



**MONMOUTHSHIRE  
COUNTY COUNCIL**

**FAIR FUNDING  
SCHEME FOR FINANCING SCHOOLS**

**Updated**

**October 2016**



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## 1 INTRODUCTION

### 1.1 The Funding Framework: Main Features

- 1.1.1 The funding framework which replaced Local Management of Schools is based on the legislative provisions in Section 45-53 of the School Standards and Framework Act 1998 and as further detailed in the Schools Funding (Wales) Regulations 2010.
- 1.1.2 Under this legislation, local education authorities determine for themselves the size of their Local School budget (LSB). The categories of expenditure that fall within the Local Schools Budget are prescribed under regulations made by the Welsh Government, but included within the LSB is all expenditure, direct and indirect, on an authority's maintained schools. Local authorities may retain funding for purposes defined in regulations made by the Welsh Government under the Schools Funding (Wales) Regulations 2010. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions prescribed by the Welsh Government. The balance of the LSB left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).
- 1.1.3 Any proposed changes to the Fair Funding formula will be consulted upon and agreed by the Cabinet of the Council before the end of December prior to the commencement of the financial year.
- 1.1.4 Details of the proposed centrally retained funds will be subject to consultation each year and published with other budget information from the Council.
- 1.1.5 Local education authorities *may retain an unallocated reserve within the ISB but* must distribute amounts from their ISB amongst their maintained schools according to a formula which accords with regulations made by the Welsh Government, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the SSAF Act. The financial controls within which delegation works are set out in a scheme made by the Authority in accordance with Section 48 of the Act and are subject to approval by the Authority's Schools Forum or Welsh Government, which will have power to modify schemes or impose one.
- 1.1.6 Subject to the provisions of the scheme, governing bodies of schools may spend budget shares for the purpose of their school. They may also spend budget shares on any additional purposes prescribed by the Welsh Government in regulations made under Section 50 of the SSAF Act.



- 1.1.7 An Authority may suspend a school's right to a delegated budget by giving the governing body notice, in writing, 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 (see Sections 2.14 – 2.16). There is a right of appeal to the Welsh Government. A school's right to a delegated budget share may also be suspended for other reasons (Section 17 of the SSAF Act 1998) *but in that case there is no right of appeal.*
- 1.1.8 Each authority is obliged to publish each year a statement setting out details of the planned Local Schools 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 allocation for each school. After each financial year, the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. *Out-turn statements* are subject to audit certification by the Wales Audit Office and information *in either type* may be collated and published by the Welsh Government.
- 1.1.9 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.
- 1.1.10 The scheme should be read in conjunction with the Schools Financial Instructions and the Authority's Financial Regulations and Standing Orders.

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

- 1.2.1 This scheme sets out the financial relationship between Monmouthshire's Education Authority and the maintained schools which the Authority funds. The requirements contained in the scheme relate to the financial management and associated issues are binding on both the Local Education Authority and on the schools covered by the scheme.

## **1.3 Application of the Scheme to Maintained Schools**

- 1.3.1 The scheme applies to all community, special, voluntary controlled and aided, foundation and foundation special schools in the area of the Authority. When schools alter their status in the new framework this will not affect coverage since the schools will merely be categorised differently and the school's governing bodies will remain the same corporate bodies.



- 1.3.2 Because pupil referral units and nursery schools are not maintained schools within the meaning of s.20(7) of the Act, the scheme's coverage excludes them. However, the Authority may consider the scope for funding and managing nursery schools using the same principles as used for primary schools under Fair Funding, in so far as the absence of a governing body with statutory powers allows this.
- 1.3.3 Appendix 1 lists the schools presently covered by the scheme.

#### **1.4 Publication of the Scheme**

- 1.4.1 The scheme will be supplied to the headteacher and governing body of each school covered by the scheme, and any approved revisions will be notified to each school in due course.

The actual publication requirements contained in regulations (currently Regulation 27 of the Schools Funding (Wales) Regulations 2010) are as follows:

- (a) furnish a copy to the governing body and a copy to the headteacher of each school maintained by the authority; and
- (b) making a copy available for reference at all reasonable times and without charge—
  - (i) at the principal education office of the authority; and
  - (ii) at each school maintained by the authority or on a website which is maintained by the authority and accessible to the public.

#### **1.5 Revision of the Scheme**

- 1.5.1 Any proposed revisions to the scheme will be subject to consultation with Headteachers, governing bodies and other interested parties and will require approval from the Schools Forum or the Welsh Government if the Schools Forum and Authority cannot agree on the terms of any proposed revisions. The Welsh Minister for Education and Skills may approve any such proposals or approve subject to modification, or refuse to approve any such proposal.

#### **1.6 1.6 Delegation of Powers to Headteachers**

- 1.6.1 The governing body must consider the extent to which it wishes to delegate its financial powers to the headteacher and record its decision (and any revisions) in the minutes of the governing body. The authority may be requested to provide advice in respect of a desirable level of delegation to headteachers.
- 1.6.1 The school is obliged to produce a budget plan for each financial year, the responsibility for the production of the budget plan should be determined by the governing body which must approve the first formal budget plan of each financial year and record its decisions accordingly.



1.6.2 The headteacher may be requested to provide advice and reports to the governing body on any matters relating to school expenditure.

## **1.7 The Role of the Authority**

1.7.1 The Financial Standing Orders and Financial /regulations appertaining to Monmouthshire County Council will normally govern all actions of the authority in its application of the scheme.

1.7.2 The Cabinet is responsible for carrying out the statutory duties of the Authority including the operating of the Scheme for Financing Schools in accordance with the SSAF Act 1998.

1.7.3 Prior to the commencement of each financial year, the cabinet, in accordance with the approved scheme, will establish the resources available for all schools for the following year. The governing body will be notified by the Chief Officer for Children and Young People of the resources available for their school, as determined through application of the Scheme.

1.7.4 The Authority will publish requisite budgetary and out-turn information in respect of all schools in accordance with Section 52 of the Act.

1.7.5 The authority may suspend financial delegation in accordance with the provisions of Schedule 15 to the Act, where the governing body:

- (i) has been guilty of a substantial or persistent failure to comply with any requirement applicable under the scheme; or
- (ii) is not managing its delegated budget in a reasonable and satisfactory manner.
- (iii) Where School Financial Instructions are consistently breached.

1.7.6 The authority will retain centrally some elements of funding for allocation to schools on the identification of specific needs.

## **1.8 The Role of the Governing Body**

1.8.1 The governing body is responsible for monitoring the implementation of its own policies as well as those of the authority and the government. Governors become the agent of responsibility.

1.8.2 The main responsibilities of governing bodies are:

- (i) to decide how the school's delegated budget should be spent, in accordance with their school development plan and the statutory curriculum requirements laid upon them;
- (ii) to comply with the provisions written into this scheme in respect of financial regulations;
- (iii) to maintain accurate accounts/records and to provide regular reports/returns of income and expenditure as and when requested;





- (iv) not to plan to overspend;
- (v) to include in their annual report to parents of the school:
  - (a) a financial statement outlining how the school's budget share has been used; and
  - (b) an account of the way in which they have allocated resources to pupils with special educational needs.

1.8.3 In general the governing body is obliged to ensure that it has spent sensibly, having regard to value for money in terms of the educational standards it has achieved and the quality of education it has provided in relation to its context and income. Governing bodies should ensure that they have conducted their financial transactions with due regard to legality and probity.

## **1.9 Maintenance of Schools**

The authority is responsible for maintaining the schools covered by the scheme, and this includes the duty for defraying all the expenses for maintaining them (except in the cases of a voluntary aided school where some of the expenses, are, by statute, payable by the governing body and in the case of grant-maintained schools where there is a power but not a duty to meet capital expenditure). Part of the way an authority maintains schools is through the funding system put in place under Sections 45 – 53 of the SSAF Act 1998 and any revisions made under the Education Act 2002.

## **2.0 FINANCIAL REQUIREMENTS**

### **2.1 Financial Control**

#### **2.1.1 Application of Controls to Schools**

Governing bodies in their management of delegated budgets must abide by the authority's requirements on financial control and monitoring; both those in this Scheme and those requirements in more detailed publications referred to in this Scheme, namely and School's Financial Instructions and the Scheme for the Operation of Local Bank Accounts.

Both governors and staff have a duty to expose mismanagement and fraud. The Section 151 Officer should be immediately notified where there are grounds to suggest any irregularities affecting cash, stocks or other assets. Normally such notification will be by the headteacher. However, it may be that there are circumstances make it inappropriate for the person alleging irregularity to raise the matter with the headteacher and governors and therefore concerns can be raised with the internal audit department in the authority.



### **2.1.2 Provision of Financial Information and Reports**

Schools are required to provide the authority with details of anticipated and actual expenditure and income, in a format as specified in Schools' Financial Instructions. The timing of this information will be in line with the reporting timetable for the authority. This formal requirement may be waived when the school maintains such information as part of the authority's online financial accounting system provided that the authority has access to such information.

However, in some circumstances the school may be required to provide information more frequently to assist the authority with the management and/or maintenance of tax or banking arrangements and/or where the authority has notified the school in writing that in its view the school's financial position requires more frequent monitoring i.e. where the school is in a deficit / excessive surplus position and is required to report against a recovery / investment plan, or when the school is in its first year of operation.

### **2.1.3 Payment of Salaries: Payment of Bills**

Governing bodies must follow the detailed procedures as given in Schools' Financial instructions for services carried out by the authority.

For those services not carried out by the authority, such procedures undertaken must be approved by the authority.

### **2.1.4 Control of Assets**

Each school must maintain an inventory of its moveable non-capital assets, including leased assets, and follow the basic authorisation procedures for the acquisition and disposal of such assets as set out in the Schools' Financial Instructions.

The form of the register of assets for items valued at £100 and above must be in accordance with that determined by the Authority, however schools are free to determine their own arrangements for keeping the register of assets worth less than £100 but in such circumstances the governing body must ensure that any such arrangements are acceptable to the school's insurers.

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

Schools must abide by procedures and accounting policies as detailed in Schools' Financial Instructions and any additional instructions sent to schools which have been approved by the Authority on an ad\_hoc basis, for example instructions for year-end processes.

### **2.1.6 Writing Off of Debts**



Governing bodies are not authorised to write off any debts. All requests to write off any debts must be agreed with the authority. Debt recovery procedures as detailed in the financial instructions must be adhered to before a write-off can be actioned. If a write off is agreed, the debt will be written off against the school budget.

## **2.2 Basis of Accounting**

2.2.1 All accounts furnished to the authority must be on an accruals basis (to bring into account all outstanding expenditure and income within the financial year). However, this does not preclude schools adopting alternative internal accounting systems if they so wish.

## **2.3 Submission of Budget Plans**

2.3.1 Each school must submit a provisional budget plan to the authority by 1<sup>st</sup> May each year showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. This should be followed by a formal budget plan which must be provided to the authority by 31<sup>st</sup> May each year. The format of the budget plan will be provided by the authority during February each year. The authority will supply schools with all income and expenditure data which it holds centrally to allow efficient planning by schools. However schools are responsible for checking this information against the records they hold.

While the above dates are the final dates to submit budgets, the Local Authority works closely with schools to ensure that a budget is approved by the Governing Body and submitted as close to the beginning of the financial year as possible to ensure that spending plans are agreed and spend is as effective as possible. The ideal is before the 1<sup>st</sup> April each year.

2.3.2 Where plans are subsequently reviewed in-year any revisions should be submitted to the governing body for approval. The details of any such amendments and revised financial plans should be submitted to the authority in line with the monitoring reporting timetable.

## **2.4 Virement**

2.4.1 There are no restrictions on the ability of schools to vire funds between budget heads within the limits of the total funds available from respective school budget shares.

## **2.5 Audit: General**

2.5.2 Schools are subject to and are required to co-operate with the Authority's Internal Audit and the External Auditors as determined by the Wales Audit Office. Where a school enters into external arrangements for the provision of financial services, then separate audit arrangements may apply.



2.5.3 Schools are required to provide access to their records for both internal and external auditors.

## 2.6 Separate External Audit

2.7.1 The governing body is allowed to spend funds from its budget share to obtain external audit certification of its accounts, separate from and in addition to any authority internal or external audit process. Any such audit must have regard to the status of the school and its responsibilities to the authority.

## 2.7 Audit of voluntary and private funds

2.7.2 All voluntary and private funds must operate in accordance with the regulations laid down by the authority and any charity commission requirements. An audit certificate must be provided by the school at the end of the accounting period as stipulated in the private fund guidance. This certificate is to be submitted to CYP finance by the 31<sup>st</sup> October each year, in respect of the accounts for the previous academic year.

## 2.8 Register of Business Interests

2.8.2 The governing body of each school is required to maintain a register of business interests which details the respective business interests of each member of the governing body and the headteacher.

2.8.3 The register must be made available for inspection by governors, staff, parents and officers of the authority.

## 2.9 Purchasing, tendering and contracting requirements

2.9.2 Governing bodies are required to abide by the authority's Financial Instructions for Schools and Contract Procedure Rules in purchasing, tendering and contracting matters. In particular, the following requirements must be adhered to:

- (a) To comply with all provisions of the Scheme, statutory provision, or Public Contract Regulations 2015.
- (b) **Contracts with value of less than £1,000** - Demonstrate that good value has been achieved
- (c) **Contracts with value £1,000 - £5,000** - One written quotations should be received



- (d) **Contracts with value £5,000 - £25,000** - Three written quotations and advertised through the relevant trade journal/portal and/or Sell2Wales.
- (e) **Contracts £25,001 – EU Threshold** (Supplies & services contracts threshold currently £164,176; Works contracts threshold currently £4,104,394. These thresholds were last updated in January 2016 and are fixed for a 2 year period) Invitation to tender by advertisement through relevant trade journal/portal and/or Sell2Wales
- (f) The strategic procurement unit should be made aware of all contracts over £25,000.
- (g) The tender process must follow the guidance set out in the Financial Instructions for Schools.

2.9.3 Where relevant, governing bodies must assess in advance the health and safety competence of the contractors taking into account the authority's policy and procedure.

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

2.11.1 As a general principle, schools may opt out of authority-arranged contracts/service level agreements but will be bound by extant agreements.

2.11.2 Governing bodies are empowered under paragraph 3 of Schedule 10 to the Act to enter into contracts, although in most cases the governing body does so on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. However where the governing body has a clear statutory obligation (e.g. contracts made by aided or voluntary foundation schools for the employment of staff) contracts may be made solely on behalf of the governing body.

## **2.12 Central funds and earmarking**

2.12.1 The authority is authorised to make additional funds available to the school from central funds; these funds shall be additional to and separate from the schools' budget share e.g. Grants provided by third parties. These allocations are subject to any conditions setting out the purpose or purposes for which the fund may be used. These funds



must not be assimilated into the school's budget share and should appear separately in accounts to demonstrate their use for the purpose for which funds were allocated.

2.12.2 Any earmarked funds which are not spent by 31<sup>st</sup> March in any financial year must be returned to the authority if not spent in year or within a period over which schools are allowed to use the funding if different.

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

2.13.1 Although Section 50 (3) of the SSAF Act 1998 allows governing bodies to spend their budget share for the purposes of the school, this is subject to any provisions of this scheme.

2.13.2 In general the governing body is obliged to ensure that it has spent sensibly, having regard to value for money in terms of the educational standards it has achieved and the quality of education it has provided in relation to its context and income. Governing bodies should ensure that they have conducted their financial transactions with due regard to legality and probity.

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

2.14.1 Governing bodies are allowed to use their budget shares to meet the cost of capital expenditure on school premises, subject, where the premises are owned by the authority to their approval but such consent can only be withheld on health and safety grounds. Consent is sort via the use of the 'Landlord Consent Form' this is attached in appendix 4. Where the authority does not own the premises, then the school should notify the authority of their intentions. This includes expenditure by the governing body of an aided school on work which is their responsibility under Paragraph 3 of Schedule 3 of the Act.

2.14.2 Where such proposed capital expenditure exceeds £15,000 the Chief Officer for Children and Young People must be notified and the governing body must take into account any advice as to the merits of the proposed expenditure.



## **BANKING ARRANGEMENTS: INSTALMENTS OF BUDGET SHARES**

### **3.0 External Bank Accounts: Notice Period**

- 3.0.1 The Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities.
- 3.0.2 Schools may choose to use the Authority arrangements for banking or alternatively schools may opt to operate their own independent banking arrangements.
- 3.0.3 Schools wishing to operate external bank accounts may only do so from the beginning of any financial year provided that a period of two terms notice is given to the authority. Such schools must have cleared any outstanding budget deficits prior to operating external bank accounts.

### **3.1 Frequency of Instalments**

- 3.1.1 For schools operating within the authority's banking arrangements, school budget shares will be notionally credited to the school's account on the first day of the financial year.
- 3.1.2 For schools operating external bank accounts, school budget shares will be made available to governing bodies on a monthly basis payable on the 20<sup>th</sup> day of each calendar month or the closest working day thereto.

### **3.2 Proportion of Budget Shares Payable at each Instalment to External Bank Accounts**

- 3.2.1 For schools operating external bank accounts, the budget share instalments will be made in equal twelfths of the annual delegated sum.
- 3.2.2 However, where schools can demonstrate through a budget plan that there will be significant fluctuations in monthly expenditure, consideration will be given to payment of the respective school budget shares in accordance with an agreed payment profile.

### **3.3 Interest**

#### **3.3.1 Interest Claw back**

- 3.3.1.1 Where it can be determined that the authority has suffered a loss of interest in respect of delegated funds paid in advance, the authority reserves the right to recover lost interest. This will be based on an interest calculation applied to the difference between the average school balance for the financial year and the closing school balance at the end of the financial year. This will only be applied to positive balances.





3.3.1.2 The interest claw back will be calculated on the basis of the marginal lost investment income arising from the difference between bank base rate, payable to all schools without external bank accounts and the authority's average seven day rate.

### 3.3.2 Interest on Late Payment of Budget Shares to External Bank Accounts

3.3.2.1 For schools operating external bank accounts interest will be payable by the authority in respect of the late payment of a school budget share instalment where such late payment is the result of authority error. The interest payable will be calculated on the basis of the instalment amount, the number of days the payment is delayed and the bank base rate.

### 3.3.3 Interest Payable on Balances

3.3.3.1 For schools operating within the authority banking arrangements interest will be payable based on the prevailing bank rate as at the last working day of the financial year on all surplus balances at that date. The authority reserves the right to charge interest on deficit balances. In the event that the authority opts to charge interest on deficit balances the school will be notified in writing. Interest will be calculated using the prevailing bank base rate as at the last working day of the financial year on the deficit balance at that date.

3.3.3.2 Schools with external bank accounts will not receive such interest but will be able retain any interest earned as a result of operating its external bank account.

## 3.4 Budget shares for closing schools

3.4.1 Budget shares for closing schools will be made in equal monthly instalments up to the end of the month in which the closure takes place.

3.4.2 Where schools are scheduled for closure they will only be funded up to the date where there are no recorded pupils on roll. The funding will be based on equal instalments of the school budget share. After this date the school will only be funded for the ongoing maintenance costs.

## 3.5 Bank and Building Society accounts

### 3.5.1 External Accounts

3.5.1.1 Schools may, subject to the conditions set out in this scheme, opt to open and maintain external bank accounts into which their budget share instalments are paid.

3.5.1.2 When a school elects to operate an external bank account the authority will, at the request of the school, transfer an amount agreed





by both the school and the authority as the estimated surplus balance held by the authority in respect of the schools budget share, on the basis that there is then a subsequent correction when the accounts for the relevant year are closed.

### **3.5.2 Restriction on Bank Accounts**

3.5.2.1 Schools may hold accounts at any of the approved banks or building societies specified by the Authority, at the time of writing these are set out in appendix 2, however as these change frequently schools should contact the authority for an up to date list prior to tendering for any services.

3.5.2.2 Consideration will be given to requests for accounts to be held at other institutions.

3.5.2.3 Schools may stipulate that the name of any external account is in the name of the school rather than the authority.

3.5.2.4 However, the operation of the account must be in accordance with the authority's Scheme of Administration for School-Held Bank Accounts which outlines the specific rights of access and administrative procedures. In particular the account mandate must provide that the authority is the owner of the funds account; that it is entitled to receive statements; and that it can take control of the account if the schools right's to a delegated budget is suspended by the authority.

3.5.2.5 Signatories to such bank accounts shall only be drawn from authority and school employees and as such bars school governors who are not employees from being signatories to the schools account.

### **3.6 Borrowing by schools**

3.6.1 Governing bodies may borrow money from a bank or building society only with the written permission of the Welsh Government. Any requests for such consent and outcome should be notified to the Section 151 officer.

3.6.2 Any finance or operating leases arrangements shall only be undertaken with the express written permission of the Section 151 officer.



## **4 TREATMENT OF SURPLUSES AND BALANCES**

### **4.1 Carry Forward of Balances**

- 4.1.1 Schools will be able to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from the previous year.
- 4.1.2 A school's balance at the end of the financial year will be that determined from the annual accounts.

### **4.2 Reporting on the Intended Use of Surplus Balances**

- 4.2.1 Governing bodies are required to report to the authority on the intended use of surplus balances in those cases where the total balance exceeds, for secondary schools, £100,000 of allocated resources, and for primary schools £50,000. This report must be submitted within 3 months of initially reporting this level of surplus to the authority. The report must detail spend to bring the balances below these levels and must be agreed with the authority. This will be monitored on a termly basis.
- 4.2.2 Under the School Funding (Wales) Regulations (2010), where surplus budgets held by schools exceed £50,000 for primary schools or £100,000 for secondary schools and special schools, the Authority has the power to direct a school how to spend the balance or to claw back the balance held in excess of these limits.

### **Planning for Deficit Balances**

- 4.3.1 This scheme precludes governing bodies from planning for a budget deficit.

### **4.4 Obligation to carry forward Deficit Balances**

- 4.4.1 Where a school has a deficit balance at the end of the year, such deficit will be carried forward into the next financial year. Governing bodies will be required to report to the authority on the measures that the school intends to take in order to eradicate the deficit, over a maximum of 3 years. The Authority may agree to increase the time period to allow a school to recover, however this will need to be agreed with the Chief Officer for Children and Young People. These plans must be submitted within 3 months on initially reporting a deficit to the authority. This plan will be monitored on a termly basis at minimum, but in material cases this will be monitored monthly. The authority has the right to withdraw the delegated budget and powers of the governing body should the plan not be followed.



#### **4.5 Writing off Deficits**

4.5.1 The authority will not write off a deficit balance at any school.

#### **4.6 Balances of Closing and Replacement Schools**

4.6.1 When a school closes, any balance (whether surplus or deficit) will revert to the authority. Such balance cannot be transferred to any other school, even if that school is a successor to a closing school.

#### **4.7 Licensed Deficits**

4.7.1 The authority will only support licensed deficits where a recovery plan is in place, as detailed in paragraph 4.3.1. The governing body must request a licenced deficit from the Chief Officer for Children and Young People.

4.7.2 There is an arrangement in place whereby schools are allowed to plan for a deficit budget funded by a collective surplus of school balances held by the authority on behalf of schools.

#### **4.8 Credit Union Approach**

4.9.1 The authority does not support Credit Union Approach for financial support. An arrangement whereby schools group together to utilise externally held balances for a collective approach to loans.



## **5 INCOME**

### **5.1 Income from Lettings**

5.1.1 Schools are allowed to retain all income from lettings of school premises, subject to arrangements arising from joint uses or Private Finance Initiative agreements.

5.1.2 Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

5.1.3 Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, providing there is no net cost to the budget share. However schools must have regard to directions issued by the authority as to the use of the schools premises as permitted under the School Standards and Framework Act 1998 for various categories of school.

5.1.4 On school sites where caretakers bungalows are funded by the authority all income resulting from their occupancy will accrue to the authority.

### **5.2 Income from Fees and Charges**

5.2.1 Schools may retain income from fees and charges, except, where the service is provided by the authority from centrally-retained funds.

5.2.2 Schools must have regard to any policy statements on charging produced by the authority.

### **5.3 Income from Fundraising Activities**

5.3.1 Schools may retain income from any fundraising activities.

### **5.4 Income from Sale of Assets**

5.4.1 Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds, save when the authority decides otherwise.

5.4.2 Schools may not retain the proceeds from the sale of land or buildings forming part of the school premises owned by the authority.

### **5.5 Administrative Procedures for the Collection of Income**

5.5.1 Income collection should be administered in accordance with School Financial Instructions.

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



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



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

### **6.1 General Provision**

- 6.1.1 The budget share of a school may be charged by the authority without the consent of the governing body only in circumstances expressly permitted by this Scheme. The authority will consult with schools as to its intention to so charge and will notify schools when it has been done.
- 6.1.2 Where schools are charged by the authority under these provisions and are in dispute with those charges, any resolved matters will be referred to the Chief Officer for Children and Young People for final determination.
- 6.1.3 The authority is required to charge salaries of schools based staff to school budget shares at actual cost.

### **6.2 Circumstances in which charges may be made**

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed authority advice.
- 6.2.3 Awards by the courts and employment tribunals against the authority or out of court settlements arising from action or inaction by the governing body contrary to the authority's advice.

Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority's expenditure protects the authority's position.

- 6.2.4 Expenditure by the authority in carrying out health and safety work for which the authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5 Expenditure by the authority in making good defects in building work funded by capital spending from budget shares, where premises are owned by the authority or the school has voluntary status.
- 6.2.6 Expenditure incurred by the authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority.



- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over monies due has been referred to a disputes procedure set out in a service level agreement, which concluded that such monies are owed by the school to the authority.
- 6.2.8 Recovery of penalties imposed on the authority by the Board of the Inland Revenue, the Contributions Agency or HM Revenues & Customs, Teachers Pensions as a result of school negligence.
- 6.2.9 Correction of authority errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10 Additional transport costs incurred by the authority arising from decisions by the governing body on the length of the school day, and failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the authority because the governing body did not accept the advice of the authority (see also Section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the authority, where funding for training had been delegated but the necessary training had not been carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the charge to be the minimum needed to meet the cost of the authority's compliance with its statutory obligations
- 6.2.15 Costs incurred by the authority in securing provision specified in a statement of ALN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.16 Costs incurred by the authority due to submission by the school of incorrect data.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Cost incurred by the authority as a result of the governing body being in breach of the terms of a contract.



## **7 TAXATION**

### **7.1 Value Added Tax**

7.1.1 For recovery of the VAT, HM Revenues & Customs have agreed that VAT incurred by schools when spending any funding made available by the authority is treated as being incurred by the authority and qualifies for reclaim by the authority. Such sums reclaimed will be passed on to schools.

7.1.2 In general VAT will be recoverable on expenditure incurred by schools on business activities from any funding made available by the authority in accordance with the regulations of HM Revenues & Customs. In consequence expenditure charged to school budget shares will be net of VAT with the VAT reclaim managed centrally by the authority.

7.1.3 Schools will also need to consider their VAT position in respect of any income they generate. Detailed guidance is available within Financial Instructions and further advice can be obtained from the Section 151 Officer.

### **7.2 Construction Industry Taxation Scheme (CITS)**

7.2.1 Schools must abide by the Authority's procedures in respect of CITS. Advice on this matter is available from the Section 151 Officer.





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

### **8.1 Provision of Services from Centrally Retained Budgets**

8.1.1 The authority will determine the provision of services from centrally-retained funds to schools including, if appropriate, premature retirement and redundancy costs. In so doing, the authority will not discriminate between different categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by statutory duties.

### **8.2 Provision of Services Purchased from the Authority using Delegated Budgets**

8.2.1 Governing bodies are free to negotiate agreements for purchasing of services from the authority as they determine. There is no minimum term for such agreements albeit that arrangements lasting less than two years may be uneconomic. In general the period of such agreements will not exceed five years but agreements may include provision for an extension to seven years for contracts for supply of catering services.

8.2.2 Where a service is provided for expenditure which is not retained centrally by the authority under the Regulations made under Section 46 of the Act, such service can only be provided at prices which generate income which is no less than the cost of providing the service. The total cost of the service must be met by the total income, even if schools are charged differentially.

8.2.3 Where the authority provides, any service for which funding has been delegated to schools, these services may be offered to schools as packages of services.

8.2.4 However, any service which an authority is providing will also be available to be purchased as a single service.

8.2.5 Where a governing body decides not to buy back services for which the authority retains statutory responsibilities, then costs of meeting these responsibilities will be chargeable against respective school's budget share.

### **8.3 Service Level Agreements**

8.3.1 Where services or facilities are provided under a service level agreement, such agreements will normally take effect at the start of a financial year. Written agreements will be drawn up in consultation with the school in advance of the start of the agreement.



8.3.2 Where services or facilities are provided under a service level agreement, the terms of such an agreement will be reviewed at least every three years.

8.3.3 Services offered on the basis of a service level agreement will also be available on an ad hoc basis although a different rate of charging may apply.

## **9 PFI/PPP**

9.1 Governing bodies must consider the implications of any PFI/PPP project contemplated. The authority must be informed of any such proposal and the governing body should take account of any advice provided by the authority in connection with such proposal.

9.2 In particular, the authority would wish to reserve the right to charge the school budget share with any costs incurred by the authority associated with any such arrangement, and to determine the treatment of monies withheld from contractors due to poor performance.

## **10 INSURANCE**

10.1 Where funds for insurance are delegated to any school, the school must demonstrate that under a policy arranged by the governing body, cover relevant to any authority's insurable interests is at least as good as the relevant cover arranged by the authority where the authority makes such arrangements, paid for from central funds or from contributions from schools' delegated budgets.

## **11 MISCELLANEOUS**

### **11.1 Right of Access to Information**

11.1.1 Governing Bodies will be required to supply all financial and other information which might reasonably be requested to enable the Authority to satisfy itself as to the School's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school. Such additional financial information does not extend to copies of internal reports to the governing body on financial matters.

### **11.2 Liability of Governors**

11.2.1 Each governing body is a corporate body and consequently, under the terms of Section 50(7) of the Act, governors of maintained schools do not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.



### **11.3 Governors' Expenses**

11.3.1 The Authority is allowed to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

11.3.2 Under schedule 11 of the SSAF act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a schools' delegated budget share; schools are forbidden to pay any other allowances. Schools are also barred from payment of expenses duplicating those paid by Welsh Government to additional governors appointed by him to schools under special measures. The amounts of any such allowances will be set by the Authority.

### **11.4 Responsibility for Legal Costs**

11.4.1 The cost of legal action incurred by the governing body, including any costs awarded against the authority may be charged to the school's budget share unless the governing body acts in accordance with the advice of the authority (unless they relate to the statutory responsibility of voluntary aided school governors for building).

11.4.2 Where there is conflict of interest between the governing body and the authority, the governing body should consider the need for independent legal advice, the costs of which will have to be met from the school budget share.

### **11.5 Health And Safety**

11.5.1 In expending the schools budget share governing bodies must have due regard to the duties and responsibilities placed upon them, and on the Authority, in relation to health and safety.

11.5.2 The authority may issue directions to a governing body and headteacher on health and safety matters; these directions are enforceable, so far as governing bodies are concerned, via Section 497 of the Education Act 1996 if not complied with.

### **11.6 Right of Attendance for the Chief Officer for Children and Young People**

11.6.1 Governing bodies should permit the Chief Officer for Children and Young People, or their nominated representative, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his/her responsibilities. Such attendance will normally be preceded by adequate notice.

### **11.7 Delegation to New Schools**

11.7.1 The authority may delegate funding selectively to the governing bodies of schools which have yet to receive delegated budgets



## **11.8 Optional Delegated Funding**

11.8.1 Where a school exercises an option to receive delegated funding for an item, that option may only be exercised once a year by notification in writing to the Chief Officer for Children and Young People by the 31<sup>st</sup> December, prior to the commencement of any financial year.

## **11.9 Additional Learning Needs**

11.9.1 Governing bodies must use their best endeavours in expending their budget share to secure appropriate provisions for pupils with Additional Learning Needs.

## **11.10 Whistle blowing**

11.10.1 The Authority will issue to the governing body the procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at a school, and how such complaints will be dealt with.

## **11.11 Child Protection**

11.11.1 Governing bodies will be required to cooperate with any matters associated with child protection and must release staff to attend child protection case conferences and other related events.

## **11.12 School Meals**

11.12.1 The Authority may provide a school meals policy of which governing bodies should have regard in the discharge of their duties in relation to school meals where funding has been delegated.

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

### **12.1 Categories of Work**

12.1.1 The categories of work for which a governing bodies will receive delegated funding in order to meet their responsibilities are detailed in Appendix 3.

### **12.2 Date of Delegation**

12.2.1 The operational date of such delegated funding was the 1<sup>st</sup> April 2000.