



MIDDLESBROUGH

COUNCIL

SCHEME FOR FINANCING SCHOOLS

Issued for financial year 2024/25

Section 48 of the School Standards and Framework Act 1998 requires Local Authorities to have schemes dealing with the financing of schools. These schemes govern the financial relationship between maintained schools and LAs, they must be consulted upon locally and have to be approved by the Secretary of State.

The Outline Scheme

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

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget shares.
2. Amounts which may be charged against schools' budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the authority for schools maintained by them.
6. The payment of interest by or to the authority.
7. The times at which amounts equal in total 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 at each such time.
8. The virement between budget heads within the delegated budget.
9. Circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority's non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act.
10. The use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets.
11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.
13. A statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the 1998 Act.
14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 Act.
15. The keeping of a register of any business interests of the governors and the head teacher.
16. The provision of information by and to the governing body.
17. The maintenance of inventories of assets.
18. Plans of a governing body's expenditure.
19. A statement as to the taxation of sums paid or received by a governing body.
20. Insurance.
21. The use of delegated budgets by governing bodies so as to satisfy the authority's duties imposed by or under the Health and Safety at Work etc. Act 1974.

22. The provision of legal advice to a governing body.

23. Funding for child protection issues.

24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.

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1. INTRODUCTION

1.1 THE FUNDING FRAMEWORK

- 1.1.1. The Middlesbrough Local Authority Scheme for Financing Schools is based on the funding framework which replaces Local Management of Schools and is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (“the Act”).
- 1.1.2. Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their schools. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on a Local Authority's maintained schools except for capital and certain miscellaneous items. Local authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the local authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools' education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.3. Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Local Authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the schools forum, though the local authority may apply to the Secretary of State for approval in the event of the schools forum rejecting a proposal or approving it subject to modifications that are not acceptable to the local authority.
- 1.1.4. Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)
- 1.1.5. A local authority may suspend a school's right to a delegated budget if the provisions of the local authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act).
- 1.1.6. Each local authority is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the local 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.

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

1.1.8. Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 THE ROLE OF THE SCHEME

1.2.1 The role of the scheme sets out the financial relationship between the local authority and the maintained schools which it funds and describes requirements relating to financial management and associated issues, binding both on the local authority and on schools.

1.3 THE APPLICATION OF THE SCHEME

1.3.1 The provision of the scheme applies to all schools maintained by Middlesbrough. A schedule of such schools can be found in Annex A.

1.3.2 The scheme covers all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units (PRUs) maintained by the local authority. It does not apply to academies.

1.4. PUBLICATION OF THE SCHEME

1.4.1 The local authority will supply electronic copy to the school head teacher and each school covered by the scheme to then further cascade to their own governing body. The local authority also undertakes to make this document generally available by placing it on its website.

1.4.2 The local authority undertakes to notify each such school of any approved revisions to the scheme. Any revisions will be published on the internet on the date they are due to come into force.

1.5 REVISION OF THE SCHEME

1.5.1 Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the local authority before they are submitted to the schools forum for their approval.

1.5.2 All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them, or approves them subject to modifications which are not acceptable to the local authority, the local authority may apply to the Secretary of State for approval.

1.6 DELEGATION OF POWERS TO THE HEAD TEACHER

1.6.1 Head teachers are responsible to the governing body for the management of the schools' budget share within the parameters set by the governing body and such regulations as apply from time to time.

1.6.2 Each school's governing body formally consider the extent to which powers should be delegated to the head teacher and record its decisions (and any subsequent revisions) in its minutes. There are some powers which are not permitted to be delegated to head teachers, in particular, approval of the annual budget. The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body. The local authority can only suggest to the schools what might be a desirable level of delegation to head teachers.

1.7 MAINTENANCE OF SCHOOLS

1.7.1 The local authority is responsible for maintaining the schools covered by the scheme and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body and in the case of a foundation or foundation special school where there is a power but not a duty to meet capital expenditure). Part of the way a local authority maintains schools is through the funding system put in place under s.45 to s.53 of the Standards and Framework Act 1998.

2. FINANCIAL CONTROLS

2.1. APPLICATION OF FINANCIAL CONTROLS TO SCHOOLS

2.1 Schools must comply with the local authority's requirements in the management and monitoring of their delegated budgets. This includes those requirements within this scheme. Schools are expected to make every effort to comply with any reasonable request from the local authority.

2.2 PROVISION OF FINANCIAL INFORMATION AND REPORTS

2.2.1 The scheme requires schools to provide the Local Authority with details of anticipated and actual expenditure and income, in a prescribed format. Such information is to be provided every three months except for those connected with tax or banking reconciliation unless, the school's financial position is such that it requires more frequent submission or the school is in its first year of operation. Guidance will be available from the local authority on this matter.

2.2.2 Quarterly school budget reports should be submitted to the LA 1st week of July, 1st week of Oct and 1st week of Jan.

2.2.3 Monitoring reports should be sent to the following shared email address schoolenquiries@middlesbrough.gov.uk

2.3 PAYMENT OF BILLS

2.3.1 The procedures for these will vary according to the choices schools make about the holding of bank accounts.

2.3.2 From 1st November 1998, the Late Payment of Commercial Debts (Interest) Act 1998 came into force. The Act is aimed at imposing severe penalties upon organisations, which fail to pay their bills on time.

2.3.3 The responsibility for meeting interest costs of any late payments, when claimed, will fall to the school who are deemed to have failed to process the respective invoice on time and make payment in time.

2.3.4 Schools will be expected to treat invoices from the local authority and other local authority service providers in the same way as external providers. Any delay in payment may be subject to interest charges in the same manner as described above.

2.4. CONTROL OF ASSETS

2.4.1 Each school must maintain an inventory of its movable non-capital assets. The format of the inventory can be determined by the school. Optionally, schools may contact the local authority for a format. Disposal of assets should follow the local authority's procedures, schools to consult with the local authority – corporate accounting when disposing of assets. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. The local authority encourages schools to register anything that is portable and attractive, such as a camera.

2.5 ACCOUNTING PROCEDURES

2.5.1 All maintained schools must abide by procedures published by the local authority on accounting policies and year-end procedures in its annual published Statement of Accounts.

2.6 WRITING OFF DEBTS

- 2.6.1 It is a requirement of the scheme that schools draw up a policy (with agreement of the governing body) for dealing with debts, including the eventuality of writing off any debts. Guidance will be available on this matter from the local authority.

2.7 BASIS OF ACCOUNTING

- 2.7.1 The accounts are prepared adopting the accruals concept, where the revenue statement recognises all income and expenditure for goods and services received/discharged as at 31 March, including those items of income and expenditure, where cash settlements occur after year end. It is a requirement of the scheme that schools provide annual reports and accounts, including forecasts, to the local authority on an accruals basis. Quarterly reports may be on either an accruals or cash basis.

2.8 SUBMISSION OF BUDGET PLANS

- 2.8.1 The local authority expects schools to set a balanced budget and governing bodies cannot approve deficit budgets.
- 2.8.2 It is a requirement of the scheme that each school must submit an annual budget plan and 2-year forecast to the local authority no later than 31st May of that financial year. This budget should have been ratified by the full governing body and signed by the chair of governor. The plan should set out the school's intended expenditure for the financial year and the assumptions which underlie the plan.
- 2.8.3 The local authority will provide annual budget share information to each school and guidance on planning assumptions by no later than the 28th February preceding the start of the next financial year.
- 2.8.4 Schools' total planned expenditure for the financial year shall not exceed the budget share, plus or minus amounts carried forward from the previous year, plus any external income receivable, and any in-year adjustments which may be made in accordance with the scheme for financing of schools. Full account must be taken of estimated deficits or surpluses as at the end of the previous financial year in schools' budget plans.
- 2.8.5 Where due to unforeseen circumstances, a school cannot set a balanced budget, they must inform the Local Authority immediately and seek guidance. The school must complete the Application for Licensed Deficit at Annex C.
- 2.8.6 Such forecasting will be used in conjunction with the local authority's balance control mechanism.
- 2.8.7 The local authority will provide guidance on and specify the format of the budget plan.

2.9 SCHOOL RESOURCE MANAGEMENT

- 2.9.1 Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the local authority's purchasing, tendering and contracting requirements.

2.9.2 It is for head teachers and governors to determine at school level how to secure better value for money.

2.9.3 There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

2.10 VIREMENT

2.10.1 The scheme allows schools to vire freely between budget heads in the expenditure of their budget shares, with the exception of earmarked funding.

2.11 AUDIT: GENERAL

2.11.1 Schools shall be a part of the internal and external audit arrangement of the local authority as determined by the Corporate Director of Finance for internal audit and determined by the Local Audit and Accountability Act 2014 for external audit.

2.11.2 It is a requirement of the scheme that schools co-operate with all requirements of the auditors, both internal and external and provide full access to the school's records.

2.12 SEPARATE EXTERNAL AUDITS

2.12.1 The scheme permits the governing body of each school to charge expenditure from its budget share to obtain external audit certification of its accounts, separate from any local authority internal or external audit process. This is to allow schools to seek an additional source of assurance at their own expense.

2.13 AUDIT OF VOLUNTARY AND PRIVATE FUNDS

2.13.1 The scheme requires schools to provide audit certificates in respect of voluntary and private funds held by schools and the accounts of any trading organisations controlled by schools.

2.13.2 The purpose of this requirements is to allow the local authority to satisfy itself that public funds are not being misused. A school refusing to provide audit certificates to the local authority as required by the scheme is in breach of the scheme and the local authority may take action on that basis.

2.14 REGISTER OF BUSINESS INTERESTS

2.14.1 The scheme requires the governing body of each school to establish a register which lists for each member of the governing body and the head teacher:

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

2.14.2 The register must be kept up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents and the local authority and to publish the register, for example on a publicly accessible website.

2.15 PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS

- 2.15.1 The scheme requires each school to abide by the local authority's financial regulations and standing orders in respect of purchasing, tendering and contracting matters. This includes assessment of the health and safety competence of contractors, with regard to the local authority's financial regulations and standing orders.
- 2.15.2 The financial regulations and standing orders will not apply where they would require schools:
- To do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive
 - To seek Corporate Director of Finance or his/her representative countersignature for any contracts for goods or services for a value below £60,000 in any one year
 - To select suppliers only from an approved list
 - Or would permit schools to seek fewer than three tenders or quotations in respect of any contract with value exceeding £10,000 in any one year
- 2.15.3 For details on the quotation and tendering arrangements, schools should access the local authority's contract standing orders.

2.16 APPLICATION OF CONTRACTS TO SCHOOLS

- 2.16.1 Schools will have the right to opt out of the local authority's arranged contracts. All existing contracts have been entered into freely by schools and are paid for from delegated budgets.
- 2.16.2 The governing body should be aware that they are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts and in most cases, they do so on behalf of the local authority as maintainer of the school and the owner of the funds in the budget share. Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations - for example, contracts made by aided or foundation schools for the employment of staff.

2.17 CENTRAL FUNDS AND EARMARKING

- 2.17.1 The local authority will make sums available to schools from central funds, in the form of allocations that are additional to and separate from schools' budget share. These will be subject to conditions setting out the purpose for which these additional funds can be used: and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Local Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.
- 2.17.2 The scheme requires that such earmarked funding from centrally retained funds is spent only on the purpose for which it is given, or on other budget heads for which earmarked funding is given and is not vired into the budget share. The school should be able to demonstrate that this requirement has been complied with.

2.17.3 Earmarked funds must be returned to the local authority if not spent within any period stipulated by the local authority over which schools are allowed to use the funding.

2.17.4 The local authority may not make any deduction, in respect of interest costs to the local authority, from payments to schools of devolved specific or special grant.

2.18 SPENDING FOR THE PURPOSES OF THE SCHOOL

2.18.1 Although s.50(3) allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of this scheme. The scheme allows for the governing body of each school to act as an agent of the local authority in the management of the budget, which the local authority makes available, for the benefit either of the school as a whole or of individual pupils enrolled at the school.

2.18.2 By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

2.18.3 Under s.50 (3)(b), the Secretary of State may prescribe additional purposes for which expenditure of the budget share may be used. This is done so in the school Budget Shares Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares Regulations 2010 (SI2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.19 CAPITAL SPENDING FROM BUDGET SHARES

2.19.1 The scheme allows the governing body of each school to use sums from their budget share to meet the cost of capital expenditure on their school premises.

2.19.2 This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1988.

2.19.3 The local authority requires any capital spending from budget shares to be notified to the Corporate Director of People. Where the premises are owned by the local authority, the governing body must first seek the consent of the local authority to the proposed works, but such consent can be withheld only on health and safety grounds.

2.19.4 On an annual basis schools will be required to report to the local authority on how they intend to spend their devolved capital and any other funds available for capital works.

2.19 LEASING ARRANGEMENTS

2.20.1 Schools may wish to spread the cost of purchasing large items e.g. computer systems over a number of years. Finance leases are not permitted by financial regulations but schools may enter into operating leases.

2.20.2 Under no circumstances should schools enter into any leases on their own account without consulting with the local authority. It is extremely difficult to distinguish between a finance lease and an operating lease. Prior to making a contractual commitment to a lease, a copy of the terms of the contract should be submitted to the local authority for consideration in consultation with the Corporate Director of Finance. A school may be asked to demonstrate its ability to meet the repayments over the full period of the lease.

2.21 NOTICE OF FINANCIAL CONCERN

2.21.1 The local authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Corporate Director of Finance or the Corporate Director of People, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

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

2.21.3 These may include:

- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the Local Authority;
- Insisting on regular financial monitoring meetings at the school attended by local authority officers;
- Requiring a governing body to buy into a local authority's financial management systems; and
- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

2.21.5 The purpose of this provision is to enable the local authority to set out formally and concerns it has regarding the financial management of the school it maintains and require a governing body to comply with any requirement it deems necessary.

2.21.6 The principal criterion for issuing a notice, and determining the requirements included within it are to safeguard the financial position of the local authority and school.

2.21.7 The notice will not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the local authority's concerns short of withdrawing delegation and identifying the actions a

governing body should take in order to improve their financial management to avoid withdrawal.

2.21.8 Where the local authority issues a notice of concern the scheme provides for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

2.21.9 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 to regarding any aspect of the notice may be resolved.

2.22 WITHDRAWAL OF DELEGATED BUDGET

2.22.1 For those circumstances where the local authority considers that it is essential to suspend a school governing body's right to a delegated budget the resultant action will be guided by the principles detailed below.

- (a) As a preferred option, the local authority will always aim to work in partnership with the governing body to achieve a collaborative approach to the resolution of the problem which at all times puts the interests of the school and its pupils and students first.
- (b) The suspension of delegation will be reviewed Corporate Director of Finance at termly intervals and the local authority will always aim to work with the governing body to restore delegation as early as possible.
- (c) Under the SSAF Act 1998 or the Education & Inspections Act 2006, the local authority is required to review each current suspension before the beginning of each financial year (unless the suspension was imposed less than two months before the beginning of the financial year in question). The local authority may (without prejudice to the annual review requirement) also carry out optional in-year reviews and, if appropriate, restore delegation without awaiting the beginning of the next financial year.
- (d) In withdrawing delegation, the local authority will indicate to the governing body the actions and outcomes which it would expect to see before delegation was restored.
- (e) Officers from Education & Inclusion and Financial Management will ensure close liaison and co-ordination with each other and the school to facilitate speedy corrective action.
- (f) The school will continue to be funded at the level of its budget share as determined by the local authority's fair funding formula and these monies shall be used by the local authority to implement the corrective action.

2.23 SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

2.23.1 All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form. Internal Audit may test the responses during their normal cycle of work in schools.

2.23.2 Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the chair of governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

2.23.3 All maintained schools with a delegated budget must submit the signed, completed form to the local authority before 31 March annually. The DfE monitors compliance by schools annually.

2.24 FRAUD

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

2.24.2 The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them and the consequences of breaching those controls. This information must also be included in the induction for new school staff and governors. There must be a school's whistle-blowing policy.

3. INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities. For the purpose of this section, Budget Share includes any place-led funding for special schools or Pupil Referral Units.

3.1 FREQUENCY OF INSTALMENTS

- 3.1.1 Cheque book schools are termly. The instalment will be made on or around the 1st working day of the term. Non cheque book schools will require a single journal posting at the end of the year on business world.
- 3.1.2 Top up payments for pupils with high needs will be made termly unless alternative arrangements have been agreed with the provider.

3.2 INTEREST CLAWBACK

The local authority currently charges no interest on budget share instalments paid in advance.

The local authority will make no deduction for potential loss of corporate interest on instalments made to schools with a non-consolidated bank account.

3.3 INTEREST ON LATE BUDGET SHARE PAYMENTS

- 3.3.1 The local authority will add interest to late payments of budget share instalments on any school non-consolidated bank account, where such late payment is the result of local authority error. For schools within the consolidated bank account scheme, no interest is paid since interest is paid on year end balances. The interest rate used will be the Bank of England base rate.

3.4 BUDGET SHARE FOR CLOSING SCHOOLS

- 3.4.1 Budget shares will continue to be made to those schools where it has been agreed they will close or amalgamate or close to convert to an academy. Budget shares will be made up until the point the school closes, and the school will have to account for all cash payments made at the point of closure and any subsequent payments that need to be made and the accounts updated accordingly. The balance on the bank account will be reconciled and audited, and the final balance returned to the Corporate Director of Finance. The final balance will be dealt with in accordance with the provisions set out in section 4.8.
- 3.4.2 Although budget shares will be made up to the point of closure, they will be calculated for a full financial year and the balance for the remaining period from the first day of closure to the final day of the financial year held as an unallocated contingency within the ISB. This budget will be used to meet residual costs arising from the closure of the school that cannot be met from a returned surplus. Any balance at the end of the financial year will be returned to the Local Authority.
- 3.4.3 Where closure is due to an academy conversion, this remainder of the budget will be recouped from the Dedicated Schools Grant. The final bank balance is due to the new academy after return to the Corporate Director of Finance from the closed school.

3.5 BANK AND BUILDING SOCIETY ACCOUNTS

- 3.5.1 All schools will have their budget share as appropriate paid into an external bank account with a financial institution approved by the Corporate Director of Finance. Any interest earned from such an account will be retained by the school. The account must be in the name of the school. Money paid by the local authority and held in such accounts remains local authority property until spent. The list of approved institutions is available from the local authority.
- 3.5.2 The scheme permits all maintained schools to have external bank accounts into which their budget share instalments are paid. 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.

- 3.5.3 The scheme stipulates that if a school opens an external bank account the local authority must, if the school desires, transfer immediately to the account an amount agreed by both school and local authority as the estimated surplus balance held by the local authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.
- 3.5.4 The scheme gives schools the right to choose its own banker subject to the bank choice being consistent with the Local Authority's Treasury Management Policy.
- 3.5.5 The scheme allows schools to have accounts for budget share purposes in their own name. However, if a school has such an account the scheme should require that the account mandate provides that the local authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the local authority. The local authority will continue to have arrangements negotiated with certain banks from time to time whereby the accounts are in the name of the local authority but specific to each school and will continue to offer such arrangements to schools.
- 3.5.7 Budget share funds paid by the local authority and held in school accounts remain local authority property until spent (s.49(5) of the Act).

3.6 BORROWING BY SCHOOLS

- 3.6.1 The scheme provides for governing bodies to borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State, and consultation with the local authority. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. This provision relates to borrowing from external financial institutions and not to internal loan schemes or borrowing from the local authority as part of an agreed recovery plan (see section 4.10).
- 3.6.2 Schools may not use credit cards (with exception of cheque book schools) as this is also deemed to be borrowing. However, schools are encouraged to use procurement cards as these cards can be a useful means of facilitating electronic purchasing to ensure best value for money.
- 3.6.3 Schools are not allowed the use of a debit card where they have a bank account consolidated to the local authority's account. A School with an external bank account must inform the local authority of their intention to apply for a debit card and obtain approval of the controls for the use of the debit card facility prior to applying to their bank account provider.
- 3.6.4 Schools are permitted to apply for a procurement card with local authority permission on the understanding that no interest occurs as a result of any transaction. Schools must ensure that the balance is paid in full at the end of each billing period. Schools must seek permission of the local authority prior to making an application for a charge card and obtain approval from the local authority of the controls for the use of the charge card facility. Schools must inform the local authority immediately if interest is charged to any transaction.

3.7 LOCAL AUTHORITY INTERVENTION

- 3.7.1 Should a school open an external bank account, the local authority must be named as the owner of the account, be entitled to receive statements on request and, in the event of the local authority withdrawing a school right to a delegated budget, control of the account is transferred to the local authority.

3.8 OTHER PROVISIONS

- 3.8.1 The cheque book can be used to make payments for all items related to the delegated and earmarked budget.
- 3.8.2 All expense claims from school employees (e.g. car mileage) must be processed through payroll in order that any statutory deductions for national insurance, etc. are made from the individual's salary.
- 3.8.3 Although schools are not obligated to send in monthly bank reconciliation returns (they may be requested to do so in the future), they will have to perform monthly reconciliations and will also be required to make quarterly returns in the format determined by the Corporate Director of Finance or his/her representative. Schools are also required to make monthly reconciled VAT returns to the local authority to reclaim paid VAT back from Customs and Revenue. VAT returns should be made in accordance with the schedule issued each year by the Corporate Director of Finance. Failure to do so will result in the Local Authority being unable to reclaim VAT on time, and therefore incur additional interest charges. Any such loss of interest will be recharged to the school budget.

**4. THE TREATMENT OF
SURPLUS AND DEFICIT BALANCES
ARISING IN RELATION TO BUDGET SHARES**

4.1 THE RIGHT TO CARRY FORWARD SURPLUS BALANCES

- 4.1.1 Schools will be allowed to carry forward from one financial year to the next any shortfall in expenditure relative to their budget share for the year plus or minus any balance brought forward from the previous year, subject to controls on surplus balances (see below). A Schools Balance at 1 April of any financial year is equal to the balance as at 31 March in the previous financial year.
- 4.1.2 Schools are reminded of the necessity of differentiating between revenue and capital balances, and to ensure that these are not aggregated for budget-setting purposes.
- 4.1.3 The amount of surplus balance will need to be shown in the relevant out-turn statement published in the CFR.
- 4.1.4 Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:
- (a) The local authority shall calculate by 30 April each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework.
 - (b) The local authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance.
 - (c) The local authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the local authority, and which the local authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the local authority. In considering whether any sums are properly assigned the local authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
 - (d) If the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Local Authority shall deduct from the current year's budget share an amount equal to the excess.
- 4.1.5 Funds deriving from sources other than the local authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.
- 4.1.6 Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the local authority.
- 4.1.7 The total of any amounts deducted from schools' budget shares by the local authority under this provision are to be applied to the schools budget of the local authority.
- 4.1.8 Schools must provide evidence of all commitments against any surplus balance in accordance with the guidance to the local authority by no later than 31st May following the end of the financial year of the declared surplus. The plans will need to be robust and without recourse to repurpose in 2024/25.

4.1.9 For surpluses above 5% of a school's budget share for secondary and 8% for primary and special, any sums for which no or insufficient evidence is received will be automatically clawed back.

4.1.10 The local authority will conduct a review of reserves (last 3-4 years) with each maintained school that has excessive revenue balances with a view to clawback at the start of the academic year. Given the current financial climate, the local authority must consider reducing the number of years an allowable balance may be retained before clawback.

4.2 CONTROLS ON SURPLUS BALANCES

4.2.1 Any surpluses should be earmarked for specific future needs to ensure that pupil's benefit from a planned approach to spending that does not deprive them of resources in a given year. These earmarked surpluses should be clearly linked to the school development plan. governing bodies must report to the local authority on the use to which schools intend to use surplus balances.

4.3 INTEREST ON SURPLUS BALANCES

4.3.1 The scheme provides for surplus balances held by the local authority on behalf of governing bodies accrue at 0.5% lower than base rate. Should the base rate be less than 1%, interest on surplus balances will be protected at 0.5%.

4.3.2 If schools however, "deposit" surpluses with the Local Authority for a minimum period of 3 months, interest will accrue at 1/8th percent lower than base rate. The minimum deposit for secondary schools is £10,000 and for primary and special schools £5,000. Should base rate be below 0.875% the interest rate payable on funds on deposit will be protected at 0.75%.

4.4 OBLIGATION TO CARRY FORWARD DEFICIT BALANCES

4.4.1 The scheme allows schools to incur deficit balances in a financial year, provided such deficits be deducted from the following year's budget share.

4.4.2 Where they occur, deficit balances will be shown on out-turn statements published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case).

4.5 PLANNING FOR DEFICIT BUDGETS

4.5.1 The scheme does not allow governing bodies to plan to exceed the total budget for their school in any financial year (only in certain approved circumstances – see section 4.9).

4.5.2 Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2024.

4.5.3 If deficits are incurred in a school's budget, the full amount of that deficit will be carried forward to the next financial year and set against the budget for that year, as a first call on it.

4.5.4 In such cases, the governing body shall be required formally, in writing, to notify the Corporate Director of Finance of the manner in which such a deficit will be made good in the new financial year by adjustment to that year's budget.

4.5.5 Schools must submit a recovery plan to the local authority when their budget goes into deficit at 31 March of any year. See paragraph 4.9 for further details on applying for a licenced deficit.

4.5.6 Where a school is in financial difficulty, the local authority will determine what financial monitoring system is to be used by the school.

4.6 CHARGING OF INTEREST ON DEFICIT BALANCES

4.6.1 The local authority will not charge interest on deficit balances.

4.7 WRITING OFF DEFICITS

4.7.1 The scheme does not permit the local authority to write off the deficit balance of any school.

4.8 BALANCES OF CLOSING AND REPLACEMENT SCHOOLS

4.8.1 It is a requirement of the scheme that when a school closes, any balance (whether surplus or deficit) reverts to the local authority; it cannot be transferred as a balance to any other school. This applies even where the school is a successor to the closing school, except that a surplus and deficit transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

4.9 LICENSED DEFICITS

4.9.1 Schools may, with the written consent of the local authority, and subject to the payment of such interest charges as may be determined by the local authority, anticipate their budget share in future years, and may plan to overspend their budget share in the financial year(s) in question by the agreed amount anticipated. The amount anticipated will normally be recovered as a first charge on the following year's budget, as in the case of overspends caused by unforeseen expenditure.

4.9.2 Annex C contains the proforma for applying for a licensed deficit.

4.9.3 In exceptional cases, schools may be allowed to anticipate their budget share over a period of more than one year. In this case, the local authority will not recover the full amount of the anticipated deficit as a first charge on the following year's budget, but will recover the full amounts over a period of years as agreed with the school. However, should the school fail to honour its agreement with the local authority in any way (for example, by increasing its end of year deficit above the level agreed), then, at the local authority's discretion, the full amount outstanding will be recovered as a first charge from the school's allocation for the following financial year. There will be a limit of three years on any continuous period during which the school's budget remains in deficit.

4.9.4 The purposes for which deficits may be agreed are as follows:

- (a) Where, following a significant budget reduction, it is agreed by the local authority that a corresponding reduction in expenditure is unachievable within the same financial year.

- (b) Where there has been unavoidable expenditure during the year and it is agreed by the local authority that it cannot be reasonably met from the school's resources within the same financial year.
- 4.9.5 Deficit arrangements may only be agreed on the basis of the anticipated budget share being insufficient to sustain the projected annual expenditure of the school.
- 4.9.6 The maximum deficit that may be agreed will be 5% of the school's budget share although in consultation with the local authority this may increase, in exceptional circumstances to 20% of the budget share.
- 4.9.7 The maximum proportion of the collective balances held by the local authority, which will be used to fund such arrangements, will not exceed 40%.
- 4.9.8 Deficit arrangements will need to be agreed by the Corporate Director of Finance, and where appropriate, the appropriate Lead Cabinet Member of the Council.
- 4.9.9 Balances held by schools in external bank accounts remain the property of the local authority (if initially made available by the local authority) and therefore may legally be taken into account by the local authority in assessing the total level of loans, which it may wish to make to schools. However, schools should be asked to give a view as to whether the local authority should take them into account in this way. This provides assurance for the local authority as well as schools.
- 4.9.10 Under a licensed deficit scheme, the only effect on budget and out-turn statements is that in the latter, the balance goes into deficit because expenditure is at a higher level than the budget share, but this reduces to zero by the end of the repayment period because the school has to constrain its expenditure to affect the repayment. No 'payment' to the school is recorded.

4.10 LOAN SCHEMES

- 4.10.1 In exceptional circumstances, in agreement with the schools forum and executive members for education, the local authority will permit schools to receive a loan in advance of future budget allocations. The funding of such agreement would be through the collective surplus of schools balances held by the local authority on behalf of schools, and will be considered on an individual basis. General features of the scheme are details below.
- 4.10.2 Loans will 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 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, the Secretary of State will consider using the power under paragraph 13(4)(d) 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 school in individual cases.
- 4.10.3 The local authority shall show in its budget statements the amount centrally retained for this purpose as a devolved item to schools and any such payments shall appear in out-turn statements.

4.11 CREDIT UNION APPROACH

4.11.1 The local authority does not currently recognise a credit union approach. Schools wishing to adopt this approach should contact the Corporate Director of People.

5. INCOME

5.1 INCOME FROM LETTINGS

- 5.1.1 Schools may retain all income from lettings of the school premises that would otherwise accrue to the local authority, subject to any alternative provisions arising from any joint-use or Private Finance Initiative (PFI) agreement. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.
- 5.1.2 Income from lettings of Schools' premises are not payable into voluntary or private funds held by the school.
- 5.1.3 Schools are required to have regard to any directions issued by the local authority as to the use of school premises owned by the local authority, as permitted under the School Standards and Framework Act 1998 for various categories of schools. All schools are recommended to produce a hiring and letting policy which is adopted by the governing body.

5.2 INCOME FROM FEES AND CHARGES

- 5.2.1 The scheme provides for schools to retain income from fees and charges. Any income raised through private lettings must be paid into the School's main bank account. Private lettings should not displace agreed community lettings. However, schools may find it advantageous to have private lettings take place alongside their community lettings to reduce costs.
- 5.2.2 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.
- 5.2.3 Under elections legislation, community and voluntary aided schools are obliged to make accommodation available for polling stations. The local authority policy is that, if possible, schools should remain open on the day of the election. Schools are reimbursed directly by the local authority for the costs incurred in making accommodation available for polling stations.
- 5.2.4 Any costs incurred by the school for emergency plan purposes will be reimbursed by the local authority.
- 5.2.5 Schools can retain income from fees and charges except where a service is provided by the local authority from centrally retained funds. However, schools should have regard to any policy statements on charging produced by the local authority.

5.3 INCOME FROM FUND-RAISING ACTIVITIES

- 5.3.1 Schools will be allowed to retain income from fund-raising activities.

5.4 INCOME FROM THE SALE OF ASSETS

- 5.4.1 Schools may retain the proceeds from the sale of assets except in cases where the asset was purchased with non-delegated funds, in which case the local authority will decide whether the school should retain the proceeds. If the asset is land or buildings forming part of the school premises and is owned by the local authority the proceeds must be paid to the local authority.

5.4.2 Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to use of proceeds.

5.4.3 The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

5.5 ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME

5.5.1 Any income generated from the use of school premises collected in relation to expenditure that has been incurred from the school delegated budget should be credited to an appropriate budget heading within the school delegated budget.

5.6 PURPOSES FOR WHICH INCOME MAY BE USED

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

6. THE CHARGING OF SCHOOL BUDGET SHARES

6.1 GENERAL PROVISION

- 6.1.1 A school's budget share may only be charged by the local authority without the governing body's permission in the circumstances permitted by this scheme (see 6.2 below). The local authority will consult the schools as to the intention to so charge and will notify schools when it has been done.
- 6.1.2 For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the schools forum.

6.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE

- 6.1.3 Where premature retirement costs have been incurred without the prior written agreement of the local authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the local authority).
- 6.1.4 Other expenditure incurred to secure resignations where the school had not followed due process.
- 6.1.5 Awards by courts and industrial tribunals against the local authority or out of court settlements, arising from action or inaction by the governing body contrary to local authority 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 local authority advice, the charging of the budget share with the local authority expenditure protects the local authority's position.
- 6.1.6 Expenditure by the local authority in carrying out health and safety work or capital expenditure for which the local authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.1.7 Expenditure by the local authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the local authority or the school has voluntary controlled status.
- 6.1.8 Expenditure incurred by the local authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the local authority. In any particular case, the local authority will assess whether it has an insurable interest.
- 6.1.9 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school to the local authority.
- 6.1.10 Recovery of penalties imposed on the local authority by The Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or other regulatory authorities as a result of school negligence or through schools failing to follow guidance provided by HMRC or the local authority.
- 6.1.11 Correction of local authority errors in calculating charges to a budget share (e.g. pension deductions).

- 6.1.12 Additional transport costs incurred by the local authority arising from decisions by the governing body on the length of the school day, and failure to notify the local authority of non-pupil days resulting in unnecessary transport costs.
- 6.1.13 Legal costs, which the local authority incurs because the governing body did not accept the advice of the local authority (See also section 11).
- 6.1.14 Costs of necessary health and safety training for staff employed by the local authority, where funding for training had been delegated but the necessary training has not been carried out.
- 6.1.15 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.
- 6.1.16 Cost of work done in respect of teacher pension remittance and records for schools using non-local authority payroll contractors, the charge to be the minimum needed to meet the cost of the local authority's compliance with its statutory obligations.
- 6.1.17 Costs incurred by the local authority in securing provision specified in an Education, Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.1.18 Costs incurred by the local authority due to submission by the school of incorrect data.
- 6.1.19 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.1.20 Costs incurred by the local authority as a result of the governing body being in breach of the terms of a contract.
- 6.1.21 Costs incurred by the local authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.1.22 Costs incurred by the local authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- 6.1.23 Recovery of an unpaid loan under an agreed local authority loan scheme.

7. TAXATION

7.1 VALUE ADDED TAX

- 7.1.1 Schools will provide a monthly return showing the amounts of VAT paid out and charged. The local authority will reclaim the net VAT on non-business activities and the reclaimed amount will be paid into the schools bank account.
- 7.1.2 HM Revenue and Customers have agreed that VAT incurred by schools when spending any funding made available by the local authority is treated as being incurred by the local authority and qualifies for reclaim by the local authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory duties to maintain the external fabric of their buildings. See also section 13.
- 7.1.3 The local authority will provide further guidance on the subject of VAT.

7.2 CONSTRUCTION INDUSTRY TAXATION SCHEME

- 7.2.1 Schools are required to abide by the procedures laid down by the local authority in connection with Construction Industry Taxation Scheme.

8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 PROVISION OF SERVICES FROM CENTRAL RETAINED BUDGETS

- 8.1.1 The scheme provides for the local authority to have the right to determine on what basis it will provide services from centrally retained funds to schools. This includes Premature Retirement Compensation (PRC) and redundancy payments, where appropriate. For further guidance on Responsibility for Redundancy and Early Retirement Costs please refer to Annex B.
- 8.1.2 The local authority will not discriminate in its provision of services to schools on the basis of their category except in circumstances where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

8.2 PROVISION OF SERVICES BOUGHT BACK FROM THE LA USING DELEGATED BUDGETS

- 8.2.1 The scheme provides for the term of any agreement between the local authority and a school to buy services or facilities from the local authority to be limited to a maximum period of three years in the first instance with a maximum of five years for subsequent provision of the same service. However, the local authority may extend schemes to seven years for contracts for supply of catering services.
- 8.2.2 It is a requirement of the scheme that any service which the local authority is providing on a buyback basis be offered in a way which does not unreasonably restrict schools' freedom of choice. Schools management forum representatives have approved for 2024/25 the buy back services as a group.
- 8.2.3 Pricing of services - When a service is provided for which expenditure is not retainable centrally by the local authority under the regulations made under section 45A of the Act, it will be offered at prices which are intended to generate income which is no less than the cost of providing those services.

8.3 SERVICE LEVEL AGREEMENTS

- 8.3.1 The scheme provides that where services or facilities are provided under a service level agreement (whether free or on a buyback service), the terms of such an agreement starting on or after the date of the inception of the scheme, be reviewed at least every three years, if the agreement lasts longer than that period.
- 8.3.2 The scheme provides for such services or facilities offered by the local authority to be available on a basis, which is not related to an extended agreement, as well as on the basis of such agreements.
- 8.3.3 The scheme provides that where services or facilities are provided on an ad hoc basis, charges may be made at a rate different from that used for an extended agreement.
- 8.3.4 For the purposes of 8.3.1, 8.3.2 and 8.3.1, references to "services" shall exclude centrally funded premises and liability insurance.
- 8.3.5 The scheme provides that the service level agreement must be in place by 1 March, to be effective for the following financial year. In addition, schools must have at least a month to consider the terms of the agreements.

- 8.3.6 The scheme excludes centrally arranged premises and liability insurance from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

8.4 TEACHERS PENSIONS

- 8.4.1 In order to ensure that the performance of the duty on the local authority to supply teachers pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the local authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares. The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the local authority to provide payroll services.
- 8.4.2 A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the local authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the local authority which the local authority requires to submit its annual return of salary and service to teachers' pensions and to produce its audited contributions certificate. The local authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.
- 8.4.2 A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the local authority which the local authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. 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 also ensure that Additional Voluntary Contributions (AVCs) are passed to the local authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

9 PRIVATE FINANCE INITIATIVE (PFI) & PUBLIC PRIVATE PARTNERSHIP (PPP)

- 9.1 The scheme provides for the local authority to have the right to require a school to make such payments from its delegated budget as are required under the conditions of a PFI/PPP scheme which has been entered into with the knowledge of the governing body. Where the PFI/PPP scheme relates to the establishment of a new school and the relevant contracts are signed prior to the formal establishment of the governing body, the local authority will retain the right to levy charges against the school's delegated budget in respect of the contract. Should the local authority develop PFI or PPP projects, there would need to be agreement with schools about meeting the cost of ongoing contractual arrangements.
- 9.2 Any school agreeing to be included within a PFI contract will be required to sign a 'Governing Body Agreement'. The agreement is between the local authority and governing body and sets out details of the services provided under the PFI contract and the school's financial contributions.

10. INSURANCE

10.1 INSURANCE COVER

- 10.1.1 It is a requirement of the scheme where funds for insurance are delegated to a school by the local authority, such a school demonstrates that cover relevant to the local authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the local authority if the local authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.
- 10.1.2 In cases where a school's governing body arranges an insurance policy relevant to the local authority's insurable interests but fails to demonstrate that it has arranged cover at least as good as the relevant minimum cover as would be arranged by the local authority, expenditure incurred by the local authority in insuring its interests in a school shall be charged to a school's budget share without the consent of the governing body, as set out in Section 6.2.6 above.
- 10.1.3 A school may join the Secretary of States Risk Protection Arrangement (RPA) for risks that are covered by RPA.
- 10.1.4 Should all primary and/or secondary maintained schools join RPA collectively, funding or this service can be de-delegated through agreement by schools forum.
- 10.1.5 Governing bodies maintaining their own insurance cover in place of that arranged by the local authority must provide to the Corporate Director of Finance an up-to-date copy of the policy or policies, together with all premium receipts or other evidence of cover. Failure to provide documentary proof of a satisfactory level of cover within a reasonable period of such a request being made may result in the school's budget share being charged.

11. MISCELLANEOUS

11.1 RIGHT OF ACCESS TO INFORMATION

11.1.1 Governing bodies must supply all financial and other information which might be reasonably required to enable the local authority to satisfy itself as to schools' management of their budget share, or the use made of any additional funds for schools' benefit.

11.2 LIABILITY OF GOVERNORS

11.2.1 The scheme provides that by virtue of s.50 (7) of the SSAF Act and by virtue of the fact that the governing body of a school is a corporate body, governors of schools shall not incur personal liability in the exercise of their powers to spend the budget share, provided that they act in good faith.

11.3 GOVERNORS EXPENSES

11.3.1 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 from a school's delegated budget share. Schools are not permitted to pay any other allowances.

11.3.2 Schools with delegated budgets should only pay reasonable expenses. Schools may be required to provide details to the local authority of expenses paid. Expenses paid to additional governors to schools appointed by the Secretary of State under special measures must not be paid from a school's delegated budget share.

11.3.3 Provision may be made to delegate funds for governor's expenses to a school (maybe a new school) yet to receive a delegated budget. Only allowances as per Section 11 of the Schools Standards and Framework Act 1998 will be paid.

11.4 RESPONSIBILITY FOR LEGAL COSTS

11.4.1 Legal costs incurred by the governing body, although the responsibility of the local authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings, may be charged to the school's budget share unless the governing body acts in accordance with the advice of the local authority.

11.4.2 The costs referred to are those of legal actions, including costs awarded against a local authority; not the cost of legal advice provided.

11.4.3 Where there is a potential conflict of interest, problems could arise for the local authority and the governing body in obtaining proper legal advice. In this situation, the local authority should be consulted and the governing body should consider obtaining independent legal advice.

11.5 HEALTH AND SAFETY

11.5.1 In expending the school's budget share the governing body must have due regard to duties placed on the local authority in relation to health and safety, and the local authority's policy on health and safety matters in the management of the budget share.

11.6 RIGHT OF ATTENDANCE FOR DIRECTOR OF FINANCE AND GOVERNANCE

11.6.1 Governing bodies must permit the Corporate Director of Finance, or any officer nominated, to attend meetings of the governing body at which any agenda items are relevant to the exercise

of his/her responsibilities. The Corporate Director of Finance will give prior notice of such attendance unless impracticable to do so.

11.7 SPECIAL EDUCATIONAL NEEDS (SEN)

11.7.1 Schools must use their best endeavours in spending the budget share to secure the special educational needs of their pupils.

11.8 WHISTLEBLOWING

11.8.1 Staff and governors who wish to raise concerns about financial management or financial impropriety at the school should contact the, Corporate Director of Finance, and Head of Internal Audit. Procedures have been adopted by the local authority to protect individuals making disclosures in order to maintain confidence in public services.

11.8.2 Details of the local authority's "Whistleblowing" policy is available on its web-site.

11.8.3 If the Corporate Director of Finance or his/her representative believes that reasonable grounds exist for suspecting a loss may have occurred as a result of misappropriation, irregular expenditure or fraud, in any local authority maintained school, he/she must in consultation with the Operational Director of Assurance, Corporate Director of People, head of human resources, the head teacher and the chair of governors refer the matter to the police and/or take appropriate disciplinary action.

11.9 CHILD PROTECTION

11.9.1 All maintained schools are required to have a designated member of staff for child protection (usually the head or deputy) and a named governor. These people are required to attend the basic awareness Foundation Child Protection training course arranged by Area Child Protection Committee (ACPC). The courses are free to all schools; however, any supply cover costs have to be met from the schools delegated budget.

11.10 REDUNDANCY/EARLY RETIREMENT COSTS

11.10.1 The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the local authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made. Further guidance is provided at Annex B.

12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 DELEGATION OF FUNDING

12.1.1 This section details the categories of work which governing bodies must finance from their budget. This covers both revenue (maintenance) and capital budgets. The local authority will maintain a capital programme for items of capital expenditure set out in regulation 12.2.1 of the scheme. All other capital expenditure is the responsibility of the governing body to be funded either from the schools devolved capital grant, other capital funds or revenue contributions to capital.

12.2 SCHOOL RESPONSIBILITIES

12.2.1 All revenue funding for repairs and maintenance, including associated professional services, is delegated to schools excluding the planned Major Works Maintenance Programme. Only capital expenditure will be retained by the local authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Local Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority Accounting.

12.3 LOCAL AUTHORITY RESPONSIBILITIES

12.3.1 The local authority will only be responsible for capital works that form part of the councils capital programme or part of the council's planned Major Works Maintenance Programme.

12.3.2 However, where works relating to an individual school are included within the children's services capital programme, the school in question shall be required to provide a contribution from its own resources, e.g. Devolved Formula Capital, relative to the overall scale and cost of the scheme.

12.4 VOLUNTARY AIDED SCHOOLS

12.4.1 For voluntary aided schools, the liability of the local authority for repairs and maintenance is the same as other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by the DfE to categorise such work, not the de minimis limit used by the local authority.

12.5 RECORDS OF EXPENDITURE

12.5.1 All schools will be required to maintain records of expenditure on repairs and maintenance to inform the local authority's asset management procedures & to aid the assessment of capital expenditure priorities. Pro-forma will be provided for this purpose.

13. COMMUNITY FACILITIES

13.1 INTRODUCTION

- 13.1.1 Section 27 (1) of the Education Act 2002, gives governing bodies of maintained schools a new power to provide community facilities or services which will benefit pupils, their families or people living and working in the locality of the school concerned. Schools now have greater opportunities to provide services for the community. An extended school is one that provides a range of services and activities often beyond the school day to help meet the needs of its pupils, their families and the wider community. Governing bodies should read the DfE guidance publication “Extended Schools – providing opportunities and services to all” prior to seeking to establish community activities. Mismanagement of community facility funds can be grounds for suspension of the right to a delegated budget.
- 13.1.2 This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the local authority and schools to secure the provision of adult and community learning.

13.2 CONSULTATION WITH THE LA

- 13.2.1 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local authority, and have regard to advice given to them by their local authority. In every school and community there will be key groups who need to be consulted about activities. They should be involved in the planning process to ensure that extended school programmes are in demand, well organised and meet local needs.
- 13.2.2 The governing body has ultimate responsibility for deciding whether the school should offer additional activities and services and what form these should take. Before making decisions, governors need to be aware of any additional responsibilities that may result from providing additional services through the school. As with existing school activities, Governing Bodies can delegate the practical delivery of services to others, but they will keep ultimate legal responsibility.
- 13.2.3 Head teachers will need to be fully consulted in the development of additional activities and services in the school. Their school management experience can also be invaluable for the planning of new activities and services and in some schools, Head teachers may choose to be closely involved in the leadership of additional activities and services.
- 13.2.4 Other school staff can also play a key role in the planning process. Most will have a clear understanding of the needs of pupils, families and the wider school community. They will also be able to advise on the day-to-day impact of additional services on the school premises, equipment, timetables and school community. Whatever their level of involvement, all school staff should be kept informed and involved in any decisions that relate to the school premises, staff or pupils.
- 13.2.5 Schools should initially approach the local authority for a strategic view on potential programmes. The local authority is well placed to help in assessing the ability of schools to offer additional activities. The local authority will take into account the school’s resources, financial management abilities and other considerations. The local authority is required to provide advice within a time period not exceeding 6 weeks of being consulted. Schools should inform the local authority on what action has been taken following local authority advice.

13.3 FUNDING AGREEMENTS – LOCAL AUTHORITY POWERS

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

13.3.2 Any funding agreements with third parties should be submitted to the local authority for its comments prior to the governing body signing any such agreement so that the local authority can ensure that any agreement is not seriously prejudicial to the interests of the school or the local authority. Where the local authority believes it appropriate they may require the use of community facilities power by a governing body, the governing body concerned to make arrangements to protect the financial interests of the local authority by carrying out the activities concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the local authority.

13.4 OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS

13.4.1 The local authority has the power to suspend a school's delegated budget if:

- a school undertakes the provision of community activities without consulting the local authority and which the local authority considers is seriously prejudicial to the interests of the school or the local authority;
- the Local Authority considers the financial management of community services provided by a governing body unsatisfactory; or
- the governing body is guilty of substantial or persistent non-compliance with any rules laid down by or under the local authority's scheme for financing schools.

13.5 SUPPLY OF FINANCIAL INFORMATION

13.5.1 Schools which exercise the community facilities power are required to provide the local authority every six months with a summary statement, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

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

There are several basic principles for financial management of extended schools programmes.

- Additional activities and services should have separate financial accounts.
- Programmes must be self-financing and the school's delegated budget share cannot be used for funding additional activities and services, except study support for pupils.

- Before establishing community activities, the governing body must prepare a four-year business plan including cash flow forecasts. The business plan should demonstrate how the governing body would fund establishing any community activities and demonstrate that the activities are self-financing for the following three years. Once established a three-year business plan should be maintained.
- Governing bodies may seek grant funding to establish community activities e.g. new opportunities funding for out of school clubs.
- The governing body may not borrow money for community activities without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the local authority.
- If by providing community activities, it is felt that it is adversely affecting the governing body's main responsibility to educate pupils and promote high standards of educational achievement at the school, the local authority may withdraw the right for the governing body to operate such community activities.

13.5.3 Failure to comply with regulations on financial procedures could lead to the removal of the governing body's power to discharge its delegated budget.

13.5.4 Community use of school facilities will need to be self-financing, either through alternative funding streams or charges to users.

- It should be noted that activities such as study support are deemed as being for 'the purposes of the school' (i.e. for the educational benefit of the school's registered pupils). Therefore, such activities may be funded from the school's budget share and schools are encouraged to provide all study support activities free to all pupils.
- The governing body should keep separate accounts for its community activities to ensure that the community costs incurred are fully covered by income such as fees and charges and kept distinct from the school's delegated budget.
- Some schools may wish to encourage activities and services that they consider a priority, but which might not be self-financing. Activities and services that generate income can be used to help support other programmes. Equally, charges can be subsidised for individual users of services who might be unable to pay to participate, but who could benefit significantly from the activity or service.

13.6 AUDIT

13.6.1 The local authority requires schools to grant access to the latter's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

13.6.2 It is also a requirement of schools, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the local authority to the records and other property of those persons held on the school premises in order for the local authority to satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 TREATMENT OF INCOME AND SURPLUSES

13.7.1 Schools may retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the local authority or some other person. Schools are also entitled to carry such retained income over from one financial year to the next and may either add it to any budget share surplus or retain it as a separate community facilities surplus.

13.8 HEALTH AND SAFETY MATTERS

13.8.1 Any health and safety provisions of the main scheme are also extended to the community facilities power.

13.8.2 The scheme contains a provision which places on the governing body responsibility for the costs of securing Criminal Records Bureau / Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 INSURANCE

13.9.1 It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share.

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

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

13.10 TAXATION

13.10.1 Schools may only make use of the local authority's VAT reclaim facility for expenditure on community facilities when this is from local authority funds and not expenditure from other funds.

13.10.2 The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49 (5) of the Act, are the property of the local authority. This facility also applies to funding given by the local authority to schools outside the budget share. However, it cannot apply to expenditure from funds obtained direct by schools from private (or indeed, central government) sources.

13.10.3 Schools are reminded that if any member of staff employed by the school or local authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not) the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue and Customs rules.

13.10.4 The scheme requires schools to follow local authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11 BANKING

13.11.1 It is recommended that schools should maintain separate bank accounts for budget share and community facilities.

13.11.2 Banks which may be used for the purposes of community facilities are listed under 3.5.1. Schools should ensure that all cheques and withdrawal forms are signed by two authorised signatories, a convenient arrangement is to have three persons authorised to sign, any two of who should be acceptable to the bank. Schools that open private bank accounts will be required to comply with the procedures laid down by their banks with regards to signatory mandates. The local authority has a special arrangement for amending or adding signatory mandates for school bank accounts that fall under the umbrella of Middlesbrough Council. There are two forms that are required to be completed and returned to the local authority. The forms will be despatched to schools upon request.

13.11.3 Schools are reminded that they may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining local authority.

Annex A – List of Local Authority Schools – March 2024

Local Authority Establishment Number (LAEstab)	School Name	School Type
806/2139	Acklam Whin Primary School	Foundation School
806/2120	Beech Grove Primary School	Community School
806/2326	Berwick Hills Primary School	Foundation School
806/7003	Beverley School	Community Special School
806/7005	Holmwood School	Community Special School
806/2124	Newport Primary School	Foundation School
806/2332	Park End Primary School	Community School
806/7000	Priory Woods School	Community Special School
806/2002	Whinney Banks Primary School	Community School

Annex B

Annex B: Responsibility for Redundancy and Early Retirement Costs

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central schools budget or the local authority's non-schools budget.

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

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

In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

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

Charge of dismissal or resignation costs to delegated school budget:

- if a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- if a school is otherwise acting outside the local authority's policy
- where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- where staffing reductions arise from a deficit caused by factors within the school's control
- where the school has excess surplus balances and no agreed plan to use these
- where a school has refused to engage with the local authority's redeployment policy

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

- where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- where a school is closing, does not have sufficient balances to cover the costs and where the central schools budget does not have capacity to absorb the deficit
- where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale

- where a school is in special measures, does not have excess balances, and employment of the relevant staff is being or has been terminated as a result of local authority or government intervention to improve standards

Costs of early retirements or redundancies may be charged to the central school services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of retirement and redundancy charges agreed before 1 April 2013. Costs may not exceed the amount budgeted in the previous financial year.

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets, excluding nursery schools, only where the relevant maintained school members of the schools forum agree.

It is important that the local authority discusses its policy with its schools forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if schools forum agree, to support individual schools where a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share.

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the education acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Section 37 now states:

(7) Where a local education authority incur costs—

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

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

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

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

Annex C

Annex C: Application for a licensed deficit

Introduction.

Middlesbrough Scheme for Financing Schools requires governing bodies to set balanced budgets. Where this is not possible, a governing body may apply for a licensed deficit, safeguarding the education and welfare of its children.

A licensed deficit allows the governing body to incur a deficit for up to three years. During this period, the governing body must demonstrate that it can achieve savings to eliminate the accumulated deficit.

Governing bodies should note that local authorities have no power to write off the budget deficit of a school.

The decision to apply for a licensed deficit must be a minuted decision of the governing body. The chair of governors should make the application. It must be accompanied by a budget plan in the approved format. This must show how the in-year budget will be brought into balance and cumulatively eliminate the accumulated deficit.

In drawing up a budget plan, the governing body should review its spending profile and compare this with other schools. The resources supporting the School Financial Value Standard (SFVS) provide a framework for doing this.

Guidance can be found at:

[Schools financial value standard \(SFVS\) and assurance statement - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Budget deficits may require additional cash resources to prevent the school's bank account from being overdrawn. Additional cash advances must not be shown as income from the LA, nor can it mask the deficit, which must be reported at its true value. Cash advances are to be shown under creditors on the school's balance sheet. The budget plan must include an agreed repayment schedule of any additional cash advances.

Request for a licensed deficit

Name of school:

Name of chair of governors:

Deficit requested:

	23/24 Outturn	Year 1 24/25	Year 2 25/26	Year 3 26/27	Year 4 27/28
	£'000	£'000	£'000	£'000	£'000
Deficit / (surplus) at year end	<insert>	<insert>	<insert>	<insert>	<insert>

Budget plan attached: Yes / No

Date application agreed by governing body: <insert date>
(Please attach copy of minutes).

Please include a **brief** explanation of how the need for a licensed deficit arose and an **overview** of the action proposed to rebalance the budget.

<Insert brief statement>

<summary of costings to bring the budget back to balance>

On behalf of the governing body, I hereby apply for a licensed deficit for the years and values set out above. I confirm that the request and the attached budget plan were agreed at governing body meeting held on <insert date>. It was agreed that processes will be put in place to monitor the plan and if necessary alternative measures will be implemented to achieve a surplus or balanced position no later than the start of year 4.

Signed	
Position	
School/GB	
Date	

Approval

A licensed deficit has been approved for:

School	
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For the financial years and values:

	23/24 Outturn	Year 1 24/25	Year 2 25/26	Year 3 26/27	Year 4 27/28
	£'000	£'000	£'000	£'000	£'000
Deficit / (surplus) at year end	<insert>	<insert>	<insert>	<insert.	<insert>

The license is predicated on the savings, school monitoring and cash advance repayment arrangements set out in the appended approved budget plan that forms an integral part of this license.

In addition to the school's own monitoring arrangements there will be monthly/termly meetings between the chair and headteacher and members of the school's finance team.

Corporate Director of Finance	
Director of Education and Partnerships	
Chair of Governors	
Date	

Annex D

The locations of the latest versions can be found below:

Financial Procedure Rules



**MBC Financial
Procedure Rules.pdf**

Contract procedure Rules



**Contract Procedure
Rules.pdf**