Statutory guidance

Schemes for financing local authority maintained schools

Updated 12 April 2021

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1. Summary

1.1 About this guidance

This is now 12 of statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2&(2) of Schedule 10 to the School Standards and Framework Act 1998. Section 2 explains what is in the outline scheme.

Local authorities are required to publish schemes for financing schools, setting out the financial relationship between the local authority and the schools it maintains. This guidance sets out the minimum content which schools must as a minimum, include in their scheme. It also includes other matters the Secretary of State considers, except for the best of direction schools should follow.

Setting any changes to their schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the majority of their schools' governing bodies before implementing the revisions. Schools must take this guidance into account when they revise their schemes, in consultation with the schools forum.

Find out what has changed in this issue.

1.2 Directed revisions

The Secretary of State may by direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to a scheme, the Secretary of State must consult the local authority, the schools forum and Framework Act 1998, to consult the relevant local authorities and other interested persons.

There are no directed revisions.

1.3 Other important changes to the guidance

Section 4.16 Schools financial value standards (SFVS)

Due to the coronavirus (COVID-19) outbreak, the Department for Education (DfE) has postponed the SFVS assessment for maintained schools. The DfE will keep the impact of current pressures schools and local authorities are facing.

For the financial year 2020 to 2021, schools should submit their SFVS to their local authority no later than 31 May 2021.

Local authorities should submit their assurance statement to DfE within 4 weeks, by no later than 5 July 2021.

Section 5.8 Borrowing by schools

The introduction of PFB 3a was postponed in relation to 2020 to 2021. It has been postponed again, with March 2022.

Section 8.3 Licensed deficits

In circumstances where a school requires a budget share advance in order not to exceed its licensed deficit, the local authority may agree to lend the school a loan. This will have no effect on the school's budget and local statements.

2. The outline scheme

We use the following references throughout this statutory guidance:

- "the act" or "the School Standards and Framework Act 1998"
- "the authority" is the local authority
- "the regulations" are School and Early Years Finance (England) Regulations 2020

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

- the carrying forward from one funding period to another of surpluses and deficits arising in relation to school budgets
- amounts which may be charged against schools' budget shares
- the authority's and governing bodies' powers and duties in relation to borrowing and the purposes for which such amounts may be used
- the inspection, by or under the scheme, of conditions which must be complied with in the case of loans to the governing bodies of maintained schools, and of other outstanding debts owed to the local authority which are in respect of maintained schools, including conditions prescribing financial controls and procedures
- terms on which services and facilities are provided by the local authority for schools maintained by them
- the application of property by or for the local authority
- the times at which amounts falling to be paid to the school's budget share are to be made available to governing bodies and the proportion of the budget share to be made available to governing bodies in advance
- the control between local authority and schools within the delegated budget
- circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority's non-schools educational expenditure on the school's budget share, and the terms on which such a power may be delegated
- the use of delegated budgets and of sums made available to governing bodies by the local authority which do not form part of their delegated budgets
- borrowing by governing bodies
- the purposes for which loans may be made by governing bodies
- a statement as to the period of time for which governing bodies in respect of schools' budget shares having regard to section 15(7) of the 1998 act
- the authority's and governing bodies' powers to enter into such a school which does not have a delegated budget share in accordance with the scheme made by the authority for the purposes of section 37A of the 1998 act
- the application of the balance of surplus balances of the governors and the head teacher
- the provision of information by and to the governing body
- the maintenance of records of income
- claims of a governing body's expenditure
- the keeping of accounts and records of account or received by a governing body
- insurance
- the use of delegated budgets by governing bodies so as to satisfy the local authority's requirements as to the keeping of such accounts and records by the local authority which do not form part of their delegated budgets
- borrowing by governing bodies
- the purposes for which loans may be made by governing bodies
- a statement as to the period of time for which governors

which expenditure of the budget share may occur. They have done so in the School Funding Agreement (SFA) and Academy Funding Agreement (AFA) with the EFA. Academies can find more information in the Academies Financial Handbook (https://www.gov.uk/government/publications/academies-financial-handbook-2020-to-2021-updated).

These allow schools to spend their budgets on pupils who are at the risk of other mainstream schools or academies.

4.14 Capital funding and spend limits

The schemes should contain a provision specifically allowing governing bodies to use their budget shares to meet the cost of capital expenditure on the school premises. This provision should be in accordance with the local authority's scheme of delegation and its local responsibility under paragraph 3 of Schedule 3 of the act.

However the local authority may if it wishes stipulate that if there is expected capital expenditure from the budget share the governing body must notify the authority, and that it must take into account any advice from the Director of Children's Services or its Chief Finance Officer (or equivalent officers if it covers the figure £10,000 or a higher sum).

The scheme may specify that if the premises are owned by the local authority, or the governing body has entered into a lease or other arrangement with the local authority or consent of the authority is the premises, then the local authority must consult authority on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Management of Health and Safety Order 2006, the Equality Act 2010, and the Building Regulations 2010.

Where any cost values appear in schemes local authorities may wish to update them when they revise the scheme.

These provisions would not affect expenditure from any capital allocation made available by the local authority outside the delegated budget share.

4.15 Notice of concern

The scheme should include a provision that allows the local authority to issue a notice of concern to any of the maintained schools. Please find in guidance for an alternative wording could be used, including any additional conditions, prohibitions or limitations a local authority considers to be relevant in support of its notice of concern.

The local authority may issue a notice of concern to the governing body of any school if it is satisfied that the school is causing, or is likely to cause, harm to the pupils or children in Care, the school has failed to comply with any provision of the scheme or where actions need to be taken to safeguard the financial position of the authority or school.

Such a notice will set out the reasons and evidence for it being issued and may impose 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
- the local authority appointing an additional or substitute person into the finance committee of the governing body
- placing more stringent restrictions or conditions on the day-to-day financial management of the school than would normally be the case, for example the provision of monthly accounts to the local authority
- insisting on regular financial monitoring meetings of the school attended by local authority officers
- requiring a governing body to buy in local authority's financial management services
- imposing restrictions or limitations on the manner in which a school manages extended school activities from within its delegated budget share (for example, by requiring a school to submit income projections, financial monitoring reports on such activities, or both)

The notice will clearly state what these requirements are and the way in which the local authority will monitor the school's compliance with the notice of concern and withdrawal. It will also state the actions that the local authority may take if the governing body does not comply with the notice.

The purpose of this provision is to enable a local authority to set formally any requirements it wishes to place on a school in relation to its budget share and require a governing body to comply with any requirements it deems necessary.

The principal concern is issuing a notice, and determining the requirements included within it, must be to safeguard the financial position of the local authority or school.

It should not be used in place of mechanisms of financial delegation where that is the appropriate action to take. However, it may provide a way of making a governing body aware that it is in a situation where it may be subject to such mechanisms if it continues the actions a governing body should take in order to improve the financial management to avoid withdrawal.

Local authorities should use the notice of concern the scheme should provide for the notice to contain requirements the governing body has complied with the requirements it imposes.

In placing this provision in their scheme, a local authority may wish to consider the way in which a dispute between it and the school it is issuing a notice is regarding any aspect of the notice may be resolved.

4.16 Schools financial value standard (SFVS)

All local authority maintained schools (including nursery schools and PRUs that have a delegated budget share) demonstrate compliance with the SFVS and complete the assessment form on an annual basis. It is for the school to determine at which time of the year it wishes to do so.

Governors must demonstrate compliance through the submission of the annual assessment form signed by the Chair of Governors. The form must include a summary of governance, financial management and financial position, and be submitted by the deadline and as signed owner. Governors must monitor the progress of the actions to ensure that all actions are cleared within specified deadlines.

Due to the coronavirus (COVID-19) outbreak, DfE has decided that the SFVS return should be delayed this year. This is to take account of the current pressures schools and local authorities are facing.

For the financial year 2019 to 2020, schools should submit their SFVS to their local authority by 31 October 2020.

Local authorities should submit their assurance statement to DfE within 6 weeks, by no later than 15 July 2021.

4.17 Fraud

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

The governing body and head teacher must inform all staff of school policies and procedures and make it clear that fraud and other financial irregularities will lead to consequences of breaching these controls. This information must also be included in the induction for new school staff and governors.

5. Instalments of the budget share and banking arrangements

Local authorities being adopted the "CIPFA Code of Practice for Treasury Management in Local Authorities" may wish to refer in the scheme to the fact that they have done so.

For the purposes of this section, budget share includes any planned funding for special schools or PRUs.

5.1 Frequency of instalments

The scheme should contain a provision which sets out the frequency with which the budget share will be made available to governing bodies. This should be at least once a month. The local authority may wish to make payments more frequently than monthly if budget share instalments on a monthly basis is in doubt which is unlikely and which request should be made prior to the start of the relevant financial year.

Top up payments for pupil high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

Some local authorities have asked why they can't hold budget share instalments for schools in a "suspense account" until the end of the financial year. The regulations state that shall make budget shares available at times and in such a manner as prescribed by the regulations. The regulations do make funds available on a monthly basis and allow to be made accurate.

If a local authority wishes to provide that in effect in non-bank account interest-bearing state on its entire budget share from the start of the year (which it may do if it so chooses) it is entirely within its powers to do so.

If a local authority is administering payroll for a school, the authority can ask the school concerned to consider whether it actually needs to take up the option, granted under the scheme, of receiving funds ahead of payment.

5.2 Proportion of budget share payable at each instalment

The scheme should make clear on what basis the proportion of the budget share will be made available to schools, both in relation to the inclusion of estimated pupil numbers and the proportion of the budget share payable at each instalment.

Where monthly instalments are made available, the scheme should allow schools to opt for instalments of the monthly share to be made available to them in advance of the month in a school term, although budget shares net of estimated pay costs can be offered monthly as well.

The scheme should also set out the ways in which the local authority will calculate the budget share for schools. This should be based on the most recent pupil numbers, primary and secondary schools, but may not differentiate between between of pupils except where the estimate takes account of information supplied by individual schools.

Any differential weighting of primary or secondary instalments is a matter for local authorities and their Schools Forums.

Schemes may make different provisions as to frequency and proportion of instalments for schools with bank accounts and those without.

5.3 Interest clawback

The scheme may provide for the local authority to deduct from budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance.

Where such provision is made the scheme should explain the justification for a clawback, the method by which it will be made, the proportion of the debt due, taking account of the frequency options offered by the scheme.

The precise methodology for clawback calculations is for the local authority to determine, but it should be based on the actual interest lost by the local authority and does not go further than necessary to recover interest. Where the local authority chooses to be paid into accounts in a nearby bank, payment at a date closer to that on which salaries are due will lead to less loss of interest.

5.4 Interest on late budget share payments

The scheme should include a provision requiring the local authority to add interest to late payments of budget share instalments, where such late payment is due to the authority error.

The interest rate used should be that used for clawback calculations or if no such clawback mechanism is in place, at least the current Bank of England base rate.

5.5 Budget share for closing schools

The scheme may provide for budget shares of schools for which approval for closure has been given by the local authority, to be calculated on the basis of budget bases net of estimated pay costs, even where some different basis was previously used.

5.6 Bank and building society accounts

The scheme should provide for maintained schools to have external bank accounts into which their budget share is paid, and for the local authority to make payments.

The scheme should also provide that where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within a local authority contract which makes other provision.

Local authorities may provide that schools without bank accounts cannot have one until any deficit balance is cleared, and that any school requesting a bank account at a later date should be required to clear any deficit before it is allowed.

Schemes may include a provision stipulating that if a school does not request a bank account the local authority must, if the school desires, transfer immediately to the school the budget share instalments, but may charge the school for any additional expenses kept by the authority in respect of the school's budget share or any interest lost that there is then a subsequent correction when accounts for the relevant year are closed.

Schemes can require all schools to have such accounts, but there is no statutory power this would normally be the case.

Bank accounts as referred to here do not include imprest accounts, although there is nothing to prevent local authorities offering imprest accounts to schools as an alternative.

5.7 Restrictions on accounts

The scheme should specify which banks or building societies accounts may be held with for the purpose of processing school income payments. The approved list should be the same as that used for the local authority's own bank accounts.

The scheme should allow schools to have accounts for budget share purposes which are in the name of the school rather than the local authority. However, the scheme should state such an account the scheme should require that the account mandate provides that the local authority is the sole signatory to the account, that it receives copies of bank statements, and that it can raise cheques and make payments from the delegated budget is suspended by the authority.

The authority can continue to have arrangements negotiated with certain banks whereby the accounts are in the name of the local authority but specific to each school, and the school is the beneficiary.

Schemes should make it clear that the budget share of a school is not part of the authority property until spent (section 49(5) of the act).

Schemes may contain a provision restricting the organisations for bank accounts, but such provisions should allow at least local authority employees and school employees fiide signatories.

Such a provision should not be limited to local authority employees only, because this is not in line with the principle of delegation. Schemes may not place restrictions on the nat members of staff from being signatories.

The scheme should not contain provisions restricting the use of direct debits or standing orders, but should state that such payments should be made only from accounts in part of a local authority contract.

5.8 Borrowing by schools

The scheme should contain a provision enforcing schools that governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the local authority. The local authority may wish to inform governing bodies schools will only be given permission for borrowing if it would be consistent with Prudent Prime to time. However, the Secretary of State may introduce limited schemes in order to meet broader policy objectives.

The scheme must contain a provision that allows schools to use any scheme that the Secretary of State may from time to time approve for the purpose of borrowing, including Salix Loans which is designed to support energy efficiency.

Schemes may explicitly bar schools from using interest bearing credit cards and charge cards, but should not prevent schools from using credit cards for the purchase of procurement cards by schools, as these cards can be a useful control mechanism for electronic purchase. Schemes may also seek to permit the use of credit or charge cards, where the balance is cleared in full on a monthly basis, as this is effectively a charge card as a monthly basis.

The restrictions do not apply to Trustees and Foundation, where borrowing, on private trades, means no impact on government accounts.

There is also a provision for schools borrowing from the delegated budget, but schools are free to opt for a loan for a project from the trustees or foundation or other source as a contribution.

Governing bodies do not act as agents of the local authority when repaying loans.

This provision does not apply to loan schemes run by the local authority. The Department for Education has issued a statement in relation to 2020 to 2021 it has been postponed again until April 2022.

5.9 Other provisions

Schemes may apply separate detailed rules and guidance in respect of other aspects of banking arrangements, provided no aspect of those rules and guidance conflicts with the Regulations and Guidance.

Such additional rules and guidance may relate in particular to types of account as well as operating procedures.

6. The treatment of surpluses and deficit balances arising in relation to budget shares

6.1 Right to carry forward surplus balances

The scheme must contain a provision which allows schools to carry forward from one year to the next any surplus on their budget share for the year, taking into account for the year plus/minus any balance brought forward from previous years.

The scheme should explain the basis on which the amount of any balance to be transferred to a school's bank account will be calculated on a proportionate basis for school being a new bank account, and the date by which the transfer would occur, pending a late reconciliation.

The amount of a surplus balance would be shown in the relevant outturn statement of the local authority's accounts, as required by section 52(6) of the act and section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, although there are no commitments against any figure shown in such a statement.

6.2 Controls on surplus balances

The scheme may contain a mechanism to claw back excess surplus balances.

Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, and should not be constrained from making commitments to support their medium-term budgeting in a tighter financial climate, and should not be facilitated by bureaucracy.

The mechanism should, therefore, be focused on only those schools which have built up surplus balances significantly in excess of the normal level of contribution would expect (approximately 5 percent).

6.3 Interest on surplus balances

Schemes must contain a provision which makes it clear whether balances held by the local authority on behalf of schools will attract interest. If such balances do attract interest, the scheme should state the rate of interest payable. The rate of interest should be at least the current Bank of England base rate.

The deficit balance would be shown on the authority statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, although there are no commitments against any figure shown in such a statement.

6.4 Obligation to carry forward deficit balances

The scheme must contain provisions which ensure the effect of carrying forward deficit balances to the next year, and the obligation on the local authority to recover such deficits.

The deficit balance would be shown on the authority statement published in accordance with directions given by the Secretary of State under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009. Schools are not liable to pay shares of committed expenditure and therefore spare lower than would otherwise be the case.

6.5 Planning for deficit budgets

Schools must submit a recovery plan to the local authority when their revenue deficit balance exceeds 5% of their budget share. Local authorities may wish to consider setting 5% for the submission of a recovery plan if they wish. The DfE's Deficit threshold will apply when deficits are measured as at 31 March 2021.

6.6 Charging of interest on deficit balances

The scheme may contain a provision permitting the local authority to charge interest on deficit balances. If so the basis on which interest is charged must be made clear in the scheme itself.

6.7 Writing off deficits

The scheme should contain provision which makes it clear that the local authority may write off the deficit balance of a school.

If a local authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum from the authority's own resources from a centrally held budget specified for the purpose of expenditure on special schools and PRUs. Such a budget should be part of the local authority's overall schools budget schools, from a dedicated contingency budget where this has been agreed by schools forum.

6.8 Balances of closing and replacement schools

Where in the funding period, a school has been established or is subject to a prescribed alteration (for example, a change of age range, or a change of the school site) the budget share of the new or enlarged school to reflect all or part of the budget share, including any surplus carried over from previous funding periods, of the closing school for the funding period in which it closes.

6.9 Licensed deficits

A local authority may include in its scheme provision for an arrangement whereby schools are allowed to plan for a deficit budget.

Such an arrangement is normally funded by the collective surplus of school balances held by the local authority on behalf of schools. It is for the local authority to decide as such a policy to make such arrangements. If it can do so it will need to set out local authority finance regulation.

Although such a provision may refer to other guidance on the operation of the deficit arrangement, the scheme itself should specify the:

- maximum length, not to exceed 3 years, over which schools may repay the deficit (each of each year's balance), with appropriate mechanism to ensure that the deficit is repaid within the agreed period
- purposes for which the planned expenditure is agreed
- maximum size of the deficits which may be agreed. this may be by reference to the budget share or by reference to a fixed maximum sum of money
- maximum proportion of the collective balances held by the local authority which can be used to back the arrangement
- the role of the Chief Finance Officer of Children Services and the Chief Finance Officer of the Local Authority in agreeing any arrangements for individual schools.

It is open to a local authority to extend such an arrangement by inviting schools holding balances in external banks/accounts to use some or all of those balances to back the arrangement. If so the scheme should make clear the basis on which this would occur.

Balances held by a school in external accounts will remain the property of the school concerned, and the local authority should make it clear that it will take such balances into account by the authority in assessing the total level of licensed deficit which it might wish to have to carry.

However, the Secretary of State believes that it is right that schools be asked to give a share of their balances to the local authority to back the deficit, but it is also right that this provides assurance for the authority as well as schools.

Under a licensed deficit scheme the only effect on budget and outturn statements is shown in the year. The balance carry into deficit because expenditure is in excess of their the budget share, but this deficit reduces to zero by the end of the repayment period. Schools should be able to show a deficit budget share in their accounts "in year" "balance" to the school is recorded. Notice provision in order to ensure that the deficit is at their bank. Etc should be treated as a cash advance and not a loan. This will have to reflect on the school budget and outturn statements.

6.10 Loan schemes

It is open to a local authority to include in its scheme a form of loan arrangement for schools experiencing difficulty in balancing their budget share. Such a scheme gives opportunity to schools a repayment by the authority in respect of expenditure on condition that a corresponding sum is recaid from the budget share. If so, the same conditions as for an arrangement should appear in the scheme as for licensed deficit.

Again, a local authority may wish to limit schools with balances in external accounts to use some or all of those balances to back a loan scheme, and the scheme should make clear on what basis this would occur.

If there is a loan scheme in this fashion, the local authority must show in its budget statement the total of such loans, and the total of such loans to individual schools, and the payment should appear in the outturn statements.

Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than the period of academic years.

Loans must not be used as a means of funding a deficit that has arisen because a school has been overspending its budget share.

If loans are made to academies, the Secretary of State will consider using the power under paragraph 12(1)(b) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy trust on conversion.

Credit union approach

In some areas, as an alternative of the scheme scheme is available, schools may wish to consider arrangements with credit unions to provide loans to their staff and pupils. However, the local authority should include provision in its scheme to require such certification. If the authority does not feel such as administrator of the arrangement.

7. Income

The scheme should contain provisions which allows schools to retain income from lettings of the school premises and school premises accruing to the local authority subject to alternative provisions arising from any joint use of private finance initiative (PFI) or purchasing power (with partnership).

The scheme should necessarily allow schools to raise substantial lettings for community purposes, including for the purpose of providing services to the community, provided that this will not hinder the ability to a significant extent with the performance of any contract with the local authority or any other person in respect of the premises concerned, and the school with a view to promoting high standards of educational achievement.

However, schools should be required to have regard to any guidance issued from local authority as to the use of school premises, as permitted under the act for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary funds, but should be payable into the school's budget share. Governing bodies will be liable for the school's trustees to determine the use of any income generated by the land.

7.2 Income from fees and charges

The scheme should contain provisions always schools to retain income from fees and charges for services and activities provided by the school, including those funded from school funds. However, schools should be required to have regard to any guidance issued from local authority as to the use of such income.

Income from boarding charges is collected on behalf of the local authority and should not exceed that needed to provide board and lodging for the pupils concerned.

7.3 Income from fund-raising activities

The scheme should contain provisions which allow schools to retain all income from fund-raising activities, including those undertaken in the name of the school, or in the name of any

return income from fixed earning activities.

7.4 Income from the sale of assets

The scheme should contain a provision which allows schools to retain the proceeds of the sale of assets (including land and buildings) for reinvestment in the school. Assets held in which cash is invested for the local authority to decide whether the school should retain the proceeds) or the asset concerned (a land or buildings forming part of the school premises is owned by the authority).

The retention of proceeds of sale for purposes not owned by the local authority will not be a matter for the schools.

7.5 Administrative procedures for the collection of income

The scheme may have a provision which applies separate rules on this schools, but should include a provision that the local authority, for example where a school has contracted with the council for service provision.

The local authority may wish to take advice from its local VAT business advice centre as to whether schools should charge VAT on lettings and on the services and facilities, such as fees and charges, and on the VAT implications of fund raising activities and sale of assets.

7.6 Purposes for which income may be used

The scheme may have a provision that income from sales of such purchases with delegated funds may only be spent for the purposes of the school.

8. The charging of school budget shares

8.1 General provision

The scheme should contain a provision which allows the budget share of a school to be charged with any payment which is properly made from the budget share of the school in consequence expressly permitted by the scheme, and requires local authorities to consult schools as to the intention to so charge, and notify schools when it has been done.

Schemes may provide for a dispute procedure for such charges.

Although the right of local authorities to protect their financial position from liabilities caused by the action or inaction of governing bodies by charging budget shares is well established, it is important that schools are fully informed of the potential areas of circumstances in which this may happen.

Schemes must therefore list the circumstances in which such charging is permitted. Local authorities and governing bodies of schools may wish where or not it wish to take this consider them jointly.

It may be useful to remind schools that the local authority cannot act unreasonably in the exercise of its power given by the scheme, or it may be the subject of a challenge under section 4(8) of the Education Act 1996.

For each of these circumstances the local authority would have to be able to demonstrate that it had taken into account the impact of the charge on the school budget share. This means that when the local authority cannot incur a liability because of the governing body's action, it should not normally impose a charge. Guidance on the practice on charging will vary between categories of school.

In some cases, the ability to charge budget shares depends on the local authority having given prior advice to the governing body. Local authorities must ensure that they have taken steps that enable them to give advice whenever possible, and will wish to review schools of this.

For the avoidance of doubt, local authorities may be delegate funding for permitted expenditure to governing bodies in advance of the actual payment, but this should be approved by the appropriate phase representatives of the schools forum.

8.2 Charging of salaries at actual cost

The scheme should have a provision which requires the local authority to charge salaries of school based staff to school budget shares at actual cost.

8.3 Circumstances in which charges may be made

1. Where provision otherwise costs less than the cost of the first year within agreement of the local authority to bear such costs (the amount chargeable being the excess over any amount agreed by the authority).
2. Other expenditure incurred in excess circumstances where there is good reason to charge the budget share.
3. 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 advice, or where the action or inaction is of a kind that local authorities generally can not accept but is not from the budget share. Where the court and tribunal or settlement is attributable to a matter which is not the fault of the governing body such not taking authority action, the charging of the budget share with the authority's share of the costs should not normally be made. Local authorities should avoid having any such action that they have taken proper account of the interest of school governing bodies.
4. Dismissal of staff where eligibility in carrying on health and safety work or capability to do work is the subject of a dispute between the local authority and the governing body for such work, but the governing body has failed to carry out the authority's advice.
5. Expenditure by the local authority incurred in making good defects in buildings such funded by capital spending from budget shares, where the premises are owned by the authority or the relevant non-voluntary aided school.
6. Expenditure incurred by the local authority in insuring against such defects in buildings such funded by capital spending from budget shares, where the premises are owned by the authority or the relevant non-voluntary aided school.
7. Expenditure incurred by the local authority in insuring to cover any liability of the governing body which is not to be met from the budget share, where the premises are owned by the authority or the relevant non-voluntary aided school.
8. Payments to employees of schools in respect of time not worked by them, or in respect of particular cases.
9. Recovery of monies due from a school to service provided to the school, where a dispute between the local authority and the governing body of the school as to the sums being not taking authority action, the charging of the budget share with the authority's share of the costs should not normally be made. Local authorities should avoid having any such action that they have taken proper account of the interest of school governing bodies.
10. Payments to employees of the authority in carrying on health and safety work or capability to do work for a school where the local authority has given advice to the governing body for such work, but the governing body has failed to carry out the authority's advice.
11. Expenditure by the local authority incurred in making good defects in buildings such funded by capital spending from budget shares, where the premises are owned by the authority or the relevant non-voluntary aided school.
12. Expenditure incurred by the local authority in insuring against such defects in buildings such funded by capital spending from budget shares, where the premises are owned by the authority or the relevant non-voluntary aided school.
13. Expenditure incurred by the local authority in insuring to cover any liability of the governing body which is not to be met from the budget share, where the premises are owned by the authority or the relevant non-voluntary aided school.
14. Payments to employees of schools in respect of time not worked by them, or in respect of particular cases.
15. Recovery of monies due from a school to service provided to the school, where a dispute between the local authority and the governing body of the school as to the sums being not carrying out the authority's instructions with a view to protecting the local authority's interest in the security of a school.
16. Recovery of operation interest on the loan authority by the Board of Inland Revenue, where the local authority has to repay the interest because the school, the Inland Revenue, the Government Agency or other regulatory body authorities as a result of the school's action.
17. Correction of local authority errors in calculating charges to a budget share for example, pension deficiency. Before applying any such amount, the local authority should consider the impact on the school budget share. It should also consider in the following years it may be questionable whether such charging is reasonable.
18. Additional transport costs incurred by the local authority arising from decisions by the governing body in the length of the school day, or failure to notify the authority of such decisions in sufficient time to make arrangements.
19. Legal costs which are incurred by the local authority because the governing body has not accepted the advice of the authority.
20. Costs of the local authority in administering for staff employed by the local authority, where funding for teaching has been delegated but the governing body not carried out.
21. Costs incurred by the local authority in a school enters into a contract for temporary support to pupils/students, and the contract is in effect.
22. Cost of work done in respect of teacher pension remittances and records for schools where the local authority has agreed to undertake this work, but where the school has ceased the cost of the authority's compliance with its statutory obligations.
23. Costs incurred by the local authority in securing provision specified in an education, health and care plan, where the governing body has failed to secure the provision despite the delegation of funds in respect of one such high incidence SEN or specific funding for a pupil with high needs.
24. Costs incurred by the local authority due to suspension by the school of incorrect SEN.
25. Recovery of amounts spent from specific grants on ineligible purposes.
26. Costs incurred by the local authority as a result of the governing body's breach of the terms of a contract.
27. Costs incurred by the local authority or another school as a result of a school ceasing to be a school maintained by the local authority, for example where the local authority provides services to the school.
28. Costs incurred by the local authority in administering appeals, where the local authority is the admission authority and the funding for admission appeals to been delegated to all schools as part of their formula allocation.

9. Taxation

9.1 Value Added Tax (VAT)

The scheme should include a provision which summarises the procedure schools should follow in order to be able to utilise the local authority's option to opt out VAT on expenditure relating to non-business activity. The provision should stipulate that rebuttals no longer will be passed back to the school.

The provision would normally refer to more detailed separate guidance. Detailed guidance should include the authority's should make clear what it can reasonably expect for reimbursement.

HMRC has agreed that VAT incurred by schools when operating any trading made activities should be treated as being incurred by the authority and qualifies for reimbursement.

This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibility to maintain the external fabric of buildings.

Local authorities may find it useful to consult local VAT business advice centres on issues regarding VAT reimbursement.

9.2 Construction Industry Scheme (CIS)

The scheme should contain a provision requiring schools to seek by procedures issued by the local authority in connection with CIS.

10. The provision of services and facilities by the local authority

10.1 Provision of services from centrally retained budgets

The scheme should contain a provision which makes it clear that it is the local authority's decision on what services from centrally retained funds will be provided to schools.

The provision should be drawn in a way that clearly encompasses existing premature retirement costs and redundancy payments, which may not ordinarily be paid from school services.

The scheme should contain a provision barring the local authority from discriminating in the provision of services on the basis of categories of schools, except where this would be permitted under the School and Early Years Finance Regulations or the delegated schools grant conditions of grant.

10.2 Provision of services bought back from the local authority using delegated budgets

The scheme should contain a provision requiring the form of any arrangement with a school for the provision of services to be in writing, and for the local authority to bear the costs of the agreement, and periods not exceeding 3 years for any contract, or such longer period as the local authority may agree with the school.

However, schemes for contracts for supply of catering services may be limited to a maximum of 5 years, with a maximum agreement of 3 years if the contract is awarded.

There is no minimum period, although arrangements lasting less than 3 years may well be unsatisfactory.

The scheme should contain a provision which requires that where a service is provided for which expenditure is not retractable centrally by the local authority from budgets formerly held by the school, the local authority should be able to require the governing body to generate income which is to be used for the cost of providing those services.

The total cost of the service should be met by the total income, net of any central charges differentially.

This provision complements the implied requirements of the regulations on carried retention of funds. It is recognised that should be broken even or profit not always be the aim of the local authority, but it should be able to require the governing body that the charging policy can reasonably be expected to avoid central subsidy of services.

10.3 Packaging

The scheme should contain a provision to the effect that any service which a local authority provides to a school should be on a basis that is clear as to the cost of each service, and that the local authority should be able to charge for services only where practicable. We will include provision on a voluntary service basis as well as on the basis of service agreements.

This provision would not prevent local authorities offering packages of services, but would offer a discount for schools taking up a wider range of services, but authorities are encouraged to offer services single as well as combination.

10.4 Service level agreements

The scheme should provide that service level agreements must be in place by a certain date to be effective for the following financial year, and that schools must have at least a month to consider the terms of agreements.

The scheme should contain a provision which stipulates that if no service level agreements are in place by a specified date, whether free or at a stipulated basis, the terms and conditions of the previous year's service level agreement will be deemed to be in place for a further 12 months, or such longer period as the local authority may specify.

This provision would not prevent local authorities offering packages of such services, but would offer a discount for schools taking up a wider range of services, but authorities are encouraged to offer services single as well as combination.

10.5 Teachers' Pensions

The scheme should provide that governing bodies of schools which provide payroll services should submit a monthly return of salary and service to the local authority.

Governing bodies should also ensure that their payroll provider makes such deductions (NICs) are passed to the local authority within the time limit specified in the AVC scheme. The standard time for this is

"In order to ensure that the performance of the duty on the local authority to supply information to the Teachers' Pensions under the AVC Scheme, the Teachers' Pensions of 2004, the following conditions are imposed on the authority and all employees of maintained schools covered by the scheme in relation to their budget shares.

The conditions are: subject to governing bodies of maintained schools that have not delegated the function of the payroll to the local authority, the governing body of

A governing body of a maintained school, whether or not the employer of the teachers of such a school, which has entered into a contract with a provider of payroll services or other than the local authority to provide payroll services, shall ensure that any such contract shall include a term requiring the provider of payroll services to make such payroll deductions as the authority requires to comply with the duty in respect of salary and service to Teachers' Pensions and to produce to audited contributions.

The local authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall ensure that the information is provided to the local authority in the form and at the time which is required by the AVC scheme. The governing body shall meet any consequential costs from the school's budget share."

11. Private finance initiative/ public private partnerships (PFP)

PFP is a way for the public sector to procure capital under procurement contracts. Under PFP, the private sector is responsible for providing the capital and for providing services with the governing bodies of schools as to the basis of such charges, and the treatment of monies withheld from contractors due to poor performance.

Among PFP and PFP provisions may be one which formally sets out the power of the local authority to make payments to the contractor from delegated budgets of PFP. PFP agreement entered into by the governing body of a school.

12. Insurance

12.1 Insurance cover

The scheme should contain a provision which stipulates that Funds for insurance are to be delegated to the governing body of a school, and that the local authority will not seek cover relevant to an authority's insurable interests, under a policy arranged by the governing body, in at least as good as the relevant minimum cover arranged by the local authority, and that the governing body will be responsible for any excess and for non-contributions from school delegated budgets.

The evidence required to demonstrate the parts of cover should be reasonable, not above an under-burden upon the school, not as a barrier to the school exercising their choice of supplier.

The scheme must require the local authority to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a scheme, and to the need to ensure that the school is able to exercise its right to make limited opting out insurance. Limited opting out the Secretary of State's first Regulations under section 50(3) of the Education Act 2002 may be used to prescribe

An example of behaviour which is not 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 finance management.

12.2 Governors' Allowances

Schools should be responsible for

The scheme should contain a provision which allows the local authority to delegate to the governing body of a school the sums to be allocated budget funds to meet governors' expenses.

Governing bodies would not normally have discretion in the amounts of such allowances, which would be set by the local authority.

Under section 50(5) of the act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors of schools maintained by local authorities.

The scheme should contain a provision forbidding payment of any other allowances. Schools should also be barred from payment of expenses duplicating those paid by the local authority to additional governors appointed by them to schools under special measures.

Schools with delegated budgets

For schools with delegated budgets, local authorities may publish, separately from the scheme, a guide to what is considered to be reasonable expenses.

13 Responsibility for legal costs

The scheme may contain a provision pointing out that legal costs incurred by the local authority in the exercise of its statutory responsibilities in relation to a governing body are, in accordance with the advice of the local authority, although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of vacancy school governing bodies.

The effect of this is that a school cannot expect to be reimbursed for the cost of legal advice which it has sought and which the local authority has given, or for legal costs relating such reimbursed in IT delivery. Do this is desirable as it may in the circumstances.

The costs, referred to the show of legal advice, including costs awarded against a local authority, are not part of legal advice which

The scheme may contain a provision which schools should follow in obtaining legal advice where there is a conflict of interest between the local authority and the governing body.

This does not mean that a special procedure should be established, but governing bodies should be made aware of the potential problems that may arise and how they may resolve those.

13.1 Health and safety

The scheme should include a provision requiring governing bodies, in expanding the school's budget share, to have regard to duties placed on the local authority by health and safety, and the authority's policy on health and safety matters in the management of the budget share.

13.8 Right of attendance for Chief Finance Officer

The scheme should require governing bodies to permit the Chief Finance Officer of the local authority, or any officer of the authority nominated by the Chief Finance Officer, attend meetings of the governing body at which any agenda items are relevant to the responsibilities of the local authority.

The Chief Finance Officer is otherwise should normally be contacted by the governing body to issues of policy or overall financial management, such attendance should not be required. The Chief Finance Officer authority should give notice of such attendance unless this is impractical.

13.7 Special educational needs

Local authorities may want to include provision requiring schools to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils.

Although this is anyway a statutory requirement, the existence of such a scheme provision may be helpful in ensuring that governing bodies and their senior staff are enough to secure it. this would not normally relate to an individual pupil.

13.8 Interest on late payments

The terms of the scheme cannot affect statutory requirements now introduced on this matter, but local authorities may wish to include a reminder in their schemes.

13.9 Whistleblowing

Schemes should contain a provision requiring local authorities to set out in the scheme the procedure to be followed by persons working at a school or school governors who want to complain about financial management or financial propriety at the school, and how such complaints will be dealt with.

13.10 Child protection

The local authority should insert a provision explaining about the need to release staff to attend child protection case conferences and other related events, and whether the authority makes any provision for schools to meet such costs.

13.11 Redundancy and early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the local authority proposes to make such arrangements in accordance with this, then the scheme should contain a provision setting out how the relevant. Further guidance is contained at Annex C.

14. Responsibility for repairs and maintenance

The scheme should include a statement showing the categories of work which local authorities are responsible for from their budget.

Local authorities should delegate funding for repairs and maintenance to schools, using formulae that are fair, reasonable and transparent.

For these purposes, expenditure may be treated as capital only if it falls within the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA code of practice on local authority accounting.

Schemes should state as by minimis limit the local authority intends to use for the purpose of this paragraph. Local authorities may wish to consider a de minimis limit of £5000 in addressing a small other through schools to which expenditure is treated as capital and which is revenue in their financial accounts. We cannot as de minimis limits should be used in relation to capital expenditure.

Some local authorities may wish to consider whether the level of the de minimis limit they use in defining the capital and revenue split provision an appropriate fit between the local authority and its schools. Local authorities may wish to review the level of maintenance and the level of delegated budget to satisfy the school needs.

For instance, a local authority may have a relatively high de minimis limit, above a school's current allocation of one or two years' delegated capital. But if the local authority does not supply adequate revenue funding to provide the realistic option of saving for a year or two to undertake a major project, the school may be faced with a dilemma. Local authorities should be aware of the impact on schools of the Capital Expenditure Guidance. Schools are defined as revenued. This might be resolved through the local authority.

For educating schools, the liability of the local authority for repairs and maintenance (other) and by delegation of funds through the budget share) is the same as for community schools, and local authorities should be aware of the implications of this.

However, eligibility for capital grant from the Secretary of State for capital works or voluntary aided schools depends on the de minimis limit applied by the Secretary of State such, and not the minimis limit used by the local authority.

There is no obligation on local authorities to provide for discretionary expenses provided the way in which expenditure is treated as capital or non-capital is explained.

The scheme should contain an introductory section which describes the manner in which the scheme relates to the school's strategic priorities and vision.

A supplier description is at Annex C. This may be amended, but the end result should be a document that is clear about what the school wants to buy from the provider.

The scheme may have a provision which explains that mismanagement of community funds will be treated as a serious breach of the scheme. It should also make it clear that provision is discretionary because the power to suspend delegation and the provision to be used, arise from primary legislation, not the scheme itself.

15.1 Consultation with the local authority: financial aspects

Changes made by the Children and Families Act 2014 mean that schools no longer need to consult with their local authority on their budget plans. However, section 48 of the Education Act 2002, but that does have to have regard to advice given to them by their local authority.

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

15.2 Funding agreements: local authority powers

The provision of community facilities in many schools may be dependent on the community being confident that the school will be able to use the funds and facilities it supplying building and taking part in the provision. It sets out the range of powers that local authorities have in relation to community schools.

The scheme should include a provision describing the local authority's requirements in relation to building agreements and their powers, as opposed to being agreement with the authority itself.

The local authority may impose a requirement that any such proposed agreement should be submitted to the authority for its comments, and may impose a time limit within which the school must do so. This is at section 27.

However, the scheme may not impose a right of veto for the local authority or such a requirement that the school must have regard to the local authority's comments. If the third party requires such protection it can be agreed by the parties, and it is not unusual for a local authority to be a party to such a building agreement, if it is the body that will be responsible for that third party, such as the scheme.

The Secretary of State does not consider that it is appropriate for local authorities to have a general power of veto for these agreements.

However, the scheme may contain a provision that an agreement has been or is to be concluded against the wishes of the local authority, or has been concluded without consulting the local authority, or that it is in breach of the local authority's duties or interests of the school or local authority, that may constitute grounds for suspension of the right to a delegated budget.

15.3 Other prohibitions, restrictions and limitations

Although the scheme should not give a right of veto either to funding agreements with third parties, or to the local authority itself, it may contain provisions that the authority may make provision for the local authority to require that in a specific instance or class of instances, the school should not enter into a building agreement, or that it should not must make arrangements to protect the financial interests of the authority in either instances. The scheme may also contain provisions that the local authority may, for the purpose, or its delegatee, impose requirements for risks associated with the project in question, as specified by the authority.

The local authority's power to make provision in a scheme it should operate it in a reasonable fashion. Imposing such a requirement any where it has good reason believe that the proposed project carries significant financial risks.

Section 28 provides that the exercise of the community facilities power is subject to the requirements of the Human Rights Act and the Equality Act 2010.

Section 29 provides that the exercise of the community facilities power is subject to the requirements of the Human Rights Act and the Equality Act 2010.

Section 30 provides that the exercise of the community facilities power is subject to which they believe necessary. The restrictions should only be in existence if they are necessary to achieve the aim of the power, and should be kept under review. The proposed wording of the section, such provisions should be as free in number as possible.

15.4 Supply of financial information

The scheme may contain a provision requiring schools which exercise the community facilities power to provide information to the local authority, for its annual statement. A form determined by the authority, showing the income and expenditure for the school arising from the facilities in question for the previous 6 months and on an estimated basis, for the next 6 months.

The scheme may contain a provision which allows the local authority, on giving notice to the school, to require the school to provide information to the local authority about the financial consequences of the exercise of the community facilities power. to require such financial statements to be supplied every three months and. if the authority considers it is reasonable for statement of recovery plan for the school in question.

Financial information relating to community facilities will be included in returns made under the local authority's duties under section 52 of the School Standards and Framework Act 1998 and the local authority may also require the school to provide information about the financial aspects of community facilities.

However, the DFE expects to ensure that local authorities are likely to exert supplementary information in order to ensure that schools are not at financial risk. Section 31 provides that the exercise of the community facilities power is subject to community facilities is a basis for suspension of the right to delegated budget of the school.

These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and the local authority as to the financial reporting requirements arising from the building in question.

15.5 Audit

The scheme should contain a provision which requires the school to grant access to the local authority's auditors to the school premises, to the school's accounting records, to facilitate internal and external audit of relevant income and expenditure.

The scheme should include a provision requiring schools, in conducting funding agreements with other persons, to exercise the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the local authority's auditors to premises and records. The provision should be in respect of community facilities, or a basis for suspension of the right to delegated budget of the school.

Such a provision is necessary in order for the local authority to perform their superior provide third-party claims.

Instead of setting out insurance, a school may join the RPA for risks that are covered by the RPA.

15.6 Taxation

The scheme should contain a provision which makes it clear that schools should seek the advice of the local authority and the local VAT officer on any issues relating to the application of VAT to their activities. Schools are responsible for their taxation, including the use of the local authority VAT taxation facility.

The scheme should contain provision reminding schools that if any member of staff employed by the school is local authority is connected with community facilities, the school is paid from funds held in a school's own bank account, whether it separate from the school's main account or not. The school is the employer, and is responsible for payment of income tax and national insurance, in line with HMRC rules.

The scheme should contain a provision requiring schools to follow local authority advice in relation to the CTA where this is relevant to the exercise of the community facilities power.

15.10 Banking

The scheme should contain a provision setting out the requirements of the local authority as to the banking arrangements which schools should make in connection with the community facilities power.

The scheme may also contain provisions relating to the banks which may be used, the number of accounts, the arrangements for the operation of the accounts, mandates, and similar matters. The general approach to these matters should mirror those in the main part of the scheme.

16. Changes from Issue 12 of this guidance

We have made the following updates to reflect current practice and changes in legislation:

- Paragraph 11. Issue of the Statutory guidance changed - "Issue 12" to "Issue 13"

4.8 Schools financial value standards (SFVS)

Due to the coronavirus (COVID-19) outbreak, DfE has decided that the SFVS return for financial year 2019 to 2020 will not be required of the current academic and local authority-run schools.

For the financial year 2020 to 2021, schools should submit their SFVS to their local authority by no later than 28 May 2021.

Local authorities should submit their assessment to DfE within 8 weeks, by no later than 9 July 2021.

5.4 Borrowing by schools

The introduction of PFI 90 was postponed in relation to 2020 to 2021. It has been postponed again until April 2022.

6.5 Licensed deficits

In circumstances where a school requires a budget share advance in order not to be in deficit at the end of the financial year, it may request a licensed deficit and a loan. This will have to reflect the school's budget and culture statements.

17. Annex A: The funding framework main features

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in section 45A-51 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget, although as a minimum a local authority must ensure that its total budget is at least the sum of its DSG allocation.

The categories of expenditure which fall within the 2 budgets are described under regulations made by the Secretary of State, but included within the 2. been together, in accordance with the local authority's scheme. Schools will be required to agree with the governing body in setting (potential) before or after the relevant budget that they shall not be or not.

(2)Upon receiving the local education authority in respect of the annual, or for the purpose of the preceding paragraph, of any member of the staff of a community school shall not be from the school's budget share for any financial year except in so far as it is in pursuance of a proposal relevant to modifications that are not acceptable to the governing body.

(3) The fact that the local authority have a policy particulating dismissal of their employees by reason of redundancy not to be regarded as a proposal to make provisions of subsection (2), and in this subsection the reference to dismissal by reason of redundancy shall be construed in accordance with section 139 of the Employment Act 1996(c). 18.

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, unless local authority costs must be charged to the school's budget share.

In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a positive decision to charge centrally funded, and that cannot include having an redundancy policy.

Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be made.

Change of denomination requires costs to delegated school budget.

- If a school has decided to offer more generous terms than the local authority's policy, then it would be reasonable to charge the excess to the school.
- If a school is otherwise acting outside the local authority's policy
- If a school has taken a decision to dismiss a member of staff on grounds of redundancy or capability, and the local authority has agreed to the dismissal, it is licensed deficit
- where staffing reductions arise from a deficit caused by factors within the school's control.
- where the school has excess surplus balances and no agreed plan to use these balances in a manner intended to engage with the local authority's educational policy

Charge of premature retirement costs to local authority non-schools budget or central schools budget

- where a school has a long-term reduction in pupil numbers and charging such costs would jeopardize the school's educational work.
- where a school is closing, does not have sufficient balances to meet the costs and where charging the school would jeopardize the school's educational work or cause the school to be in deficit, or would have the effect of requiring a school to undertake a competing with a neighbouring school to receive a licensed deficit and the speed timescale
- where the school is in special measures, does not have excess balances, and employment of the relevant staff is being terminated as part of a local educational authority or government intervention to improve standards

Costs of early retirement or redundancies may be charged to the central school services block of the schools budget, as a historic commitment, where the expenditure is in respect of a decision taken before the introduction of the Fair Funding Regulations 2013. Costs may not exceed the equivalent of the maximum statutory redundancy payment.

For staff employed under the community facilities power, the default position is that costs should be charged to the school budget share. Costs may be charged to the delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the achievement of the community facilities power or education etc. including the requirement to exercise the school with a view to promoting high standards of educational achievement.

Section 37 now states:

"(7) Where a local education authority incur costs—

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

(b) in respect of the dismissal, or for the purpose, of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes they may require the governing body of the school to pay the amount of those costs to the local authority out of the governing body's budget share for a prescribed period (or, if no prescribed period is specified, such period as the local education authority may specify).

(8) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for a prescribed period (or, if no prescribed period is specified, such period as the local education authority may specify).

(10) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share for the prescribed period (or, if no prescribed period is specified, such period as the local education authority may specify) will not prejudice the provision of the education ACts.

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

19. Annex C: Application of schemes for financing schools to the community facilities power

Schools which choose to exercise the power conferred by section 27(1) of the Education Act 2002 to provide community facilities will be subject to controls. Regulations made under section 28 of the Act specify certain activities which may not be undertaken at all under the community facilities power.

Section 88 of the Children and Families Act 2014, has removed the requirements in section 28(4) and section 28(7) of the Education Act 2002 for community facilities power. Original, under section 28(4) a school was obliged to consult its local authority and governing body before exercising the power. Section 28(7) required the Secretary of State or the local authority when offering this legal consent.

Under section 28(1), the main limitations and restrictions on the power will be those in regulations made under section 28(2) of the Education Act 2002 and those in section 28 of the School Standards and Framework Act 1998 as amended by paragraph 3 of Schedule 3 to the Education Act 2002.

This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools. The part of the scheme does not extend to joint sub-committees, which are governed by the terms of the agreement between the local authority and schools to secure the provision of adult and community learning.

20. Annex D: Earlier directed revisions

Following consultation that closed on 19 March 2015, the Secretary of State decided that from 1 April 2015 the fees should be incorporated into the schemes of a local authority's delegated budget. The revised fees are contained in the 2015 version of the guidance.

Efficiency and value for money

The scheme must include the following provision, which imposes a requirement on schools to achieve efficiency and value for money, to optimise their resources and manage their finances, taking into account the purchasing framework and contracting requirements.

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to manage their finances, taking into account the purchasing authority's purchasing, tendering and contracting requirements.

Schools are required to secure best value for money and to secure better value for money. These are general requirements in relation to school budgets. It is important for schools to review their current expenditure, compared to other schools and think about how to make improvements.

Schools financial value standard (SFVS)

All local authority maintained schools, including nursery schools and PRUs that have a delegated budget must demonstrate compliance with the SFVS and complete the annual assessment. The SFVS is designed to help schools to identify areas of risk that they are not in compliance with.

Governors must demonstrate compliance through the submission of the SFVS assessment to their local authority by no later than 28 May. Schools are required to complete and sign-off a declaration, ensuring that each actions in the assessment is dealt with and agreed. Governors must monitor the progress of these actions to ensure that all actions are completed within deadlines.

Fraud

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

Fraud is a risk to schools and it is important that all staff of school policies and procedures reflected fraud and theft. Our controls in place to prevent them and the consequence of breaching these controls. This information must also be included in the induction for new school staff and governors.

Following consultation, the Secretary of State directs that from 19 August 2015 the text below shall be incorporated into the schemes of local authorities in England.

Register of business interests

Schools must maintain a register which requires the governing body of each maintained school to have a register of interests to record relevant pecuniary interests and the head teacher:

- any business interests that they or any member of their immediate family have
- details of any other educational establishments that they governs
- any relationships between school staff members of the governing body

And to keep the register up to date with notification of changes and through annual reminders. The register should be available for inspection by governors, staff, parents, and the local authority, and to publish the register, for example on a publicly accessible website.

Borrowing by schools

The scheme should contain a provision reminding schools that governing bodies may borrow money for the purpose of their functions only with the consent of the proprietor of the Secretary of State. The Secretary of State's general consent to schools will only be granted permission for borrowing in exceptional circumstances.

From time to time, however, the Secretary of State may introduce schemes whereby in order to meet broader policy objectives. The scheme must contain a provision that requires schools to comply with any such scheme. Such schemes may, for example, include without specific approval, currently including the including the fully-funded schools which is designed to support energy saving.

Following consultation, the Secretary of State directs that from 22 March 2016 the text below shall be incorporated into the schemes of local authorities in England.

Loan scheme

Loans will only be used to secure schools to operating the cost over more than one year. Loans will be repaid over a period of no more than 5 years. Loans will be used to spreading more than one financial or academic year.

Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

If loans are made to fund a deficit and a school subsequently converts to academy status, the outstanding loan will be transferred to the academy trust under the provisions of Schedule 1 to the Academies Act 2010. Loans will be made at a discount to the value that such a loan does not transfer, either in full or part, to the new academy school.

Submission of financial forecasts

Following consultation that closed on 30 September 2016, from the 2017 to 2021 financial forecasts, the Secretary of State directs that from 22 March 2016 the text below shall be incorporated into the schemes of local authorities in England.

Loan scheme

Loans will only be used to secure schools to operating the cost over more than one year. Loans will be repaid over a period of no more than 5 years. Loans will be used to spreading more than one financial or academic year.

Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

If loans are made to fund a deficit and a school subsequently converts to academy status, the outstanding loan will be transferred to the academy trust under the provisions of Schedule 1 to the Academies Act 2010. Loans will be made at a discount to the value that such a loan does not transfer, either in full or part, to the new academy school.

Submission of financial forecasts

Following consultation that closed on 30 September 2016, from the 2017 to 2021 financial forecasts, the Secretary of State directs that from 22 March 2016 the text below shall be incorporated into the schemes of local authorities in England.

determined by the local authority between 11 May and 30 June.

Following consultation that closed on 30 September 2019, the Secretary of State directs that the text below shall be incorporated into the schemes of all local authorities in England, however due to coronavirus (COVID-19) the directed revision to follow will only be expected to be enforced from the 2021 to 2022 funding year.

Planning for deficit budgets

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021.

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