheme, and any approved revisions will be notified to each such school. It will also be placed on a publicly accessible website (www.dudley.gov.uk), and on the Dudley intranet (inside Dudley).

1.4 Revision of the scheme

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

1.5 Delegation of powers to the headteacher

Each governing body is asked to consider the extent to which it wishes to delegate its financial powers to the headteacher, and to record its decision (and any revisions) in the minutes of the governing body. Such decisions by the governing body will be subject to any requirements of regulations to be made under section 38 of the School Standards and Framework Act 1998. However, the first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.

The LA has no wish to impose uniformity on schools but will provide guidance on

recommended levels of delegation to the Headteacher. This will be based on current best practice in Dudley schools.

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 and Audit Requirements

2.1.1 Application of financial controls to schools

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. These are contained within Financial Regulations for Schools and Standing Orders Relating to School Governors' Contracts (these are due to be revised in 2006). These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit Services.

2.1.2 Provision of financial information and reports

Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority and compatible with the Consistent Financial Reporting framework.

Schools connected to the Authority's networked online financial systems and which have opted not to operate independent bank accounts and which purchase the in-house Accountancy support service at level 8 does not need to submit paper reports.

Schools which are connected to the Authority's networked online financial systems but which purchase the in-house Accountancy support service at a level other than level 8 are required to submit quarterly income and expenditure reports in the format specified in Annex B(i).

Schools, which are not connected to the Authority's networked online financial systems, are required to submit quarterly income and expenditure reports in the format specified in Annex B (ii).

Schools operating independent bank accounts are required to submit quarterly cash flow statements in the format specified in Annex B (iii).

Quarterly income and expenditure reports and quarterly cash flow reports are required by the following dates:

	Dates covered	Deadline for return
Quarter 1	1 April to 30 June	31 July
Quarter 2	1 July to 30 September	31 October
Quarter 3	1 October to 31 December	31 January
Quarter 4	1 January to 31 March	No additional return: part of final accounts returns

Any of those schools required to submit quarterly reports may at the discretion of the LA be required to submit these reports more frequently. These will only be required should the LA have a concern about the financial position of the school or should the school be in its first year of operation. No school will be required to produce reports more frequently than monthly and where required these are to be returned to the Authority by the 20th of the subsequent month.

All schools are reminded that their Governing Bodies should receive termly reports on the income and expenditure of the school.

This may be a separate item or may be a section of the headteachers report to governors.

Most of the detailed work on financial arrangements will be delegated either to the headteacher or to the finance committee. The minutes of the finance committee will reflect this, and it is expected that the members of the finance committee will have a more detailed knowledge of the school's financial position.

However, all governors should be aware of the main financial issues affecting the school, the size of the budget, plans for spending resources, and the impact of alternative policies on the financial state of the school.

It is recommended that as a minimum headteachers include in a termly report to the full governing body:

- A summary statement showing by category
 - all expected income and expenditure for the financial year
 - income or expenditure to date

- current variance to budget
- projected income or expenditure for the financial year
- projected variance to budget.
- A note on any ring-fenced grants (e.g. EMAG, Excellence Cluster) received by the school, including a summary of the proposals to spend these.
 - A note of reserves held by the school and the plan for spending these.
 - A note of devolved capital funds held by the school and the plan for spending these.

Any school that forecasts a possible in-year deficit is required to notify the Director of Children's Services as soon as it is aware that it may have a potential deficit (**see standard operating procedure – schools with an anticipated budget deficit**). The school will be expected to take appropriate action to reduce the forecast deficit as soon as possible.

2.1.3 Payment of salaries; payment of bills

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll system.

The procedures, which apply to the different choices made by schools, are set out in Financial Regulations for Schools and in the LMS Administrative Procedures issued to schools.

2.1.4 Control of assets

Each school must maintain an inventory of its moveable non-capital assets, and must set out the basic authorisation procedures for disposal of assets.

The format of the required inventory and the basic authorisation procedures for disposal of assets is as set out in the Code of Practice – Inventories included in the Financial Regulations for Schools. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit

For assets worth less than the value stated in Financial Regulations, schools may determine their own arrangements for keeping an inventory and recording disposal of assets. It is, however, a requirement that an inventory be kept for all assets, and the Code of Practice – Inventories is strongly recommended to schools as a model for use to record all assets.

Schools should note that Internal Audit will monitor schools' arrangements for inventory maintenance and control and will expect schools to use the model in the Code of Practice – Inventories or an equivalent template to record acquisition and disposal of all assets.

2.1.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures. These procedures are contained within the Financial Regulations for Schools. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit

2.1.6 Writing off of debts

Governing bodies are only authorised to write off debts up to a level stipulated by the Director of Finance. The current limit is set at debts up to and including £1000. In the case of debts over £1000 the school must consult with the Director of Finance. The Cabinet Member for Finance must approve all debts over £1000 for write-off except for those arising from liquidation and bankruptcy, where the Director of Finance may authorise their write-off. Schools are referred to the Code of Practice – Income contained within Financial Regulations for Schools. These may be found on the Council's Intranet, Inside Dudley, by following Directorates > Finance, ICT and Procurement > Audit

2.2 Basis of accounting

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

2.3 Submission of budget plans

Each school is required to submit a budget plan to the Authority by 1 May each year:

The budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Schools **must** take estimated deficits at the previous 31 March into account in their budget plans and **may** take estimated surpluses at the previous 31 March into account in their budget plans.

The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.

The format of the budget plan shall be as set out in Annex C (i) and shall be compatible with the requirements of the Consistent Financial Reporting framework.

Schools operating independent bank accounts shall also submit an annual cash flow statement and a budgeted balance sheet to the Authority by 1 May each year.

The format of the annual cash flow statement and the budgeted balance sheet shall be as set out in Annex C (ii) and (iii).

Each school shall also submit **multi** year budget projection to the Authority by 31 July each year or any other date specified by the LA. ***These should be in accordance with the forecast of Dedicated School's Grant provided by the LA. This will provide reassurance to the LA that schools are undertaking financial planning in line with the requirements of the Financial Management Standard.***

The format of the **multi** year budget projection shall be as set out in Annex C (iv).

The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The LA will supply schools with all income and expenditure data, which it holds and which is necessary to efficient planning by schools. The LA will give guidance to schools on assumptions likely to apply to all schools, for example inflation factors.

2.4 Submission of outturn statements

Schools, which are not connected to the Authority's networked online financial systems, are required to submit to the Authority by 1 May following the year end, the following returns:

Income and expenditure outturn statement – Annex D (i)

Bank Reconciliation – Annex D (ii)

Balance sheet – Annex D (iii)

Standards Fund outturn statement – Annex D (iv)

Year End Accruals statement – Annex D (v)

Capital Projects Return – Annex D (vi)

Schools, which are not connected to the Authority's networked online financial systems, must also submit to the Authority by 1 May following the year end a trial balance from their own Financial Information System.

2.5 Best value

The statutory duty of 'best value' does not currently apply to the governing bodies of schools. However, given the very high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure. To meet this intention, when submitting the annual budget plan, the governing body of each school shall submit a statement setting out the steps it will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime. To assist schools in doing this the principles of 'best value' are set out in Annex E, together with guidance and a checklist, which may be used by schools to demonstrate that they adhere to these principles. Schools may find it useful to refer to the DfES publication "Best Value in School", available from <http://www.dfes.gov.uk/valueformoney/>.

2.6 Virement

A governing body shall make arrangements to ensure that its budget may be varied to meet changing circumstances provided that the school's budget share shall not be exceeded. These arrangements shall be recorded in the Minutes of the Governing Body.

2.7 Audit: General

Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed by the Audit Commission to audit the local authority itself (external audit).

With regard to internal audit, all maintained schools come within the audit regime determined by the LA. The Director of Finance, or her/his duly authorised representative, is authorised to visit schools to inspect cash, stores and other property, and to have access to all documentation including computer files. He/she can require any employee to furnish information and provide explanations in relation to any matter.

The requirement to co-operate with internal and external auditors, and to grant access to appropriate records, includes income and expenditure relating to the exercise of the community facilities power.

Schools, in concluding funding agreements with other persons pursuant to the

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

Further details of this are as set out in Financial Regulations for Schools.

Different arrangements may be made for schools with or without their own bank accounts, as considered necessary by the Head of Internal Audit.

In relation to external audit all maintained schools come within the LA external audit regime as determined by the Audit Commission.

2.8 Separate external audits

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also cooperate with the LA's internal and external auditors.

2.9 Audit of voluntary and private funds

Schools must provide evidence to internal auditors that any voluntary and private funds have been audited and so too have accounts of any trading organisations controlled by the school. The purpose of this 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 itself or otherwise access the accounts of private funds. However, a school refusing to provide audit certificates to Internal Audit as required by the Scheme is in breach of the Scheme and the LA may take action on that basis.

The Consistent Financial Reporting framework requires that private funds under the control of the governing body be included in returns.

The procedures for furnishing audit certificates and advice on the handling of such voluntary and private funds is set out in Financial Regulations for Schools.

2.10 Register of business interests

The governing body of each school is required to establish a register which lists for each member of the governing body and the headteacher, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff, parents and the LA. ***The Financial Management Standard also requires senior managers to complete a register of business interests.***

More detailed guidance on the maintenance of such a register, including a standard format, is notified to schools via Administrative Procedures.

2.11 Purchasing, tendering and contracting requirements

Schools are required to abide by the Authority's Financial Regulations for Schools and Standing Orders Relating to School Governors' Contracts in purchasing, tendering and contracting matters.

However, any section of the Authority's financial regulations and standing orders shall not apply if it requires schools:

- a) to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;
- b) to seek LA officer countersignature for any contracts for good or services for a value below £60,000 in any one year;
- c) to select suppliers only from an approved list;
- d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

Schools should note the requirements detailed in Financial Regulations for Schools and Standing Orders to assess the health and safety capability of contractors where relevant, including obtaining copies of potential contractors' health and safety policies as part of the tendering process.

2.12 Application of contracts to schools

Schools have the right to opt out of LA-arranged contracts except where:

- schools have agreed to be covered by the contract in respect of services for which funding was delegated by the LA prior to 1 April 1999;
- schools have agreed to be covered by the contract in respect of services for which funding is delegated by the LA after 1 April 1999;

- the Secretary of State has approved that schools (irrespective of their agreement) be covered by an existing contract, where funding is delegated by the LA after 1 April 1999 and where opting out would cause serious financial difficulties for the Authority. The LA has not requested approval from the Secretary of State for this clause to apply to any of its existing contracts.

Although governing bodies are empowered under the School Standards and Framework Act 1998 (paragraph 3, schedule 10) to enter into contracts, in most cases they do so on behalf of the LA, which is the maintainer of the school and the owner of the funds in the budget share. This is the main reason for requiring LA counter-signature of contracts exceeding a certain value. Some contracts, however, are made solely on behalf of the governing body, where the governing body has clear statutory obligations: for example, contracts made by aided or foundation schools for the employment of staff.

2.13 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations, which are additional to and separate from the schools' budget shares (the Standards Fund regulations will require local authorities to do this with many grants). Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used; and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the LA itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. Earmarked funds must be returned to the LA if not spent within the period over which schools are allowed to use the funding.

The LA will not make any deduction in respect of interest costs to the LA from payments to schools of devolved specific or special grant.

Schools will be notified of their allocations of devolved specific or special grant where possible at the same time that they receive indicative notification of their budget share for the forthcoming financial year. Where the LA is notified of a devolved grant after this time – a number of grants are announced during the course of a financial year – school will be notified of their allocations as soon as possible.

Schools without independent bank accounts may, in effect, draw on their whole grant allocation from the start of the year drawing on the funds available within the LA's bank account and the internal payment mechanisms made available to schools to assist in this process. However, it is not permitted for schools without independent bank accounts to withdraw funds in the form of cash equivalent to their grant allocation from the LA for investment elsewhere.

Schools operating independent bank accounts will receive their allocations of devolved specific or special grant in accordance with the following principles:

- Where the DfES or other paying government department pays the LA its total allocation in instalments (currently in May, September, January and March), schools will receive their individual allocations in the same proportion and at the same times;
- Where there is a statutory date by which the LA must pass on a grant to school (as is currently the case with School Standards Grant), schools will receive their individual allocations by this date;
- Where the DfES or other paying government department pays the LA its total allocation in full, schools will receive their individual allocations in full within one month of the LA receiving it.

Details of the expected payment profile for each school operating independent bank accounts will be issued to it at the start of each financial year and updated thereafter as new information becomes available.

The principle underlying this allocation profile is that schools with independent bank accounts receive their allocations of grant as soon as the LA itself has received the funding. In the event that a school operating an independent bank account requires access to specific or special grant funding in advance of the normal payment profile, it should contact the Assistant Director for Children's Services (**Resources**) to request an advance payment, giving details of:

- the amount requested in advance of the expected allocation
- the grant(s) concerned
- the reason(s) for the request (e.g. payment to contractor due, project completed during the first half of the year).

2.14 Spending for the purposes of the school

In accordance with section 50(3) of the School Standards and Framework Act 1998, governing bodies are free to spend budget shares 'for the purposes of the school', subject to any provisions of this scheme.

From 2002, this has included expenditure on the provision of teaching, learning materials, educational resources, transport, meals and accommodation for pupils registered at other maintained schools. The governing body of a school incurring such expenditure must submit to the LA by 30 June each year a Consistent Financial Reporting statement setting out details of the income and the expenditure incurred in the previous financial year.

2.15 Financial Management Standard in Schools

All maintained schools must demonstrate compliance with the DfES' Financial Management Standard in Schools in line with the timetable determined by the authority (see below), and at any time thereafter.

Secondary Schools	31st March 2007
50% Primary and Special Schools (largest based on budget)	31st March 2008
Remaining 50% Primary and Special Schools	31st March 2009

As part of the agreed process in Dudley, Internal Audit will externally assess all Schools, in line with the above timetable. The cost of the external assessment will be met from the school's budget share.

The Financial Management Standard & Toolkit (FMS&T) was developed and released to schools as a self-management package in June 2004. The standard and toolkit is available at: <http://www.fmsis.info/>

Dudley's Scheme

- 1. Internal Audit performs the assessment, along with an advice and supporting role.***
- 2. Internal audit work with the school to achieve the Standard, working with other professional services such as Governors, Personnel, Accountancy, and School Development Advisors as necessary.***
- 3. In order for the existing internal audit programme to work in conjunction with the programme required under the Standard, the current audit programme is varied in line with the conditions of the Standard, which has to be reassessed every 3 years. Thus the internal audit programme for secondary schools will be changed from every 2***

years and primary/special schools from every 4 years so that all schools receive their internal audit, as well as a full assessment against the Financial Management Standard, every 3 years.

- 4. Internal Audit will resource work on the Financial Management Standard from 1st April 2006 and will work closely with schools. This work will not only assist secondary schools to achieve compliance in 2006/2007 but will also allow internal audit to develop training, guidance and sample files of evidence that will be relevant to all other schools when they are also required to comply with the Financial Management Standard.**
- 5. The DfES estimates that full assessments against the Standard will take 2 days. In addition to the assessment, which will be undertaken at the time of the internal audit work in the school, Internal Audit also intend to visit schools for 1 day during each of the intervening years as part of a 'health check' approach. The cost and details of this service will be included in the traded services brochure. Due to the timescale of compliance particularly for secondary schools, it is proposed that work, initially with secondary schools, will commence by April 2006 but also, during 2006/2007, preparatory 'gap analysis' work will be commenced with the next phase of primary schools. A rolling programme of support and assessment would then be established.**
- 6. The DfES advise that the LA should have systems in place to equip its officers with the necessary skills to perform the assessment. The Section 151 officer (DoF) should be confident that the persons performing the assessment have the appropriate skills and experience. Accredited officers should undergo refresher training on the Standard and Toolkit every 2 years.**
- 7. Internal audit officers will acquire the knowledge and the necessary training from organisations such as the National Bursars Association (NBA). Internal Audit will then seek to arrange training for schools from the NBA.**
- 8. Whilst the DfES have not included specific sanctions into the proposals for schools that do not comply with the standard, it is clear that the compliance should not be considered as optional. The objective of the standard is to enable schools to demonstrate that they manage the public funds allocated to them in a proper and accountable manner and, as in the past, a failure to properly manage the finances could result in the delegation of funds being withdrawn for a school.**

2.16 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. If the expected capital expenditure from the budget share in any one year will exceed £15,000, the governing body must notify the LA and take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure. Where the premises are owned by the LA or if the school has voluntary controlled status then the governing body shall seek the consent of the LA to the proposed works, but consent may be withheld only on health and safety grounds. The reason for these requirements is to help ensure compliance with the current School Premises Regulations, DfES Construction Standards and health and safety legislation. The requirements do not apply to expenditure from any capital allocation made available by the LA outside the delegated budget share.

The relevant information should be submitted to the Building and Estates team within the Directorate of Children's Services. The information supplied should include:

- project title
- details of scheme
- value of scheme
- timescale
- any other funding streams set against the project

Schools are, however, urged to have regard to their Building Development Plan and the priorities of the Authority's Asset Management Plan when planning to incur capital expenditure.

Schools are also urged to have regard to the principles for the allocation of delegated funding to schools agreed in June 2004 following consultation, which include the following:

Schools' revenue funding should not be used for major capital expenditure.

2.17 Other Trading Activities

The LA reserves the right to request from schools operating other trading activities the same level of financial information as it does from schools providing community facilities, described in Section 13.

Section 3: Instalments of the Budget Share; Banking Arrangements

3.1 Frequency of instalments

The LA will make available budget share instalments on a monthly basis to schools which so request it. The request must normally be made at least two months prior to the start of the relevant financial year (unless this represents continuation of the existing payment arrangements for the school).

Where the LA is administering payroll for a school, the LA will ask the school concerned to consider whether it needs to take up the option of receiving funds gross of salary costs.

Schools without independent bank accounts may, in effect, draw on their whole budget share from the start of the year drawing on the funds available within the LA's bank account and the internal payment mechanisms made available to schools to assist in this process. However, they must be able to show from their budget plan that they will be able to meet all forecast expenditure commitments for the year, and the LA may request the submission of revised plans (section 2.3) should a school without an independent bank account demonstrate an actual spending profile that does not appear to match its budget plan.

It is not permitted for schools without independent bank accounts to withdraw funds in the form of cash equivalent to their budget share allocation from the LA for investment elsewhere.

3.2 Proportion of budget share payable at each instalment

The proportion of the budget share to be made available to schools operating independent bank accounts shall be calculated as set out in Annex F.

3.3 Interest claw back

The LA may deduct from budget share instalments an amount equal to the estimated interest lost by the LA in making available the budget share in advance. This will be calculated using the average 7 day local authority deposit rate as quoted in the Financial Times at 31 March proceeding the financial year. Interest will be calculated at the beginning of the year, based upon total sums estimated to be advanced in the year.

Interest will be calculated in the following manner:

Total sum advanced during the year x interest rate at previous 31 March

The total sum advanced to the school will be based on the school's detailed budget plan for the year.

In the event of late payment of budget share, the LA will add interest to the payment if the delay is the result of LA error. The interest will be calculated in the following manner, using the average 7 day local authority deposit rate as quoted in the Financial Times at 31 March preceding the financial year

Delayed budget share payment x ((interest rate at 31 March/number of days in month) x number of days' delay)

3.4 Budget shares for closing schools

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

3.5 Bank and building society accounts

All schools have the option to continue with existing LA banking arrangements or to operate an external bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall bear any charges made by their bank and shall be allowed to retain all interest payable on the account unless they choose to have an account within an LA contract which makes other provision.

New bank account arrangements may only be made with effect from the beginning of each financial year, except as below.

Any school wishing to opt for its own bank account for the first time may only do so after giving a period of notice of not less than four months.

Schools without bank accounts at the start of the scheme cannot have one until any deficit balance is cleared; and any school requesting a bank account at a later date shall not be able to have one until any deficit is cleared.

A school opening an external bank account for the first time may, on request, receive an immediate transfer of its estimated surplus balance (agreed by the school and the LA), on the basis that there is a subsequent correction if necessary when the accounts for the relevant year are closed.

Schools should note that if they choose to exercise the community facilities power they should either maintain separate bank accounts for budget share and community facilities or if they do have one account they should ensure that their internal accounting controls must be adequate to maintain the separation of funds.

3.5.1 Restrictions on accounts

Schools will be able to use any of the authorised financial institutions on the list given below, which will be revised annually by the Director of Finance.

Former GM and GM special schools are allowed to nominate as the account for budget share payments the account used in 1998-99 for payments of AMG by the FAS, even if it is not on the above list. Schools that have opened bank accounts with other institutions in previous financial years, which are no longer on the approved list, may retain those accounts. However, if a school closes such an account and opens another, it must select an institution from the current approved list. Schools may find it convenient to select a bank with a branch office in the Metropolitan Borough.

AUTHORISED FINANCIAL INSTITUTIONS

<u>UK BANKS</u>	<u>BUILDING SOCIETIES</u>
Abbey National	Britannia
Alliance and Leicester	Chelsea
Bank of Scotland	Cheshire
Barclays	Coventry
Halifax	Derbyshire
HSBC (Midland)	Leeds and Holbeck
Lloyds TSB	Nationwide
National Westminster	Nottingham
Royal Bank of Scotland	Portman
	Principality
	Skipton
	Staffordshire
	Stroud and Swindon
	West Bromwich

Schools are allowed to have accounts for budget share purposes which are in the name of the school rather than the LA. Money paid by the LA and held in such accounts remains LA property until spent (section 49(5) of the Act). If this is the case, the account mandate should provide that

- the LA is the owner of the funds in the account;
- the LA is entitled to receive statements;
- the LA can take control of the account if it suspends the school's delegated budget.

Independent bank accounts shall be controlled in accordance with procedures specified by the Director of Finance and shall be subject to Internal Audit scrutiny.

The LA will continue with the arrangements negotiated with HSBC Bank PLC (formerly Midland Bank) whereby the accounts are in the name of the LA but specific to each school, for schools wishing to use such arrangements.

3.6 Borrowing by schools

Governing bodies may not enter into any borrowing arrangements – including finance, hire purchase or other leasing deals – without the specific and written permission of the Secretary of State.

This prohibition applies whether it relates to spending for the purposes of the school or in relation to the exercise of the community facilities power by a school.

This does not, however, apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans.

Any school considering such action is required to consult first the Director of Children's Services and the Director of Finance for advice. Under normal circumstances, all borrowing is undertaken by the Council centrally, which allows the Council to use its resources most effectively and obtain the most advantageous financial outcome.

From 2005/06, an LA's budget can include costs on prudential borrowing.

Prudential borrowing means borrowing money for the purpose of facilitating the modernisation and rationalisation of the school estate, where the revenue savings that will be achieved are equal to or more than the expenditure that will be incurred in borrowing the money. Regulation 1 of The School Finance (England) Regulations 2006 support new powers of Schools Forums in respect of prudential borrowing. It is important to note that any expenditure retained

under paragraph 35 of schedule 2 must conform to the definition set out in regulation 1 and cannot be taken to refer to expenditure whose scope is wider than that set out in the definition. So for example, expenditure on the costs of prudential borrowing, must meet the savings test defined for them in regulation 1 and may not under any circumstance include expenditure where the savings test is not demonstrated. Schools Forum only have the power to approve expenditure items to be included in the Schools Budget which conform to the definition set out in these regulations. In addition this paragraph imposes limits on the amount that a local authority may retain against any of these types of expenditure.

However, it remains essential to manage all borrowing and finance deals corporately to maximise the use of resources and ensure that best value is obtained and all relevant legislation is followed.

Schools may not use credit cards, unless they are issued or approved by the Director of Finance. The use of debit cards or electronic purchase cards, however, is recommended as these are efficient methods of purchasing which offer equivalent facilities to credit cards. Any school wishing to use a credit card must first discuss this with the Internal Audit Division, which will recommend to the Director of Finance whether permission should be granted.

As with borrowing, Trustees and Foundations may use credit cards as private bodies, but any debt may not be serviced directly from the delegated budgets.

Section 4: The Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares

4.1 The right to carry forward surplus balances

Subject to the operation of controls on surplus balances described below, schools may 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.

Schools opening an external bank account for the first time may receive, on request, an immediate transfer of its estimated surplus balance (agreed by the school and the

⁸ This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LEA when repaying loans.

LA), on the basis that there is a subsequent correction if necessary when the accounts for the relevant year are closed.

4.2 Reporting on the intended use of surplus balances

In order to allow the LA to monitor excessive balances, governing bodies are required to report to the LA on the use which the school intends to make of surplus balances. This will be required by early May each year in a format and detail set by the LA (return provided at Annex G). There is no intention to introduce provision for allowing balances to be taken into account in calculating budget shares.

4.2.1 Multi year budgets

At the same time as issuing its budget statement as required by section 52 of the Schools Standards and Framework Act 1998, the Authority will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the LA. ***This will be for the period covered by the forecast DSG provided by the DfES.*** The estimate will be provided in a format determined by the Authority and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the Authority at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the Authority to fund the school at the level shown in the estimate. The Authority may issue additional budget estimates from time to time.

4.2.2. Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from **November 2006**:

The Authority shall calculate by 31 May each year the surplus balances, if any, held by each school as at the preceding 31 March. This will include all school balances at 31st March, as required by Consistent Financial Reporting and reported in the Section 52 outturn statement. For Dudley Schools this will include:

- ***School budget share arising from the delegated budget;***
- ***Extended school activities;***
- ***Community facilities;***
- ***Standards Fund;***
- ***Private funds.***

The balances covered by the CFR framework intend to give an overall

picture of the resources available to the school from one year to the next. These balances relate to both revenue and capital.

This section of the scheme shall only apply to those surplus balances arising from the school budget share maintained within the delegated budget.

The definition of a school's budget share surplus balance will include those balances accumulated in previous years and held in the reserve categories detailed in section 4.3 of the Scheme of Financing for Schools at the end of the financial year.

It should be noted that funds derived from sources other than the Authority e.g. Schools Standards Grant or lettings etc, will be taken into account in the calculation of surplus balances if paid into the budget share account of the school, whether under provisions in this scheme or otherwise and for those funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) and any other activity accounted for outside of the school budget share will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

At the end of each financial year the governing body of each maintained school will be required to make a detailed return to the local authority by the early May stating how it wishes to assign its budget share surplus balances and over what period it plans to spend them. These plans will be described as 'Provisional Plans'.

Schools may wish to highlight to the Authority where there is a prior year commitment to pay for goods or services from the surplus balances identified at the year-end. A prior year commitment will include work or goods for which a purchase order has been raised, work or goods for which a contract has been entered into, or a scheme which is included on the LA's approved capital programme.

Schools Forum will be required to consider these Provisional Plans at its Summer Term meeting following the closure of the financial year. Where Schools Forum approves the provisional plans, as recommended by the Director of Children's Services, then these will be confirmed as 'Approved Plans'. Where Schools Forum does not approve the plans, schools will be notified of the reason why and the next course of action. Either way, schools will be notified of Schools Forum's response to the plans within 14 days of the meeting.

If during the course of the next financial year a school wishes to reassign its Approved Plan and/or wishes to re profile the timescale by which it intends to spend the balances, it must obtain the approval of the Director of Children's Services. To action this, schools must complete the pro forma at Annex G and return it to Children's Services Accountancy who will submit the proposals to the Director of Children's Services for consideration. A response will be given to schools within 14 days of receipt.

If at the end of the following year a school has not spent its surplus balances in line with its Approved Plans and is unable to justify this action to the satisfaction of the Director of Children's Services, then the Director may claw back school budget share reserves, as permitted by the Schools Finance Regulations 2006 and retain some or all of any unspent balances at the financial year end.

Schools will be notified of the Director of Children's Services decision to claw back any balances by Children's Services Accountancy.

The total of any amounts deducted from schools' budget share reserves by the Authority under this provision is to be applied to the Schools Budget of the Authority and allocated in accordance with Schools Forum approval.

Schools Forum may invite Head Teachers to discuss their school's plans in detail during the course of its normal business, if required.

Schools Forum will be notified on an annual basis of the total surplus balance held by schools for all activities including; full service extended schools, community activities, Standards Fund, private and other funds.

Process & Timetable

- ***Financial Year end 31st March;***
- ***Unspent balances at the end of the financial year confirmed early May;***
- ***Schools provide Provisional Plans for the next financial year for unspent balances held in the reserve categories listed in section 4.3. These will be sent to Children's Services Accountancy by early May;***
- ***Provisional plans to be discussed with Building and Estates – where capital works planned;***

- *Children's Services Accountancy consider how actual spend for the previous financial year match approved plans for that year;*
- *Director of Children's Services notifies schools of his intention to claw back balances from previously Approved Plans;*
- *Provisional Plans for the new financial year which include any claw back are presented to Schools Forum at the Summer Term meeting;*
- *Each school's budget share balances are either confirmed as Approved Plans (Accountancy notify school) or not approved (further discussions etc);*
- *Reassignment of plan or timescale requests, received mid year, to Director of Children's Services and schools notified accordingly;*
- *Process recommences.*

4.3 Interest on surplus balances

Where savings are made against a budget in one financial year and rolled forward into the next financial year, interest will be payable to the school on the sum rolled forward.

Interest will be paid for a fixed period, normally six months, at a rate to be determined annually, based on the market rates current at that time.

Interest will not be paid on the proportion of the rollover balance residing in an independent bank account.

Balances will be categorised as follows:

- General Contingency (code **VA19**) – any unallocated contingency. If this category of balance is more than 5% of a secondary school's budget share or 8% of a primary, nursery or special school's budget share, the excess above the 5% or 8% respectively may be deducted from the school's budget share.
- Renewals and Replacement Fund (code **VA29**) – balances set aside to meet planned equipment replacement costs, for example replacement PCs and other IT equipment, furniture, carpets, redecoration funds, books or sports equipment, and maintenance projects under £5000;

- Long-Term Deposit Account (code **VA39**) – balances set aside for capital-based projects costing more than £5000, where funds must be invested for a minimum 12 month period, for example new build, extensions, toilet and other refurbishments, major security projects, land purchase, roof replacement, room conversion, mobile classroom replacement, extend/resurface playground or car park, major window replacement, synthetic pitch replacement and any maintenance projects costing more than £5000;
- Specific Contingency (code **VA49**) - this may include balances set aside for staff stabilisation, for example to deal with changes in pupil numbers, SEN issues or to achieve sustainability where specific grant funding comes to an end. A clear reason should be specified for holding this contingency;
- Approved DMBC Capital Schemes (code **VA59**) – approvals made by The Cabinet which relate to Revenue Contributions to Capital Outlay (RCCO) for schools incurring capital expenditure;
- Approved Loans (code **VA69**) – loans approved to schools under the asset purchase or licensed deficit schemes (see paragraphs 4.9.1 and 4.9.2 for details of the schemes);
- Reserves to Balance Following Year's Delegated Budget (code **VA79**) – balances brought forward to meet a projected deficit budget in the following financial year. This account will be cleared to zero once the school budget has been set for the following year;

At present, interest will continue to be paid on the aggregate balances held by a school; however, it is possible that differential interest rates will be introduced in future years.

4.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

4.5 Planning for deficit budgets

No school may plan for a deficit budget. In exceptional circumstances governors may apply to anticipate their budget for the following year for specific objectives.

However, no commitments of such a nature may be entered into without the prior approval of the Director of Finance.

If a school's year end position is, despite warning and without prior negotiations with the Council, persistently and/or unreasonably in excess of the school's budget share such action may be considered by the Council as grounds for the withdrawal of the delegated budget from the governing body. Schools should refer to the Standard Operating Procedure for schools with an anticipated budget deficit.

4.6 Charging of interest on deficit balances

The LA may charge interest on any deficit balance accumulated.

Interest shall be charged for a fixed period, normally six months, at a rate to be determined annually, based on the market rates current at that time.

4.7 Writing off deficits

The LA has no power to write off the deficit balance of any school.

If an LA wishes to give assistance towards elimination of a deficit balance, this should be through the allocation of a cash sum from the LA's own resources

4.8 Balances of closing and replacement schools

When a school closes any balance (whether surplus or deficit) shall revert to the LA; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school. The reason for this is that the Education Acts make no provision for transfer of balances between schools.

This does not preclude the LA from making available additional sums to new schools, which may be equal to or less than the balances of relevant closing schools.

If a closing school closes with a deficit, then the LA may not reduce the new school's normal funding entitlement in order to recover the deficit. However, if the LA is giving the new school additional funding above its normal entitlement (to assist in start-up costs for example), and then it may reduce this additional funding to take account of the deficit of the closing school.

4.9 Borrowing for agreed purposes

The general provision in 3.6 above forbidding governing bodies to borrow money shall not apply to schemes run by the Authority as set out in the following sections:

4.9.1 Loan schemes

A school may apply to borrow from the LA, against the collective surplus of school balances held by the Authority on behalf of schools, in order to fund asset purchases. The following conditions will apply:

- the maximum length of a loan will be 5 years;
- the maximum amount borrowed will normally be 10% of the school's budget share, unless a greater amount is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- no more than 10% of the collective surplus of school balances will normally be available for loan, unless a greater proportion is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- a school wishing to borrow under this scheme must submit a detailed application in the form required by the LA;
- all loans will be agreed by the Director of Children's Services and the Director of Finance;
- a school may not borrow under this scheme if it has an outstanding balance under the licensed deficit scheme, unless agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- interest will be payable on the outstanding balance at the same rate of interest as that paid on school balances, plus 1% additional to cover administration charges;
- the LA will deduct loan payments at source from a school's budget annually.

Further details can be found in the Standard Operating Procedure in respect of the Loan scheme.

4.9.2 Licensed Deficit scheme

A school may plan for a deficit budget only via the LA's licensed deficit scheme, whereby a school may borrow against the collective surplus of school balances held by the Authority on behalf of schools, in order to set a balanced budget. The following conditions will apply:

- the maximum length of a loan will normally be 3 years unless a longer period (up to a limit of 5 years) is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;

- the maximum amount borrowed will normally be 3% of the school's budget share unless a greater amount is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- no more than 10% of the collective surplus of school balances will normally be available for loan, unless a greater proportion is agreed by the Cabinet Member for Children's Services and the Director of Children's Services, in consultation with the Chair of the Schools' Forum;
- a school wishing to borrow under this scheme must submit a detailed application in the form required by the LA, stating clearly how the deficit has arisen, what action is being taken to reduce the deficit and how the school will be able to set a balanced budget by the end of the loan term;
- all loans will be agreed by the Director of Children's Services and the Director of Finance;
- a school with a licensed deficit must consider its planned use of School Standards Grant: if the school proposes to spend amounts received by it in respect of this grant in a way that the LA considers unreasonable in view of the school's financial circumstances the LA may not approve this;
- interest will be payable on the outstanding balance at the same rate of interest as that paid on school balances, plus 1% additional to cover administration charges;
- the LA will deduct loan payments at source from a school's budget annually.
- it is expected that other than in exceptional circumstances applications for licensed deficits will be received in the appropriate format by 1 May of the year for which the licensed deficit is requested.

Further details can be found in the Standard Operating Procedure in respect of the Licensed Deficit scheme.

Section 5: Income

5.1 Income from lettings

Schools may retain net income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools whose premises are owned by the LA shall be required to have regard to directions issued by the LA as to the use of school premises, as permitted under the School Standards and Framework Act 1998

for various categories of schools. ***Income from lettings of school premises may not be paid into voluntary or private funds.***

5.2 Income from fees and charges

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

Schools may retain net income from fund-raising activities.

5.4 Income from the sale of assets

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

5.5 Administrative procedures for the collection of income

Because of the potential VAT implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the LA will establish administrative procedures for the collection of income which may vary from time to time in the light of advice from the VAT authorities.

Schools are referred to the Code of Practice – Income within Financial Regulations for Schools.

5.6 Purposes for which income may be used

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

Section 6: The Charging of School Budget Shares

6.1 General provision

The Authority shall charge salaries of school-based staff to school budget shares at actual cost.

The budget share of a school may be charged by the LA without the consent of the governing body only in circumstances set out in 6.2 below.

The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.

Schools are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under section 496 of the Education Act 1996.

The LA shall make arrangements for an arbitration procedure for such charges, details of which will be set out in Administrative Procedures.

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 LA (***see Standard Operating Procedures – Redundancies and Premature Retirements***) to bear such costs. The amount chargeable being only the excess over any amount agreed by the LA.
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed LA procedures ***as stated in Standard Operating Procedures – Redundancies and Premature Retirements.***
- 6.2.3 Awards by courts and industrial tribunals or out of court settlements against the LA arising from action or inaction by the governing body contrary to the LA's advice.
- 6.2.4 Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA 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 LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or where the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the LA 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 LA. There can be no charge against the budget share where the LA has no relevant insurable interest.

- 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 LA.
- 6.2.8 Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers' Pensions or regulatory authorities as a result of school negligence.
- 6.2.9 Correction of LA errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10 Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day. Failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs incurred by the LA because the governing body did not accept the advice of the LA (see also section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the LA, where funding for training has 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-LA 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 LA in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.16 Costs incurred by the LA due to submission by a school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.

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

6.2.19 Costs agreed under a PFI/PPP agreement entered into by the governing body of a school.

6.2.20 Payments due to the LA under the provisions of a loan or licensed deficit scheme.

6.2.21 Costs incurred by the LA in making adequate arrangements for insurance relating to provision of community facilities in schools, if it judges the arrangements made by the school to be unsatisfactory.

6.3 General Teaching Council

Schools must deduct, or arrange for the deduction of, the GTC registration fee from the salaries of teachers who are registered, or who are required to register, with the GTC, and who have not paid the fee by any other means.

The General Teaching Council for England (Deduction of Fees) Regulations 2001 ("the Regulations", S.I. 2001 No. 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England ("the GTC") or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No.1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have indicated to the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not indicated how they wish to pay the fee.

In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations 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.

- (1) By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (S.I. 2001 No.475, Part II and Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which

are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.

- (2) A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:-
 - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;
 - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and
 - (c) where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.
- (3) A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, a governing body shall:-
 - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the Authority to the GTC on the governing body's behalf. The Authority shall agree to any such

amendment. The governing body shall meet any consequential costs from the school's budget share;

- (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
- (c) where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.

(4) All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share instalments which have been held by the school in an independent bank account, or the salary costs are directly charged by the Authority to the school's budget share account.

Section 7: Taxation

7.1 Value Added Tax

The LA is able to reclaim VAT on expenditure, including that relating to non-business activities. Schools, where they are acting on behalf of the LA, can use this concession provided it uses the established procedures in order to ensure compliance with VAT legislation and regulations.

These are set out in VAT guidelines issued by the Authority. These are available on the Dudley intranet, Inside Dudley, by going to the Directorate of Finance, ICT and Procurement home page. The VAT guide is found in the Staff Handbook (A to Z), under V. ***Guidance is also available from the VAT and Tax Team.***

Schools that have exercised the community powers facility should be especially mindful of the requirement to comply with these procedures. ***The procedures only apply when activities are undertaken on behalf of the LA and advice should be sought when activities are not operated by the LA because the recovery of VAT may not be allowed.***

Amounts reclaimed through VAT reclaim procedures will be passed back to the school. In the case of schools that operate independent bank accounts and/or independent financial systems, these sums will be paid into the school's bank

account. In the case of schools that use both the Authority's corporate financial systems and bank account, invoices are charged to school budget codes net of VAT so that both payment and reclaim of VAT are administered centrally.

Schools which operate their own financial systems need to submit the VAT return monthly in accordance with the LA accounting periods within 3 working days of that period closing. Failure to do so may result in VAT being repaid late and penalties.

Schools are reminded that if the Council incurs financial penalties owing to a school's failure to comply with procedures the school will be liable for the cost (see section 6.2.8). Failure to comply with procedures includes submission of information by the required date for the correct periods.

7.2 CITS (Construction Industry Taxation Scheme)

Schools are required to abide by procedures issued by the Authority in connection with CITS, including where this is relevant to the exercise of the community facilities power. Further details may be obtained from the VAT and Tax team in Financial Services.

7.3 Income Tax and National Insurance

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 a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules, just as for any other employee.

Section 8: The Provision of Services and Facilities by the Authority

8.1 Provision of services from centrally retained budgets

The LA shall determine on what basis services from centrally retained funds (including PRC and redundancy payments) will be provided to schools, but the LA is debarred from discriminating 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.

8.2 Timescales for the provision of services bought back from the LA using delegated budgets

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the LA shall normally be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services.

Exceptions to this rule are:

- any centrally funded premises and liability insurance
- services provided under the Dudley Grid for Learning Private Finance Initiative, the Paragon Project Private Finance Initiative (see section 9) or under any other PFI/PPP arrangement.
- contracts for supply of catering services, which may be for a maximum of five years from the date of the agreement and seven years for any subsequent agreement relating to the same services.
- ***Access to the LA's computer systems.***

Where a service is provided for which expenditure is not retainable centrally under regulations made under section 46 of the School Standards and Framework Act 1998, it will be offered at a price which is intended to generate income that is no less than the projected cost of providing the service. Schools may be charged differentially, but the total estimated cost of the service will be met by the total estimated income, so that there is no central subsidy of services.

8.2.1 Packaging

The LA may provide any services for which funding have been delegated. Where the LA is offering the service on a buyback basis it will do so 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

8.3.1 If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed annually. Details of the nature, level, quality, and method of charging of services offered under a service level agreement will be made available to schools via the *Traded*

Services Brochure in early January prior to the start of the next financial year. Details of the proposed actual cost of these services will be made available at the same time as details of the schools' indicative delegated budgets for the relevant financial year. This timetable provides for schools to have at least a month (generally six weeks) to consider the terms of agreements. Schools are required to respond to the LA with their decisions on purchase of services under service level agreements by no later than 31 March.

- 8.3.2 Services, if offered at all by the LA, shall 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 on an ad hoc basis, they may be charged for at a different rate than if provided on the basis of an extended agreement.

8.4 Teachers' Pensions

Governing bodies of schools which 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: PFI/PPP

9.1 PFI/PPP

The LA shall issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

9.2 Dudley Grid for Learning

The following regulations are made in connection with the Dudley Grid for Learning PFI/PPP project.

The LA is a Pathfinder authority under PFI/PPP with its Dudley Grid for Learning. It has entered into a contract with Research Machines PLC (RM PLC). Operational regulations and guidelines are provided in Annex H which summarise the scope of the project. These have been compiled taking into account the contract conditions as agreed between the LA and RM PLC, and have been written in consultation with schools. More detailed administrative procedures will be issued to schools in the scheme from time to time relating to the respective roles and responsibilities of the school, the LA and RM PLC.

These guidelines will address the potential tension between the commercial perspective of the contractor and the needs of educational practitioners for maximum flexibility.

9.3 Paragon Project

The Authority signed a contract with Newmount Ltd in January 2002 to replace Colley Lane Primary School and The Summerhill School and to provide a facilities management service for 27 years.

Colley Lane Primary School's new building was completed in January 2003 and The Summerhill School's new building was completed in September 2003.

Operating procedures have been agreed with Newmount Ltd and the two schools in the contract.

Section 10: Insurance

10.1 Insurance cover

Schools are referred to the Insurance Guide for Schools, which provides details of insurances offered by the LA.

Funds for the minimum required insurance cover are delegated to schools and may be bought back from the LA at a charge equal to the amount delegated. In addition, schools may purchase optional insurances as detailed in the Insurance Guide for Schools.

The LA shall require the school to demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the governing body, is at least as appropriate as the relevant minimum cover arranged by the LA, having regard to the actual risks which might reasonably be expected to arise at the school in question. Any school wishing to arrange its own insurance cover shall give the Authority 6 months notice of its intention in order to ensure that alternative cover is suitable.

All schools must provide evidence to the Risk Management and Insurance Section of the LA, prior to 1st April each year, that a full inspection and test of the school's electrical system has been carried out by a competent electrical inspection agency within the last 5 years. The documentation needs to confirm whether the electrical installation is satisfactory or not and must give details of any problems identified.

The governing body must ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking

professional advice as necessary. Such insurance should not be funded from the school budget share. A school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

In principle, the insurance issues arising from use of the community facilities power are the same as those which already arise from non-school use of school premises. However, a school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.

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

Such a provision is necessary in order for the LA to protect itself against possible third party claims.

Section 11: Miscellaneous

11.1 Right of access to information

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

Governing bodies are requested to consult with the LA at least termly when setting agendas for meetings of the governing body, in order to allow the LA to put forward items it may wish to be on the agenda.

11.2 Liability of governors

Because the governing body is a corporate body, and because of the terms of section 50(7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. In this context "good faith" refers to contracts entered into honestly and with no ulterior motive: an example of behaviour which is not in good faith is the carrying out of fraudulent acts.

11.3 Governors' expenses

The LA shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. The amounts of such allowances will be set by the LA.

Only allowances in respect of purposes specified in regulations (currently schedule 11 of the School Standards and Framework Act 1998) may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the LA as part of the cost of maintaining the school - unless they relate to the statutory responsibility of aided school governors for buildings - may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. Legal costs are defined as those of legal actions, including any costs awarded against an LA, not the cost of legal advice provided.

Schools should use the procedures set out in Administrative Procedures in obtaining legal advice where there is a conflict of interest between the LA and the governing body.

11.5 Health and Safety

Governing bodies are required to have due regard to duties placed on the LA in relation to health and safety and the Authority's policy on health and safety matters in expending the school's budget share. The LA may, under section 39(3) of the School Standards and Framework Act 1998, issue directions to the governing body and headteacher of a community, community special or voluntary controlled school on health and safety matters. Such directions are enforceable under section 497 of the Education Act 1996 if they are not complied with. This requirement covers any exercise of the community facilities power by governing bodies.

11.6 Right of attendance for Director of Finance

Governing bodies are required to permit the Director of Finance of the Authority, or any officer of the authority nominated by the Director of Finance, to attend meetings

of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The Director of Finance's attendance shall normally be limited to items which relate to issues of probity or overall financial management, carries no voting rights, and shall not be regarded as routine. Wherever practicable, the LA shall give notice of such attendance.

11.7 Delegation to new schools

The LA is empowered to delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets.

11.8 Optional delegation

Where a school exercises an option to receive delegated or devolved funding for an item (for example school meals funding), that option may only be exercised once a year. The school must give notification to the LA no later than 31 December prior to the start of the financial year from which delegation is requested.

11.9 Special Educational Needs

Schools shall use their best endeavours in spending the budget share to secure appropriate provision for pupils with SEN. Schools have a duty to assess and make provision for the needs of the pupil population which has been enrolled at the school as a result of the admissions procedure. All Dudley schools are comprehensive, but some have an additional specialist role. Accordingly, the school will need to assess the needs of the pupil population as a whole and the needs of individuals from the least to the most able, and to take account of any other needs which they may have.

Governors and Headteachers will need to have regard to the SEN Code of Practice in addressing the needs of pupils with additional educational needs. The Individual Schools' Budget will need to be used to formulate an annual school budget which reflects those needs, and to make contingency arrangements for individual needs which might reasonably arise within the financial year.

The LA may request statistical information from schools, annually, in relation to the application of delegated funding under the SEN formula allocation.

11.10 Whistle blowing

Persons working at a school or school governors who wish to complain about financial management or financial propriety at the school may contact the nominated officer at the LA (Assistant Director-Resources). ***Schools should also refer to the LA's whistle blowing policy.***

11.11 Child Protection

Staff at a school must be released in order to attend child protection case conferences and other related events.

11.12 School Meals

Governing bodies should have regard to the LA's School Meals Policy Document where funding for school meals has been delegated.

11.13 Criminal Records Bureau (CRB)

Governing bodies are responsible for the costs of securing CRB clearance for all employees and volunteers in the school, including 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.

11.14 Notice of Concern

From time to time there is need for local authorities to intervene in schools where they identify weaknesses in their financial management.

The LA may issue a 'notice of concern' to a governing body where, in the opinion of the Director of Finance and the Director of Children's Services, it has failed to comply with any provisions within the scheme, or where action needs to be taken to safeguard the financial position of the authority or the school.

This notice will set out the concerns of the local authority and can impose a number of requirements on the governing body which would address the concerns identified. These requirements may include:

- ***insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;***
- ***insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;***
- ***placing more stringent restrictions or conditions on the day to day***

financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;

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

The notice will clearly state what these requirements are, the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn.

Where the LA issues a notice of concern the notice will be withdrawn once the governing body has complied with the requirements the LA has imposed.

If the governing body does not comply with the requirements, the LA will exercise its power to withdraw delegation.

Section 12: Responsibility for Repairs and Maintenance

12.1 Division of responsibilities

From 1st April 2005 Governing bodies are responsible for financing all repair and maintenance work in school buildings and school kitchens, whether the repairs are revenue or capital in nature, but exclude caretakers' houses.

The LA retains a small centrally managed budget for capitalised enhancements and equipment in school kitchens relating to school meal provision. The budget is allocated in line with priorities identified by the LA.

Practical and professional guidance will be made available from the Building and Estates team regarding the maintenance of school buildings.

Section 13: Community Facilities Power

The community use of schools is a term to describe the use of school premises for a variety of purposes outside normal school hours e.g. youth work, adult evening centre, parent teacher associations meetings, sports clubs etc. The policy of the

Authority is that buildings should be used for general community purposes provided that the use of the buildings does not adversely impact upon the general provision for pupils within the school.

Schools may now choose to exercise the power conferred by section 27 (1) of the Education Act 2002 to provide community facilities. They will be subject in this case to a range of controls. First, regulations made under section 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 LA 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 section 28(1), the main limitations and restrictions on the power will be

- a. those contained in schools' own instruments of government, if any; and
- b. in the maintaining LA's Scheme for Financing Schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of Schemes to the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

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

13.1 Community Facilities – Financial Control

Schools should make proper arrangements for the financial control of accounts for community activities. In addition to ensuring that the delegated budget does not subsidise the community facilities budget, schools should be able to show that any transfers of profit to the delegated budget are representative of a true surplus of income over expenditure. It is not acceptable to operate with a deficit balance on a community facilities account without a clear plan to return the operation to a balanced budgetary position.

Schools should note that mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

13.2 Governors' Responsibilities

Governors have overall responsibility for the premises, subject to any service level agreements entered into by the school governors and various departments of Dudley MBC relating to community provision.

13.3 Consultation on Exercise of Community Facilities Power

Before exercising the community facilities power, governing bodies must consult the LA and have regard to the advice given to them by the LA. They should present outline proposals to the Assistant Director (Early Years, Youth and Education Services) for Children's Services no less than three months before they seek to exercise the power. The LA will issue a response within a reasonable time, and will not levy a charge for this advice. Schools should notify the Assistant Director (Early Years, Youth and Education Services) of the action that they take following the submission of their outline proposal and the receipt of the LA's advice.

13.4 Funding Agreements with Third Parties

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

Any such proposed agreement should be submitted to the LA for its comments at the earliest possible opportunity. The Assistant Director (Early Years, Youth and Education Services) will be the designated contact; however, schools should note that the Development Office has considerable expertise in attracting and managing external funding and it is recommended that schools considering this course of action do consult the Development Office for advice at an early stage.

The LA does not propose a veto on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which LA consent is to be signified is a matter for that third party, not for the scheme.

However, 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.

In specific instances of use of the community facilities power by a governing body, where the LA has good reason to believe that the proposed project carries significant financial risks, it may require that 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.

13.5 Community Facilities – Supply of Financial Information

Schools that have exercised their power to provide community facilities shall maintain separate accounts for these activities and shall provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six

months. This statement shall include a plan for using any actual or estimated surplus, or for recovering any actual or estimated deficit.
For further details see Annex E (i)

Special arrangements will be made for these school/colleges to operate separate accounts for community and school activities. Profits arising from the community activities should generally be used to improve facilities both for the school and the local community. The general principle that funds allocated for school based activity must not be used for non-school activity will still apply, with regard both to start-up costs and ongoing expenditure.

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

13.6 Community Facilities – Treatment of Income and Surpluses

Schools may 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.

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

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

If there is a deficit on community facilities and the LA needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient the LA will have to meet the liabilities from its own resources. This arises from the provision of s.51A of the School Standards and Framework Act 1998 (inserted by paragraph 4 of Schedule 3 to the Education Act 2002), which provides that such liabilities are part of the expenses of maintaining the school; may be recovered from the governing body but the expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share unless such a purpose is prescribed by regulations made under s.50(3)(b) of the 1998 Act.

13.7 Community Facilities – Audit

This section cross refers to Section 2.7.

The requirement to co-operate with internal and external auditors, and to grant access to appropriate records, includes income and expenditure relating to the exercise of the community facilities power.

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

13.8 Community Facilities – Health & Safety

This section cross refers to Section 11.5 and 11.11.

Governing bodies are required to have due regard to duties placed on the LA in relation to health and safety and the Authority's policy on health and safety matters in expending the school's budget share. The LA may, under section 39(3) of the School Standards and Framework Act 1998, issue directions to the governing body and headteacher of a community, community special or voluntary controlled school on health and safety matters. Such directions are enforceable under section 497 of the Education Act 1996 if they are not complied with. This requirement covers any exercise of the community facilities power by governing bodies.

Governing bodies are responsible for the costs of securing CRB clearance for all employees and volunteers in the school, including 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.

13.9 Community Facilities – Insurance

This Section cross refers to Section 10.1.

The governing body must ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. A school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

In principle, the insurance issues arising from use of the community facilities power are the same as those which already arise from non-school use of school premises. However, a school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.

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

Such costs could not be charged to the school's budget share.

Such a provision is necessary in order for the LA to protect itself against possible third party claims.

13.10 Community Facilities – Taxation

This Section cross refers to Section 7.1

The LA has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Schools are required to use these procedures in order to ensure compliance with VAT legislation and regulations.

These are set out in VAT guidelines issued by the Authority – basic coding information is given in “A Secretary's Friend”, which was issued in hard copy to schools sometime ago, while more detailed guidance is given in the VAT guidelines provided by the Authority. These are available on the Dudley intranet, inside Dudley, by going to the Directorate of Finance, ICT and Procurement home page. The VAT guide is found in the Staff Handbook (A to Z), under V.

Schools that have exercised the community powers facility should be especially mindful of the requirement to comply with these procedures and to seek advice from the Authority, particularly relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

13.11 Community Facilities - CITS (Construction Industry Taxation Scheme)

This Section cross refers to Section 7.2

Schools are required to abide by procedures issued by the Authority in connection with CITS, including where this is relevant to the exercise of the community facilities power. Further details may be obtained from the VAT and Tax team in Financial Services.

13.12 Community Facilities - Income Tax and National Insurance

This Section cross refers to Section 7.3

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 a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules, just as for any other employee.

13.13 Community Facilities -Banking

Full details relating to Banking for schools is covered in Section 3.5. However in addition the following arrangements must exist:

Schools should note that if they choose to exercise the community facilities power they should either maintain separate bank accounts for budget share and community facilities or if they do have one account they should ensure that their internal accounting controls must be adequate to maintain the separation of funds.

13.14 Community Facilities - Borrowing by schools

This Section cross refers to Section 3.6

Governing bodies may not enter into any borrowing arrangements – including finance, hire purchase or other leasing deals – without the specific and written permission of the Secretary of State.

This prohibition applies whether it relates to spending for the purposes of the school or in relation to the exercise of the community facilities power by a school.

ANNEX A

List of Schools to which this Scheme Applies

Nursery Schools

Netherton Park Children's Centre

Primary Schools

Alder Coppice Primary (F)
Amblecote Primary
Ashwood Park Primary (Nursery Unit)
Beauty Bank Primary (Nursery Unit)
Belle Vue Primary (Nursery Unit)
Blanford Mere Primary
Blowers Green Primary (Nursery Unit)
Bramford Primary (Nursery Unit)
Brierley Hill Primary (Nursery Unit)
Brockmoor Primary (Nursery Unit)
Bromley-Pensnett Primary (Nursery Unit)
Bromley Hills Primary
The Brook Primary
Caslon Primary (Nursery Unit)
Christ Church Primary (VC) (Nursery Unit)
Church of the Ascension Primary (VC)
The Church of England Primary School of St Edmund and St John (VA)
Colley Lane Primary (Nursery Unit)
Cotwall End Primary
Cradley CE Primary (VA)
Crestwood Park Primary
Dawley Brook Primary (Nursery Unit)
Dingle Primary
Dudley Wood Primary (Nursery Unit)
Fairhaven Primary
Foxyards Primary (Nursery Unit)
Gig Mill Primary (Nursery Unit)
Glynne Primary (Nursery Unit)
Greenfield Primary
Halesowen CE Primary (VA) (Nursery Unit)
Ham Dingle Primary
Hasbury CE Primary (VC)
Hawbush Primary (Nursery Unit)
Highgate Primary

Hob Green Primary (Nursery Unit)
Howley Grange Primary
Huntingtree Primary (Nursery Unit)
Hurst Green Primary
Hurst Hill Primary
Jesson's CE Primary (VA) (Nursery Unit)
Kate's Hill Primary (Nursery Unit)
Lapal Primary
Lutley Primary
Maidensbridge Primary
Manor Way Primary
Milking Bank Primary (Nursery Unit)
Mount Pleasant Primary (Nursery Unit)
Netherbrook Primary (Nursery Unit)
Netherton CE Primary (VC) (Nursery Unit)
Newfield Park Primary
Northfield Road Primary
Oldswinford CE Primary (VC)
Olive Hill Primary (Nursery Unit)
Our Lady and St Kenelm RC Primary (VA)
Pedmore CE Primary (VA)
Peter's Hill Primary
Priory Primary (Nursery Unit)
Quarry Bank Primary (Nursery Unit)
Queen Victoria Primary (Nursery Unit)
Red Hall Primary (Nursery Unit)
The Ridge Primary
Roberts Primary (Nursery Unit)
Rufford Primary (Nursery Unit)
Russells Hall Primary
Sledmere Primary (Nursery Unit)
St Chad's RC Primary (VA)
St James's CE Primary (VA)
St Joseph's RC Primary Dudley (VA) (Nursery Unit)
St Joseph's RC Primary Stourbridge (VA)
St Mark's CE Primary (VC) (Nursery Unit)
St Mary's CE Primary (VC)
St Mary's RC Primary (VA)
Straits Primary
Tenterfields Primary (Nursery Unit)
Thorns Primary
Wallbrook Primary
Withymoor Primary
Wollescote Primary (Nursery Unit)

Wren's Nest Primary (Nursery Unit)

Secondary Schools

The Bishop Milner RC (SA)
Castle High (VA)
The Coseley
Cradley High
The Crestwood
The Dormston
The Earls High
The Ellowes Hall (F)
The High Arcal (F)
The Hillcrest School and Community College
The Holly Hall (F)
The Kingswinford (F)
Leasowes High School and Community College
Oldswinford Hospital (VA)
Pedmore Technology College and Community School
The Pensnett School of Technology
Redhill
Ridgewood High
The Summerhill
The Thorns School and Community College
Windsor High (F)
The Wordsley

Special Schools

The Brier
Halesbury
Old Park
Pens Meadow
Rosewood
Sutton
The Woodsetton

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ANNEX B

PROVISION OF FINANCIAL INFORMATION

B i

Annex B, C, and D documents can be downloaded using the following hyperlink or instructions

File Name – Scheme **for Financing Schools A, B and C documents**

http://insidedudley/education/library/planspoliciesan_/consultationdoc_/default.htm

Inside Dudley > education > plans polices and guidance > consultation documents

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B (ii) - Quarterly income and expenditure reports (to be completed by schools not connected to the Authority's networked online financial systems)

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B (iii) – Quarterly cash flow reports (to be completed by schools operating independent bank accounts)

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ANNEX C

FORMAT OF BUDGET PLANS

See following pages for

C (i) – Budget Creation Plan (to be completed by all schools)

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C (ii) – Annual Cash flow Statement (to be completed by schools operating independent bank accounts)

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C (iii) – Budgeted Balance Sheet (to be completed by schools operating independent bank accounts)

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C (iv) – Three Year Budget Projection (to be completed by all schools)

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ANNEX D

FORMAT OF OUTTURN STATEMENT

See following pages for

D (i) – Actual Income and Expenditure Statement (to be completed by schools not connected to the Authority's networked online financial systems)

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D (ii) – Bank Reconciliation Statement (to be completed by schools not connected to the Authority’s networked online financial systems)

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D (iii) – Balance Sheet (to be completed by schools not connected to the Authority's networked online financial systems)

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D (iv) –Standards Fund Statement (to be completed by schools not connected to the Authority’s networked online financial systems)

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D (v) – Year End Accruals Statement (to be completed by schools not connected to the Authority’s networked online financial systems)

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D (vi) – Capital Projects Return (to be completed by schools not connected to the Authority's networked online financial systems)

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ANNEX E

BEST VALUE

This statement is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share. When submitting annual budget plans, schools are required to say how best value principles are being followed.

Best value is a statutory duty to deliver services to clear standards, covering both cost and quality, by the most effective, economic and efficient means available. Legislation has placed a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions, which are exercised, by the governing bodies of LEA maintained schools. However, schools will be encouraged to adopt the best value performance management framework.

In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:

- the existence of a programme of performance review, which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
 - challenging how and why a service is provided (including consideration of alternative providers);
 - comparison of performance against other schools taking into account the views of parents and pupils;
 - mechanisms to consult stakeholders, especially parents and pupils;
 - embracing competition as a means of securing efficient and effective services.
- the development of a framework of performance indicators and targets, which will provide a clear practical expression of a school's performance, taking national requirements into account.
- that the following are taken into account in school development plans:
 - a summary of objectives and strategy for the future;
 - forward targets on an annual and longer term basis;
 - description of the means by which performance targets will be achieved;
 - a report on current performance.

- that internal and external audit takes place ensuring that performance information is scrutinised. LEA oversight of school finances provides external review.

The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.

The Government's Twelve Principles of Best Value are listed below.

Principles of Best Value

1. The duty of Best Value is one that local authorities owe to local people, both as **taxpayers and the customers** of local authority services. **Performance plans** should support the process of **local accountability**.
2. Achieving Best Value is **not just about economy and efficiency, but also about effectiveness and quality** of local services - the setting of targets and performance against these should therefore underpin the new regime.
3. The duty should apply to a **wider range of services** than those now covered by CCT. Details will be worked up jointly with Departments, the Audit Commission and the LGA.
4. **There is no presumption that services must be privatised**, and once the regime is in place there will be no general requirements for councils to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. **What matters is what works.**
5. **Competition will continue to be an important management tool**, a test of best value and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that Best Value is being achieved.
6. Central government will continue to set the basic framework for service provision, which will in some areas as now include **national standards**.
7. Detailed local targets should have regard to any **national targets**, and to **performance indicators and targets set by the Audit Commission** in order to support comparative competition between authorities and groups of authorities.

8. Both national and local targets should be built on the performance **information that is in any case needed** by good managers.
9. Auditors should **confirm the integrity and comparability** of performance information.
10. Auditors will **report publicly** on whether Best Value has been achieved, and should **contribute constructively to plans for remedial action**. This will include agreeing measurable targets for improvement and reporting on progress against an agreed plan.
11. There should be provision for **intervention** at the direction of the Secretary of State on the advice of the Audit Commission when an authority has failed to take remedial action or has failed to achieve realistic targets for improvement.
12. The form of intervention should be **appropriate to the nature of failure**. Where an authority has made limited use of competition and as an exception to the usual rule, intervention may include a **requirement that a service or services should be put out to competition**. Intervention might also take the form of a requirement that an authority should **accept external management support** and may relate either to specific services or to the core management of the Council.

The following guidance aims to answer basic questions about Best Value and how it relates to schools. A check sheet is provided which schools may use to demonstrate their adherence to Best Value principles.

1. What is Best Value?

Best Value is

A duty to deliver services to clear standards by the most effective, economic and efficient means available

It will

- strengthen accountability to local people
- lead to healthier partnerships between local government and the private and voluntary sectors

- increase local choice of service provision and service level
- encourage a creative and flexible environment
- be measured by continuous improvements in the cost and quality of services

Local authorities will set standards for the services for which they are responsible.

In services such as education, where central government has a key responsibility, national standards will be set.

The aims of Best Value may be summarised by the “4 Cs”:

Challenge – why do you do what you do?

Compare – does anyone do it better?

Consult – do other people know what you do, and what do they think about it?

Compete – are you getting the best deal?

2. The Legislative Process

The Local Government (Best Value and Capping) Act introduced the formal Best Value framework, which applies to local authorities from April 2000.

LEAs must comply with the Best Value regime, although many of its provisions will be fulfilled through specific plans such as

- Education Development Plan
- School Organisation Plan
- Asset Management Plan
- Behaviour Support Plan
- Early Years Development and Childcare Plan
- Infant Class Sizes Plan
- ICT Development Plan

... to name but a few

The statutory duty to achieve best value will not be placed on the governing bodies of LEA maintained schools, as delegation of budgets is considered to go some way towards fulfilling the requirements.

However, in order to assure local people that the principles of best value are being applied to all local authority spending, schools will, through the Fair Funding framework, be encouraged to adopt the best value performance measurement framework.

Schools will also be required to demonstrate how they are following best value principles when submitting annual budget plans to the LEA.

Schools will in addition be affected by initiatives co-ordinated by the LEA and which are part of its Best Value programme, for example the EDP, target-setting and LEA-school relations.

3. The Best Value Process

Local Authority	Process	School
Corporate Plans	Establish objectives and performance measures	School Development Plan, target-setting
Fundamental Performance Reviews and Local Performance Plan	Agree programme of performance reviews as set out in Plan	School Development Plan
Challenge Compare Consult Compete	Undertake performance reviews	School Development Plan, target monitoring
Local Performance Plan	Set and publish performance and efficiency targets	Target setting
Audit Commission	Independent audit/inspection	OFSTED
Report to Secretary of State	Areas requiring intervention are followed up	OFSTED report and action plan

Schools already set and publish challenging targets and plan how to meet them.

Their funding depends to a great extent on their success in attracting pupils.

They are subject to regular internal and external inspection.

Many of the processes involved in these activities can be used as a basis to meet the principles of Best Value.

4. Schools' adherence to Best Value principles

As discussed above, schools do not as yet have to comply with the statutory framework of Best Value. However, they must demonstrate how they are following the principles of Best Value and a statement of this should accompany budget plans submitted to the LEA.

Fair Funding is based on principles reflecting many of the underlying themes of best value, for example:

- clear accountability of LEAs and schools
- transparency of school finances
- value for money for schools and LEAs

It should be remembered that finance is just one, albeit very important, resource. Schools should, when considering their adherence to best value principles, review all their procedures and not only financial matters.

The check sheet, which follows, lists a series of questions, each focusing on a key requirement of Best Value. If you can answer, "yes" to all or most of these questions, you are likely to be adhering to Best Value principles.

If you answer "no" to a number of questions, you may wish to review your procedures in the relevant area.

Advice and guidance is available from the LEA.

Completed check sheets should be returned to the LEA with schools' budget plans.

School: _____

Completed by: _____ **Date:** _____

Best Value for Schools' Budget Process

Challenge – why do you do what you do?

Is the budget reviewed annually with reference to the school's priorities?	
Is the budget clearly linked to the School Development Plan?	
Does the School Development Plan set costed objectives and targets?	
Have evaluation measures been built into the school's planning process?	
Does the school learn from its experiences?	
Do the headteacher and governing body anticipate new demands and opportunities for the school?	
Is there a plan to utilise reserves and balances held by the school?	
Does the school consider financial planning over a longer period than one year?	

Compare – does anyone else do it better?

Does the school use DfES/OFSTED comparative information to inform its planning process?	
Does the school use Education Matters or any other benchmarking data to compare its position with other similar schools?	
Would the school be interested in developing further comparative financial data with other schools?	

Consult – do other people know what you do, and what do they think about it?

Are parents kept informed of developments in school through regular meetings and/or newsletters?	
Are all appropriate staff adequately trained on the use of financial systems?	
Are staff and governors consulted during the budget-setting process?	
Does the governing body/finance committee formally agree the budget?	
Do staff and governors generally understand the school's priorities and how it plans to achieve them?	
Are management structures and communications within the school organised in such a way as to support the school's objectives?	
Is a report taken to the governing body at least once a term summarising the financial position of the school?	

Compete – are you getting the best deal?

Are sound controls in place to ensure probity? (e.g. certification, internal check, segregation of duties)	
Are quotations/tenders obtained for the purchase of goods and services in accordance with Financial Regulations and Standing Orders and the Scheme for Financing Schools?	
Have decisions on the purchase of support services from the LEA or another provider been discussed with the governing body or finance committee?	
Is there a clear understanding of the limits of delegation e.g. to the headteacher or to committees (guidance to be issued by the LEA).	
Is a register of business interests maintained? (requirement from 31 December 1999; guidance issued by the LEA in September 1999).	

SCHOOL:**COMMUNITY ACTIVITY**

Annex E (i)

NAME OF ACTIVITY:**FINANCIAL CODE:**

	APRIL TO SEPT ACTUAL	YEAR END FORECAST POSITION
	£	£
INCOME		
Grant Income		
Other Income		
TOTAL INCOME		
EXPENDITURE		
Staff Costs:		
Premises Costs		
Occupancy Costs		
Educational Supplies		
Other Supplies and Services		
TOTAL EXPENDITURE		
Excess of Income Over Expenditure		
Balance b/fwd from previous year		
Balance c/fwd to next period		
Please state intended use of surplus funds:		
OR		
Please state how deficit will be recovered		

Signed by (1)
(Block caps)(Position) HEADTEACHER
(Date Signed)Signed by (2)
(Block caps)(Position) GOVERNOR
(Date Signed)

This form should be sent to:-

Finance Directorate, (Children's Services
Accountancy),
Council House,
Dudley,
West Midlands
DY1 1HFTHIS FORM SHOULD BE RETURNED TO CHILDREN'S SERVICES ACCOUNTANCY
BY 31ST JULY & 31ST APRIL EACH YEAR

SCHOOL:**COMMUNITY ACTIVITY**

Annex E (i)

NAME OF ACTIVITY:**FINANCIAL CODE:**

	APRIL TO SEPT ACTUAL	YEAR END FORECAST POSITION
	£	£
INCOME		
Grant Income		
Other Income		
TOTAL INCOME		
EXPENDITURE		
Staff Costs:		
Premises Costs		
Occupancy Costs		
Educational Supplies		
Other Supplies and Services		
TOTAL EXPENDITURE		
Excess of Income Over Expenditure		
Balance b/fwd from previous year		
Balance c/fwd to next period		
Please state intended use of surplus funds:		
OR		
Please state how deficit will be recovered		

Signed by (1)
(Block caps)(Position) HEADTEACHER
(Date Signed)Signed by (2)
(Block caps)(Position) GOVERNOR
(Date Signed)

This form should be sent to:-

Finance Department, (Education
Accountancy),
Council House,
Dudley,
West Midlands
DY1 1HF

THIS FORM SHOULD BE RETURNED TO CHILDREN'S SERVICES ACCOUNTANCY
BY 31ST JULY & 31ST APRIL EACH YEAR

ANNEX F

Proportion of Budget Share Payable at each Instalment

A school operating its own bank account will receive payment of its budget share on the following dates and in the following proportions:

Month	Date	Proportion
April	First banking day	4/36 th
May	Nearest banking day to 15 th	1/12 th
June	Nearest banking day to 15 th	1/12 th
July	Nearest banking day to 15 th	1/12 th
August	Nearest banking day to 15 th	1/12 th
September	Nearest banking day to 15 th	1/12 th
October	Nearest banking day to 15 th	1/12 th
November	Nearest banking day to 15 th	1/12 th
December	Nearest banking day to 15 th	1/12 th
January	Nearest banking day to 15 th	1/12 th
February	Nearest banking day to 15 th	1/12 th
March	Nearest banking day to 15 th	2/36 th

The governing body should formulate its own profile of cash flow requirements. If it becomes clear that the school's forecast profile varies significantly from the standard profile and this will cause difficulties for the school (taking into account any balances held by the school), the LEA may consider a change to the profile of payments in order to overcome any difficulty.

ANNEX G

Reporting on the intended use of Surplus Balances

ASSIGNMENT OF RESERVES

SCHOOL:

Reserves Title		Balance £	Analysis of Closing Balance (Give detail of how the reserves balance will be utilised)	Spend Profile of Reserve Balance (Show when the Reserves are to be used)			
				2007/8 £	2008/9 £	2009/10 £	Beyond £
19	General Contingency						
29	Renewals and Repairs						
39	Long term Deposit						
49	Specific Contingency						
59	Approved DMBC Capital Schemes						
69	Approved Loans						
79	Reserve to Balance Following Years Delegated Budget						
89	Standards fund Transferred To Delegated Budget						

Authorised by Head Teacher (signature) _____ (print name): _____

Authorised by Governor (signature) _____ (print name): _____

ANNEX H

Dudley Grid for Learning

Objectives of the Project

- to deliver as a priority a wide range of curriculum services;
- to provide a range of corporate associated educational management and administrative elements;
- to provide equality of access to networked learning and administration resources;
- to deliver the services initially to schools and potentially to develop it further for use in colleges, other education establishments, homes, workplaces, libraries, museums and the wider community;
- to provide support to all users, specifically to teachers and managers of education establishments, and to enhance their capabilities and skills;
- to build on existing educational good practice and through the medium of ICT to extend learning opportunities to the whole community;
- to provide all users with access as and when required to local and world wide digital information;
- to allow the migration from existing legacy systems to the proposed new systems without loss of functionality of those legacy systems;
- to monitor and report on the services provided and the usage of the services;
- to work together to meet the targets of the National Grid for Learning as amended from time to time;
- to enable the Authority to meet the ICT requirements of the National Curriculum of the day;
- to provide continuous development and exploitation of the uses of ICT in learning and school management contexts;
- to monitor teacher competence in ICT skills and application;
- to track "Teacher Training Agency" skills for all teachers.

Scope of the Project

Curriculum Support

The Authority requires ICT services, which are accessible by all teachers and pupils to a degree, which will support all levels of learning. The services provided must enable the requirements of the National Curriculum Programmes of Study and the further requirements identified by the Authority to be met.

The requirement is not necessarily for individual workstations for each pupil within each class. The expectation is that pupils will work both in small groups and independently, according to task. The infrastructure should support the agreed Service Levels.

As a minimum, the services shall enable all users to have access to:

- a range of devices allowing data to be input, manipulated and output in a variety of forms including text, sound, vector and bitmap graphics, digitised photographs and video;
- generic software to support educational activities including for example word processing, desk top publishing, animation, multimedia presentations, modelling, spreadsheets, databases, control external devices and measure from a range of sensors using remote and local data logging;
- a system that enables the transfer of data electronically between all premises within the project and between users in the wider community through the use of the Internet;
- ICT tools and information sources to support the curriculum requirements, including, for example, mapping programs, CD encyclopaedias, other reference CDs, computer aided design software;
- facilities for teachers to use ICT in whole class teaching;
- a support service that continues to further encourage and exploit the uses of ICT to improve teaching, learning and standards in all schools.

Management and Administration

The Authority requires ICT services to support the management and administration of the Authority and Schools. The management and administration system should be suitably integrated such that manual replication of data is not required. All associated data must be kept consistent. Assessment data will include curricular and selected extra-curricular activities, attainments and personal and social skills.

Use of data

The Authority requires a service that will:

- enable data to be captured once only and then made available to users and information systems as required, subject to security requirements in Schedule 3;
- provide comprehensive audit trails of system use;

- enable data to be imported and exported electronically between any of the authority and the schools and:
 - other specified premises;
 - Dudley MBC's corporate systems for financial management, payroll and personnel;
 - examination boards;
- other specified Dudley MBC and external agencies;
- allow data about all pupils to be accessible from within the LEA;
- allow data about pupils currently attending, or having attended in the past, a premise to be accessible from within the school;
- allow data about pupils to be retained for three years after the end of the school year in which they left School.

Corporate Systems

The Authority has a number of corporate systems, including:

- LAFIS financial management system and Local Financial Management;
- payroll;
- personnel;
- purchasing;
- e-mail;
- central schools library service catalogue;
- GMIS and corporate property database.
- pupil records

The Authority requires a service provided by the Contractor that will allow access to the above corporate systems.

The Authority also requires a service that will allow the migration of data between certain corporate systems and certain of those systems provided by the Contractor.

Legacy Systems

ICT equipment previously operating in Schools is referred to as “legacy systems”. The Authority requires the Contractor to provide ICT services that take account of the investment in the legacy systems. Where the legacy systems, or components thereof, are deemed capable of delivering all or part of the required services, they may be retained. Where legacy systems are integrated the resultant functionality shall not be materially degraded by such integration.

Access

The Authority requires that:

- the curriculum support services can be accessed from any terminal within the School, subject to user authentication and access control;
- access by all Users should always be subject to specified security requirements;
- teachers and pupils have access to the full range of the services, subject to user authentication and access control;
- access by other users will be provided subject to security requirements together with an agreed level of system privilege. Secure access to the Technical Infrastructure by administrators, LEA managers and advisers / inspectors is allowed.

Training

A critical factor in the success of the project is the provision of training to ensure that all users are competent and confident in the use of the services.

The Authority requires:

- a means of measuring standards of competence and confidence;
- a means of measuring standards of competence and confidence that teachers will require to achieve in order that they can fully exploit the potential of the service in the education of their pupils;
- sufficient training and support for teachers;
- training needs to be identified and sufficient training provided for all users of the management and administration services.

ICT Service Management

The Authority requires that:

- all equipment is maintained adequately so that it meets the required performance levels.

Other Requirements

The Authority requires the Service to be provided so that they are sufficiently flexible to accommodate development of additional services during the contract period subject to appropriate contract variations. Such additional services may include:

- services that individual Schools may wish to purchase, when their budgets allow;
- new Schools or changes to the use of existing Schools;
- new services;
- new initiatives, which cannot be predicted at this time.

More detailed guidance on the operation of the Dudley Grid for Learning project in schools will be issued to schools by the Daft team as required.