

**Calderdale Metropolitan Council**

# **The Scheme for Financing Schools**

**(Fair Funding Framework)**

(under section 48 of, and Schedule 14 to,  
the school Standards and Framework Act 1998 and as modified by the Schools  
Finance (England) Regulations (2011))

Effective from 4 August 2011  
(subject to Council approval on 3 August 2011)

# Fair Funding Framework

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# 1. Introduction

## 1.1 Purpose

The purpose of this document is to outline the financial roles and responsibilities of the Local Authority, Schools Governing Bodies, Schools Senior Leadership Team and Schools Forum within the Calderdale Metropolitan Borough Council area for maintained schools.

## 1.2 General Introduction

There is a statutory obligation for each local authority to set out the financial responsibilities for the Local Authority and its schools, making it clear what the expectations for each are. This document is called the Scheme for Financing Schools, formerly known as the Calderdale Fair Funding Framework. The title was changed to reflect more closely the purpose of the document. It sets out the way Local Authorities determine school funding and the minimum safe financial arrangements and processes schools should have in place for committing and managing funds and other assets.

Calderdale's Scheme for Financing Schools was last updated in October 2006. There is a need to keep the document up to date to reflect national changes and new requirements that are contained in the Schools Finance Regulations each year. Schools Forum agreed at its meeting on 30 November 2009 to a review of the Calderdale Scheme for Financing Schools.

The key changes made to the Scheme for Financing Schools since the 2006 edition are outlined below:

- A call for a more user friendly and helpful document was responded to by removing much of the very detailed parts and referring out to specific guidance by the use of webpage hyperlinks.
- The Revision History was removed and much of the appendices have been replaced by either text in the body of the document or to the above mentioned hyperlinks.
- New sections have been added to: (i) explain the formula system for funding of Maintained Schools in England; (ii) outline the important part the Schools Forum has in the process; (iii) bring together all the parts relating to school's borrowing powers into one section; (iv) outline the organisational and governance structures schools can choose to adopt; and (v) provide a list of useful resources.
- Guidance has been updated on: (i) the authority for most changes to the Scheme for Financing Schools now resting with Schools Forum/Cabinet rather than the Secretary of State; (ii) the creation and use of Contingency Funds; (iii) the treatment of school balances and a revised process to reflect most recent DfE guidelines; (iv) the composition of Schools Forum; (v) the upcoming Carbon Trading environment; and (vi) simplifying the process for schools wishing to charge for certain aspects of childcare.

At present, the new government are reviewing their policy in respect to the financing of schools (Schools Funding Regulations (2011-12)) and there may be changes agreed at national level which will have to be taken account of at the end of the consultation period.

### 1.3 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 Standard and Framework Act 1998](#).

Under this legislation, Local Authorities determine for themselves the size of their Schools Budget and LA Budget – although at a minimum a Local Authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an Authority's maintained schools except for capital and certain miscellaneous items. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under Section 46 of the Act. The amounts to be retained centrally are decided by the Authority concerned, subject to any limits or conditions. These include, as prescribed by the Secretary of State, gaining the approval of the Schools Forum or the Secretary of State in certain instances. 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. The 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 Local Authority in accordance with Section 48 of the Act and approved by the Secretary of State. All revisions to the scheme must be approved by the Schools Forum following consultation with Headteachers and Governors of every school.

At the same time as issuing its budget statement as required by Section 251 of the [Apprenticeships, Skills, Children and Learning Act 2009](#) the Authority will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the Local Authority for the two financial years following the year for which the statement is being issued. 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.

Subject to the provisions of this scheme, Governing Bodies of schools may spend budget shares for the purposes of their school. They may also spend budget share on any additional purposes prescribed by the Secretary of State in regulations made under Section 50 of the School Standards and Framework Act 1998.

A Local Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the School Standards and Framework Act 1998) but in that case there is no right of appeal.

To supplement this scheme the Local Authority provides guidance to schools on a number of financial systems and issues, in some cases by letter rather than specified as guidelines. When these are updated and when new guidance is provided these will be reissued as [Financial Standards for Schools](#)

Annex 1 on page 97 provides references to the provision of additional information. References in the Annex are cross-referenced with sections within the main body of the document. Where no guidance on financial controls has been issued to schools, the Council's Standards are set out in its 'Section 151 Standards'. Where a school seeks advice on specific areas, copies of the relevant documents will be made available.

Each Authority is obliged to publish a 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 calculations for each school. Please refer to Section 2 for more detail on these calculations. After each financial year the Authority must publish a statement showing the out-turn 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 out-turn statements so far as they relate to that school or central expenditure.

Regulations also require a Local Authority to publish their scheme and any amendments to it on a publically accessible website. The date at which amendments take effect must also be published.

#### **1.4 The role of the scheme**

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

##### **The Local Authority**

The Local Authority has responsibility for determining the total resources that will be available to schools, establishing the basis for the allocation of resources to individual schools (following consultation with schools), giving advice to schools and taking corrective action if necessary and operating sanctions including the withdrawal of delegation where appropriate.

Within the School Standards and Framework Act 1998, there are a specified number of activities that are the responsibility of the Local Authority. These are: Strategic Management, expenditure supported by specific grant, Access, School Improvement and Special Needs.

The Local Authority articulates policy for the Education Service through its CYP Plan. This is current until March 2011 but is subject to a current review. It owns the majority of school premises and retains responsibilities in relation to the Education Acts in respect of special needs.

##### **The Governing Body**

Within the national and local framework, Governing Bodies control the running of schools with delegated budgets and have the freedom to deploy resources according to their own educational needs and priorities. In administering the delegated budget, the Governing Body should have regard for the proper accountability and control over expenditure. They should

arrange to ensure that the delegated budget is used in an economical manner and that the highest standards of probity are maintained.

The Governing Body must spend its delegated budget in a manner consistent with the requirements of the National Curriculum and other statutory requirements relating to the curriculum.

The Governing Body should, together with the Headteacher develop and carry out a development plan for their school taking account of the full range of responsibilities. Headteachers have a key role to play in helping the Governing Body to formulate the development plan.

Governing bodies of schools have the responsibility of spending money according to the perceived needs of the school. They should make arrangements for setting up clearly defined and documented structures to ensure that financial and non financial decisions are made effectively.

#### **1.4.1 Application of the scheme**

The scheme applies to all community, voluntary, foundation, community special and foundation special schools maintained by the Authority. A current list of these schools is available on the Council website at [list of schools](#)

Unless specifically stated otherwise, the provisions of this scheme apply to any nursery school maintained by the Authority.

Because PRUs are not maintained schools within the meaning of s.20 (7) of the Act, the scheme's coverage excludes them.

#### **1.5 Publication of the scheme**

A copy of the approved scheme will be supplied to each Headteacher and Governing Body of the schools to which it applies. Any approved revisions will be notified to each school.

A copy of the current Scheme for Financing Schools will be placed on the Council's web site.

#### **1.6 Revision of the scheme**

Any revisions of the scheme will be subject to consultation with schools. Revisions will be approved by Schools Forum following consultation with Headteachers and Governors of every school.

#### **1.7 Delegation of powers to the Headteacher**

Approval of the annual budget is the responsibility of the Governing Body. The approval of the budget should be recorded in the minutes of the Governing Body along with the total budgeted expenditure.

The Governing Body of each school should consider the extent to which it wishes to delegate its financial powers to the Headteacher. The Governing Body should ensure that any powers that are delegated to the Headteacher are recorded in the minutes and included in the School's Documented Procedures.

## 1.8 Maintenance of schools

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

## 1.9 Transfer of Information between Schools and Local Authority

As technology progresses, it is the intention to transfer information between Schools and the Local Authority by electronic means whenever possible. This could be via the Schools Electronic Packet, email whenever non-confidential detail is exchanged and Sharepoint, Government Connect Network (GCSX), or Schools to Schools (S2S) website when confidential detail is involved.

## 1.10 Useful Weblinks

Ref. No.	Reference	Weblink
1.1	School Standards and Framework Act 1998	<a href="http://www.opsi.gov.uk/acts/acts1998/ukpga_19980031_en_1">http://www.opsi.gov.uk/acts/acts1998/ukpga_19980031_en_1</a>
1.2	Apprenticeship, Skills, Children and Learning Act, 2009	<a href="http://www.opsi.gov.uk/acts/acts2009/ukpga_20090022_en_1">http://www.opsi.gov.uk/acts/acts2009/ukpga_20090022_en_1</a>
1.3	Financial Standards for Schools	<a href="https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/lms/Forms/AllItems.aspx">https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/lms/Forms/AllItems.aspx</a> or refer request to view to the Contracts Officer – Schools Services on 01422 392672
1.4	List of Schools	<a href="http://www.calderdale.gov.uk/education/schools/calderdale-schools/findschools/index.jsp">http://www.calderdale.gov.uk/education/schools/calderdale-schools/findschools/index.jsp</a>
1.5	Information on GCSX	<a href="http://www.govconnect.gov.uk/what-is-gcsx.php">http://www.govconnect.gov.uk/what-is-gcsx.php</a>
1.6	Local Financial Management (LFM) of Schools website	<a href="https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/finance/default.aspx">https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/finance/default.aspx</a> or refer request to view to the Contracts Officer – Schools Services on 01422 392672

## 2. The System of Funding Maintained Schools in England

### 2.1 Brief history

The present system of schools funding is the result of an evolutionary process. It was changed radically in 2006 in response to what was seen as a funding crisis in schools in 2003/4 and the new system was designed to provide more predictability and stability to schools financial planning. The new system is primarily driven by pupil numbers. The Dedicated Schools Grant (DSG), introduced in 2006, is an integral part of this relatively new strategy. At around 85% of the Schools Budget, it provides the largest proportion of funds for schools and the Local Authority are obliged to devote the whole of this grant to the Schools Budget. The grant, whilst ring fenced at Local Authority level, is available to schools to use as they see fit in the interests of the school's purpose.

Schools were given a guaranteed minimum level of funding per pupil with effect from 2004/5. Three year budgets for schools were introduced with effect from 2008/9. A return to this regime is expected after 2011-12, when budgets will be produced for this year only, because of the current special economic position.

The Schools Funding Settlement for 2008-11 can be viewed at [School funding settlement 2008-11 overview](#).

Other grants are ring fenced at both Local Authority and Schools level.

However, in the Schools Finance Regulations 2011, Government has indicated that the following grants will be mainstreamed into the Dedicated Schools Grant: School Development Grant (SDG); School Development Grant – Specialist; School Development Grant – High Performing; School Standards Grant (SSG); School Standards Grant (Personalisation); School Lunch Grant; One-to-One Tuition; Extended School - Subsidy; Extended School – Sustainability; Primary National Strategy; Secondary National Strategy; Diplomas; and the Ethnic Minority Achievement Grant (EMAG).

However, Government proposes to enable LAs to retain funding centrally within DSG for services which support schools in narrowing achievement gaps for under-performing ethnic groups and in meeting the specific needs of bilingual learners.

The Schools Finance Regulations (2011) also introduced a new regulation requiring Schools Forum to approve any overspend on centrally held Schools Budget brought forward into the new financial year. The effect of this would be to reduce the DSG available for 2011/12.

### 2.2 Present System of Funding

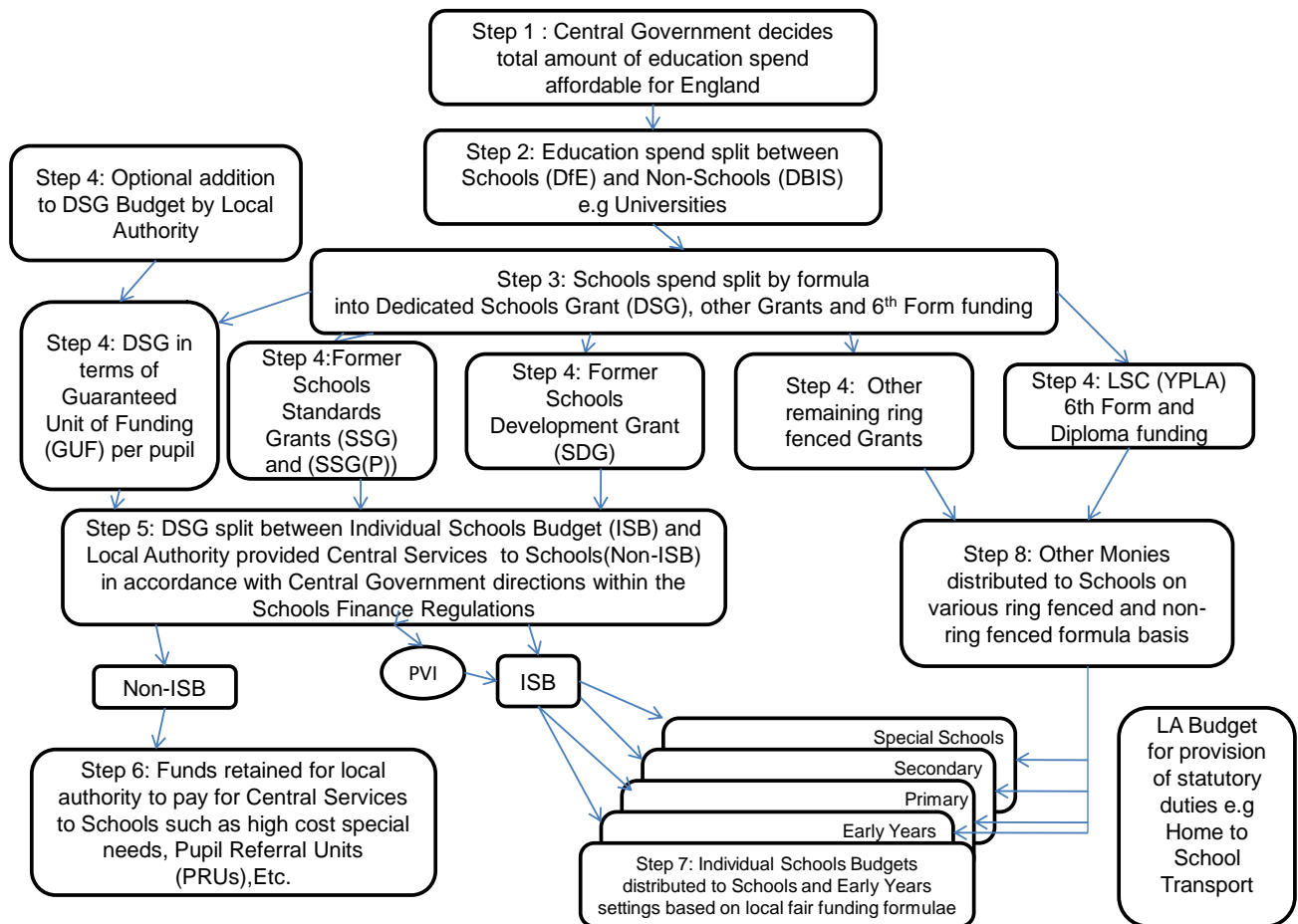
The present system of school funding is shown diagrammatically in the Chart overleaf. This shows a process where Central Government decide as part of the Comprehensive Spending Review (CSR) how much they are willing to spend on Education in total. This is then broken down into what should be provided for schools and non-schools e.g. Further Education establishments.

Resources allocated nationally for schools and services to schools are then broken down into: DSG (the largest proportion by far); other specific school grants; and sixth form and Diploma funding. These grants are then distributed amongst Local Authorities based on the relative need and relative resources of each respective Authority with an element of damping to avoid large year on year fluctuations. In the case of DSG this results in a Guaranteed Unit of Funding (GUF) per pupil. For example, the January 2010 Census count of pupils was 32,618.5, Full Time Equivalent (FTE), this resulted in a total DSG of over £137M for Calderdale. The constituent parts of the DSG are shown on a return which the Local Authority are legally required to submit to Central Government now called Section 251 Budget Statement (formerly Section 52). This can be viewed at [Section 251](#) (Table 1).

In summary, the Schools Budget consists of two main components: DSG and YPLA (formerly LSC) funding. This is then split between centrally retained services provided by the Local Authority (non-*ISB*) and Individual Schools Budgets (*ISB*), which is delegated to schools.

This total Schools Budget may, or may not, be topped up by other Local Authority funding and then divided into the two main parts as mentioned above. The actual split is defined by Central Government in the Schools Funding Regulations, to provide services which are more sensibly managed centrally such as pupil services, pupil referral units, non-maintained early years provision and out-of-area SEN placements.

# The System of Funding for Schools in England



NB Early Years Funding for the PVI sector was within the Non-ISB in 2010/11 but this will be moved into the ISB from April 2011

## **2.3 Distribution of the ISB**

Once the total ISB, which is currently approximately 85% of the Schools Budget has been arrived at, in consultation with the Schools Forum, this sum is distributed to schools using separate formula for: early years (from 1/4/2011-not currently part of ISB); primary; secondary; and special schools. Any increases to the funds kept by the Local Authority to provide services to schools year-on-year must be matched in percentage terms by increases to the ISB. This is called the Central Expenditure Limit (CEL). Confirmation of this state is shown on [Section 251](#) Budget Statement (CEL worksheet). In exceptional circumstances, the CEL may be varied in agreement with Schools Forum.

In the Schools Finance Regulations (2011), Government is to mainstream certain ring fenced grants into the DSG. Any mainstreaming of grants will also affect the calculations for the central expenditure limit (CEL).

## **2.4 Early Years Formula**

All maintained nurseries within schools, (Calderdale does not have nursery schools) and Private, Voluntary and Independent (PVI) settings were due to be funded on an Early Years Single Funding Formula (EYSFF) from April 2010. For most authorities this new formula consisted of a sum calculated on the hours of attendance of pupils multiplied by an hourly rate, which formed the major portion, with the addition of two smaller sums based on an hourly rate for employing qualified staff and on deprivation factors. Some transitional arrangements were also proposed.

However, government decided to delay the introduction of the EYSFF until April 2011 due to a number of factors, including the readiness of some authorities to proceed in the spring of 2010. For Calderdale this meant that the introduction of the EYSFF was delayed but some elements of the formula went ahead for PVI settings with a slightly reduced hourly rate. Maintained nurseries within schools retained the existing method of funding which is based on nursery places provided in units of 13 full time equivalent (FTE) pupils rather than those places actually taken up.

In the Schools Finance Regulations 2011, the new Government re-enforced the requirement for all authorities to introduce an early years single funding formula from April 2011 which should include elements to fund mainly on numbers of actual hours, to use at least three counts of children during the year and to have a deprivation supplement. Local authorities which were approved as EYSFF pilots or pathfinders are expected to share good practice with those which are still to implement. The latter are expected to do their own data collection and analysis in the anticipated dissolution of the Regional Government Offices.

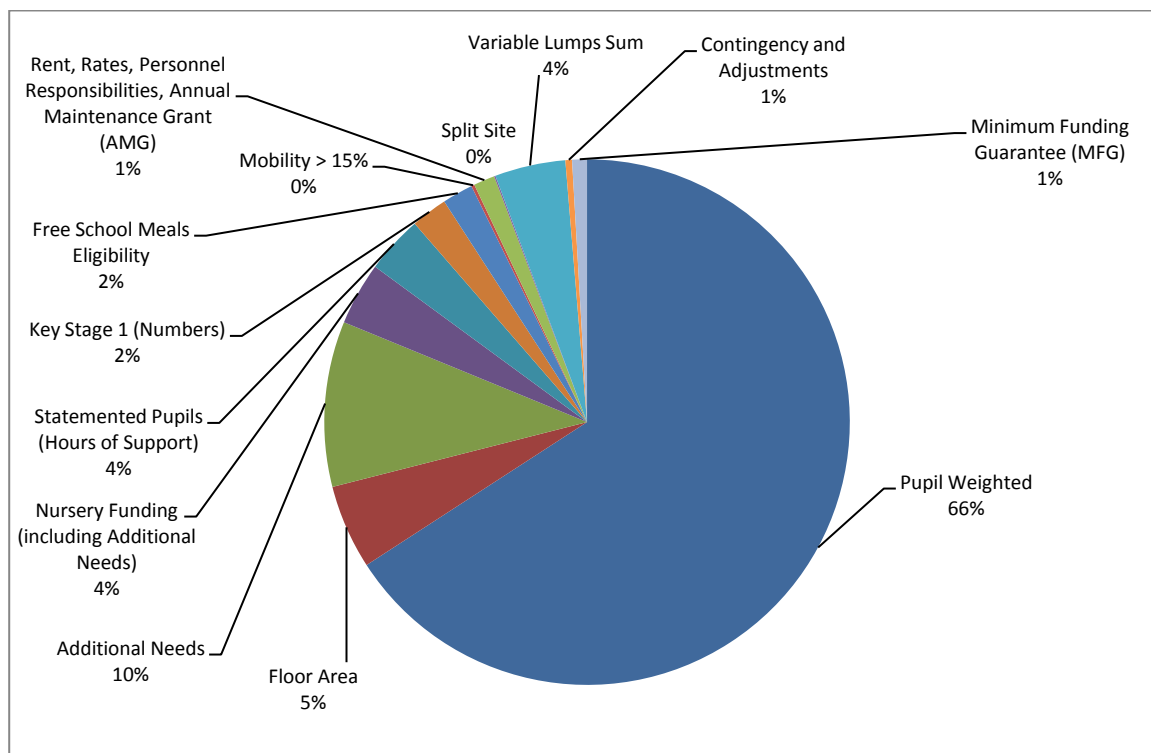
From April 2011, all funding for Early Years will become part of the Individual Schools Budget (ISB).

## 2.5 Primary Schools Formula

Like most of the schools funding formula, the Primary Schools Formula has evolved over a number of years and has become less complicated at each stage of evolution. At its base, the formula attempts to identify all the drivers that lead to a cost in delivering education. Some of the elements identified are fixed costs and some are variable and some are a combination of the two. However, since a large proportion of education costs are staff costs and the number of teaching and non-teaching staff is strongly correlated with the number of pupils, the formula is heavily weighted towards the number of pupils attending each school.

For example, the present Primary Schools formula distributes the Primary Schools part of the 2010/11 ISB, of approximately £60M, by the following factors as outlined in the pie chart shown on the next page:

Primary Schools ISB Split



Of the budget available for Additional Need, 50% is distributed in accordance with pupil's attainment levels. Pupils performing in the bottom 10% of all pupils in Calderdale for each key stage attract funding.

The remaining 50% of the Additional Need budget is distributed in accordance with the number of pupils in each school who live in the bottom 10% most deprived Lower layer Super Output Areas (LLSOA's) nationally.

The Variable Lump sum funding is devoted to protecting smaller schools which may struggle with financial viability otherwise.

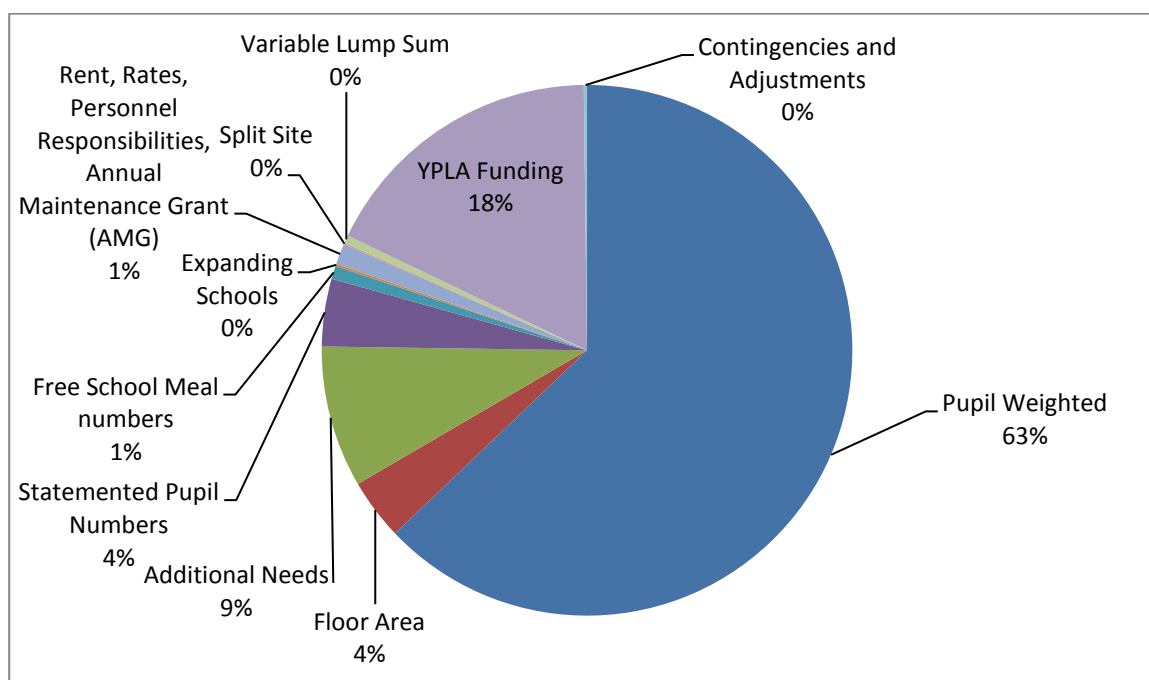
Within the Pupil Weighted element, the funding is distributed on the basis of age weighted pupil numbers in each school at the January Census. This reflects the different costs involved in educating children at different stages as they progress through school. For example, the full breakdown for 2010/11 for each school is documented at [Individual Schools Data](#).

Information is sent out in March each year via the schools electronic packet, documenting for each school, how the formula funding allocation for the following year has been arrived at. This can also be viewed at [Section 251 Budget Statement 2010-11](#).

## 2.6 Secondary Schools Formula

The Secondary Schools formula is very similar to the primary Schools formula but reflects the differences between the two sectors. For example, the relevant split of roughly £65M for 2010/11 is shown on the pie chart on the next page

Secondary Schools ISB Split



The full breakdown for 2010/11 for each school is documented at [Individual Schools Data](#). Please note the above figures include a sum of over £11M from the YPLA (formerly LSC) for 6<sup>th</sup> Form funding but the ISB for Secondary Schools is often quoted net of this figure. This can also be viewed at [Section 251 Budget Statement 2010-11](#).

## 2.7 Service Children

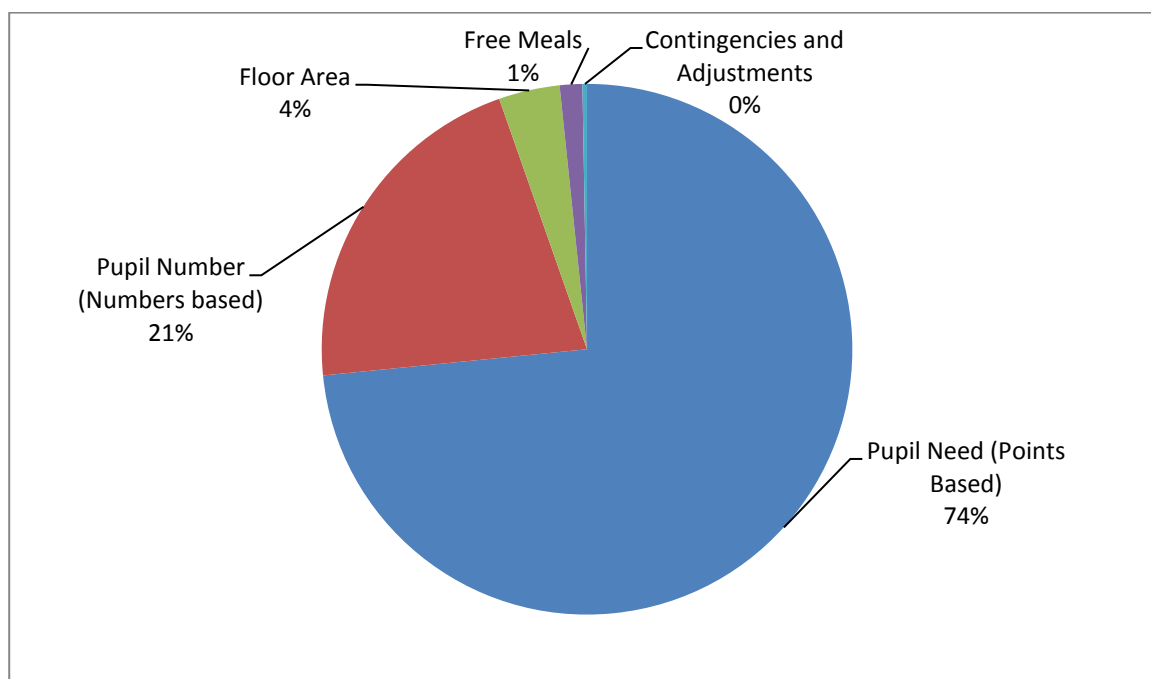
In the Schools Finance Regulations (2011), the new Government signalled its intention to give support for schools with fluctuations in the numbers of service children. Government already allow LAs to have a formula factor where armed forces movements lead to a reduction in pupil numbers of at least 20% within one year. Government feel this is unduly restrictive and therefore are to remove reference to a threshold, so that LAs can make provision as they see fit to support schools affected by this turbulence.

Government are also to introduce a premium of £200 per pupil for children whose parents are members of the armed forces.

## 2.8 Special Schools Formula

The three Special Schools in Calderdale are funded using a different formula to that used in Primaries and Secondaries, and account is taken of each individual pupil's level of need by a points system. For example, the funding streams of roughly £4.5M for 2010/11 are broken down as shown on the pie chart on the next page.

Special Schools ISB Split



The full breakdown for 2010/11 for each school is documented at [Individual Schools Data](#)

## 2.9 Minimum Funding Guarantee

The Minimum Funding Guarantee (MFG) was introduced to the school funding system for the 2004-05 financial year. The intention is to provide schools with stability of funding. The MFG does this by guaranteeing all schools a minimum percentage increase (or decrease if the percentage is deemed negative) in their funding per pupil from one year to the next. This minimum percentage is set by central government. The MFG currently applies to a school's delegated budget, and not to specific grants.

However, in the Schools Finance Regulations (2011), Government highlighted that if any grants which are mainstreamed into the DSG would also need to be taken into account in the calculation of the Minimum Funding Guarantee (MFG) so that the budget comparison is on a like for like basis. Local Authorities also have discretion to adjust baseline MFG calculations in respect of school cluster funding.

For special schools, there are separate MFG calculations for place-led funding and the remainder of the budget. As the grant allocations are not based on places, and the level of place funding is usually based on existing assessments of need, Government indicated that the baseline should be adjusted for the part of the budget excluding place funding. If LAs decide to add in mainstreamed grants into place factors instead, they may need to seek a disapplication from this particular MFG requirement.

The Secretary of State announced in mid January 2011 that Schools Forums will no longer have the general power to approve variations to the MFG affecting schools covering no more than 50% of pupils in the authority. However, variations can still be applied without reference to the Secretary of State where:

- A variation to the **coverage** of the MFG (the list of exceptions in the regulations which are outside its scope) has previously been approved by the Schools Forum or Secretary of State and did not have a specified time limit; if it applied only to the 2008-11 spending review period, for example, then a new application would need to be made. Variations to the **level** of the MFG which were for more than one year would not remain in place but would require a new application to the Secretary of State;
- The proposed variation applies to the implementation of the early years single funding formula in isolation. It would therefore have to apply only to schools with early years provision and not seek to exclude mainstreamed grants from the MFG coverage;
- The proposed variation would result in a higher level of MFG than -1.5% (for example, -1% per pupil);
- The proposed variation relates only to the Diploma formula grant, which has been paid to schools based on actual numbers taking Diplomas, and/or the targeted elements of primary and secondary National Strategies grant, which were given to schools explicitly on a one-year basis.

All other proposals will need to be approved by the Secretary of State.

The key principle that underpins the detailed operation of the guarantee is that the comparison of a school's budget between one year and the next should be done on a like for like basis. This means that some elements of a school's budget need to be excluded from the calculation, since they would otherwise distort the calculation. The school funding regulations set out a number of elements which must be excluded from the calculations e.g. rates, statements, KS1, YPLA 6th form funding.

The DfE have published an MFG calculator which can be viewed at [MFG Calculator 2011/12](#). This shows how, typically, the MFG would be calculated. For further details please see Schedule 4 of the School Finance (England) Regulations 2011.

## 2.10 Review of Formulae

Formulae themselves are periodically reviewed by Schools Forum to take account of changes in local circumstances over a period of time. The table below show when each of the Formula was last reviewed.

Formula	Year last review implemented
Primary	2007/8
Secondary	2007/8
Special Schools	2008/9
Early Years	2011/12

## 2.11 National Funding Formula

The Government has announced its intention to consult in the spring of 2011 on the introduction of a National Funding Formula for children from Reception to Year 11. Should this happen, most of the preceding Sub-Sections in this Section would be subject to change.

## 2.12 Pupil Premium

Government has introduced a Pupil Premium of £430 per pupil aged between 4 and 15 eligible for Free School Meals (FSM) and for pupils who are Looked After Children (LAC). Schools will also receive a premium of £200 for each child whose parents are in the armed forces.

## 2.13 16 to 19 Year Old Funding

Responsibility for funding for 16 to 19 year old education has recently been handed over from the Learning and Skills Council (LSC) to a combination of the Young People's Learning Agency (YPLA), the Skills Funding Agency (SFA) and Local Authorities. Twelve schools in Calderdale receive funding in this way.

For example, the table below, extracted from the [YPLA Guidance Document](#), shows the main YPLA expenditure areas for 2010/11.

Main Budget Headings		2010-11 planned investment £ million	Recipients of funding from YPLA	Subsequent primary recipients
Participation (through YPLA)	Further education	3,180	Local authorities	General further education colleges and sixth form colleges
	Foundation learning (including previous entry to employment budget)	845	Local authorities	General further education colleges, commercial and charitable providers
	School sixth forms (including academies)	2,392	Local authorities Academies	Local Authority maintained schools
	Specialist provision for learners with learning difficulties and or disabilities age 16-25	267	Independent specialist providers	n/a
	Education in youth custody <sup>1</sup>	18	Local authorities (1 August 2010)	General further education colleges, commercial and charitable providers
Participation	16-19 apprenticeships	780	n/a	Commercial and charitable

Main Budget Headings		2010-11 planned investment £ million	Recipients of funding from YPLA	Subsequent primary recipients
(through NAS)	(Former DCSF)			providers
TOTAL PARTICIPATION <sup>2</sup>		7,482		
Non-participation	Education maintenance allowances and learner support	677	Learners	
	14-19 reform (including education business partnerships, Young apprenticeships)	67	Local authorities (1 August 2010)	Local authorities, commercial and charitable providers
TOTAL NON PARTICIPATION		744		
TOTAL REVENUE		8,226		
16-19 capital		270	General further education colleges, sixth form colleges and independent specialist providers	
TOTAL INVESTMENT <sup>3</sup>		8,496		

As can be seen from the above, nearly 68% of the funding goes to 6<sup>th</sup> Forms in Schools, 6<sup>th</sup> Form Colleges or Further Education providers.

School 6<sup>th</sup> Form funding allocations are calculated using pupil numbers (Learner Numbers (LN)) multiplied by a ratio to arrive at Standard Learner Numbers (SLN) then adjusted for: the Provider Factors; Additional Learner Support (ALS) for pupils with special needs; and for Teachers Pensions. The Provider Factor is a combination of factors considering Area Cost, Deprivation, Curriculum and previous Success Factors, which in turn are a combination of Retention rates in Year 12 and Achievement percentages in Year 13/14. For further information please see the [Schools Forum paper](#) on the subject and the [Learner Responsive Allocation 2010/11 Guidance Note](#). Schools 6<sup>th</sup> Form funding allocations are incorporated into overall Schools funding allocations issued by the Local Authority.

At present, if a student is registered at more than one provider both providers receive funding. This is likely to change in future.

The Secretary of State has indicated that the YPLA will be disbanded and future 6<sup>th</sup> Form funding will be via a new agency called the Education Funding Agency. A fundamental review of funding is also expected to provide more money to 6<sup>th</sup> Form Colleges at the expense of 6<sup>th</sup> Forms in schools.

## 2.14 Funding of Academies

Academies are state-funded schools established and some are managed currently by sponsors from a wide range of backgrounds, including colleges, universities, individuals, businesses, voluntary sector, and faith communities. More recently, the Secretary of State has encouraged schools at the higher end of achievement to become Academies without the requirement to have an external sponsor.

Trinity Academy, in Calderdale, is sponsored by Wakefield Diocese (Church of England). The co-sponsors include Calderdale Council. The Church of England Academies Services Limited (CASL) is managing the project to create Trinity Academy on behalf of the diocese.

Academies are not maintained by the Local Authority but retain close links with it, and with other schools in the area. Government states its intention to fund Academies at a level comparable to maintained schools in the Local area. Currently, Academies are set up with the backing of the Local Authority who has Governing Body representation.

Currently, the running costs of the Academy are met by the General Annual Grant (GAG), which it receives on an academic year basis and which is effectively an amalgamation of maintained school funding streams. Through a process called “recoupment” the DfE recover from the LA the funds perceived to be relating to the Academy that have been included in the DSG and pay them directly to the Academy.

For more detail on the formation of the Trinity Academy within Calderdale please see the Schools Forum Paper on the subject.

Under the Academies Act 2010 legislation, Governing Bodies can opt to become a new form of Academy.

The Secretary of State has announced that both the actual funding of Academies and the calculation of the Local Authority Central Spend Equivalent Grant (LACSEG) are to be the subject of a review in 2010/11. Arrangements for the recouping the DSG element of LACSEG will be similar to 2010/11 in 2011/12 except that there will be no recoupment in relation to line 1.2.2 (SEN support services) of the section 251 statement.

## **2.15 Other sources of funding for schools**

Additional funding for schools comes from the Schools Standards Grant (SSG), Schools Standards Grant (Personalisation) (SSG (P)), and Schools Development Grant (SDG), which are lump sum plus per pupil sums. Some schools receive other grants some of which are ring fenced or Area based. For more information on the general principles involved, please see the [Schools Standards Fund Handbook](#) of 2007/8, which though out of date for details, does explain the principles. Up to date information on Schools Standards Funds in general can be found at [Schools Standards Fund Circular 2008-11](#) .

Additional funds may be available for Capital schemes.

## **2.16 Schools Contingency**

The Schools Finance Regulations allow the Local Authority to retain some contingency fund under strict criteria repeated here for the sake of convenience:

“Expenditure on the “schools specific contingency” is central expenditure deducted for the purpose of ensuring that monies are available to enable increases in a school’s budget share after it has been allocated where it subsequently becomes apparent that:

- (a) a Governing Body has incurred expenditure which it would be unreasonable to expect them to meet from the school’s budget share,
- (b) an increase in the school’s budget share is due in accordance with the Local Authority’s formula,

(c) a determination or redetermination of the school's budget share authorised by the schools forum or the Secretary of State has led to such an increase, or

(d) such an increase is necessary for the purpose of correction of errors,

and where such circumstances were unforeseen when initially determining the school's budget share;"

Therefore, the subsequent use of contingency funds will be subject to meeting at least one of the above criteria.

The funds to be delegated to schools provide for some specific contingencies to be released during the year.

In Calderdale, examples of the use of the schools contingency fund are:

(a) General - for claims that are in accordance with this framework document (exceptional increase in pupil numbers, errors, unforeseen circumstances etc).

(b) Rates - to make adjustments to allocations in the case of revaluations by the Government's Valuation Officer. Any difference will be adjusted at the end of the financial year.

(c) Statementing - to reflect changes in the incidence of Statements of Special Educational Needs. It should be noted that reductions are made assuming leavers at the maximum age of the school pupils, e.g. 11-16 schools have reductions for pupils in Year 11 but 11-18 schools do not.

(d) Vandalism - to reimburse those primary schools, which are heavily affected by vandalism. A school will be able to make a claim if its vandalism repair costs exceed 30% of its formula allocations for repairs to premises in two consecutive years or 60% of the repairs formula allocation in one year.

(e) Securing School Improvement - to be used to support Schools causing concern. Set up by the Schools Forum with effect from 1 April 2007 to provide additional support to schools that have additional pressures and which have become a cause for concern. A report with criteria was produced for Schools Forum and this is used in determining access to additional support, together with the 'Securing School Improvement' Policy of the Council and this is managed by the Head of Learning Services and the Head of School Improvement. It is monitored through a monthly meeting of officers from different Services across the Directorate. Schools Forum will regularly scrutinise how the money has actually been spent and what outcomes have been achieved.

## 2.17 Useful Weblinks

Ref. No.	Reference	Weblink
2.1	Section 251 Budget Statement (formerly Section 52)	<a href="https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/Budgets/Forms/AllItems.aspx">https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/Budgets/Forms/AllItems.aspx</a> or refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.2	Former DCSF Schools funding settlement 2008-11	<a href="http://www.teachernet.gov.uk/management/schoolfunding/schoolfunding2008to11/schoolfundingsettlement200811/">http://www.teachernet.gov.uk/management/schoolfunding/schoolfunding2008to11/schoolfundingsettlement200811/</a>
2.3	Individual Schools Data	<a href="https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/formula/Forms/AllItems.aspx">https://learning.calderdale.gov.uk/SchoolsIntranet/guidance/lfm/formula/Forms/AllItems.aspx</a> or refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.4	YPLA Guidance document of funding between 1/4/10 and 31/7/10	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.5	Schools Forum paper on the Financial implications of the formation of Trinity Academy	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.6	Schools Forum paper on 6 <sup>th</sup> Form funding	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.7	Learner Responsive Allocation 2010/11 Guidance Note For School Sixth Form Providers	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.8	Schools Standards Fund Handbook 2007/8	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
2.9	Schools Standards Fund Circular 2008-11	<a href="http://www.teachernet.gov.uk/docbank/index.cfm?id=12227">http://www.teachernet.gov.uk/docbank/index.cfm?id=12227</a>
2.10	DfE MFG Calculator for 2011/12	<a href="http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/settlement2012pupilpremium/a0070273/calculators">http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/settlement2012pupilpremium/a0070273/calculators</a>

## **3. Schools Forum**

### **3.1 Purpose**

The Education Act 2002 required the Local Authority to establish a Schools Forum in order to give schools greater involvement in the distribution of their funding. Each Local Authority must consult its Schools Forum on its school funding formula, as well as other issues in connection with schools budgets. The main purpose of the Schools Forum is to consider aspects of the relationship between Schools and the Local Authority relating to financial matters.

### **3.2 Role**

The role of the Schools Forum is to notify the Local Authority of its views and decisions.

### **3.3 Terms of Reference**

Under regulations, a Local Authority must consult its Schools Forum on a range of issues covering:

- school funding such as changes to the school funding formula
- contracts that an Authority is letting or re-letting for provision of services to schools (cleaning, catering and grounds maintenance etc)
- financial arrangements an Authority makes for a range of central school budget expenditure such as the provision for pupils with special educational needs, excluded pupils, early years, insurance, changes to the scheme for financing schools, administration of grants and free school meals
- applications for increases to the limit on central expenditure
- applications to vary the application of the minimum funding guarantee
- the use of headroom (i.e. real growth in school budgets).

Calderdale Schools Forum also considers a range of issues relating to the wider financial context of schools such as scrutinising school balances or considering capital expenditure and provision.

### **3.4 Membership**

The membership consists of: Primary and Secondary Headteachers; Primary and Secondary School Governors; a Headteacher or Governor from a Special School; and five specified non-school representatives. Legislation in the pipeline at present would require a representative for: an Academy; an Early Years representative (which Calderdale already has); and a 14-19 partnership to be added.

### 3.5 Constitution

The latest version of the Schools Forum constitution which includes restrictions on membership and appointment procedures can be viewed at [Schools Forum Constitution](#). NB This is currently under review.

### 3.6 Powers and Responsibilities

The main Schools Forum powers and responsibilities are summarised in the table below.

Function	Local Authority	Schools Forum	Role of DfE
Formula Change (including redistributions)	Proposes and decides	Must be consulted	None
Contracts	Propose prior to invitation to tender, the terms of any proposed contract	Gives a view	None
Financial Issues relating to: <ul style="list-style-type: none"> <li>- arrangements for pupils with SEN;</li> <li>- arrangements for use of Pupil Referral Units ( PRU) and Education of Children Otherwise than at School (EOTAS);</li> <li>- arrangements for early years provision;</li> <li>- arrangements for insurance;</li> <li>- administration arrangements for the allocation of central govt grants;</li> <li>- arrangements for free school meals.</li> </ul>	Consult annually	Gives a view and informs the Governing Bodies of all consultations carried out in lines 1, 2 & 3	None
Minimum Funding Guarantee (MFG)	Proposes any variations and can decide to set the MFG at a higher level than minus 1.5%	Agrees any variation relating to the early years single formula; must be consulted on other proposals	Approves any other variations and adjudicates if Schools Forum does not agree LA proposal on early years
Breaches of Central Expenditure Limit (CEL)	Proposes	Decides	Adjudicates where Schools Forum does not agree LA proposal
Increases in central spend on <ul style="list-style-type: none"> <li>- prudential borrowing,</li> <li>- termination of employment costs,</li> <li>- combined services,</li> <li>- schools specific contingency and SEN transport</li> </ul>	Proposes	Decides	Adjudicates where Schools Forum does not agree LA proposal

Function	Local Authority	Schools Forum	Role of DfE
Scheme of financial management changes	Proposes and consults Governing Body and Heads of every School	Approves	Adjudicates where Schools Forum does not agree LA proposal
Membership : length of office of Schools members	Decides	None (but good practice would suggest that they gave a view)	None
Membership: appointment of Schools and Academies Members	Appoints those elected by members of the relevant sub groups. Facilitates election where required and appoints member if there is a tie or the election does not take place by a date set by the LA.	None	None
Membership: Non Schools Members	Seeks nominations from the relevant bodies then appoints	None (but good practice would suggest that they gave a view)	None
Voting Procedures	None	Determine voting procedures	None
Chair of Forum	Facilitates	Elects <i>(may not be an elected member of the council or officer)</i>	None

### 3.7 More Information

For more information please visit the [Schools Forum](#) website or the [Teachernet](#) website.

### 3.8 Useful Weblinks

Ref. No.	Reference	Weblink
3.1	Calderdale Schools Forum Constitution	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
3.2	Schools Forum website	<a href="http://www.calderdale.gov.uk/education/schools/schools-forum/index.html">http://www.calderdale.gov.uk/education/schools/schools-forum/index.html</a>
3.3	Schools Forum guidance	<a href="http://www.teachernet.gov.uk/management/schoolfunding/schoolsforums/">http://www.teachernet.gov.uk/management/schoolfunding/schoolsforums/</a>

## **4. Financial Controls**

### **4.1 Financial Control in Schools**

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

In the management of their delegated budgets, all schools should comply with the Authority's requirements on financial controls and monitoring. These requirements have been based on the Section 151 Standards that the Council has issued to all Directorates. Schools who have achieved the FMSiS standard (see Section 4.15) should be compliant with this requirement. Schools should also comply with the financial control requirements of the bank account scheme. The requirements identified in the first and third sentences are binding on schools only insofar as they are consistent with the provisions of the scheme.

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

Each school should provide its Governing Body in the Autumn and Spring terms with details of its current financial position and anticipated position at the end of the financial year based on actual expenditure and income and forward projections. A copy of this statement should be provided to the Authority.

Additionally, all schools should provide details of expenditure and income in the format and timescales shown in the 'Financial Standards for Schools' document relating to the bank account scheme.

The main requirements are:

- net payments in the period;
- cash book balance at the end of the period;
- bank reconciliation statement;
- authorised accruals of expenditure and income;
- a VAT statement.

Schools are required to submit such details every two months for tax and banking reconciliation purposes. If the Local Authority has informed the school in writing that in its view the school's financial position requires more frequent submission the Local Authority can require more frequent submission. If the school is in its first year of operation the Local Authority may require more frequent submission.

The Authority has provided schools with a suggested style of financial reporting. There is also a suggested style of providing information on expenditure from bank accounts. These are to be found in the Financial Standards for Schools document relating to the bank account scheme.

### **4.1.3 Payment of salaries and bills**

Schools may make their own arrangements for the payment of salaries and wages or they may use the Authority's payroll service. In either case, the arrangements must adhere to the Authority's control requirements (see Annex 1 on page 97 for details of where additional information can be found), including those for the bank account scheme.

Schools that choose to use the Authority's payroll service must comply with procedural instructions, including timetables, provided by the Authority relating to the payment of salaries and wages.

Schools have their own bank accounts that they use to pay for purchases. Their arrangements must adhere to certain control requirements which are outlined in the Financial Standards for Schools document relating to bank accounts. Legislation allows for interest to be charged by suppliers on late payment of bills. Depending on circumstances, this may be chargeable to schools delegated budgets.

### **4.1.4 Control of assets**

#### **a) Security of assets - inventories**

Schools should have adequate arrangements for ensuring that assets owned by the school are securely held so that there is no unnecessary risk of theft. An important tool in the prevention of loss of assets is the use of an inventory and therefore all schools must keep up to date inventories (see Annex 1 on page 97 for details of where additional information can be found).

Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, but they must keep a register in some form. For items above the £1,000 threshold Local Authority guidance should be followed.

#### **b) Security of assets - stocks**

Schools hold stocks of consumables such as stationery, school meals provisions and cleaning materials. Generally, these stocks do not warrant a computerised stock system with purchases and issues being recorded. However, schools should set alternative controls that prevent significant losses.

#### **c) Disposal of assets**

In order to ensure that the school receives the maximum benefit from assets when they are no longer of use to the school, it is important that proper procedures are in place for dealing with the disposal of assets (see Annex 1 on page 97 for details of where additional information can be found).

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

#### **d) Gifts**

Where gifts/benefits in kind of a significant nature are offered by external agencies to school staff, Governors as individuals or generally to the school, it is best practice to ensure that a record is kept of the gift and how the gift is to be used for the benefit of the school (see Annex 1 on page 97 for details of where additional information can be found).

#### **4.1.5 Accounting policies (including year end procedures)**

The accounts of each school will be consolidated into the accounts of the Authority, using the Best Practice Accounting Code of Practice and the Council's accounting policies and concepts. Copies of these documents can be obtained from the LFM Help Desk on 01422 393605 or 01422 393594 or LFM.helpdesk@calderdale.gov.uk . The accounting framework, the format of the accounts and the reporting structures are imposed on the Authority. Schools should therefore follow procedures issued by the Head of Finance (including those issued annually for the closure of accounts) that will allow the Authority to meet its statutory obligations.

#### **4.1.6 Writing off of debts**

The requirements on schools for this are set out in Section 8.7 of this scheme relating to income.

#### **4.2 Basis of accounting**

Income and Expenditure Accounts and Balance Sheets are prepared on the basis of accounts accruing into the correct Financial Year. The Head of Finance will issue guidance, at the appropriate time in each year, to assist schools to meet this requirement (see Annex 1 on page 97 for details of where additional information can be found). While the requirement to provide reports and accounts on this basis is part of this scheme, it does not seek to impose a methodology on schools' internal systems.

#### **4.3 Submission of budget plans**

The Governing body of the school shall determine its budget for each financial year, consistent with the resources available to it, and submit this statement to the Head of Finance – LMS Team by 1 May each year. This statement should identify the assumptions underpinning the budget plan. Schools should establish a formal process and timetable to ensure that this can be achieved.

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

The budget plan should be submitted to the Authority in the format prescribed, or in a format approved by the Local Authority, and in accordance with the instructions submitted to schools on an annual basis.

Statutory guidance provides a protection for schools against excessive bureaucracy in that schools should not be required to revise their budget plans more frequently than once every three months.

Statements showing the monitoring of budget plans need only be submitted to the Authority in the Autumn and Spring Terms.

Schools should take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

#### **4.3.1 Submission of Financial Forecasts**

The Authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. Current practice is to give schools indicative financial allocations for the following three year period. Final funding allocations are issued in March each year. These use updated pupil numbers from the January Census and other updated data and are subject to modification by the Minimum Funding Guarantee, where appropriate. However, this practice is subject to review as part of the next Comprehensive Spending Review and the current DfE consultation on the future funding of schools. A tool to manage the three year budget cycle is available from the Local Authority.

#### **4.3.2 Timing of Additional Funding Allocations**

Schools have found, in some cases, difficulty in compiling accurate budgets in some years past because of additional funds being allocated very late in the year. The Local Authority does not always have control over this aspect but will endeavour to give schools as much advance notice as possible of changes to funding levels.

### **4.4 Best Value**

Ensures that public money is spent wisely. Best Value is a duty placed on Local authorities to secure continuous improvement regarding economy, efficiency and effectiveness in the way services are delivered.

Although Best Value is not a statutory requirement for schools, Governing Bodies are required to set targets to raise standards. They are also expected to provide good quality schooling and spend public money wisely.

You will also need to be aware that during their inspection, Ofsted Inspectors 'evaluate and report on how effectively the school applies Best Value principles in its management and use of resources'.

If you want to know more about Best Value please see [Best Value in Schools](#) or [Audit Commission - Valuable Lessons](#) or [Audit Commission - Valuable Lessons \(Summary\)](#).

If the Best Value principles are applied, schools will achieve Value for Money (VfM) in their purchasing activity. VfM involves more than consideration of price but considers quality of outputs as well. This forms part of the financial management reporting system. The Government Accounting definition of VFM is 'the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.'

Ofsted Inspectors are expected to 'evaluate and report on how effectively the school applies Best Value principles in its management and use of resources'

## **4.5 Virement**

The Governing Body has full power to exercise virement between all budget heads of expenditure and income within the school's delegated budget. This will not apply to budgets allocated to schools for earmarked purposes outside the Individual Schools' Budget.

## **4.6 Audit: General**

### **4.6.1 Internal Audit**

The Council's Head of Finance has a statutory responsibility to maintain an effective internal audit of the financial records, operations and systems of the Authority. This will apply to all schools maintained by the Council. All schools will, therefore, be subject to a cyclical internal audit.

The Head of Finance through the Internal Audit staff must, on request, be given access to all financial records of the school. When an Internal Audit is carried out it will follow a specified set of procedures in order to ensure adequate coverage and consistency across all schools.

If any cases of suspected irregularities involving cash, stores or other property occur, the Headteacher should immediately inform the Council's Head of Finance. Internal Audit will take any steps considered necessary by way of investigation and report.

### **4.6.2 External Audit**

The Authority's Accounts are the subject of an annual external audit carried out by the Council's external auditors after the end of each financial year. The Audit Commission is responsible for appointing the Council's external auditors and for directing the work to be carried out. Schools are included in the audit and external audit may require access to financial records.

## **4.7 Separate external audits**

If the Governing Body feels that it needs extra assurance, it may, using funds from the school budget, pay for an annual audit of its accounts. This would be in addition to the annual, statutory external audit of the Authority and the cyclical internal audit of the school carried out by the Council's internal auditors.

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

The Governing Body should make arrangements to ensure that voluntary or private funds held by the schools are administered to the same standards of stewardship as exist for official funds (see Annex 1 on page 85 for details of where additional information can be found). Governing bodies must keep a record of all voluntary or private funds held by the school and ensure that the accounts are audited each year including accounts of any trading activities controlled by the school.

Auditors must meet the following requirements if the school has insured these funds through the Council's insurance. Others are advised to give serious consideration to this information.

<b>Annual Expenditure of Fund</b>	<b>Requirement</b>
Up to £2,000	An independent person
£2,001 to £10,000	Substantial book-keeping experience
£10,001 to £25,000	Member of the Association of Accounting Technicians
Over £25,000	Fully Qualified Accountant (CCAB)

The Governing Body should make arrangements to ensure that audit certificates in respect of voluntary and private funds are obtained and available for inspection. It is the responsibility of the school to ensure that there is separation of voluntary funds and related records from the delegated budget and other official funds of the school.

#### **4.9 Register of business and pecuniary interests**

The school should establish a register of interests, which covers members of the Governing Body, the Headteacher and other staff with responsibilities particularly for ordering goods and services. The register of interests should require for each person any details of business interests that they or members of their family or a person closely associated with them may have. For additional guidance please visit [Business and Pecuniary Interests](#) and for an example template visit [template](#).

The Governing Body should make arrangements to ensure that the register is kept up to date by requiring notification of changes and through annual review of entries. Arrangements should be made to make the register of business interests available for inspection by Governors, auditors, Local Authority Officers, staff and parents.

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

The Council's contract procedure rules include a section relating to schools only. (See Annex 1 on page 97 for details of where additional information can be found).

Schools must abide by the Authority's financial regulations in purchasing, tendering and contracting matters. This includes the requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

Any section of the Council's regulations and contract procedure rule are disapplied if they require schools to:

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

or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

For advice on contracts with a value below £10,000, please contact the CYPS Contracts and Procurement Manager on 01422 392515.

Copies of the Council's contract procedure rules have been circulated to schools. Additional copies can be obtained from the LFM Help Desk on 01422 393605 or 01422 393594 or [LFM.helpdesk@calderdale.gov.uk](mailto:LFM.helpdesk@calderdale.gov.uk) Council contract procedure rules comply with the requirements of the Fair Funding regulations.

#### **4.11 Application of contracts to schools**

Schools are able to opt out of Local Authority arranged contracts.

Although Governing Bodies are empowered under paragraph 3 of schedule 10 of the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. (This is the main reason for allowing Local Authorities to be the counter signatory of contracts exceeding a certain value). Other contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

#### **4.12 Central funds and earmarking**

The Local Authority will make sums available to schools from central funds (e.g. Standards Fund), in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations should 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 Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Earmarked funding from centrally retained funds should 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 vired into the budget share. There should be an accounting mechanism that allows schools to demonstrate that this requirement has been complied with.

Any earmarked funds must be returned to the Local Authority if they are not spent in-year, or within the period that schools are allowed to use the funding if different.

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

All devolved grant funding will be paid into bank accounts. The profile of payments will not necessarily be the same as that for the delegated budget funds. Schools will need to request devolved capital funds based on expenditure incurred.

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

The Council does not intend to set any restrictions on the rights of Governing Bodies to spend budget shares for the purposes of the school, including pupils at other maintained schools and on community facilities.

#### **4.14 Capital spending from budget shares**

This is dealt with in Section 7.3(h).

#### **4.15 Financial Management Standard**

Until April 2011 all maintained schools should have demonstrated compliance with the DfE's Financial Management Standard in Schools in line with the timetable determined by the Authority. Please see [FMSiS Purpose, Key Benefits, and Summary of the Standard](#). However, Government has now removed this stipulation and intends consulting on a simplified quality management system during the early part of 2011.

The Authority may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment. External assessment must be carried out by the Authority or by a third party that has been approved to carry out such assessment by either the DfE or the Local Authority.

Each year Internal Audit issue a letter to schools highlighting commonly recurring themes from their audits in order that schools can prevent future problems. This year's example can be seen at [Letter to Schools](#)

Further advice on FMSiS can be found at [6 Steps to Success](#) and [Self- Assessment tool](#).

#### **4.16 Notice of concern**

The Authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Head of Finance and the Director of Children and Young People's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the Governing Body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the Local Authority;

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

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

If a dispute between the Local Authority and the school to which it is issuing a notice cannot be resolved between the parties, the issue used to be referred to the Chief Legal Officer for arbitration. However, since 2008 the appeal process is to Ofsted as per the document [Statutory Guidance on Schools Causing Concern](#).

The Authority will withdraw a notice of concern when, in the opinion of the Head of Finance and the Director of Children and Young People's Services, the school complies with the scheme and the financial positions of the Authority and the school are safeguarded.

#### **4.17 Fraud and corruption**

The Council has an anti-fraud and corruption strategy (see [Anti Fraud and Corruption Standards and Rules](#) ) which incorporates the following documents.

##### *Fraud prevention*

Code of Conduct for Employees

Anti-Fraud and Corruption Strategy Document

##### *Fraud detection*

Fraud and Dishonesty Leaflet for Employees (Whistle Blowing see Section 17.10)

Advice and Guidance to Managers

Schools should consider the adoption of an anti-fraud and corruption strategy similar to the Council's. Copies of the code of conduct for employees are available from the Council's Head of HR and Change and the other documents are available from the Council's Management Auditor (Frauds) who is a member of the Internal Audit team in Finance Services.

Any cases or suspected cases of irregularities concerning cash, stores, or other assets must immediately be brought to the attention of the Head of Finance by the Headteacher. The Head of Finance will take such steps as considered necessary by way of investigation and report.

#### 4.18 Retention of financial documents

Schools should ensure that financial documents are retained for the required period of time. Details about the length of time specific documents need to be retained can be found in the Section 151 Standards (see Annex 1 on page 97 for details of where additional information can be found).

#### 4.19 IT security

The school is responsible for ensuring that financial systems and records are secure. Where the systems are computerised, appropriate measures must be taken to ensure that information is not corrupted or lost from the system (see Annex 1 on page 97 for details of where additional information can be found).

#### 4.20 Data protection

Governing Bodies should make arrangements to ensure that the school complies with the requirements of the Data Protection Act.

#### 4.21 Useful Weblinks

Ref. No.	Reference	Weblink
4.1	Best Value in Schools	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.2	Audit Commission Valuable Lessons – Value for Money in Schools - Summary	<a href="http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/valuablelessonssummary30jun2009.pdf">http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/valuablelessonssummary30jun2009.pdf</a>
4.3	Audit Commission Valuable Lessons – Value for Money in Schools	<a href="http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/valuablelessons30jun2009REP.pdf">http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/valuablelessons30jun2009REP.pdf</a>
4.4	Schools Procurement training	<a href="http://www.buyways.co.uk">http://www.buyways.co.uk</a>
4.5	Value for Money Consultancy for schools	<a href="http://www.consultancyforschools.co.uk/">http://www.consultancyforschools.co.uk/</a>
4.6	Guidance on Registers of Business and Pecuniary Interests	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.7	Registers of Business and Pecuniary Interests – Example Template	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.8	Financial Management Standard in Schools – Purpose Key Benefits and Summary of Standard	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

<b>Ref. No.</b>	<b>Reference</b>	<b>Weblink</b>
4.9	Internal Audit letter to schools on common audit problems	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.10	Financial Management Standard in Schools – 6 steps to success	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.11	Financial Management Standard in Schools – Assessment Tool	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.12	DfE Benchmarking website	<a href="http://www.DCSF.gov.uk/valueformoney/index.cfm?action=Benchmarking.default">http://www.DCSF.gov.uk/valueformoney/index.cfm?action=Benchmarking.default</a>
4.13	Local Authority Section 52 Benchmarking Tables	<a href="http://www.DCSF.gov.uk/everychildmatters/strategy/financeandfunding/informationforLocalauthorities/section52/benchmarking0910/benchmarking0910/">http://www.DCSF.gov.uk/everychildmatters/strategy/financeandfunding/informationforLocalauthorities/section52/benchmarking0910/benchmarking0910/</a>
4.14	Statutory Guidance on Schools Causing Concern – September 2008	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
4.15	Council’s Anti Fraud and Corruption Standards and Rules	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

# 5. Schools Borrowing Powers

## 5.1 Introduction

In general, schools are not allowed to borrow money without approval of the Secretary of State and are not allowed to enter an overdraft arrangement with their bank. However, a number of schemes are available which enable prior approved borrowing and leasing to take place. The School Standards and Framework Act 1998 allows schools to borrow if they have the permission of the Secretary of State.

This guidance is intended to assist schools, and their Local Authorities, in considering whether and how a school should make an application to the Secretary of State for permission to borrow.

## 5.2 Background for Secretary Of State Approval Cases

Governing bodies may borrow money only with the written permission of the Secretary of State.

The latter condition does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However, any debts arising from borrowing may not be serviced directly from the delegated budget. Schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their borrowing.

All borrowing by schools has to be accommodated within the Department's baseline – in practice the school's capital baseline – and compete with orthodox capital support. In reality, there will be few occasions when allowing a school to borrow from the market will be better value to the public purse than providing grant or credit approvals. Grant is normally funded by direct Government borrowing while credit approvals allow LAs to borrow, at public sector rates. Both types of borrowing will be at rates lower than those generally available to the private sector.

### 5.2.1 Definition

The types of financing arrangement which would normally be classed as borrowing are:

- loans in the broadest sense, whereby lenders make available to the school a sum of money which the school uses for specific aims. The school repays the sum of money (the principal) usually at a price (the interest charges) over the term of the loan;
- finance leases, whereby the school acquires the use of an asset (e.g. a building or an item of equipment) from the supplier or lender over a specified period. At the end of the period, the school has paid the lender for the underlying cost of the asset plus interest charges;
- certain types of Public Private Partnerships where the asset is deemed to be "on balance sheet".

There are certain types of financing arrangements which for the purposes of this Guidance would not normally be classified as borrowing – for example, where a Local fair funding scheme permits an LA to deal with an overspend on a school's budget share by advancing additional sums which are to be charged against future years' budget shares. There are certain other circumstances where the Department would not normally require the school to obtain permission before entering into a financial arrangement.

### **5.2.2 Criteria**

Any Community, Foundation, Voluntary Aided, Voluntary Controlled or Special School can apply for approval to borrow. Applications should be made to the Secretary of State by a Local Authority on behalf of the school.

Before the Secretary of State will approve a borrowing request, he will wish to be satisfied that:

- repayments of the proposed loan (principal and interest) will be affordable to the school over the full term of the loan;
- there will be savings in finance charges over central government borrowing. Given the relatively low cost of government borrowing, the only proposals likely to succeed are those where there are no finance charges associated with the loan and repayments are for the principal only. An example might be where a school can secure an interest-free loan from a charitable trust – perhaps its own Foundation;
- the borrowing is to fund capital expenditure only (which may include a reasonable proportion of relevant professional fees);
- the capital expenditure will contribute directly and demonstrably to improved educational standards;
- the loan agreement between the school and the lender has been reached subject only to the Secretary of State's agreement. The Secretary of State will not consider or agree proposals in principle. However, the Department is prepared to give informal advice about the likelihood of proposals being successful;
- the proposal has the endorsement of the Local Authority and a clear statement from the Local Authority that the project funded is high on the list of otherwise unfounded priorities in its agreed Asset Management Plan (AMP). Where the project to be funded is elevated over other, higher priority projects in the AMP, there needs to be a clear justification given. Consideration will not be given to proposals where DfE considers the AMP to be unsatisfactory;
- the proposed loan will not be secured on any asset of the school;
- the proposed loan will be for a defined sum, with defined repayment periods, amounts and term, and will be repaid out of the school's delegated budget.

There are limitations on certain types of borrowing. The following types of borrowing will not normally be approved:

- overdrafts;
- loans which can only be repaid by taking out a further loan or by extending the period of the original loan;
- interest only loans;
- loans in currencies other than Sterling;
- certain other types of loans will only be approved in exceptional circumstances. For example, if a loan offered interest payment holidays or was structured so that the principal was repaid at the end of the loan period, a school would have to demonstrate that the loan offered better value for money than a loan which required regular principal and interest payments and that it was setting aside sufficient funds to meet its obligations when they fell due.

In considering applications, the Secretary of State will take into account the availability of funds in the Department's baseline and the priority of other calls on it.

### **5.2.3 Format and timing of applications**

There is no fixed format for applications. However, proposals need to provide the information and address the criteria and issues set out above and be countersigned by the Headteacher and Chair of Governors, as evidence of the endorsement of the Governing Body. Completed applications should be sent to the Schools Capital Policy Team, Area 3E, Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

Applications may be made at any time in the financial year when the borrowing would be drawn down, in which case they will normally be considered each quarter along with other proposals for additional funding. Proposals received in advance of the financial year in which it is intended that the loan should be drawn down will be considered only after the main capital allocations have been made. Where loans span more than one financial year, this should be stated clearly in the application.

Funds should normally be drawn down within the financial year in which approval is given unless cleared with the Schools Capital Policy Team.

Schools should confirm to the Schools Capital Policy Team in writing when loans are drawn down.

### **5.2.4 Contacts for queries**

Queries by schools should be addressed to their Local Authority. Any Local Authority queries should be addressed initially through their normal LA Support Division contact. If your query is specifically related to VA schools, then please contact the DfE.

### **5.3 Public Private Partnerships (PPPs)**

PPPs provide an opportunity to increase the total resources available to maintain and improve the school building stock by bringing in private sector partnership funding on a commercial basis. PPPs allow schools and Local Authorities to take advantage of the long-term savings that can be achieved through replacing unsound and inefficient buildings. This approach ensures that public funds achieve maximum impact and should form a key element in every Local Authority's capital strategy.

Because of the longer term nature of PPPs, schools which enter into them should establish whether the commercial interest of their private sector partners constitutes a form of borrowing by the schools. In the case of, for example, a finance lease, borrowing consent would be required as defined by IFRIC 4. This can include such contracts that provide a service where the contractor is leasing equipment that can only sensibly be used for that particular school. e.g. fixed kitchen equipment.

Borrowing approval will also be required if a PPP transaction is considered to be "on Balance Sheet" under the provisions of IFRIC 12 "Accounting for PFI transactions and Similar contracts."

#### **5.3.1 Types of Financial Arrangements not Normally Requiring Borrowing Approvals**

There are various circumstances where the Department would not expect schools to require borrowing approvals, since it would not regard borrowing as taking place. For example:

- where a Diocese spends money on behalf of a Voluntary Aided school and the Department subsequently pays grant to the diocese under paragraph 5(1)(b) of Schedule 3 to the 1998 Act;
- where an association such as a Parents' Association or Former Pupils' Association, takes out a loan to be repaid from its future fundraising and donates the money to the school;
- where a school takes credit as part of a supplier's standard trading terms;
- certain types of Public Private Partnerships (see above).

### **5.4 Prudential Borrowing**

#### **5.4.1 Definition**

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. There is also an implicit condition that the scheme for which the money is borrowed will have a direct influence on educational outcomes. In effect, the LA is borrowing on behalf of all schools to implement initiatives that generate savings and using ISB/non-ISB to meet repayments.

## 5.4.2 Process

Each year, in the Autumn, the Authority offers schools the opportunity to borrow money for the purposes of small scale capital works. In total about £1 million is available each year.

In approving any proposals the Authority will consider that the proposals are: a priority for the school, as recognised by the School Improvement Plan / Asset Management Plan; that the proposals sit with the Authority's agendas and priorities; that from a buildings point of view the scheme is technically sound; and that the financial arrangements are sound (properly costed and affordable). For this reason, detailed applications are considered by a panel.

Typical current loan interest rates are 5.5% with a borrowing period of up to 15 years, depending on the life of the asset.

## 5.5 Devolved Formula Capital

Devolved Formula Capital (DFC) is available for schools to purchase capital equipment (including ICT), for structural improvements to buildings and for other long term improvements to the school premises.

Schools are allocated funding each financial year dependent on the number of pupils on roll; a higher per pupil rate is made for pupils with special educational needs that have a statement. The amount is made up of a fixed lump sum, which is dependent on whether or not the school is determined to be "modernised" or not, plus an amount per pupil which is different for Primary, Secondary and Specialist schools

Academies and Voluntary aided (VA) schools do not receive DFC funding via the Local Authority but are funded directly by the DfE or via the Diocese.

For a more detailed explanation please see the [DFC Process and Guidance Booklet](#) .

## 5.6 Useful Weblinks

Ref. No.	Reference	Weblink
5.1	DFC Guidance 2008-11 Process and Guidance Booklet	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

## 6. Banking Arrangements

All Calderdale schools operate bank accounts.

This section should be considered in conjunction with the 'Financial Standards for Schools' document which provides more detailed guidance on the financial standards required for the operation of the Bank Account Scheme.

Schools will retain any interest earned on their bank accounts and bear any charges made by banks. These must be incorporated into the receipts and payments statement for the school.

### 6.1 Frequency of instalments

The Local Authority will make advances into the bank accounts of schools on the basis of the detailed advances profile set out in Appendix 1 of the [Financial Standards for Schools](#) document.

VAT reimbursements will be made by BACS in addition to the above advances.

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

The profile is based on:

- a) 1 Payment on the 7th April of 1/36 of the Budget (2.8%).
- b) 11 monthly sequential payments of 1/12 of the Budget on the 23rd day of the month starting in April (91.7%).
- c) 1 monthly payment of 2/36 of the budget on the 23rd of March (5.5%).

Supplementary advances and further rephasing of advances may be considered in exceptional circumstances and will be subject to the joint approval of the Director Children and Young People's Services and the Head of Finance. Any such advance will lead to a charge for interest at the London Interbank Offer Rate for 7-day money plus 1%. In cases of anticipated cash flow difficulty, schools should contact the LFM Helpdesk on 01422 393605 or 01422 393594 or [LFM.helpdesk@calderdale.gov.uk](mailto:LFM.helpdesk@calderdale.gov.uk).

### 6.3 Interest clawback

The Authority does not intend to reduce advances to schools to offset its losses on interest caused by the earlier advancing of budget shares to schools.

#### 6.3.1 Interest on late budget share payments

If the Authority is at fault for late payment of budget shares, interest at the 7 day Local Authority Deposit Rate will be added to the next payment.

### 6.4 Budget shares for closing schools

In the event of an approved closure of a school, the Authority may provide budget shares on a monthly basis net of estimated pay costs.

## **6.5 Bank and building society accounts**

All maintained schools operate external bank accounts into which their budget share instalments (see paragraphs 6.1 and 6.2) are paid. Schools are entitled to retain all interest from the account.

All maintained schools in Calderdale have operated full bank accounts since at least 1 April 2001. Provisions relating to the treatment of surpluses when a school opens a bank account have therefore been deleted.

### **6.5.1 Restriction on accounts**

Schools are entitled to use standing orders and direct debits for paying suppliers. A record of all standing orders and direct debits must be kept. Bank mandates must be signed by two authorised signatories for cheques. Copies of the mandates must be retained on file at the school.

Schools may use any financial institution that is detailed in the [Approved List](#), or Appendix 2 of the [Financial Standards for Schools](#), whichever is the most current. Money paid by the Local Authority and held in such accounts remains the property of the Local Authority until spent. (s.49(5) of the School Standards and Framework Act, 1998).

Schools that held bank accounts before 1 April 2001, may retain their existing bank/building society accounts even if they are not on the approved list. Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

The school bank account should bear the official title of the school.

The schools contract with its bank should include a clause stating that at no time may the school bank account go into overdraft.

The school should provide bank account returns in the form and timescale detailed in the [Financial Standards for Schools](#) document relating to school bank accounts.

## **6.6 Cards, Credit Cards and Leasing**

Governing bodies may borrow money only with the written permission of the Secretary of State.

The latter condition does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However, any debts arising from borrowing may not be serviced directly from the delegated budget. Schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their borrowing.

Schools are encouraged to use debit, credit and procurement cards, subject to the restrictions outlined in paragraph. 32 of [Financial Standards for Schools](#) document.

Schools may enter into agreements for the leasing of equipment.

## 6.7 Useful Weblinks

<b>Ref. No.</b>	<b>Reference</b>	<b>Weblink</b>
6.1	Financial Standards for Schools	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
6.2	List of Approved Financial Institutions	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

## **7. Managing Schools Balances**

### **7.1 Right to carry forward surplus balances**

Any school surplus at the end of a financial year will be carried forward into the following financial year subject to any control mechanism being in place (see Section 7.3 below).

All maintained schools in Calderdale have operated full bank accounts since at least 1 April 2001.

### **7.2 Background**

The increasing level of school balances has been a national issue in recent years. Ministers have argued that funding should be used for the benefit of those children passing through school in that year and that increasing balances make it difficult both nationally and Locally to argue for more funding for education.

In Calderdale the level of balances on the whole have compared favourably with national and regional averages. As at the 31 March 2010, total school balances in Calderdale stood at £7.4 million, a rise of £200k on the previous year

### **7.3 Reporting on and control of the use of surplus balances**

In March 2010 the former DCSF published further guidance for Local authorities on the monitoring of school balances. This guidance is taken from best practice found in other Local authorities. In brief it recommends Local authorities: review their processes for collecting and describing year end school balances; are clearer about how they track any balances throughout the year; introduce more challenge from School Improvement Partners and others working with Asset Management Plans; seek the views of Council Member Groups; and implement a claw back mechanism for balances in excess of any maximum thresholds that cannot be justified.

Whilst Government has recently withdrawn the direction for all LAs to have a balance control mechanism, at a time of reduced funding it is considered good practice to maintain the mechanism agreed by Schools Forum which has been set up for 2010/11.

Surplus budget share balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2011:

- a) the Authority shall calculate by 31 May each year the accumulated surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be recurrent balance as defined in the Consistent Financial Reporting Framework.
- b) Schools should ensure that the correct accounting principles are followed i.e. accrual of debtors/creditors and deferral of unspent academic year ring fenced grants in line with the Local Authority year end accounting guidance.
- c) the Authority shall then deduct from the accumulated surplus balance any amounts which the Governing Body of the school has properly approved and recorded in the minutes of the Governors meeting and can provide evidence to show that they:

- i. have been set aside for a specific purpose e.g. specified in the Asset Management Plan or School Development Plan;
  - ii. will be spent within a defined timescale with a fixed end point.
- d) to count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned;
- e) Schools will be allowed to make a reasoned case for commitments against temporary reductions in pupil numbers, or specific staffing commitments e.g. schools in special measures, provided such schools provide evidence of calculations, plans, or projections to show expected changes in rolls or staffing, preferably using a multi-year budget planning tool. Where insufficient evidence is provided this will not be allowed.
- f) Schools should not use surpluses to defer making difficult decisions.
- g) Schools should note that ongoing costs need to be funded on a sustainable basis.
- h) Schools are expected to use all their capital resources before using revenue balances to finance capital expenditure. VA schools are an exception in that they may need to contribute towards capital schemes in the absence of funding from the Diocese.
- i) if the result of steps a-e is a sum greater than 5% of the current year's budget share (including SSG, SSG (P) and TPG) for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Authority, with the approval of Schools Forum, shall deduct from the current year's budget share an amount equal to the excess.
- j) the 5% and 8% thresholds mentioned in (i) should not be thought of as targets and schools should be adequately financed by balances in the region of 2 to 3% for Secondary Schools and 4 to 5% for Primary and Special Schools. The Authority will consider the justification for the whole balance at the year end and not just the surplus over the 5% and 8% thresholds.
- k) the management of School Balances should be a continuous process and not just considered at the year end. As well as Finance Team colleagues, Schools should involve other senior Local Authority Officers in the process of managing their balances.
- l) Schools Forum (see Section 3) will be supplied with up to date balance information for each school prior to making any decisions around the distribution of any additional or discretionary funding.
- m) Calderdale Primary Heads Association (CPHA) and Calderdale Association of Secondary Heads (CASH) will receive refresher sessions to clarify the role

and responsibilities of the Local Authority and feedback on each school's balance position,

- n) to facilitate this process, schools with balances in excess of 5% for Secondaries and 8% for Primary and Special Schools will be required to complete the form in Annex 3 for their balances at 31st of March each year by the date requested.
- o) in the event of a school failing to submit the return by the deadline specified,, submitting an incomplete return, or failing to provide satisfactory evidence, then any school balances will be considered uncommitted.

Funds deriving from sources other than the Authority will be taken into account in this calculation, whether under provisions in this scheme or otherwise unless they are held for partnership agreements, such as a 14 to 19 partnerships, privately raised funds, and Devolved Formula Capital (DFC), in which case they should be accounted for separately.

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

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority but will not be distributed automatically solely on pupil numbers.

Schools who face a claw back situation can challenge the Schools Forum ratification of a claw back request within 14 days of the date of notification. The decision will be reviewed at the following Schools Forum meeting.

The operation of the procedures outlined in this section will be subject to review after 12 months.

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

Any school deficit at the end of a financial year will be carried forward to the following financial year.

#### **7.5 Planning for deficit budgets**

Schools should act responsibly to avoid deficits, however, schools will be able to submit budget plans which leave the school in deficit at the end of the financial year. These budget plans will then require approval from the Director Children and Young People's Services and the Head of Finance in accordance with paragraph 7.9 below.

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

Interest will be charged on Local Authority schools deficit balances held by the Authority or cash flow advances provided. The basis of the calculation will use the opening and closing balances of the school or the opening and closing balances of the cash flow advance (whether surplus or deficit) and the average of the 7 day Local Authority Deposit Rate on the last working day of each month in which the deficit is held.

## **7.7 Writing off deficits**

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

## **7.8 Balances of closing and amalgamating schools**

When a school closes, its balance will revert to the Local Authority. If the balance is a surplus and the replacement school is clearly identifiable then an equivalent amount will be added to the budget share of the replacement school.

If the balance is a deficit and the replacement school receives more than normal funding then the deficit will be reduced from the budget share up to the value of this additional funding.

Schools becoming Academies under the Academies Act 2010 on, or after, 1 September 2010 inherit the surplus or deficit of the previous school.

## **7.9 Licensed deficits**

Schools may submit budget plans that leave the school in deficit at the end of a financial year. However, these budget plans will only be approved if both the Director Children and Young People's Services and the Head of Finance are satisfied that:

- a) the school will not be in deficit at the end of 2 further financial years because of the effects of:
  1. non-recurrent expenditure being removed from future budget plans;or
  2. other identified reductions in expenditure in future years;or
  3. additional future income to the school (e.g. Increased Pupil Numbers);and
- b) the annual deficit (after any use of the previous years' surpluses), will not be greater than 5% of the school's formula allocation or £70,000, whichever is the lower; and the projected overall deficit at the end of the financial year will not be more than 7% of the school's formula allocation or £100,000 whichever is the lower.

Local Authority officers may wish to meet the Headteacher and Chair of Governors planning significant deficits to understand the specific school's position and agree the budget recovery plan.

The Local Authority reserves the right to consider the overall position of schools in deficit in relation to the total Schools Budget.

The Director Children and Young People's Services and the Head of Finance jointly in exceptional circumstances may:

- a) vary the length of time a school may hold a deficit to up to 5 years;
- b) vary the upper percentage level of cumulative deficit at the end of a financial year;
- c) apply other criteria for schools subject to special measures.

It is the responsibility of the Headteacher and Governing Body to set a budget within the resources available to the school. If schools have difficulty in setting a balanced budget, advice and assistance can be obtained from financial service providers or other LA officers.

## **7.10 Loan schemes**

The Authority does not intend to operate a Loan Scheme but will reconsider if approached by schools willing to lend money from their bank accounts to other schools.

### **7.10.1 Credit Union approach**

Because the Authority is offering a licensed deficit scheme, it does not think there is a need for schools to operate a Credit Union approach to funding of school deficits.

## **7.11 Useful Weblinks**

<b>Ref. No.</b>	<b>Reference</b>	<b>Weblink</b>
7.1	Annex 3 – Calderdale Schools- Statement of Balance - 31 March 2011	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

## **8. Income**

### **8.1 Income from lettings**

Schools will be entitled to retain all income from lettings of school premises except when they are subject to other formal arrangements e.g. joint use or PFI Schemes. Income from lettings must be paid into the school's delegated budget (see Annex 1 on page 97 for details of where additional information can be found).

Schools may subsidise the cost of some lettings from other lettings but overall there must be no additional cost to the school.

Schools are required to have regard to directions issued by the Local Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

### **8.2 Income from fees and charges**

Schools will be entitled to retain any income from fees and charges except where the cost of the service is borne by the Local Authority.

### **8.3 Income from fund raising activities**

Schools will be able to retain any income from fund raising activities.

### **8.4 Income from sale of assets**

Schools will be allowed to retain income from the sale of assets except where:

- a) the asset was purchased from non-delegated funds (in which case the Local Authority will determine who is entitled to retain the income);
- b) the asset is part of land and buildings owned by the Local Authority.

Where the sale of an asset is classified as a capital receipt (defined by legislation) the Head of Finance will offer advice on the accounting treatment and how such money can be utilised.

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

All income related to the schools budget share should be paid directly into the school's bank account operated within the Financial Standards for Schools. Copies of this document have been sent to all schools. Additional copies can be obtained from the LFM Help Desk on 01422 393605 or 01422 393594 or [LFM.helpdesk@calderdale.gov.uk](mailto:LFM.helpdesk@calderdale.gov.uk)

All income not related to the schools budget e.g. voluntary funds should not be paid into the official bank account used for school budget purposes.

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

All Income from official sources should be paid into the delegated budget bank account or in the case of non-delegated services, into an account nominated by the Local Authority.

Income from the sale of assets purchased from the delegated budget, lettings of the school premises or other fees and charges made by the school may only be paid into the delegated bank account and spent for the purposes of the school.

### **8.7 Writing off a debt**

Governing Bodies should have a policy on writing off debts. The Authority's recommendations are that debts should only be written off if:

the debtor cannot be traced or has been declared bankrupt;

or

the value of the debt is less than the cost of pursuing payment and has been outstanding for at least two years.

### **8.8 Banking/security of cash income**

Schools should follow the detailed procedures relevant to their use of their bank accounts (see Annex 1 on page 97 for details of where additional information can be found).

### **8.9 Collection of income from debtors**

Schools should follow the detailed procedures relevant to their system in conjunction with their bank account (see Annex 1 on page 97 for details of where additional information can be found).

## 9. The charging of school budget shares

### 9.1 General provision

The provision of services to schools and the delegation of certain key functions is based on a bipartite relationship where either party will have the right to seek redress if the service is provided inadequately.

This section covers the right of redress if the school is at fault purely because the regulations state that the Local Authority will have **no rights** unless they are specifically set out in this section of the Framework.

The Local Authority would consider any such charges in the light of individual circumstances and would look to a light touch relationship wherever feasible.

#### 9.1.1 Salary costs

School based staff will be charged to school bank accounts at actual cost.

### 9.2 Circumstances in which charges may be made

The right of Local authorities to protect their financial position from liabilities caused by the action or inaction of Governing Bodies is well established. However, the Local Authority cannot act unreasonably in the exercise of any power given by the scheme. If it does it may be the subject of a direction under s.496 of the Education Act 1996.

The position on charging will vary between different categories of schools. Where the Authority does not have a statutory responsibility, it cannot incur a liability and thus no charging is possible.

In circumstances where the Local Authority does have a statutory responsibility, school budget shares can be charged directly by the Local Authority without the consent of the Governing Body but after consultation has taken place and only in the circumstances identified below. Schools will be notified when the Local Authority intend to make charges.

#### 9.2.1 Premature retirement costs

Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority). There is, however, a distinction between Redundancy costs and Retirement costs.

#### Redundancy costs

The Local Authority is responsible for the cost of redundancies in all maintained schools (this would exclude academies and trust schools) subject to specific conditions laid out in the Schools Personnel Guidelines Section 9, page 311, which largely relate to managing the Local Authority's liability by consulting at an early stage, working with and the Local Authority and following it's advice. Where grant funding streams have been taken with a specific end date, the Local Authority would expect schools to make provision to cover any termination costs from such funding. Termination of employment costs that are to be

charged to the Schools Budget, such as a school closure, require Schools Forum approval and this will be sought in a report before the costs are first incurred.

## **Retirement costs**

Unless there has been specific agreement provided by the Local Authority, the cost of premature retirements would normally fall to the school's delegated budget.

### **9.2.2 Failure to follow Local Authority advice**

Expenditure incurred in relation to Personnel issues where the school has either sought and not followed Local Authority advice or sought advice from a Private Provider.

### **9.2.3 Awards by courts and Employment Tribunals**

Awards by courts and Employment Tribunals against the Local Authority, or out of court settlements, arising from action or inaction by the Governing Body contrary to the Local Authority's advice.

### **9.2.4 Health and Safety work or capital expenditure**

Expenditure by the Local Authority in carrying out Health and Safety work or capital expenditure for which the Local Authority is liable where funds have been delegated for such work but the Governing Body has failed to carry out the required work.

### **9.2.5 Making good defects in building work**

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

### **9.2.6 The Local Authority insuring its own interests**

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

### **9.2.7 Recovery of monies due**

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 Local Authority.

### **9.2.8 Recovery of penalties**

Recovery of penalties imposed on the Local Authority by the board of the Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions, the Environmental Agency or regulatory authorities as a result of school negligence.

### **9.2.9 Correction of errors**

Correction of Local Authority errors in calculating charges to a budget share (e.g. pension deductions).

### **9.2.10 Additional transport costs**

Additional transport costs incurred by the Local Authority arising from decisions made by the governing body on changing the school session times, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.

### **9.2.11 Legal costs**

Legal costs which are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority.

### **9.2.12 Health and safety training**

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

### **9.2.13 Compensation paid to a lender**

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.

### **9.2.14 Teacher pension remittance**

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

### **9.2.15 Securing provision specified in a statement of SEN**

Costs incurred by the Local Authority in securing provision specified in a statement of SEN where the Governing Body of a school fails to secure such a provision despite the delegation of funds in respect of that statement.

### **9.2.16 Submission of incorrect data**

Costs incurred by the Local Authority due to the submission by the school of incorrect data.

### **9.2.17 Grants spent on ineligible purposes**

Recovery of amounts spent from specific grants on ineligible purposes.

### **9.2.18 Governing body in breach of contract**

Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.

### **9.2.19 Insurance (See Section 13)**

### **9.2.20 Late Payment of Bills (see sub section 4.1.3)**

### **9.2.21 Accuracy of financial returns**

If financial returns are not completed accurately or on time, the Head of Finance reserves the right to obtain the information and charge the school for any cost incurred.

#### *Disputes Procedure*

Any disputes between a school and a department of the Authority regarding charges to school budget shares will be referred to the Chief Legal Officer for arbitration.

This list will be kept under review and further charges may be made.

### **9.2.22 Community Powers**

Where the school has failed to take on board the advice of the LA following submission of business plans.

## **9.3 Fees to be deducted from teachers' salaries and remitted to the General Teaching Council for England**

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 and come into effect on 28 February 2002.

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.

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 allow whoever is the payroll supplier to deduct and remit fees to the GTC. The Governing Body shall meet any consequential costs from the school's budget share.

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. The Governing Body shall meet any consequential costs from the school's budget share.

In the Education Bill (2011), Government has signalled its intention to abolish the GTC.

# 10. Taxation

## 10.1 Value Added Tax

Schools should provide information in timescales that enable the Authority to reclaim VAT incurred. A return should be completed in accordance with the arrangements laid down in the Bank Account Scheme. There are slightly different, but nevertheless important, arrangements for the paying and reclaiming of VAT amongst Community, Voluntary and Foundation/Trust Schools. For further information on the charging and paying of VAT please see [Financial Delegation Guidance Note 16](#).

Illustrative VAT treatment of various different items can be found at [VAT List](#).

Any penalties imposed by HM Customs and Excise as a result of incorrect procedures by school will be charged to the school concerned.

## 10.2 Construction Industry Tax Deduction Scheme

The Construction Industry Tax Deduction Scheme has not applied to Schools since April 2007 so Schools need not take any action.

## 10.3 Useful Weblinks

Ref. No.	Reference	Weblink
10.1	VAT for Schools – Financial Delegation Procedural Guidance note No. 16	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
10.2	Illustrative treatment of VAT of various items	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

# 11.Provision of services and facilities by the Authority

## 11.1 Provision of services from centrally retained budgets

It is the Local Authority, in consultation with its schools, that will determine the basis on which services from centrally retained funds will be provided for schools.

The Local Authority will not decide to use funds from central services to support only one category of schools (e.g. community, foundation, voluntary aided or voluntary controlled) except where (a) funding has been delegated to some schools only or (b) such differentiation is justified by differences in statutory duties. All schools will have equality of access to the services as required.

There are 23 services in the Core Services portfolio as detailed in the [Core Services Service Specifications](#). These cover the areas of: Admission to Schools; Access Services; Administrative Services; Asset Management Planning; Behaviour and Attendance; Capital Programme; Children and Young People's Services - Financial Service; Children and Young People's Services - Health and Safety Service; Education Welfare Team; Educational Psychology Service; Electrical Safety at Work; Exclusions; Financial Services; Governor Support; Health & Safety Services; Human Resources; ICT & Information Management Services; Internal Audit; Payroll; Raising Standards; Special Education Needs (SEN) Administration; and Sustainable Development.

## 11.2 Timescales for the provision of services bought from the Local Authority using delegated budgets

When funds are delegated to schools under this scheme of funding the schools may decide to buy-back services previously supplied by the Authority. The maximum length of contract however, is specified by this scheme as three years. If after that period both parties decide to continue the arrangements, the contract period can be for up to five years. There is no minimum period, although arrangements lasting less than two years may be considered uneconomic.

The Local Authority is required to offer services at prices that are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by income, even if schools are charged differentially. This provision only applies where the Authority is not allowed to hold funding centrally for the function.

There are also 23 services in the Traded Services portfolio as detailed in the [Traded Services Service Specifications](#). These cover the areas of: Behaviour and Attendance; Building Cleaning Services; Building Consultancy; Calderdale Schools Music Service ; Catering Services; Discover - Learning with Libraries, Museums and Arts; Estates Management; Financial Services; Governor Training; Grounds Maintenance; Health and Safety Services; ICT and Information Management; Insurance Services; Legal Services ; Outdoor Education; Payroll; Personnel; Pest Control; Pest Control appendix; Refuse Collection; School Improvement Service Advice and Support; and Young People's Service: Youth Work with Schools.

Schools need to make a deliberate decision to buy these traded services. There is no obligation for schools to buy any Council service but Governing Bodies are required to

show that they are achieving Best Value.

### **11.2.1 Packaging**

For each budget that is delegated to schools, the Authority will consider providing a buy-back arrangement. Services will be offered in such a way that does not unreasonably restrict schools' freedom of choice among the services available.

Some services may be provided on an ad hoc basis or on a part service basis, however the charge may be greater than if an extended contract was in place. Similarly, if services are provided over and above any service level agreement that might be in place then the Authority will charge for time spent on these services.

### **11.3 Service level agreements**

Service Level Agreements covering the functions which are devolved to schools and where there is a buy-back arrangement will be made available to schools by the last working day in February. Schools will be required to sign-up to any agreement(s) by 1 April for the agreement(s) to be effective for the following financial year.

In order to make this effective, where authority for agreeing these SLAs has not been delegated to the Headteacher, Governing bodies should arrange to meet in March.

#### **11.3.1 Review of provision**

If services or facilities are provided under a service level agreement, whether free or on a buy-back basis, the terms of the agreement will be reviewed at least every three years, if the agreement lasts longer than that.

For those functions not delegated to schools and where a service is provided to schools, Service Level Entitlements should be in force.

#### **11.3.2 Basis of provision**

Local Authority services will be available on the basis which is not related to an extended agreement. The basis and terms of any service agreement will be agreed between the client and the provider.

Where services are provided on an ad hoc basis they may be charged for at a different rate **than if provided through an extended agreement.**

### **11.4 The supply of information to Teachers Pensions**

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions (TP) 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 and come into effect on 1 November 2002.

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.

The Local Authority reserves the right to charge schools with penalties imposed by Teachers Pensions. See section 9.2.8 **Recovery of penalties** on page 69.

The Local Authority will charge schools with administrative costs arising from late supply of data. See section 9.2.21

**Accuracy of financial returns** on page 71.

**11.5 Useful Weblinks**

<b>Ref. No.</b>	<b>Reference</b>	<b>Weblink</b>
11.1	Core Services Service Specifications	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
11.2	Traded Services Service Specifications	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

## 12.PFI clauses

### 12.1 PFI and PPP schemes

In the event of Calderdale Metropolitan Borough Council entering into an arrangement with the private sector for the provision of major renovations to a school (or replacement of a school) an agreement will need to be reached with the school Governing Body.

The agreement will refer to the amount of the delegated schools budget which will need to be transferred to fund the annual payment of the PFI over its life, the basis of such charges and the treatment of monies withheld from contractors due to poor performance.

Such arrangements will be conducted on behalf of the Local Authority by the Director Children and Young People's Services and the Head of Finance.

Calderdale has built one new primary school and two new high schools and refurbished two existing high schools. These schemes were completed in September 2005 under a contract let to Babcock and Brown.

For further information on PPP and PFI schemes in general, a former DCSF Guide for School Governors and Governing Bodies at [Private Finance Initiative for Schools](#).

Support and Guidance to Local authorities on PFI projects and PPP schemes is provided on the [Local Partnerships](#) website and the [Communities and Local Government](#) website.

### 12.2 Building Schools for the Future (BSF)

In the 2003 former DCSF document "Building Schools for the Future", a new approach to capital investment for renewing the schools estate in England was launched. The strategy aimed to renew every secondary school over a 15 year period starting in 2005/06. Latest progress in the 15 Waves of the programme can be found at [Local Authority by Wave](#). The object was to invest in relatively large sums in targeted schools with the poorest standards and greatest need as evidenced by GCSE attainment and the level of free school meals entitlement.

The programme is drawn up using Local knowledge with strategic plans developed on the basis of improving standards in secondary schools in the area. BSF funds can be used for procuring ICT infrastructure as well as buildings. [Partnership for Schools](#) is responsible for delivering BSF along with several other major government capital programmes. For more guidance on BSF please see the [Teachernet webpages on BSF](#).

However, the present Government has set out plans to overhaul capital investment in England's schools. As part of this, they have announced the end of the Building Schools for the Future (BSF) programme, and have launched a comprehensive review of all capital investment in schools, early years, colleges and sixth forms.

For more information please see [more information on BSF](#) .

### 12.3 Primary Capital Programme

This programme was announced in the March 2005 budget and aimed to inject an additional £150M in 2008/09 and £500M in 2009/10 in order to refurbish or rebuild 8000 out of the 18000 primary schools within the next 15 years. Deprivation areas were to be targeted in all authorities. In October 2007 a further £200m was allocated to this programme.

### 12.4 Useful Weblinks

Ref. No.	Reference	Weblink
12.1	Private Finance Initiative for Schools – A guide for School Governors and Governing Bodies	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
12.2	Local Partnerships – PPP and PFI Guidance	<a href="http://www.Localpartnerships.org.uk/PageContent.aspx?id=92&amp;tp=Y">http://www.Localpartnerships.org.uk/PageContent.aspx?id=92&amp;tp=Y</a>
12.3	Department of Communities and Local Government – PPP and PFI Guidance	<a href="http://www.communities.gov.uk/Localgovernment/Localgovernmentfinance/puppivatepartnership/">http://www.communities.gov.uk/Localgovernment/Localgovernmentfinance/puppivatepartnership/</a>
12.4	BSF Programme by Local Authority	<a href="http://www.teachernet.gov.uk/docbank/index.cfm?id=8144">http://www.teachernet.gov.uk/docbank/index.cfm?id=8144</a>
12.5	Partnership for Schools	<a href="http://www.partnershipsforschools.org.uk/">http://www.partnershipsforschools.org.uk/</a>
12.6	Teachernet webpages for Building Schools for the Future (BSF)	<a href="http://www.teachernet.gov.uk/management/resourcesfinanceandbuilding/bsf/">http://www.teachernet.gov.uk/management/resourcesfinanceandbuilding/bsf/</a>
12.7	Latest information on the BSF programme on DfE website.	<a href="http://www.education.gov.uk/search/results?q=BSF">http://www.education.gov.uk/search/results?q=BSF</a>

# 13. Insurance

## 13.1 Insurance cover

Each year the Local Authority will circulate schools with details of the cover provided under the 'Calderdale MBC Insurance Programme for Schools'. Full details are given in the [Specification of Insurances](#) provided by the Calderdale MBC Insurance Service for Schools.

The Local Authority will require the school to inform the Authority that cover relevant to the Authority's insurable interest under a policy arranged by the Governing Body is at least as good as the cover provided by the 'Calderdale MBC Insurance Programme for Schools'.

In the event of the school's insurance cover not adequately covering the Authority's insurable interest, then:

- a) any loss which occurs, or
- b) any award by the Courts or Employment Tribunal against the Local Authority which is not covered

will be charged to the school's delegated budget.

It is recommended that special cover is taken out for residential trips/over-night stays and day-trips involving hazardous activities, but this not recommended for day trips such as visits to museums, the theatre etc. Further details can be found at [School Journey FAQs](#)

The Local Authority's insurance cover will have regard to the actual risks that might reasonably be expected to arise at a particular school, rather than applying an arbitrary level of cover for all schools.

The following guideline cover levels are suggested for non-property insurance:

Business interruption	Indemnity Period 24 months – 10% of material damage sum insured Indemnity period 36 months – 12.5% of material damage sum insured
Contract works	£1,000,000
Money	£25,000 (but cheques £250,000)
Fidelity guarantee	£350,000
Employers and public liability	£10,000,000 – any one incident
Governors' liability	£2,000,000
Libel and slander	£2,000,000
Legal expenses	£100,000

These categories are not exhaustive.

### 13.2 Insurance cover for the provision of Community Powers

It is the responsibility of the Governing Body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. The 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 Local Authority will 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.

### 13.3 Useful Weblinks

<b>Ref. No.</b>	<b>Reference</b>	<b>Weblink</b>
13.1	Specification of Insurances provided by the Calderdale MBC Insurance Service for Schools	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
13.2	School Journey Insurance – Frequently Asked Questions (FAQs)	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

# 14.Types and Organisation of Schools

## 14.1 Types of school

There are a number of types of school as outlined in the table below:

	<b>Community</b>	<b>Voluntary Aided school</b>	<b>Voluntary controlled school</b>	<b>Foundation school (no foundation)</b>	<b>Trust* school</b>	<b>Academy</b>
Source of initial capital funding	Local Authority	at least 10% from proposers; the remainder through the Local Authority or grant support from DfE	Local Authority	Local Authority	Local Authority	Local Authority (sponsors fund an endowment)
Improvement (devolved formula) capital funding	Local Authority	through Local Authority Controlled VA Programme (LCVAP) on national formula from DfE or Diocese	through Local Authority on national formula	through Local Authority on national formula	through Local Authority on national formula	
Staff employer	Local Authority	Governing Body	Local Authority	Governing Body	Governing Body	academy trust
Owner of school's site and buildings	Local Authority	charitable foundation (usually)	charitable foundation (usually)	Governing Body or charitable foundation	charitable foundation	academy trust
Owner of playing fields	Local Authority	Local Authority (usually)	Local Authority (usually)	Governing Body (usually) or charitable foundation	charitable foundation (usually)	academy trust
Admissions Authority	Local Authority	Governing Body	Local Authority	Governing Body	Governing Body	Governing Body (included as a condition of the funding arrangement)

NB In the case of schools built by a PFI arrangement, the ownership of the site, buildings and playing fields may be different to that outlined above.

## 14.2 Foundation and Trust Schools

In England and Wales, a foundation school is a state-funded school in which the Governing Body has greater freedom in the running of the school than in community schools. Foundation schools were set up under the School Standards and Framework Act

1998 to replace grant-maintained schools, which were funded directly by central government. Grant-maintained schools that had previously been voluntary controlled or county schools (but not voluntary aided) usually became foundation schools.

Foundation and Trust schools are funded by central government via the Local Authority, and do not charge fees to students. As with voluntary controlled schools, all capital and running costs are met by the government. As with voluntary aided schools, the Governing Body employs the staff and has responsibility for admissions to the school, subject to rules imposed by central government. Pupils follow the National Curriculum.

Some Foundation schools, also called Trust schools, have a foundation or trust that owns the land and buildings. Otherwise the land and buildings are owned by the Governing Body. The foundation usually appoints about a quarter of the school Governors, as in voluntary controlled schools, but in some cases it appoints the majority of Governors, as in voluntary aided schools.

For more information on Trust schools please visit [Trust and Foundation Schools](#)

Within the maintained sector in England, approximately 2% of primary schools and 15% of secondary schools are foundation schools. Almost all of these are non-faith schools

### **14.3 Change of Status**

Where schools are considering changing their status, the Governing Body should initially seek guidance from the Local Authority at the feasibility study stage.

### **14.4 Federations**

Schools may also wish to form cluster arrangements such as Federations or Collaborations. Many schools work closely together and develop joint working arrangements but there are only two forms of statutory arrangements — federation and collaboration. **The main rationale is to raise standards.**

#### **14.4.1 Hard federation**

A hard federation is an arrangement under sections 24, 25 of the Education Act 2002 by which two to five schools share a single Governing Body.

Federations can involve a mix of primary and secondary schools. Within the federation each school retains its separate legal identity in respect of its budget, admissions and performance tables, and each is subject to a separate inspection by Ofsted.

#### **14.4.2 Soft federation or collaboration**

A soft federation, or collaboration, is a formal arrangement under section 26 of the Education Act 2002 by which two or more Governing Bodies share elements of governance or establish a joint strategic committee with delegated powers. Under these arrangements each school retains its individual Governing Body.

Soft federation can involve a mix of primary and secondary schools and is based on the principle of allowing Governing Bodies and joint committees' freedom to determine their own arrangements within an agreed framework. It can cover a range of operational models from an over-arching committee delegated to take strategic decisions on behalf of two or more Governing Bodies, to setting up single-issue committees such as premises or curriculum committees.

### **14.4.3 Informal arrangements**

There are many less formal ways than federation or collaboration in which schools can work together for the general good of their pupils. These might involve, for example:

- committees/groups of Governors from one or more schools but without formal decision-making Authority
- schools with joint management groups of head teachers, etc.
- the joint employment of finance and other support staff or specialist teachers (e.g. for music or sport) or Advanced Skills Teachers
- the sharing of facilities such as ICT suites or sports facilities
- joint working on curriculum issues or cooperation between primary and secondary schools.

You or your school's Governing Body may consider these arrangements rather than formal federation, providing it does not involve Governing Bodies carrying out their functions jointly or setting up formal joint committees.

### **14.4.4 Federation Budget Arrangements**

In the Schools Finance Regulations 2011, Government has expressed its wish to make Federations more attractive. A new regulation would allow LAs to calculate a single budget share for schools in a Federation with a single governing body within section 24 of the Education Act 2002. This would mean that the data would be entered into the formula as if they were a single school.

Government is also proposing that LAs should be able to have a formula factor for Federations. This could be used to support federations, for example as a temporary pump-priming measure. In the original proposals, LAs could use a negative factor, to recognise that federations achieve savings which could in part be made available for redistribution within the ISB; this would be more relevant where separate budget shares were still being issued. However, in order not to create a disincentive for schools thinking about federating, Government has now decided to direct LAs to allow the full lump sum formulae sums for the individual participating schools to be passed on intact to the Federation.

If a school decides to withdraw unilaterally from a federation or cluster arrangement, the LA or another school in the cluster may charge its Budget Share for any abortive costs incurred.

### **14.4.5 Further information**

You can find more information about federation and collaboration on the former DCSF Standards Site.

You should also see Sections 24, 25 and 26 of the Education Act 2002.

## 14.5 Useful Weblinks

Ref. No.	Reference	Weblink
14.1	Supporting Trust and Foundation schools website	<a href="http://www.trustandfoundationschools.org.uk/">http://www.trustandfoundationschools.org.uk/</a>
14.2	Guidance on setting up Federations and Collaborations	<a href="http://www.opsi.gov.uk/acts/acts2002/ukpga_20020032_en_4">http://www.opsi.gov.uk/acts/acts2002/ukpga_20020032_en_4</a>

# 15.Repairs and maintenance

## 15.1 Responsibilities for building works

Funding for repairs and maintenance was delegated to all schools under this scheme from 1 April 1999. Governing bodies must expect to finance all categories of work that do not fall within the definition of capital expenditure as shown in [Capital and Revenue split](#) . Budgets for capital expenditure on schools will be retained by the Local Authority. The Authority may choose, as a result of the value of individual jobs, not to treat this expenditure as capital within its accounts. Expenditure defined as schools expenditure [Capital and Revenue Split](#) will not become capital (and therefore the Local Authority's responsibility) simply because of the value of the work.

Where rules of grant approval (e.g. formula capital) allow for a different definition than shown above then the grant rules will take precedence.

## 15.2 Definition of capital expenditure

The Council defines capital expenditure as all expenditure on the acquisition, creation or enhancement of fixed assets that yield benefits to the school for more than one year. Schools should ensure that only capital works are charged to the DFC account.

## 15.3 Illustrative examples of capital

Illustrative examples of capital expenditure items in line with former DCSF interpretation of the CIPFA code of practice are included for information [Capital Revenue Split](#) For voluntary aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at **voluntary aided** schools depends on the *de minimis* limit that may be applied by DfE to categorise such work.

## 15.4 Retained monies centrally for the repair and maintenance of kitchens and kitchen equipment

All maintained schools in Calderdale have delegated funding in respect of school meals. The Council does not retain monies centrally for the repair and maintenance of kitchens and kitchen equipment in schools.

## 15.5 Useful Weblinks

Ref. No.	Reference	Weblink
15.1	Examples of what can be classified as Capital and Revenue items	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

# 16. The power to provide community facilities

## 16.1 Introduction

Schools that choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities that may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its Local Authority and have regard to advice from the Authority. Thirdly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in schools' own instruments of government, if any; and 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.

In the Schools Finance Regulations (2011), Government signalled that schools would be allowed to subsidise community facilities out of their budget share and, although the Act does allow for regulations to be produced to restrict the scope of spending, they do not intend to make any at this stage. There is already a prohibition on schools using their community facilities power if this would interfere with School's primary focus of raising standards, and Government feel that existing accountability mechanisms are sufficient protection. Government would reconsider this if there was evidence that the core functions of the school were suffering as a result.

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

## 16.2 Maintained Nursery Classes (Wrap-around Care)

In light of the Early Years Reforms and the proposed changes to funding arising from the implementation of a single funding formula, nursery classes with a significant number of unfilled places will receive less funding when it becomes based on participation. In order to sustain maintained provision and secure sufficiency and diversity of early years provision, schools are encouraged to consider other ways of funding the provision offered beyond the free (government funded) entitlement.

One way of funding available capacity within a nursery class could be to offer additional hours to those parents accessing the free entitlement, and to charge the parents a fee for this service. In the past such services have been provided through the community facilities powers using additional and separate childcare places and Governors would follow their statutory duty and consult the Authority under Section 14 of the former version of the Fair Funding Framework. As below, this requires the Governors to develop a fully-costed business plan. Up to now and whilst schools have received funding for the unfilled places

within the agreed nursery unit, some schools have been allowing parents additional hours free of charge.

Following the implementation of the Early Years Foundation Stage (EYFS), which integrated early education and childcare, and in anticipation of the Single Funding Formula, the government intended to clarify the position of schools charging parents for additional provision wrapped around the free entitlement in a revision to the Finance Regulations. However, this intention was withdrawn at the end of 2009/10 and the government left Local Authorities to advise schools.

The main problem arises due to the EYFS requiring early education and childcare to be undistinguishable, however, schools are not allowed to charge for education but are expected to charge for childcare.

The Authority wishes to support schools to sustain existing maintained nursery provision through the current period of changes to and reform of Early Years. For the purposes of the delivery and inspection of services operating under the EYFS, early education and childcare must be indistinguishable, however, for the purposes of laws relating to charges made by schools and the Schools Finance Regulations early education and childcare are separate entities. For finance purposes, the funded nursery entitlement for 3 & 4 year olds must be free at point of delivery and no charges can be demanded (although where lunch is incorporated into the free entitlement a charge for the food may be made but parents should be given the option to supply a packed lunch). In principle – **schools cannot charge for education.**

Where Governors choose to offer services, such as childcare, beyond the core offer of the school then these fall within the provision of community facilities under Section 27 & 28 of the Education Act 2002. In part the statute requires schools to consult with their Local Authority and in Calderdale this is regulated through the Fair Funding Framework. Increasingly in the case of offering parents additional hours within the nursery provision, this is a community facility necessitating statutory consultation. But where we have education and a community facility operating alongside each other, particularly where that community facility is sustaining the core education it is difficult to propose a separate business case for the community facility. This is further compounded by schools introducing a more flexible offer for the funded free entitlement. Therefore, the Authority expects schools to fulfil their statutory duty to consult with the Authority but will be satisfied, in the first instance, with a letter explaining the school's intention and recognising the statutory and regulatory frameworks, sent to the Head of Service – Children's Trust. This only applies to wraparound provision for 3 & 4 year olds receiving the free early education entitlement, any other provision of community facilities must submit a proposal based upon a fully-costed business plan.

The advice given regarding the charging policies in these cases is that, the school must be very clear that where a charge is made for provision beyond the funded free entitlement that it is childcare provision and it is childcare that is being charged for. Where a school chooses to fund a child from its school's budget to receive provision beyond the funded nursery entitlement, giving additional free nursery provision then, this must be very clearly referred to as early education as, for the time being and subject to planned changes for September 2011, childcare cannot be funded from the school's budget.

The importance of always clearly differentiating between early education and childcare is emphasised, for the purposes of the laws concerning funding and finance. Whilst accepting that for most other purposes, under EYFS, they are indistinguishable.

### **16.3 Consultation with the Local Authority – financial aspects**

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, Governing Bodies must consult the Local Authority, and have regard to advice given to them by their Local Authority.

Schools are required to provide timely and sufficient information to the Local Authority to enable it to respond effectively to the consultation. The minimum information requirement is for a fully costed business plan. The business plan must at least:

- provide the context and background to the intention to provide community facilities;
- provide a brief summary of what the enterprise will do and the community facilities that the school intends to provide;
- identify the anticipated benefits from exercising the power;
- contain the CVs of the principal proposers of the venture, focussing particularly on any previous experience in the proposed line of business,
- provide a clear statement of what the enterprise is aiming to achieve. There should be measurable targets;
- articulate the need for the specific community facility proposed under power to provide community facilities;
- a marketing plan (refer to NatWest Bank's Business Start-Up Guide);
- identify how all assets (e.g. human, physical and intellectual) will be employed and show how legal, property and personnel issues will be addressed;
- identify the business inputs in terms of land, labour and capital;
- show the management arrangements;
- provide a financial plan showing at least a 3-year projection of income and expenditure.

The Local Authority will normally respond to the consultation within 2 months. Schools are required to inform the Local Authority about what action they intend to take following advice.

### **16.4 Delivery of Community Powers through Third Parties**

For the avoidance of doubt, Governors should still consult the Local Authority even when the Community Powers are intended to be delivered by a third party. Although a detailed and costed business plan may not be readily available, Governors should still notify the Local Authority of their intentions, the statutory and regulatory framework to be operated within and arrangements made to minimise the financial exposure of the Authority. This also allows the Local Authority to exercise its statutory duty to inform and advise the Governors of any concerns.

### **16.5 Funding agreements – Local Authority powers**

If a school enters into an arrangement with a third party, which will either be supplying funding or supplying funding and taking part in the provision, the proposed agreement must be submitted to the Local Authority for comment at least 3 months before any agreement is to be signed.

The Local Authority will not have right of veto to such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Local

Authority consent to the agreement for it to proceed, such a requirement and the method by which Local Authority consent is to be signified is a matter for that third party.

If an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, 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.

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

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

The Authority does not propose further scheme prohibitions, restrictions and limitations beyond those identified in the previous paragraph.

## **16.7 Supply of financial information**

Schools which exercise the community facilities power will provide the Authority, in the Autumn and Spring terms, with details of its current financial position and anticipated position by the end of the financial year. This return will be based on actual expenditure and income and forward projections relating to the community facility activity.

Schools should provide the Authority with a summary statement every six months, 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.

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, will 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.

Financial information relating to community facilities will be included in returns made by schools under the Consistent Financial Reporting (CFR) Framework. These returns will be the main source of information for the financial aspects of community facilities. However, the CFR timetable is such that the Authority will require supplementary information in order to ensure that schools are not at financial risk. (Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share).

Detailed guidance on CFR is available from the former DCSF at [VFM Financial Reporting](#).

## **16.8 Audit**

Any school exercising the community power must grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

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

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

Schools can retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or some other person.

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

If there is a deficit on community facilities and the Local Authority 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 Local Authority 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.

### **16.10 Health and safety matters**

Any health and safety provisions of this scheme are extended to the community facilities power.

The Governing Body is responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies are able to pass on such costs to a funding partner as part of an agreement with that partner.

### **16.11 Taxation**

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

If any member of staff employed by the school or the Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not – see 16.12 below), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

## 16.12 Banking

Schools may use the same bank account for budget share and community facilities but **must** have adequate internal accounting controls to maintain separation of funds.

The banking arrangements made in connection with the exercise of community facilities must be established within the general framework of this scheme for the financing of maintained schools. The banking requirements are identified in section 6, Banking Arrangements, on page 45 and in subsequent cross-references.

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

## 16.13 Insurance

For aspects of Insurance please see Section 13 of this document.

## 16.14 Useful Weblinks

Ref. No.	Reference	Weblink
16.1	Former DCSF Guidance on Consistent Financial Reporting (CFR)	<a href="http://www.standards.DCSF.gov.uk/vfm/financial/reporting/quickref">http://www.standards.DCSF.gov.uk/vfm/financial/reporting/quickref</a>
16.2	Former DCSF Site for Consistent Financial Reporting (CFR)	<a href="http://www.DCSF.gov.uk/valueformoney/index.cfm?action=CFR.Default">http://www.DCSF.gov.uk/valueformoney/index.cfm?action=CFR.Default</a>

# 17. Miscellaneous

## 17.1 Right of access to information

Governing bodies should ensure that financial and other information is supplied where it is required to enable the Authority to satisfy itself as to the school's management of its budget or the use of central expenditure by the Authority on the school.

## 17.2 Liability of Governors

The Governing Body of a school is regarded as a corporate body and as such under the terms of s.50(7) of the School Standards and Framework Act 1998, Governors of maintained schools will not incur personal liability in the exercise of their power to spend the schools delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of Local Authority advice as to financial management.

## 17.3 Governors expenses

Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school's budget share. No other allowances can be paid to Governors from the school budget share. If a school is in special measures and additional Governors are appointed then schools must take care not to duplicate paying expenses which may already have been paid by the Secretary of State.

If a school has yet to receive a budget share, funds may be delegated from the Local Authority to the Governing Body to enable them to meet Governors' expenses.

## 17.4 Responsibility for legal costs

Legal costs incurred by the Governing Body, unless they relate to the statutory responsibility of aided school Governors for buildings, are the responsibility of the Local Authority as part of the cost of maintaining the school. However, these may be charged to the schools budget share if the Governing Body does not act in accordance with the advice of the Authority.

## 17.5 Health and Safety

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

If the Authority discovers work which requires to be done at a school to comply with health and safety legislation and that resources have been delegated to schools for that purpose then the cost of that work will be charged to the school's budget share (see section 9 – the charging of the school budget share).

## **17.6 Right of attendance for Head of Finance**

Governing bodies should allow the Head of Finance or a representative, to attend meetings of the Governing Body at which agenda items are relevant to the exercise of his or her responsibilities.

## **17.7 Delegation to new schools**

The Authority will in appropriate circumstances, delegate funding to Governing Bodies of schools which have yet to receive delegated budgets. This funding is likely to relate to costs of buildings and staffing prior to schools opening.

## **17.8 Optional delegated funding**

A school may exercise the option to receive optional delegated or devolved funding where regulations allow and where the funding has not already been delegated or devolved. The option can be exercised only once a year. Schools wishing to exercise any option must do so before 30 November in the financial year preceding the one in which they wish to exercise the option.

## **17.9 Special Educational Needs**

The local authority has a duty under the education Act 1996 to identify, assess and provide for children with special educational needs (SEN). This duty takes precedence over the Code of Practice on LA-School Relations. All schools have a duty to identify the needs of pupils with SEN and to provide adequate and appropriate support to meet those needs. For further detail, please see [SEN Entitlement Document](#) . The Framework for Inclusion document has been out for consultation and readers should refer to the final agreed document available [here](#) or in the SEN pages of the intranet.

The annual section 251 budget statement (Apprenticeships, Skills, Children and Learning Act 2009) sets out the funding which has been delegated to schools to meet the needs of pupils with SEN.

Schools are required under the Education (Special Educational Needs)(Information) (England) Regulations to publish information on how the school resources are allocated to and amongst pupils with special educational needs. It is considered good practice for schools to provide a provision map or similar that clearly and simply explains these arrangements whilst maintaining individual pupil confidentiality. The authority has available an especially useful VfM tool that could help in this matter. This tool is available at [SEN/AEN Resource Pack for Schools](#) .The availability of such information is crucial in better informing parental preference for a particular school. It is also a supportive means in helping the school meet Disability Discrimination Act responsibilities.

As part of School Action and School Action Plus, all schools have a duty to identify the needs of pupils with SEN and to provide adequate support to meet these needs. For children with a statement of special educational needs mainstream schools receive additional funding as part of their delegated budget. This funding is designed to complement the resources already made to the school for additional need and allows the school to provide more individualised support according to the particular needs of the child as detailed in the statement of SEN. The school still has the flexibility to decide how best to use these funds to meet the child's special educational needs but must ensure that the provisions described in the statement are made. This is a statutory requirement.

All schools are expected to provide from their delegated funding:

- A special needs co-ordinator (SENCO)
- A Governor with lead responsibility for SEN
- Classrooms and teaching space that can be adapted to different groupings as part of appropriate differentiation
- A range of resources to support pupil learning
- Appropriate systems for the preparation and monitoring of Individual Education Plans and for the annual review of statements
- Information for parents

The provision is included within this Framework to allow the Local Authority to suspend delegation where a situation is serious enough to warrant it (see section 1.2). This would not normally relate to an individual pupil.

During the last review of this document, a need to have a process to fund schools for unexpected and very exceptional SEN cases was identified. These cases fall into three categories:

- (a) Where a child, new to the Authority, joins the roll and has obvious special needs but has not been given a statement to date.
- (b) Where a child, already on the school's roll, suffers a cataclysmic potentially life changing event causing special educational needs to be manifested.
- (c) Where short, sharp intervention may negate the need for a statement. In which case a school will be asked to draft and cost a short-term plan of action (one or two terms).

In the short to medium term, it is intended that two routes to improve the impact of Statementing funding should be taken. First, where schools believe a child has needs that warrant a Statement, and want the funds to get on and provide support immediately (the Statementing process can take up to 26 weeks), the funds are released on the proviso that they are repaid if a Statement is not the outcome of the assessment. Second, where a child might benefit from a short and sharp intervention of may be one or two terms, potentially removing the need for a Statement, that a school action plan is approved by the Authority and funded from a central contingency (a trial sum of say £50k would be needed).

The LA will fund SEN provision above that contained in the school's budget share provided that the school argues a case before a quarterly panel consisting of: Head of Family Support; Principal Officer- Business Support; Team leader LFM Team; and Special Needs Manager. In agreement with School's Forum, a top slice of the DSG will be kept by the LA against this provision.

Into the future the imminent SEN Green paper may offer new ideas and direction for supporting children with special educational needs. In particular, the paper is expected to encourage more collaborative arrangements and solutions that may provide more specialist support to more closely meet the needs of these children.

For further advice on SEN matters, please refer to the [Teachernet](#) website or to the [SEN Code of Practice](#) .

### **17.10 Whistleblowing/Human Rights Act**

The Local Authority has procedures in respect of [Whistleblowing](#) and the Human Rights Act. These have been shared with schools. Schools must have in place written procedures, at least as comprehensive as the Authority's, to be followed by persons working at the school or school Governors who wish to complain about financial management or financial propriety at the school. The procedures must explain how such complaints will be dealt with and ensure that the interests of whistleblowers are safeguarded. For further information please see the links at the end of this Section.

### **17.11 Child Protection**

Schools will be required to release staff to attend child protection case conferences and other related events. The costs associated with these commitments will be met from the schools' budget share.

### **17.12 School Meals**

Free School Meals are available for school children of parents or guardians who receive one of the following:

- Income Support.
- Job Seeker's Allowance (income based).
- Child Tax Credit, and have annual income of less than the amount set by HMRC from time to time
- Guarantee Credit element of Pension Credit.
- Support payments under Part VI of the Immigration and Asylum Act 1999.

NB: If a pupil is aged 16-18, still at school, and in receipt of Income Support or income based Jobseeker's Allowance yourself, they may get free school meals.

If a parent is receiving Working Tax Credit, their child / children are not entitled to free school meals.

### **17.13 Carbon Trading**

This sub –section is intended to give advance notice of potential changes to the Schools Finance Regulations in 2011-12 as result of the introduction of carbon trading in 2010-11. The proposed changes to the regulations will be consulted upon nearer the time.

### **17.13.1 Background and Details of Proposal**

With effect from 1 April 2010 the Government introduced a carbon trading scheme for large users of energy, including Local Authorities. Participants will have to purchase allowances for their energy-related emissions, and will be reimbursed according to their relative position in a league table based on the extent to which emissions have been reduced.

All maintained schools will be included with their maintaining authorities for the purposes of this scheme (technically they will be “associated persons”). Academies will also be included with the Local Authority in whose area they are situated.

The original intention was for participants who reduced their emissions by more than average would gain money through the recycling process and those who reduce by less than average would lose money. The first sale of allowances would take place in April 2011 and all revenue raised from this sale would be recycled to participants in October 2011.

However, as part of the Comprehensive Spending Review in the autumn of 2010, Government decided not to proceed with the bonuses and penalties regime. As the costs to LAs relates to the purchase of allowances, the element of this relating to schools will be an allowable item against the central part of the schools budget and will not now be allowable as a formula factor.

Schools have an important role to play as models of good practice for their pupils and the communities in which they live. Around 15% of public sector carbon emissions arise from activities in the English school system and about one third of this is from energy use in school buildings. The Government wants all schools to be sustainable schools by 2020 – not just promoting sustainable development through their teaching but also through their management and engagement with Local communities.

Schools participation in the Local Authority carbon reduction commitment is an opportunity to work together for mutual benefit. Local authorities will want to support schools to achieve greater energy efficiency, helping schools to save money through reduced energy bills. Sustainable schools, focusing on reducing their use of resources, create a healthier school environment and influence the behaviour of pupils and their families.

### **17.13.2 Further Information**

Further details on the carbon reduction scheme can be found at the [CRC Energy Efficiency Scheme](#) website of the Environmental Agency or the [former DCSF Schools Carbon Management Conference](#) of 4 November 2009.

A detailed CIPFA presentation on financial implications for schools is available [CRC Financial implications](#).

## 17.14 Useful Weblinks

Ref. No.	Reference	Weblink
17.1	SEN expenditure guidance for Local Authorities	<a href="http://www.teachernet.gov.uk/senexpenditure">http://www.teachernet.gov.uk/senexpenditure</a>
17.2	SEN Code of Practice	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.3	Management of SEN Expenditure – Executive Summary	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.4	SEN/AEN VfM Resource pack for Schools	<a href="http://www.sen-aen.audit-commission.gov.uk/">http://www.sen-aen.audit-commission.gov.uk/</a>
17.5	SEN Entitlement Document	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.6	Calderdale Framework for Inclusion	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.7	Calderdale Council Whistleblowing Policy	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.8	CRC Energy Efficiency Scheme	<a href="http://www.environment-agency.gov.uk/business/topics/pollution/98263.aspx">http://www.environment-agency.gov.uk/business/topics/pollution/98263.aspx</a>
17.9	Former DCSF Schools Carbon Trading Conference 4/11/09	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672
17.10	CIPFA presentation on the financial implications for schools of the consultation proposals on Carbon Trading	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

## Annex 1 – Supporting information available to schools

The Authority provides procedural guidelines to schools on a number of subjects. It reviews and updates these on a regular basis and issues further guidance as new topics arise.

These guidelines are supplemented by advice on financial best practice. This advice mainly emanates from recommendations following internal audit of schools' arrangements and policies for financial management and administration.

The table below shows where a range of supporting information can be found. The Council's [Section 151 Standards for Services](#) set out controls which should be complied with when financial systems are being introduced or revised.

<b>Section of Fair Funding Framework</b>	<b>Subject</b>	<b>Where information is provided</b>	<b>Where further information is available</b>
4.1.3	Payment of salaries and wages		Section 151 Standards Chapter 3
4.1.4 (a)	Security of assets - inventories	Annual Internal Audit Best Practice Letter	Section 151 Standards Chapter 7B
4.1.4 (c)	Disposal of assets	Annual Internal Audit Best Practice Letter	Section 151 Standards Chapter 13 (A)
4.1.4 (d)	Gifts		Section 151 Standards Chapter 13 (B)
4.2	Accounting policies and concepts		Annual Statement of Accounts
4.2	Basis of accounting	Annual letter on procedures for closure of accounts	
4.8	Audit of voluntary and private funds	Annual Internal Audit Best Practice Letter and rules for fidelity insurance cover	
4.10	Purchasing, tendering and contracting requirements		Contract Procedure Rules Part 3
4.18	Retention of financial documents		Section 151 Standards Chapter 10
4.19	IT Security		Section 151 Standards Chapter 9
8.1	Income from lettings		Section 151 Standards Chapter 6
8.8	Banking/security of cash income		Section 151 Standards Chapter 5
8.9	Collection of income from debtors		Section 151 Standards Chapter 4

The Children and Young People's Services Directorate's Section 151 Standards can be found on the CYPS website at [Directorate Financial Procedures](#). and, naturally, these reflect the Council wide guidance. Schools can refer to the LFM Finance web pages on the schools intranet and to references there to the Section 151 Standards

For advice on Section 151 Standards and other issues where further guidance is not complete, please contact Internal Audit on 01422 393653. The Audit Commission/OFSTED publications "Keeping Your Balance". Standards for financial management in schools and "Getting the Best from Your Budget." A guide to the effective management of school resources provide excellent advice on financial standards, practices and policies.

Further useful information can be found at [www.schools.audit-commission.gov.uk](http://www.schools.audit-commission.gov.uk).

## Annex 2 – List of useful Bibliography

<b>Ref. No.</b>	<b>Reference</b>	<b>Publisher and Date</b>
1	An Introductory Guide to Education Finance in England – fully revised third edition 2008	CIPFA - 2008
2	List of Governor Support Resources available from the Schools Improvement library at Heath Training and Development Centre, Halifax (Click on the Icon opposite)	Please refer request to view to the Contracts Officer – Schools Services on 01422 392672

### Annex 3 - Calderdale Schools – Statement of Balances - 31 March 2011

<b>School Name</b>			
<b>Final 2010/11 Revenue Funding (SBS + SSG + SSGP + TPG)</b>	<b>Accumulated revenue surplus at 31.3.11</b>	<b>% of Funding</b>	
£	£	%	<b>Will be prepopulated by LFM Team</b>

#### Analysis of Committed Balances

Priority	Planned Project/Area of Development/Commitment	Total Cost	Reference to School Development Plan	Governors Minutes (copies attached)	Timescale for completion
1					
2					
3					
4					
Sub total					

#### Analysis of Remaining Balance

Number	Explanation	Total	Commentary
1			
2			
3			
Sub total			
Grand total			

<b>School Authorisation</b>			
<b>Position</b>	<b>Name</b>	<b>Signature</b>	<b>Date</b>
Head Teacher			
Chair of Governors			

<b>For official use</b>	
Comments by LFM	
Signed:	<b>Date:</b>
CYPS Business Support Comment	
Signed:	<b>Date:</b>

**Please return completed form by 30/6/11 to:**

Head of Finance LMS Team  
 CMBC Finance Services  
 Princess Buildings  
 Halifax  
 HX1 1TP  
 Tel 01422 393521  
 Fax 01422 393533