

**CENTRAL BEDFORDSHIRE COUNCIL'S  
SCHEME FOR FINANCING SCHOOLS**

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## **1. INTRODUCTION**

### **1.1. The Funding Framework**

Central Bedfordshire Council's (the LA) Scheme for Financing Schools is based on the legislative provisions in sections 45 – 53 of the School Standards and Framework Act 1998 (the Act) and the School and Early Years Finance (England) Regulations 2014 (the regulations)

Under this legislation, the Department for Education (DfE) will determine on an annual basis, the minimum size of the Schools Budget, through the Dedicated Schools Grant (DSG). The Local Authority (LA) will determine the actual level of the Schools Budget and their non –schools education Budget.

The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two is all expenditure, direct and indirect, on the LA's maintained schools.

The LA may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under Section 45A of the Act. The amounts to be retained centrally are decided upon annually by the LA, subject to any limits or conditions prescribed by the Secretary of State and any amounts that have to be agreed by the Schools Forum. The balance of the Schools Budget remaining after deduction of centrally retained funds 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).

The LA will not retain an unallocated reserve within the ISB but must distribute the ISB amongst all 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. refer to LA's Guide to Funding Formula published on school's portal each year following the distribution of the ISB) This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act.

The financial controls within which delegation works are set out in Central Bedfordshire Council's Financial Regulations for Schools in accordance with Section 48 of the Act and approved by the Secretary of State.

All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority

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

The LA may suspend a school's right to a delegated budget if the provisions of the 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)

The LA will 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, the formula used to calculate those budget shares and the detailed calculation for each school. After each financial year the LA will publish a statement showing outturn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State; 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.

The LA will 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**

This scheme sets out the financial relationship between the LA and the maintained schools, which it funds. A list of the schools covered by this scheme is attached at Appendix A.

This scheme and the requirements relating to financial management set out in Central Bedfordshire Council's Financial Regulations for Schools are binding on both the LA and its schools and must be complied with at all times.

#### **1.2.1. Application of the Scheme to the Authority and Maintained Schools**

The following maintained Schools by the authority will be subject to the requirements of this scheme:

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Community Schools  
Community Special Schools  
Voluntary Schools  
Foundation (including trust) Schools  
Foundation Special Schools  
Nursery Schools  
Pupil Referral Units (PRUs)

It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies.

Any new schools opening after 1 April 2015 will be subject to the requirements of this scheme by virtue of Section 48 of the Act.

### **1.3 Publication of the Scheme**

As a minimum, the scheme will be published on a website which is accessible to the general public and any revised version will be published by the date the revisions come into force, together with a statement that the revised scheme comes into force on that date.

### **1.4 Revision of the Scheme**

Any revisions to the Scheme for Financing Schools will be subject to consultation with all Headteachers and governing bodies of every school maintained by the authority before they are submitted to the schools forum for approval by members representing maintained schools.

Should the Schools Forum not approve proposed provisions or approves them subject to modifications which are not acceptable to the LA, the LA may apply to the Secretary of State for approval.

### **1.5 Delegation of Powers to the Headteacher**

The governing body is required to consider the extent to which it wishes to delegate its financial powers to the Headteacher and to record its decision (and any revisions) in the minutes of the governing body.

However, the first formal budget plan of each financial year must be approved by school's governing body, or by a committee of the governing body.

### **1.6 Maintenance of Schools**

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

## **2 FINANCIAL CONTROLS**

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

Further to paragraph 1.2 above, all schools are required to comply with Central Bedfordshire Council's Financial Regulations for Schools at all times. These regulations encapsulate approved financial management procedures appropriate to all maintained schools in Central Bedfordshire.

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

Schools must satisfy the minimum requirements with regard to financial controls, procedures and systems in operation so far as necessary for the discharge of the LA's Chief Finance Officer, S. 151 Officer responsibilities under Section 151 of the Local Government Act 1972. As this involves all financial records being maintained in school, these documents become the prime record and, therefore, are subject to a more rigorous LA and external audit.

Schools are required to provide the LA with various financial reports in order for the LA to consolidate school expenditure onto its own accounting system. These reports shall be returned to the LA, on a monthly or quarterly basis (as notified to individual schools), in line with a predetermined timetable. The LA will only require monthly returns where it believes a school's financial position warrants a more frequent return, or during the first financial year of the school is operating its own financial systems. This will include any school with a loan from the authority to cover a deficit situation. It does not include loans in respect of the Asset Loan Scheme (paragraph 4.10)

In order for the Chief Finance Officer to prepare the annual accounts, schools will be required to provide financial information in accordance with the year end timetable determined by the Chief Finance Officer, S. 151 Officer.

The content and frequency of returns to the LA are prescribed through Central Bedfordshire Council's Fully Funded Bank Account Scheme.

Reporting must be in line with the Consistent Financial Reporting (CFR) framework which standardises, simplifies and streamlines the coding and reporting of school finances in all maintained schools in England. It applies to all budgets, forecasts, recovery plans and outturn returns.

An annual return, in CFR format, is required to be submitted to the authority in accordance with the timetable issued each year.

### **2.1.3 Payment of Salaries; Payment of Bills**

All maintained schools are responsible for the correct payments of all salaries,

bills and relevant taxes and all associated responsibilities (e.g effective administration, payments and submission of payroll related financial statements as required by law)".

Specific details of these requirements are included in Central Bedfordshire Council's Financial Regulations for Schools.

The procedures for the payment of invoices are set out in Central Bedfordshire's Financial Regulations for Schools.

Schools should use their best endeavours to ensure that payments can be made within 30 days of invoice date. This is both central government and council policy. Where an invoice is disputed, the query should be raised, with the supplier, as soon as is known. The invoice should be promptly cleared for payment, once the query is resolved, or credit note received. All invoices should be cleared, or query made, prior to major holiday periods.

#### **2.1.4 Control of Assets**

Each school must maintain an inventory of its moveable assets, in a form determined by the authority, setting out the basic authorisation procedures for disposal of assets. These procedures are set out in Central Bedfordshire Council's Financial Regulations for Schools. The prescribed format must be used and in the form of an electronic spreadsheet. (This is available from the Schools LA website). Schools are responsible for their own arrangements for keeping a register of assets worth less than £1,000.

#### **2.1.5 Accounting Policies (including Year-End Procedures)**

Schools must abide by the procedures and timetables issued by the LA in relation to accounting policies and year-end procedures. The year end procedures and timetable will be issued by the LA each year, during February.

#### **2.1.6 Writing off Debts**

Governing Bodies are only authorised to write off debts up to £5,000. Such write-offs must be recorded in the minutes of the governing body meetings.

In the case of larger debts the school must refer such cases to the Chief Finance Officer, S. 151 Officer or his nominated officer for approval.

### **2.2 Basis of Accounting**

Central Bedfordshire Council's accounting policies are based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in Great Britain and all accounts are prepared on an accruals basis.



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Schools are free to use what financial software they wish, provided they meet any costs of modification to provide output required by the authority.

### 2.3 Submission of Budget Plans

Each school is required to submit a budget plan approved by the Governing Body, or by a committee of the governing body to the Authority by 1<sup>st</sup> May of each year, and a revised budget plan also approved by the said committee no later than 31 October of year

The budget plan must show the school's intentions for expenditure in the current and the following financial year and details of any assumptions made underpinning the budget plan e.g. expected income. In determining the budget plan schools are required to take into account estimates of any surplus or deficit projected for the previous year financial end.

The format of the budget plan and any supporting documents shall comply with that provided by the LA

The authority may also require the submission of revised plans where the authority deems it necessary.

The LA will supply schools with all income and expenditure data that it holds and which is necessary for efficient planning by schools

#### 2.3.1 Submission of Financial Forecasts

The LA requires schools to submit a budget plan covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

As part of budget management Schools are required to undertake regular forecasts of outturn against budget. The LA needs access to this information and Schools are required, therefore, to provide at least one forecast outturn return to the LA, once the **October** income and expenditure reports have been issued (within the time table issued by the LA available on schools portal).

### 2.4 Efficiency and value for money

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 Authority's purchasing, tendering and contracting requirements.

It is for heads and governors to determine at school level how to secure better value for money. It is important that schools review their current expenditure, compare it to other similar schools and take action to make improvements.

### 2.5 Virements

Schools are free to vire between budget headings identified in the school's

budget plan and governors are required in their Schemes of Delegation to establish criteria for virements and financial limits above which the approval of the governors is required. Decisions should be recorded in governing body minutes.

## **2.6 Audit: General**

Schools are required to co-operate both with internal and external auditors

With regard to **internal audit**, all maintained schools are within the scope of the audit regime determined by the LA.

The internal audit of schools is an obligation imposed upon the Council by the Accounts and Audit Regulations 2015 which require the maintenance of an adequate and effective system of internal audit of the accounting records and systems of the council. The responsibility for Internal Audit has been delegated to the Chief Finance Officer, S. 151 Officer.

To enable the Council's auditors to carry out their duties schools must allow the auditors full access at all times to all papers and records of the school and provide explanations the auditors consider necessary. School must pass on to auditors any information that the auditors should be aware of to carry out their audit.

In relation to **external audit** all maintained schools are within the scope of the LA external audit regime. The governing body must bear in mind that whilst external auditors must plan, perform and evaluate their audit work to have a reasonable expectation of detecting material misstatements arising from error or fraud, the duty to deter and detect fraud rests primarily with the governing body.

## **2.7 Separate External Audits**

Where a school wishes to seek an additional source of assurance at its own expense; a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also be subject to and co-operate with the LA's internal and external auditors. In the event of a difference of opinion between the LA's external auditors and a governing body appointed auditor the views of the LA's external auditor will prevail.

## **2.8 Audit Of Voluntary And Private Funds**

In addition to the normal internal and external audits, schools must provide annual audit certificates to the LA in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. Where a school wishes to establish a trading organisation it must consult with the LA regarding the nature of the trading activity.

The procedures for providing the audit certificates and advice on the handling of such voluntary and private funds are set out in Central Bedfordshire Council's Financial Regulations for Schools.

## **2.9 Register Of Business Interests**

The governing body of each school is required to maintain a register which lists for each member of the governing body, the Headteacher, and any member of staff involved in any way in the selection of suppliers, any business interests they or any member of their immediate family have, details of any other educational establishment that they govern, any relationship between school staff and members of the governing body. The governing body should keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff, parents and the LA and to publish the register on a publicly accessible website, (schools' website). More detailed guidance on the maintenance of such a register can be found in Central Bedfordshire Council's Financial Regulations for Schools.

## **2.10 Purchasing, Tendering and Contracting Requirements**

Schools are required to abide by Central Bedfordshire Council's Financial Regulations for Ordering and Receipting Works, Goods & Services in purchasing, tendering and contracting matters. Notwithstanding this, schools are required to assess in advance, where relevant, the health and safety competence of contractors, taking account of Central Bedfordshire Council's policies and procedures.

The policies and procedures **will not** require schools:-

- a) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- b) to seek LA Officer countersignature for any contracts for goods or services for a value below £60,000 in any one year; (for contracts over £60,000 schools should seek LA's Procurement personnel countersignature).
- c) to select suppliers only from an approved list;
- d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year subject to specific listed exceptions.

## **2.11 Application of Contracts to Schools**

Schools have the right to opt out of any contracts arranged by the LA except for those contracts (whenever started) where they have lost that right in accordance with a specified written procedure. In such cases, schools would remain bound into the contract for its duration e.g. service contracts let in consultation with schools.

Where governing bodies enter into contracts, in most cases this is done on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. However, other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations e.g. contracts made by aided or foundation schools for the employment of staff.

## **2.12 Central Funds and Earmarking**

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

The CFR balance B01 must include any unspent revenue grant and balances held for capital projects, where written contracts have been entered into or where the Governing Body has agreed the capital project. Supporting evidence must be submitted for the LA to authorise such earmarking. Schools must maintain and present accounting records in support of such expenditure.

## **2.13 Spending for the Purposes of the School**

Governing bodies are free to spend budget shares 'for the purposes of the school', subject to any provisions of this scheme in accordance with Section 50 (3) of the Act and the regulations made by the Secretary of State,

By virtue of section 50(3A) (which came into force on 1<sup>st</sup> 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.

Under s50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes) (England)(Amendment) Regulations 2010). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools.

## **2.14 Capital Spending from Budget Shares**

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises<sup>1</sup> in accordance with the Councils accounting procedures. (The Central Bedfordshire Council's capital de-minimis

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<sup>1</sup> 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 1998 Act.

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is £2,000). However, schools are not permitted to use their budget shares to contribute to capital works

- (a) if this results in a in-year deficit or overall accumulated revenue deficit or
- (b) if existing devolved formula capital balances are held by the school for the current or previous financial years.

The condition (a) above excludes contribution for repairs and maintenance described in Section 12 of the scheme where the LA has required schools to contribute for items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control.

The governing body must notify the LA in advance of any such expenditure in excess of £10,000.

If the expected capital expenditure from the budget share in any one year will exceed £10,000 the governing body must additionally take into account any advice from the authority's designated Director of Children's Services as to the merits of the proposed expenditure.

Where the premises are owned by the LA, or the school has voluntary controlled status, then the governing body shall seek the consent of the LA to the proposed works. However, consent for building work can only be withheld by the LA on Health and Safety grounds.

### **Devolved Formula Capital (DFC)**

DFC is delegated to schools; however, this must only be used in line with the LA capital guidance and definition and not for revenue purposes e.g. repairs and maintenance.

Schools are required to return to the LA, on a timely basis as prescribed by the LA, control schedules identifying actual capital spend, supported by copy invoices.

DFC must be spent within the **three** years time frame or claw back may be applied.

Where the Council is undertaking a major capital project at a school, it is expected that the school will contribute to the project utilising their DFC.

Direct Revenue Finance entries are not permitted where a school has a Licence Deficit agreement or where sufficient Capital balances are held. Exception will be made where earmarked funds authorised by the LA in a previous financial year have detailed a capital contribution. (DRF)

Voluntary Aided (VA) Schools must ensure a separate bank account is held for DFC and only the contribution from the school budget share is shown in the LA

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School accounts. VA Schools must ensure that they follow LA guidance and definitions for capital. It is the responsibility of the school to comply with deadlines and returns as prescribed by the Diocese or the Department for Education.

VA Schools must only transfer the 10% contribution from revenue to the capital account when invoices need to be paid and not as a lump sum each year. Schools should submit back-up to their School Financial Adviser, consisting of copy invoices to this transfer of funds.

### **2.15 Notice of Concern**

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer (S151 Officer) and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

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

These may include:

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

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

## **2.16 Schools Financial Value Standard (SFVS)**

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.

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.**

All maintained schools with a delegated budget must submit the form to the local authority annually before 31 March.

## **2.17 Fraud**

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

The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

## **3 INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

For the purposes of this section, Budget Share includes any place – led funding for special schools or pupil referral units.

### **3.1 Frequency of instalments**

The entire school's budget share will be made available to the governing body on a monthly basis; that is, subject to an initial advance (1/36 of school's budget share) and consequent year end adjustment, the school's budget share will be transferred into the schools bank account in equal instalments. However schools may adjust the proposed instalments by writing to the Senior Finance Manager Children's Services, with a supporting cashflow, demonstrating the schools requirements. Any accelerated instalments will be deducted from future instalments. The operation of the bank account will be subject to the Fully Funded Bank Account Scheme.

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

### **3.2 Proportion of Budget Share Payable at each Instalment**

The proportion of the school budget made available to the school are as outlined in 3.1 above. Any re-determinations of school budget will result in amendments to the amounts lodged in the schools bank account.

### **3.3 Interest Clawback**

Where the LA' standard profile of advances is used no deduction from the Schools budget share will be made for the estimated loss of interest by the LA.

#### **3.3.1 Interest on Late Budget Share Payments**

Where there is a delay in part or all of a scheduled payment, due to an error by the LA, interest will be paid on the unpaid amount at the relevant Bank of England base rates for the period.

### **3.4 Budget Shares for Closing Schools**

Budget shares of schools for which approval for discontinuation has been secured will be made available until closure on a basis agreed by the LA. This may either reflect the existing banking arrangements or an alternative arrangement that suits both the LA and the school concerned.

### **3.5 Bank and Building Society Accounts**

All schools will have an external bank account into which their budget shares will be paid in accordance with the provisions contained at paragraph 3.1 of this scheme. Schools shall be allowed to retain all interest receivable on the account and be subject to any bank charges arising.

#### **3.5.1 Restrictions on Accounts**

Accounts may only be held at either a bank or building society that has been approved by the LA's Chief Finance Officer, S. 151 Officer, and as such appears on the approved list which is consistent with the LA's Treasury Management Policy.

Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

Schools are allowed to have accounts for budget share purposes which are in the name of the school rather than the LA<sup>2</sup>. Where a school opens such an account, i.e. in its own name, the school shall ensure that the bank mandate states the LA is the owner of school budget share funds. In this context the mandate shall ensure that the LA is entitled to receive statements where it so

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<sup>2</sup> Money paid by the LA and held in such accounts remains LA property until spent (s.49(5) of the Act).



wishes and that it can take control of the account should the school's right to a delegated budget be suspended by the LA.

The operation and restrictions on the bank account will be subject to the LA's Fully Funded Bank Account Scheme.

### **3.6 Borrowing by Schools**

Governing bodies may borrow money externally only with the written permission of the Secretary of State<sup>3</sup> following consultation with the LA. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. Schools are permitted to use any scheme that the Secretary of State has said is available to schools without specific approval (i.e. [Salix](#) scheme)

This does not apply to approved Licensed Deficits and the authority's Asset Loan Scheme (See paragraph 4.10 below).

The scheme explicitly bars schools from using credit cards and overdrafts, which are regarded as borrowing. However the use of procurement cards by schools is encouraged as these cards can be a useful means of facilitating electronic purchase.

### **3.7 Other Provisions**

Central Bedfordshire Council's Financial Regulations for Schools and the Fully Funded Bank Account Scheme set out in further detail operational requirements.

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

### **4.1. The Right to Carry Forward Surplus Balances**

Schools may carry forward from one financial year to the next any

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<sup>3</sup> This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans.

surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year<sup>4</sup>.

## **4.2 Controls on Surplus Balances**

Surplus balances held by schools are permitted under this scheme and to subject to the following restrictions with immediate effect

- (1) For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- (2) the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance;
- (3) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned (earmarked) for specific purposes permitted by the authority, and which the 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 Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums. The Authority may not take into account any change in planned assignments which could be the sole reason for considering that a sum is not properly assigned.
- (4) if the result of steps (1) – (3) is a sum greater than 10% of the current year's individual school budget share for secondary and special schools and 15% for primary and nursery schools, then the authority shall deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the 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.

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

Where the total balance exceeds the threshold's set out in (4) above, Governing bodies are required to report to the LA on the use which the school intends to make of surplus balances – after taking account of any earmarked funds, as per the annual CFR return.

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<sup>4</sup> The amount of a surplus balance would be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although there may be commitments against any figure shown in such a statement).

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The following list of purposes and/or projects which may be permitted by the Authority for deduction from the schools surplus balances when calculating the claw-back amounts.

- Revenue contribution to a specific capital project which has been costed and planned for the use of devolved formula capital received or described in the LA capital programme, including ICT and equipment.
- Managing short-term implications of pupil numbers whilst class and/or staffing structures are revised.
- Managing long-term unexpected staff sickness.
- Monies held on behalf of another school that will be distributed or spent in the next financial year.

All such expenditure must be clearly costed and identified within the school's financial plan submitted to the Authority. The plan will be reviewed and agreed by a Sub Group of the Schools Forum, each year and monitored to ensure such surpluses are used appropriately for the benefit of the school. The Sub-Group of the Schools Forum will consider the explanations provided by schools and make recommendations to the Authority, it is the Authority that will ultimately determine whether deduction of 'excess balances' is to be made.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority for the following financial year. Any surplus balances removed from schools will be redistributed to all maintained schools (excluding academies) holding less than the permitted surplus percentages/amount in the following financial year.

The calculation of the excess balance will be notified by a letter in the format of Appendix (E), Schools will also be required to complete the Declaration of Earmarked Funds and Surplus Balances, which must be submitted to the LA and supported by relevant evidence.

Relevant evidence must support B02 Uncommitted Revenue Balances and be in written form and may comprise of:

- Finance Governors Minutes
- Three year plans
- Projected Pupil Numbers
- Correspondence with Contractors
- Any other relevant information

### **4.3 Interest on Surplus Balances**

Balances held by schools in their own bank accounts, may attract interest for the school depending on the type of account.

#### **4.4 Obligation to Carry Forward Deficit Balances**

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share (see also 4.8)<sup>5</sup>.

#### **4.5 Planning for Deficit Budgets**

Schools may only plan for a deficit budget in accordance with the terms of paragraph 4.9 below:

#### **4.6 Charging of Interest on Deficit Balances**

Schools operating their own bank account are not permitted to allow their account to become overdrawn. Interest will be charged by the LA on any loan advanced into a schools bank account to prevent it being overdrawn.

#### **4.7 Writing off Deficits**

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

Funds to support schools in financial difficulty in respect of mainstream maintained schools will be through allocation from the de-delegated contingency budget where this has been agreed by Schools Forum. Funds to support special schools and PRUs in financial difficulties will come from centrally held budget specified for this purpose.

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

When a school closes, any balance (whether surplus or deficit) shall revert to the LA; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an Academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

However, the LA may, if they wish, make allocations to schools, which have the effect of giving them the benefit of additional sums that are equal to or less than the surplus balances of relevant closing schools.

The LA may also recognise the deficit of the preceding school by reducing the amount of extra funding allocated to a new school, by an amount equal to the deficit from the previous school. Any deficit cannot be set against the 'normal' elements of funding the new school – that is the elements of funding it would receive anyway if it were not new.

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<sup>5</sup> The deficit balance would be shown on the out-turn statement 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).

#### **4.9 Licensed Deficits**

The general provision in paragraph 3.6 above forbidding Governing bodies to borrow money shall not apply to schemes run by the Authority as set out below:

The LA will permit schools which do not have a deficit at the start of a financial year to plan for a deficit budget in particular circumstances subject to the approval of the Director of Children's Services and the Chief Finance Officer, S. 151 Officer, or their nominated representative. The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by the authority on behalf of schools<sup>6</sup>.

The Licensed Deficit shall be in accordance with the following conditions/requirements:

(a) The maximum length of time over which schools may repay the deficit (i.e. to reach at least a zero balance), with appropriate mechanism to ensure that the deficits are not simply extended indefinitely, will be three years.

Schools' requests for licensed deficits must be supported by a detailed recovery plan. Progress against the plan will be reviewed formally each month and schools are required to submit a formal outturn by 20<sup>th</sup> of the following month. This must be in the format as prescribed in appendix B2 and supported by a system print confirming spend to date. Should the financial position of the school deteriorate then schools will need to adjust their plans accordingly to achieve the terms of their agreed Licensed Deficit. If the school forecasts that the approved LD recovery cannot be met they should submit in writing a request for additional funds, supported by a revised recovery plan, as soon as possible.

(b) Licensed Deficits will normally only be agreed where circumstances affecting the school change in ways which could not have reasonably been foreseen and the school concerned needs a period in excess of one financial year in order to effect a reduction in its annual level of expenditure and/or an increase in its annual level of income sufficient to eliminate the budget deficit;

(c) Licensed Deficits shall not normally exceed 10% of a school's budget share;

(d) No more than one third of the collective balances held by the LA will be used to back these arrangements.

(e) The format of the Financial Recovery Plan is shown in Appendix B1. This is in excel spreadsheet format and available electronically from the schools website, to accompany this plan, detailed notes are required to be submitted to support the recovery plan.

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<sup>6</sup> although it is open to the LA, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation.

(f) Where financial forecast of the future years are predicted to be in deficit, Schools are required to apply for a provisional licensed deficit. The request for a provisional licensed deficit must be supported by an explanation of the circumstances, which are forecast to cause the School's budget to go into deficit and a detailed recovery plan. The plan will include as a minimum:

- Forecast pupil numbers and other key drivers over the expected recovery period (maximum 3 financial years).
- Detailed information of staffing costs.
- Identification of risks which may impact on the likely recovery plan and an assessment of the likelihood that each risk will occur; the consequent impact on the recovery and what action will be taken to mitigate these effects.

The Financial Planning Software (FPS) format is acceptable, in the form of the Consistent Financial Reporting (CFR) report.

If the recovery period is less than three years, the plan only needs to cover the recovery period i.e. an additional one or two years. If exceptionally a longer period has been agreed, as set out above, the plan must be extended to the financial year of recovery.

The LA licensed deficit arrangements will be in the form of a loan for which interest will be chargeable. The current rate of interest charged on such loans is the Bank of England Base Rate. This facility will be subject to the availability of funds as outlined in sub paragraph (d) above. Details of the loan conditions can be found in Central Bedfordshire Council's Financial Regulations for Schools.

Schools will be permitted to plan for a licensed deficit without requiring a formal application up to a maximum of 1% of their School Budget Share. However, a note of explanation will be required to be submitted.

Overdrawn bank accounts are not permitted.

#### **4.10 Asset Loan Scheme**

The LA operates an Asset Loan Scheme which does not operate by way of a licensed deficit but rather by way of expenditure by the LA, on asset purchases or certain building repairs and maintenance, in respect of a particular school on condition that repayments of principal and interest are repaid from the budget share. The current rate of the interest on such loans is the Bank of England Base Rate.

Schools which have no deficit may apply for an asset loan which shall be in accordance with the following conditions/requirements:

(a) the maximum length of time over which schools may repay the loan will be three years. Schools' requests for loans will need to be supported by the School's Development Plan. At no stage will the loan period be extended

beyond three years;

(b) Loans will only be agreed if they meet the criteria outlined in Central Bedfordshire Council's Asset Purchase Scheme; (Appendix D)

(c) The maximum permitted value of a purchase shall not normally exceed 10% of a school's budget share.

(d) The minimum value of a purchase considered to be appropriate to the loan scheme is £10,000;

(e) No more than one third of the collective balances held by the LA will be used to back these arrangements.

#### **4.10.1 Credit Union Approach**

Schools may wish to group together to utilise externally held balances for a Credit Union approach to loans. Where schools choose to borrow money through such a scheme the LA will require audit certification of the running of the scheme, unless the LA itself acts as the administrator of the arrangement.

## **5 INCOME**

Schools shall be able to retain income except in certain specified circumstances.

### **5.1 Income from Lettings**

Schools may retain income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI/PPP agreements. 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 does 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.

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

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

### **5.3 Income from Fund-Raising Activities**

Schools may retain income from fund-raising activities.

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

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

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

Schools are required to comply with the LA's guidance on VAT as expressed in Central Bedfordshire Council's VAT Guide (available on schools portal)

The LA will inform schools of any changes to approved procedures, which may arise from time to time in the light of advice from HM Customs and Excise.

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

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

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

#### **6.1 General Provision**

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

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

Schools are reminded that the LA cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under S496 of the Education Act 1996.

Should a school wish to challenge such a charge then they must set out their objections in writing to the Chief Finance Officer, S. 151 Officer who shall make the final determination.

The LA 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.

##### **6.1.2 Charging of salaries at actual cost**

The LA will charge salaries of school-based staff to school budget shares at actual cost.



**6.2 Circumstances In Which Charges May Be Made**

- 6.2.1** Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA).
- 6.2.2** Other expenditure incurred to secure resignations where the school had not followed LA advice.
- 6.2.3** Awards by courts and industrial tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the LA's advice. Where the authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority expenditure protects the authority's position. In framing its advice the LA will ensure that it has taken proper account of the role of aided school governing bodies.
- 6.2.4** Expenditure by the LA in carrying out building repairs and maintenance, health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5** Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has Voluntary Controlled status.
- 6.2.6** Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA. In each particular case the LA will first have considered that it has an insurable interest. See also 10.1- Insurance cover
- 6.2.7** Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement; and the result is that monies are owed by the school to the LA.
- 6.2.8** Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions the Environment Agency or other regulatory authorities as a result of school negligence.
- 6.2.9** Correction of LA errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10** Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.

- 6.2.11** Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also section 11).
- 6.2.12** Costs of necessary health and safety training for staff employed by the LA, where funding for training has been delegated but the necessary training not carried out.
- 6.2.13** Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14** Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.15** Costs incurred by the LA in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs .
- 6.2.16** Costs incurred by the LA due to submission by the school of incorrect or late data.
- 6.2.17** Recovery of amounts spent from specific grants on non eligible purposes.
- 6.2.18** Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.
- 6.2.19** Costs incurred by the 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.
- 6.2.20** Recovery of monies from a school relating to provisional Growth Fund payments, where a school has failed to provide evidence of the actual costs incurred for expenditure that the school has claimed on the provisional Growth Fund payments. (i.e. evidence for allocations made based on estimated costs such as; Programme Management, Accommodation, Staffing, Recruitment, Marketing)

## **7 TAXATION**

### **7.1 Value Added Tax**

The LA has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. These procedures are outlined in the Central Bedfordshire VAT Guide, published on the Schools' website.

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Accounting for VAT is additionally included in the LA's Fully Funded Bank Account Scheme.

### **7.2 Construction Industry Taxation Scheme**

Since 2007, new HMRC rules mean that where a contract is between a Local Authority school with a delegated budget and a subcontractor CIS reporting is not required. This means that schools can pay the subcontractor direct and do not have to report these invoices via the Tax Officer (as per previous scheme).

Where there are major Capital Works the contract is usually (but not in all cases) between the subcontractor and the Local Authority. Where this is the case invoices are paid by the Local Authority and will be reported for CIS purposes.

For any further clarification on CIS treatment, maintained schools should contact the Council's Tax Officer, Connie Bentley, email [connie.bentley@centralbedfordshire.gov.uk](mailto:connie.bentley@centralbedfordshire.gov.uk) or telephone 0300 300 4554.

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

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

The LA shall determine on what basis services and payments, including (Premature Retirement Costs (PRC) and redundancy payments, from centrally retained funds will be provided to schools.

The LA is debarred from discriminating in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

### **8.2 Provision Of Services Bought Back From The LA Using Delegated Budgets**

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

In the case of catering contracts the contract period may be up to seven years in duration.

The provision of services or facilities by the LA, which are bought back using delegated budgets, must be offered at prices that are intended to generate income that is no less than the cost of providing those services. The total cost of the service must be met by the total income.

Centrally arranged premises and liability insurance are excluded from these requirements.

### **8.2.1 Packaging**

The LA may provide any service for which funding has been delegated. But where the LA is offering the service on a buyback basis it will do so in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

### **8.3 Service Level Agreements**

If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

Services, if offered at all by the LA, shall be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements.

Centrally arranged premises and liability insurance are excluded from these requirements.

### **8.4 Teachers Pensions**

In order to ensure that the performance of the duty on the LA to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the LA 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 LA to provide payroll services and/or personnel services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the LA to provide payroll and/or personnel services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the LA which the LA requires, to submit the annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The LA will advise schools each year of the timing, format and specification of the information required. A governing body shall ensure that any such arrangement or agreement is varied to require the Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the schools' budget share.

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A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data the LA which the LA requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The LA 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 LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

### **9 PFI/PPP**

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

The LA has the power to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.

### **10 INSURANCE**

#### **10.1 Insurance Cover**

If a school does not buy back cover for insurance from the LA, then the school is required to demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the LA.

Those Schools who do not buy back insurance from the LA must produce evidence to the LA that the appropriate level of cover has been arranged prior to 1 April of the financial year for which delegation of insurance funds is sought.

The LA is required to take due regard to actual risks which might reasonably be expected to arise at a school wishing to make their own insurance arrangements. This is to ensure that an appropriate level of insurance is arranged.

### **11 MISCELLANEOUS**

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

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

### **11.2 Liability of Governors**

Because the governing body is a corporate body<sup>7</sup>, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

### **11.3 Governors' Expenses**

The LA shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Only allowances in respect of purposes specified in regulations<sup>8</sup> may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

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

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

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

It may, very occasionally, be the case that there is a conflict of interest between the governing body and the LA where the governing body would wish to obtain separate legal advice and in such a situation the Legal Services section of the LA would be available to advise the governing body as to practitioners with the necessary expertise. See also section 6.

### **11.5 Health and Safety**

In expending the school's budget share governing bodies are required to have due regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

Under Section 39(3) of the School Standards and Framework Act the LA may issue directions to the governing body and Headteacher of a community, community special or voluntary controlled school on health and safety matters.

These directions are enforceable, so far as governing bodies are concerned, via S.497 of the Education Act 1996 if not complied with.

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<sup>7</sup> and because of the terms of s.50(7) of the Act

<sup>8</sup> Under section 50(5) only allowances specified in Section 19 of the Education Act 2002.

#### **11.6 Right of attendance for Assistant Director Finance, S. 151 Officer**

Governing bodies are required to permit the Chief Finance Officer of the LA, S. 151 Officer, or his representative, to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The attendance of the Chief Finance Officer, S. 151 Officer' or his representative shall normally be limited to items which relate to issues of probity or overall financial management of the school and shall not be regarded as routine.

The LA will give prior notice of such attendance, unless it is impracticable to do so.

#### **11.7 Special Educational Needs (SEN)**

When spending their budget share, schools are required to use their best endeavours to secure the special educational needs of their pupils and ensure that they meet all the requirements of the SEN Code of Practice.

#### **11.8 Interest on late Payments**

Schools are required to ensure compliance at all times with legislation in relation to interest on Late Payments. Further guidance on this issue is provided in the LA's Fully Funded Bank Account Scheme.

#### **11.9 'Whistleblowing'**

Any person working at a school who wishes to raise any issue of financial impropriety shall do so in accordance with the Confidential Reporting Policy, available on the Schools' Portal. .

#### **11.10 Child Protection**

Schools are encouraged to release staff as appropriate in relation to child protection case conferences and other related events. Costs in relation to this are borne by the School Budget Share.

#### **11.11 Redundancy/early retirement costs**

Section 37 of the 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded.

The default position is that premature retirement costs must be charged to the schools delegated budget, while redundancy costs must be charged to the LA's budget.

However, redundancy costs will be charged to delegated schools budget if:

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- A school has decided to offer more generous terms than the authority's policy.
- A school acts outside the authorities policy
- The LA believes the redundancy is not necessary to either set a balanced budget or meet the conditions of a licensed deficit
- The staffing reduction has arisen from a deficit caused by factors within the school's control
- A school has excess surplus balances and no agreed plan to use these balances
- A school has refused to engage with the LA's redeployment policy

Costs of new early retirements or redundancies may only be charged to the central part of the Schools Budget where the expenditure is to be incurred as a result of decisions made before 1<sup>st</sup> April 2013. Costs may not exceed the amount budgeted in previous financial year.

Each case will be considered on its own merits in line with Central Bedfordshire Protocols.

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 of the 2002 Education Act 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 purposes 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 (7B) 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.

### **11.12 Delegation To New Schools**

The LA is empowered to delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets. By virtue of section 49 (1) - (3) of the Act a new school must receive a delegated budget not later than the date on which it opens (that is to say, the date on which it first admits pupils), unless the LA has obtained the Secretary of State's approval to a postponement beyond that date (which will only be given in exceptional circumstances). Section 49 (3) (a) also enables the LA to give a delegated budget to a new school in advance of its opening date.

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

### **12.1**

The principal objective is to ensure that buildings are well maintained and provide a safe and efficient work place for schools to operate.

The LA requires governing bodies to maintain school buildings to a reasonable standard, ensure identified H&S issues are addressed and to make proper financial provision from within the delegated revenue and capital resources to achieve this.

Under the scheme, governing bodies have been delegated authority and all funding through the Individual Schools Budgets, to take forward all revenue repairs and maintenance work required to all parts of the school site and buildings. This includes responsibility for items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control.

### **12.2** Governing Bodies are also allocated Devolved Formula Capital each year. Expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes which is in line with the CIPFA Code of Practice on Local Authority Accounting

Central Bedfordshire Council's Schools de minimis limit for the definition of capital and revenue is **£2,000**.

## Scheme for Financing Schools

### September 2016

The LA may undertake ad-hoc inspections through appointed surveyors and engineers to ensure that school assets are safeguarded.

The budget share of a school may be charged by the LA without the consent of the governing body for expenditure by the LA in carrying out building repairs and maintenance, health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.

Funding for major capital expenditure, defined in Appendix C of the scheme, is retained by the Authority with the exception of Devolved Formula Capital.

The LA carries out a programme of school building condition surveys as part of the Authority's Asset Management Plan. Copies of the surveys are provided to school governing bodies. This informs the Council's School Capital Maintenance programme and should also inform the planning of repair and maintenance works by Governing Bodies.

Where capital works are identified as LA responsibility schools will be required to a) contribute the first £10,000 -b) Amounts above £10,000 are funded 50% by the school and 50% by the LA, up to the utilisation of 50% of the current year's formula capital allocation.-c) Once the limit at b) above is reached, the LA will fund 100%. (see also Appendix C - Schedule of works deemed capital which are LA responsibility, specifically section Schools Contribution to repairs and maintenance deemed as capital **Works**).

- 12.3** For voluntary aided schools, the liability of the LA for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the *de minimis* limit applied by Department for Education to categorise such work, not the *de minimis* limit used by Central Bedfordshire LA.

LA Co-ordinated VA Programme (LCVAP) is the formulaic capital funding allocated by the DfE for major capital expenditure in VA schools specifically. This is administered by the Diocesan authorities with the co-ordination of the LA.

## **13 COMMUNITY FACILITIES**

### **Introduction**

- 13.1** Community facilities are defined in the Education Act 2002 as “any facilities or services whose provision furthers any charitable purpose for the benefit of – (a) pupils at the school or their families, or (b) people who live or work in the locality in which the school is situated.”

## Scheme for Financing Schools September 2016

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls including: -

- Expenditure incurred in the exercise of the power may be met from the school budget share, including any accumulated surplus on the budget share.
- Regulations made by the Secretary of State under s.28 (2), if any, which can specify activities which may not be undertaken at all under the main enabling power.
- Schools' legal obligations to consult and have regard to advice from the LA.

However, under s.28 (1) of the Education Act 2002, the main limitations and restrictions on the power will be:

- a) those contained in the schools' own instruments of government, if any; and
- b) those contained in the Central Bedfordshire Scheme for Financing Schools.

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

Where a school is already carrying out any of the activities covered by this power, under the terms of an existing funding or management agreement with the LA, then the terms of that agreement continue to apply.

- 13.2** Any mismanagement of community facilities can be grounds for suspension of the right to a delegated budget.

### **Consultation with the Authority**

- 13.3** Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the LA and have regard to the advice given to them.
- 13.4** Informal contact between schools and officers with the relevant professional expertise well before the formal consultation commences is likely to be beneficial to all parties. It would also be helpful to all parties if schools gave the LA notice of their intent to exercise the power in advance of the formal consultation itself.
- 13.5** Formal consultation with the LA about proposed community facilities will commence when the full consultation material has been submitted in writing and the response period will begin from receipt of the full material. Major uses of the power where community facilities have an annual revenue turnover in excess of £100,000 or capital schemes costing more than £100,000 are

## Scheme for Financing Schools September 2016

involved will lead to the LA providing formal advice in writing (which may be e-mail) within eight weeks of receipt of the formal consultation material. In the case of more minor uses, advice will be provided within six weeks. Subsequently the governing body should inform the LA of the action taken in response to this advice.

The school should provide the following information in the formal consultation document:

- a business plan for the provision of the proposed community facilities or services covering the first three years of operation;
- in the case of capital projects effecting the existing buildings on the school site and/or the construction of new buildings then the full plans and costing of the works proposed ;
- details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies;
- expressions of support from potential user groups, district and parish councils, local community groups, neighbouring schools, business representatives, as appropriate;
- details as to how the facility will be managed and how this relates to the management of the school;
- a statement that the proposed activities will not interfere with the overriding purpose of the school in achieving higher standards for pupils [section 26(3) of the Act];
- details of any proposed funding agreements with third parties;
- the insurance arrangements proposed.

For information on redundancies under community facilities please see section 11.11 Redundancies.

### Funding Agreements

- 13.6** The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with one or more third parties, which will either be supplying funding and/or taking part on the provision. A wide range of bodies and organisations are potentially involved.
- 13.7** Any funding agreements with third parties (as opposed to funding agreements with the LA itself) should be submitted to the LA for comment and advice. Such draft agreements should form part of the consultation with the LA (as per section 3). Schools must have regard to the advice.

***However, schools are reminded that if an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which is judged to be seriously prejudicial to the interests of the school or the LA, that may constitute grounds for suspension of the right to a delegated budget.***

### Other Prohibitions, Restrictions and Limitations

- 13.8** Where a school makes a proposal for a community facility which carries significant financial risks, the LA may require that the governing body shall make arrangements for the activity concerned to be carried out through the vehicle of a limited company formed for the purpose, or obtain appropriate indemnity insurance.
- 13.9** Section 28 of the Education Act 2002 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in this scheme.

### **Supply of Financial Information**

- 13.10** The LA may require schools which exercise the community facilities power to provide additional financial information, as determined by the authority showing income and expenditure arising from the facilities in question.
- 13.11** Where the LA believes there to be cause for concern as the school's management of the financial consequences of the exercise of the community facilities power, the LA, on giving notice to the school may require such financial statements to be supplied every three months.

The LA if it sees fit may also require the submission of a recovery plan for the activity in question.

Financial information relating to community facilities must be included in the returns made by schools as prescribed on the Consistent Financial reporting Framework (CFR).

### **Audit**

- 13.12** Schools are required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure. This will include the audit requirements of any external funding body.
- 13.13** In concluding funding agreements with third parties, schools must ensure that such agreements contain adequate provision for access by the LA to the records and other property of those parties which are held on the school premises, or held elsewhere in so far as they relate to the activity in question. Access is required in order for the LA to satisfy itself as to the propriety of expenditure on the community facilities in question.

### **Treatment of Income and Surpluses**

- 13.14** Schools may retain all surpluses derived from community facilities except where otherwise agreed with a funding provider.
- 13.15** When a surplus has been derived after the charging of all relevant costs and crediting of all relevant income, then that surplus may be carried over from one financial year to the next. This must be included in the CFR balance code

## Scheme for Financing Schools

### September 2016

B06. The recommended practice would be to account for this as a separate community fund surplus. Schools must take all appropriate action to ensure that no deficit arises from the operation of the community facility.

If the school is a community or community special school and the school ceases to be maintained by the LA, any accumulated retained surpluses obtained from the exercise of the community facilities power reverts to the LA, unless otherwise agreed with a funding provider.

Liabilities to third parties incurred in the exercise of this power are a charge on surpluses retained from these activities.

#### **Health and Safety**

**13.16** The health and safety provisions of the main body of the Scheme for Financing Schools (see particularly Section 11.5) will also apply to the use of the community facilities power.

**13.17** The governing body has a responsibility for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

#### **Insurance**

**13.18** 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. Details of these arrangements should be included in the formal consultation material sent to the LA. Such insurance arrangements should not be funded from the school budget share.

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.

**13.19** The LA will undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. This is particularly to safeguard the LA against possible third party claims.

#### **Taxation**

**13.20** Schools should seek the advice of the LA's Tax Officer on any issues relating to the possible imposition of VAT on expenditure in connection with community facilities.

## Scheme for Financing Schools September 2016

The VAT rules in this area are complicated and VAT should be considered before the implementation of any new scheme to ensure that there are no adverse consequences for the school.

- 13.21** If any member of staff employed by the school or LA in connection with community facilities at the school, is paid from funds held in a school's own bank account the school is will be held liable for the payment of income tax and national insurance, in line with HM Revenue and Customs rules.
- 13.22** Schools who exercise the community facilities power are required to follow the procedures issued by the LA in connection with the Construction Industry Scheme.

### **Banking**

- 13.23** The regulations relating to bank and building society accounts, as detailed in section 3.5 and 3.5.1 of the main body of the Scheme for Financing Schools also apply to the community facilities power.

Schools must ensure that adequate internal accounting controls are in place to maintain separation of funds, where separate accounts are kept.

Schools are reminded that they may not borrow money without the written consent of the Secretary of State, though this requirement does not apply to monies lent to schools by the LA under Asset Loan Scheme (section 4.10).

Scheme for Financing Schools  
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## APPENDIX A

# THE CENTRAL BEDFORDSHIRE SCHEME FOR FINANCING SCHOOLS

## SCHOOLS TO WHICH THIS SCHEME APPLIES

## NURSERY

WESTFIELD WILLOW	DUNSTABLE DUNSTABLE	COMMUNITY COMMUNITY
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# LOWER

ASHTON ST PETER'S	DUNSTABLE	VOLUNTARY AIDED
ASPLEY GUISE	ASPLEY GUISE	COMMUNITY
BEAUDESERT	LEIGHTON BUZZARD	COMMUNITY
CALDECOTE	CALDECOTE	VOLUNTARY CONTROLLED
CAMPTON	CAMPTON	COMMUNITY
CHALTON	CHALTON	COMMUNITY
CHURCH END	MARSTON MORETAINE	FOUNDATION
CLIPSTONE BROOK	LEIGHTON BUZZARD	COMMUNITY
DERWENT	HENLOW	FOUNDATION
DOVERY DOWN	LEIGHTON BUZZARD	COMMUNITY
DUNTON	DUNTON	VOLUNTARY CONTROLLED
EVERTON	EVERTON	COMMUNITY
FAIRFIELD	ARLESEY	COMMUNITY
FLITWICK	FLITWICK	COMMUNITY
GREENLEAS	LINSLADE	COMMUNITY
HAWTHORN PARK	HOUGHTON REGIS	COMMUNITY
HAYNES	HAYNES	COMMUNITY
HEATHWOOD	LEIGHTON BUZZARD	COMMUNITY
HOCKLIFFE	HOCKLIFFE	COMMUNITY
HOUGHTON	HOUGHTON CONQUEST	COMMUNITY
CONQUEST		
HOUGHTON REGIS	HOUGHTON REGIS	COMMUNITY
HUSBORNE CRAWLEY	HUSBORNE CRAWLEY	COMMUNITY
ICKNIELD	DUNSTABLE	COMMUNITY
JOHN DONNE	BLUNHAM	VOLUNTARY AIDED
KENSWORTH	KENSWORTH	VOLUNTARY CONTROLLED
KINGSMOOR	FLITWICK	COMMUNITY
LABURNUM	SANDY	COMMUNITY
LAWNSIDE	BIGGLESWADE	COMMUNITY
LEEDON	LEIGHTON BUZZARD	COMMUNITY
LINSLADE	LINSLADE	COMMUNITY
MAPLE TREE	SANDY	COMMUNITY
MARY BASSETT	LEIGHTON BUZZARD	COMMUNITY
MAULDEN	MAULDEN	COMMUNITY
MOGGERHANGER	MOGGERHANGER	FOUNDATION
NORTHILL	NORTHILL	VOLUNTARY AIDED
POTTON	POTTON	COMMUNITY
PULFORD'S	LEIGHTON BUZZARD	VOLUNTARY AIDED
RAMSEY MANOR	BARTON	COMMUNITY
RIDGMONT	RIDGMONT	COMMUNITY
ROBERT PEEL	SANDY	COMMUNITY
ROECROFT	STOTFOLD	COMMUNITY



## Scheme for Financing Schools September 2016

RUSSELL	AMPTHILL	COMMUNITY
SHEFFORD	SHEFFORD	COMMUNITY
SHELTON	MARSTON MORETAINE	FOUNDATION
SHILLINGTON	SHILLINGTON	COMMUNITY
SILSOE	SILSOE	VOLUNTARY CONTROLLED
SLIP END	CADDINGTON	COMMUNITY
SOUTHCOTT	LINSLADE	COMMUNITY
SOUTHILL	SOUTHILL	COMMUNITY
ST ANDREW'S	BIGGLESWADE	VOLUNTARY CONTROLLED
ST GEORGE'S	LEIGHTON BUZZARD	COMMUNITY
ST LEONARDS	HEATH	VOLUNTARY AIDED
ST MARY'S	CLOPHILL	VOLUNTARY AIDED
ST MARY'S	DUNSTABLE	VOLUNTARY AIDED
ST SWITHUN'S	SANDY	VOLUNTARY CONTROLLED
ST VINCENT'S	HOUGHTON REGIS	VOLUNTARY AIDED
STANBRIDGE	STANBRIDGE	COMMUNITY
STONDON	LOWER STONDON	COMMUNITY
STUDHAM	STUDHAM	VOLUNTARY CONTROLLED
SUTTON	SUTTON	VOLUNTARY AIDED
SWALLOWFIELD	ASPLEY HEATH	COMMUNITY
TEMPLEFIELD	FLITWICK	COMMUNITY
THOMAS JOHNSON	LIDLINGTON	COMMUNITY
THOMAS WHITEHEAD	HOUGHTON REGIS	VOLUNTARY AIDED
THORNHILL	HOUGHTON REGIS	COMMUNITY
TITHE FARM	HOUGHTON REGIS	COMMUNITY
TOTTERNHOE	TOTTERNHOE	COMMUNITY
WATLING	DUNSTABLE	COMMUNITY
WESTONING	WESTONING	FOUNDATION
WOBURN	WOBURN	COMMUNITY
WRESTLINGWORTH	WRESTLINGWORTH	VOLUNTARY CONTROLLED

### MIDDLE

BURGOYNE	POTTON	COMMUNITY
CADDINGTON	CADDINGTON	COMMUNITY
EDWARD PEAKE	BIGGLESWADE	VOLUNTARY CONTROLLED
LEIGHTON	LEIGHTON BUZZARD	COMMUNITY
PARKFIELDS	TODDINGTON	FOUNDATION

### UPPER

MANSHEAD	DUNSTABLE	VOLUNTARY AIDED
SANDY	SANDY	COMMUNITY

### SPECIAL

CHILTERN SCHOOL	DUNSTABLE	COMMUNITY SPECIAL
IVEL VALLY	BIGGLESWADE	COMMUNITY SPECIAL

# Scheme for Financing Schools September 2016

## APPENDIX B1

### LICENCE DEFICIT RECOVERY PLAN

<b>SCHOOL NAME</b>	
<b>COST CENTRE</b>	

			20xx/xx	20xx/xx	20xx/xx	20xx/xx
	<b>INCOME (Enter as a minus)</b>					
I01	Funds Delegated by the LA	Formula Allocation				
		Rates				
		Other (Please specify)				
I02	Funding for Sixth Form Students	EFA Funding –LA				
		EFA Non LA Funding				
I03	SEN Funding	SEN High Needs Block				
		SEN Funding Other				
I04	Funding for Ethnic Minority Pupils					
I05	Pupil Premium					
I06	Other Government Grants					
I07	Other Grants and Payments Received					
I08	Income from Facilities and Services					
I09	Income from Catering					
I10	Receipts from Supply Insurance Claims					
I11	Receipts from Other Insurance Claims					
I12	Contributions to Educational Visits					
I13	Donations and/or Voluntary Funds					
I15	Pupil Focused Ext. School Funding and/or Grants					
I16	Community Focused Ext. School Funding and/or Grants					
I17	Community Focused Ext. School Facilities Income					
I18	Additional Grant for Schools					
	<b>TOTAL INCOME (Not Including Capital)</b>					

	<b>EXPENDITURE</b>				
E01	Teaching Staff				
E02	Supply Staff				
E03	Education Support Staff				
E04	Premises Staff				
E05	Administration & Clerical Staff				
E06	Catering Staff				
E07	Cost of Other Staff				
E08	Indirect Employee Costs				
E09	Staff Development & Training				
E10	Supply Teacher Insurance				
E31	Extended School Staff Costs				
E11	Staff Related Insurance				
E12	Building Maintenance & Improvement				
E13	Grounds Maintenance & Improvement				
E14	Cleaning & Catering				
E15	Water & Sewerage				
E16	Energy				
E17	Rates				
E18	Other Occupational Costs	Rent			
		Joint Use			
		Other			
E19	Learning Resources (not ICT)				
E20	ICT Learning Resources				
E21	Examination Fees				
E22	Administrative Supplies				
E23	Other Insurance Premiums				
E24	Special Facilities				
E25	Catering				
E26	Agency Supply				
E27	Bought in Professional Services – Curriculum				

# Scheme for Financing Schools September 2016

E28	Bought in Professional Services – Other				
E32	Extended School Costs				
E29	Loan Interest				
E30	Direct Revenue Financing (Revenue Contributions to Capital) (=CI04)				
	<b>TOTAL EXPENDITURE (Not Including Capital)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>IN YEAR SURPLUS / (DEFICIT)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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	<b>B01 B02 &amp; B06 SURPLUS / (DEFICIT) B/FWD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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	<b>B01 B02 &amp; B06 CUMULATIVE SURPLUS / (DEFICIT) C/FWD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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## LICENCE DEFICIT RECOVERY PLAN

<b>SCHOOL NAME</b>	
<b>COST CENTRE</b>	

		20xx/xx	20xx/xx	20xx/xx	20xx/xx
	<b>CAPITAL INCOME</b>				
CI01	Capital Income				
	Formula Capital				
	Other (Please specify)				
CI03	Voluntary or Private Capital Income				
CI04	Direct Revenue Financing (=E30)				
	<b>TOTAL CAPITAL INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>CAPITAL EXPENDITURE</b>				
CE01	Acquisition of Land and Existing Buildings				
CE02	New Construction, Conversion & Renovation				
	Formula Capital				
	Other Capital				
CE03	Vehicles, Plant, Equipment and Machinery				
CE04	Information & Communication Technology				
	Formula Capital				
	Other Capital				
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>IN YEAR SURPLUS / (DEFICIT)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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	<b>B03 &amp; B05 SURPLUS / (DEFICIT) B/FWD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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	<b>B03 &amp; B05 CUMULATIVE SURPLUS / (DEFICIT) C/FWD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**AUTHORISED BY**  
**HEADTEACHER**.....

**DATE**...../...../.....

**AUTHORISED BY CHAIR OF**  
**GOVERNORS**.....

**DATE**...../...../.....

# Scheme for Financing Schools September 2016

## APPENDIX B2

Monthly Monitoring Pro Forma (electronic excel version can be accessed on schools portal)

SCHOOL NAME													COST CENTRE			
	INCOME (Enter as a minus)		Budget £	Total £	Apr £	May £	June £	July £	Aug £	Sept £	Oct £	Nov £	Dec £	Jan £	Feb £	March £
I01	Funds Delegated by the LA	Formula Allocation														
Rates																
Other (Please specify)																
I02	Funding for Sixth Form Students	EFA Funding –LA														
EFA Non LA Funding																
I03	SEN Funding	SEN High Needs Block														
SEN Funding Other																
I04	Funding for Ethnic Minority Pupils															
I05	Pupil Premium															
I06	Other Government Grants															
I07	Other Grants and Payments Received															
I08	Income from Facilities and Services															
I09	Income from Catering															
I10	Receipts from Supply Insurance Claims															
I11	Receipts from Other Insurance Claims															
I12	Contributions to Educational Visits															
I13	Donations and/or Voluntary Funds															
I15	Pupil Focused Ext. School Funding and/or Grants															
I16	Community Focused Ext. School Funding and/or Grants															
I17	Community Focused Ext. School Facilities Income															
I18	Additional Grant for Schools															
	<b>TOTAL INCOME (Not Including Capital)</b>															

## Scheme for Financing Schools September 2016

	EXPENDITURE	Budget	Total	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
E01	Teaching Staff														
E02	Supply Staff														
E03	Education Support Staff														
E04	Premises Staff														
E05	Administration & Clerical Staff														
E06	Catering Staff														
E07	Cost of Other Staff														
E08	Indirect Employee Costs														
E09	Staff Development & Training														
E10	Supply Teacher Insurance														
E31	Extended School Staff Costs														
E11	Staff Related Insurance														
E12	Building Maintenance & Improvement														
E13	Grounds Maintenance & Improvement														
E14	Cleaning & Catering														
E15	Water & Sewerage														
E16	Energy														
E17	Rates														
E18	Other Occupational Costs	Rent													
		Joint Use													
		Other													
E19	Learning Resources (not ICT)														
E20	ICT Learning Resources														
E21	Examination Fees														
E22	Administrative Supplies														
E23	Other Insurance Premiums														
E24	Special Facilities														
E25	Catering														
E26	Agency Supply														
E27	Bought in Professional Services – Curriculum														

# Scheme for Financing Schools

## September 2016

E28	Bought in Professional Services – Other														
E32	Extended School Costs														
E29	Loan Interest														
E30	Direct Revenue Financing (Revenue Contributions to Capital) (=CI04)														
	<b>TOTAL EXPENDITURE (Not Including Capital)</b>														

	<b>IN YEAR SURPLUS / (DEFICIT)</b>														
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	<b>B01 B02 &amp; B06 SURPLUS / (DEFICIT) B/FWD</b>														
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	<b>B01 B02 &amp; B06 CUMULATIVE SURPLUS / (DEFICIT) C/FWD</b>														
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		Budget	Total	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
	<b>CAPITAL INCOME</b>	£	£	£	£	£	£	£	£	£	£	£	£	£	£
CI01	Capital Income	Formula Capital													
		Other (Please specify)													
CI03	Voluntary or Private Capital Income														
CI04	Direct Revenue Financing (=E30)														
	<b>TOTAL CAPITAL INCOME</b>														

	<b>CAPITAL EXPENDITURE</b>														
CE01	Acquisition of Land and Existing Buildings														
CE02	New Construction, Conversion & Renovation	Formula Capital													
		Other Capital													
CE03	Vehicles, Plant, Equipment and Machinery														
CE04	Information & Communication Technology	Formula Capital													
		Other Capital													
	<b>TOTAL CAPITAL EXPENDITURE</b>														

**Scheme for Financing Schools  
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	<b>IN YEAR SURPLUS / (DEFICIT)</b>														
	<b>B03 &amp; B05 SURPLUS / (DEFICIT) B/FWD</b>														
	<b>B03 &amp; B05 CUMULATIVE SURPLUS / (DEFICIT) C/FWD</b>														

**AUTHORISED BY  
HEADTEACHER.....**

**DATE...../...../.....**

**AUTHORISED BY CHAIR OF  
GOVERNORS.....**

**DATE...../...../.....**

Scheme for Financing Schools  
September 2015  
**APPENDIX C**

**SCHEDULE OF WORKS DEEMED CAPITAL WHICH ARE LA  
RESPONSIBILITY**

Works which can be classified as capital are those where a whole and total replacement is required to the following building elements:

**Demolition**

Demolition works of whole building structures including taking down, removal and clearance of sites or buildings, sealing off all drains and engineering services, when undertaken as part of a construction project.

**Foundations** (below top of ground floor slab)

All structural work to walls or wall supports below and including damp-proof courses, underpinning, propping, piles, ground beams, piers, bases and brick or concrete footings (includes internal ducts and duct covers).

**Structural Frames**

All structural members in steel, timber, or concrete frame including ties, bracing, connection, bolts base plates and wedging and internal structural walls.

**Floor structures**

Floor structures and ducting together with their screeds but **excluding** bonded woodblock and all other floor finishes, soffits and ceiling finishes.

**Roofs, structures**

Roof structures including top floor ceiling timbers, eaves and verge construction, and catwalks. This includes glazing structures.

**Roofs, coverings**

Roof weather proof coverings, including eaves and verge finishing and catwalks. **Excludes** all applied rainwater goods above ground and roof glazing.

**External Walls**

Load bearing, structural, framed, panelled and curtain walls, chimney stacks and flues, including refractories, masonry stonework, heads, sills, strings, steps etc. Applied surface finishes, i.e.: renderings, tile pointing, balcony rails; and cavity wall insulation.

**Staircase and Landing Structures**

Staircase and landing structures but **excluding** handrails, balustrades and finishes.

**Whole elevation windows and external doors**

Complete replacement of external windows and doors, including associated ironmongery, architraves and shutters.

**Ceiling structures**



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Suspended ceiling structures (grids and wires) including fire stops and insulation (**excluding** all finishing).

### **Roads, Playgrounds, Car parks, and Paths**

Complete reconstruction of patios, drying areas, steps, fire appliance hard stands, car parking, garage approaches and roads including rebuilding foundation layers. Access paths, courts and playgrounds where not vehicle damage.

### **Underground Drainage**

Drains, gullies, grease traps and manholes between buildings and sewers. Includes all internal floor gratings, channels, covers etc. (**excludes** cleansing).

### **Asbestos Removal or Encapsulation**

**Except** where works are instigated by the user/tenant. Including fees for testing etc.

### **Main Electrical Switchgear**

All switchgear and interconnecting cables, protective conduits and trunking and fixings, including labels and circuit lists.

### **Electrical Power and Lighting Circuits**

Fixed sub-circuit wiring and conduit, trunking or other means of mechanical protection including fixings, wiring accessories and conduit boxes. All interconnecting wiring and control equipment, time switches, photo-electric cells to external lighting including columns, floodlights and road lighting.

### **Intruder, Security and Fire Alarm Systems**

All battery units including batteries, inter-connections, cabinets and control equipment used for Emergency Lighting, Fire Detection and Alarm Systems, Intruder Alarm Systems (except resulting after activating), Master Clock Systems and Call Bell Systems. All wiring systems associated with these systems including Low Voltage types. All emergency lighting luminaires including self contained types, operating relays and associated controls. All Call Bell systems including pushes, reset units, meter and indicator boards, sounders, relays, hand sets. All Intruder Alarm Systems including detectors, sounders, alarm lights, control panels, electric override switches and wiring, including CCTV installations, cameras and monitors. All door access systems including pushes, card readers, power supply, electric door releases and wiring.

### **Boilers**

LP and MPHW heating and HWS boilers including cleaning access doors, door seals, hinges, fasteners, boiler casing and flue clean brushes. Boiler house steel flues including dampers, explosion relief doors, draught diverters and flue stabilisers.

### **Forced Draught and Atmospheric Gas Fired Burners**

Forces draught and atmospheric gas fired heating and HWS burners including burner train, flame failure controls, thermostats, gas booster sets and refractories.

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### Pressure Jet Oil Fired Burners

Pressure jet oil fired heating and HWS burners including burner train, flame failure controls, thermostats and refractories.

### Automatic Coal Fired Stoking Equipment

Automatic coal fired heating and HWS stoking plant including direct controls, thermostats, feed works/tubes, gearboxes, fans, motors, transfer boxes, tuyers, draught tubes, induced draught fans, fuel delivery tubes and refractories.

### Automatic Controls and Boiler Plant Electrics

Heating and HWS heating controls, including zone controls, optimum start controls, energy management controls, control panels, detectors, motorised valves and actuators.

### Automatic Controls and Boiler Plant Electrics

Smoke density alarms, including sensors and control panels. Gas detectors, including sensors, control panels, thermal safety devices, thermal links, emergency stop switches and solenoid valves. Mains signalling systems controlling heating and HWS systems. General mains power, low voltage and lighting in boiler house.

### Steel Chimneys

Main steel chimney structure, including basis, guy ropes, holding down bolts, flanges, webs and gussets, cladding and insulation, trims and cowls, access doors and condense drain points and external protective finishes.

### **Water storage tanks and cylinders and associated pumps**

Water storage tanks (**excludes** cleaning). Heating circulating pumps, HWS primary and secondary pumps and sump pumps. HWS storage cylinders and calorifiers, isolating valves, pipework and fittings, thermal insulations, temperature/altitude and oil tank contents gauges. Oil storage tanks, including emergency shut-off devices, valves and thermal linkages, trace heating devices and associated electrical wiring, heating elements, control panel, thermostats and detectors. (Including oil storage tanks for electrical generators).

### **Repair and maintenance of kitchens and kitchen equipment**

The LA can retain monies centrally for the repair and maintenance of kitchens and kitchen equipment in schools which have not had school meals delegated.

### **Heating - Water, Gas and Oil Distribution Systems**

LP and MPHW heating, hot and cold water, gas and oil distribution services including mild steel, copper, polyethylene, ABS and PVC pipework, valves and fittings at tap, appliance or service point. Feed expansion tanks, remote HWS storage cylinders and calorifiers, thermal insulation, radiators, natural convector emitters, pipe coils and heated towel rails. All external mains distribution services (gas, water, etc.).

### Direct Gas Fired Hot Water Units

Replacement of direct gas fired hot water heating units including flues where appropriate.

### Air Conditioning Equipment

All equipment including electrical controls

Direct Fired Air Handling Unit Room Heaters

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Direct oil or gas fired heater units including guards, flues, controls, thermostats, dedicated oil storage tanks, oil contents gauges, oil pipework services and fittings.

### **Lifts, Hoists, Barrier, Lifting Aids**

The whole of the passenger or goods lift installation including wiring, controls, doors, guides, motor, gearbox, pulleys, cables, safety equipment, and lift car finishes Window cleaning cradles, beams, cables and winches.

### **Under floor heating installations**

Underfloor heating cables, ceiling heating systems including all elements, wiring, controls, isolator thermostats.

In addition, the Authority will make good any consequential damage it causes that affects the areas for which the Governing Body is responsible, and will undertake other directly associated and beneficial improvements which may sensibly be implemented at the time of a capital repair and maintenance project, subject to the availability of funding.

### **Schools Contribution to repairs and maintenance deemed as capital works. (further clarification)**

Replacement works identified as capital expenditure by inclusion in the above list but which cost less than £10,000 will be the responsibility of the school Governors. However, such works may be considered for LA funding, but:-

- ONLY in the event of total replacement; AND,
- where applicable to the whole school.

Partial replacement/repair/maintenance works are a revenue item and are, therefore, a governors' responsibility.

However, where such works:-

- are expected to cost in excess of £10,000;
- cannot be phased in two or more stages;
- comply with the CIPFA Code of Practice for the definition of capital maintenance;
- are included in the above list as a LA responsibility for total replacement; AND,
- can be justified by the school as being a more cost effective solution to replace rather than undertake partial repairs, then the LA may consider funding the works as a capital item, as soon as resources are available, on the following basis:-
  - a) The school funds the first £10,000
  - b) Amounts above £10,000 are funded 50% by the school and 50% by the LA, up to the utilisation of 50% of the current year's formula capital allocation.
  - c) Once the limit at b) above is reached, the LA will fund 100%.

# Scheme for Financing Schools September 2015

## . APPENDIX D

### **Asset Loan Scheme for Local Authority's Maintained Schools**

#### **Introduction**

1. This scheme is designed for the benefit of schools to provide a means of funding particular projects at a time when sufficient funds may not be available at an individual school level. The scheme provides for schools to take out a loan and pay back in instalments.

#### **Qualifying Schools**

2. All LA schools within the scope of Central Bedfordshire's Scheme for Financing Schools.

#### **Qualifying Asset Purchase and Capital Projects**

3. New asset loans which the LA is satisfied are for a purpose in the interests of the school, with the overriding condition that the expenditure is for the enhancement, replacement, or provision of an asset which will have a life at least as great as the duration of the loan agreement entered into with Central Bedfordshire. The LA will apply a number of checks to assess the projects that will be financed by the asset loan and the affordability of the loan.
4. Request for asset loan for capital projects related to expansions or addressing suitability issues, must be supported with clear rational i.e.;

  - Demand for places as judged by first and second preference data and PAN/admissions numbers
  - Performance – Ofsted rating and relevant attainment
  - Severity, impact and evidence of overcrowding/lack of key specialist facilities on school and curriculum,
  - Strength (not quantity) and independence of evidence to support the issues.

The evidence could include:

- Specialist reports, photographs
  - Ofsted or other reports on impact of facilities on teaching and learning
  - Evidence that the project is in interest of the school, this should include a copy of School Development Plan (SDP)
5. Requests for asset loan agreements will be considered only if made by resolution of the full Governing Body, and projects must conform with the delegated powers of Governing Bodies.

#### **Method Of Financing Asset Loans**

6. The Council reserves the right to utilise funds held as schools' balances to finance specific capital projects which are the subject of agreements entered into by individual schools under the Asset Purchase Loan Scheme, but all schools have an overriding right to access their own unspent reserves at any time.

## Scheme for Financing Schools September 2015

### **Availability of Asset Loan Funds**

7. The annual volume of schools' total reserves will influence the total amount available annually for new asset purchases. The sum of Licence Deficit and Loans will not normally be more than 1/3 of schools' total unspent balances as at the previous 31 March.

### **Applications**

8. Loan applications must be made on the prescribed form and be supported by a resolution of the full Governing Body. Schools are required to complete an application form and submit supporting information related to ability of the school to pay back the loan.

### **Approval Process**

9. Assessment will be undertaken by a panel consisting of Council Officers representing Children's Service Finance and the School Organisation, Admissions and Capital Planning Team, in addition to two members of the School Forum, nominated on an annual basis by the Forum. Approval for successful applications will be subject to the approval of the Director of Children's Services and the Chief Finance Officer, or their nominated representatives.
10. Applications which meet the criteria but cannot be funded within the limit of available funds in the year in which the request is made will be recommended for approval as a priority in the following financial year.
11. Agreement with a Governing Body for a Capital Loan will be entered into by Central Bedfordshire Council, provided all the criteria of this scheme have been met.

### **Affordability and Limitations on Value of Asset Loans**

12. Affordability of the loan

Before deciding whether to apply for a loan schools must consider the affordability of repayments. Before approving the loan the LA will consider a number of test to assess the affordability and viability of the loan. This will include:

- a) the annual loan repayment must be less than 4% of the school's budget share received in the year that they apply
  - b) the school must not be in a financial difficulty or Notice of concern
  - c) the school's financial statements (year end returns) must show a cumulative revenue surplus
  - d) the school's latest budget forecast shows a forecast cumulative revenue surplus to the end of the financial year.
  - e) the school must have submitted all their key financial returns (in the last 12 months) on time
  - f) the school is not ranked Red or Amber in RAG rating analysis of its financial health.
13. The maximum permitted value of a asset loan should not normally exceed 10% of a school's budget share.

## **Scheme for Financing Schools September 2015**

14. The minimum value of a purchase considered to be appropriate to the scheme is £10,000.

### **Interest**

15. Interest will be payable during the period over which the school spreads the cost of the purchase. The interest rate of such loans is the Bank of England Base Rate.
16. An administration fee of £50 will be charged for processing each application and subsequently setting up the loan.

### **Methods of Making Annual Payments Under The Asset Loan Scheme**

17. Annual payments will be scheduled as an expenditure item in the annual school budget plan.
18. Schools entering into a loan agreement will be charged the repayment sum by reducing school's revenue payments following the date of the loan agreement and annually on the same date thereafter during the life of the agreement. The certification of the initial application form by the Headteacher and Chair of Governors will authorise the LA to reduce school's revenue as per agreed repayments schedule until the loan has been repaid in full.

### **Permitted Payment Periods under Asset Loan Agreements**

19. The minimum payment period is twelve months, spanning two financial years.
20. The first payment should be within the full year of the approval of the loan.
21. The maximum payment period is three years from the first payment date.

### **Early Payment**

22. Payment of any outstanding loan amount, and accrued interest, can be made at any time without penalty.

### **Payment Conditions In The Event Of Change Of School Status**

23. The loan agreement will be between the corporate Governing Body at the time of the purchase/project and the Council. The following conditions therefore apply:

### **Reorganisation Of Schools**

24. A school will be required to fully repay any outstanding amounts under a loan agreement prior to the dissolving of its Governing Body where this is due to closure or amalgamation.

### **Schools Leaving the Control of the LA**

25. If a school leaves the control of Central Bedfordshire Council for whatever reason, e.g. obtaining status as a Foundation School or as an Academy, full and immediate repayment of the outstanding amount will be made by the

## Scheme for Financing Schools September 2015

school in question, unless the liability can be voluntarily transferred to the successor Governing Body, i.e. to the Academy Trust, in the commercial transfer agreement.

### **Multiple Asset Purchase Loan Agreements Entered Into By One Establishment**

26. A school can have as many asset purchase agreements as it wishes, subject to the caveat that the sum of the annual payment due under a new agreement and annual payment(s) being made under earlier agreements, comply with the affordability and limitations described in paragraphs 12 and 13 above, and subject to the value of each individual purchase being in excess of the minimum purchase price of £10,000.

### **Application Evaluation Criteria**

27. Capital loans must be for capital (projects/asset purchase) purposes with the overriding condition that the expenditure is for the enhancement, replacement, or provision of an asset which will have a life at least as great as the duration of the purchase agreement.

### **Project cost and funding**

28. Application will be evaluated and assessed based on cost of the project or asset. Schools applying for the asset loan should demonstrate that the costs are right for the project. The panel will consider:
- Clarity of scope and reasonableness of costs
  - Value for money of the project or asset
  - Evidence of the costs and costs certainty
  - Proportion of the funding provided by other sources i.e. other government grants, school's budget share.
29. The school must not be in an overspent position as at the previous 31 March when the application is made or have in force an overspend agreement with the LA.
30. Evidence of adherence to the financial procedures to Ordering and Receipting, Works, Goods & Services and Financial Regulations for Schools with reference to procurement.

**Scheme for Financing Schools  
September 2015**

**APPLICATION FORM TO ACCESS THE ASSET LOAN FOR LA MAINTAINED  
SCHOOLS**

**School Name:**

**Amount of  
Loan:**

£
---

**No of Yrs:**

--

**Projected start  
date:**

--

**Scheme  
Completion  
date:**

--

**Please note: The maximum period is 3 years.**

**Brief Description of Proposal:**

(use additional page if necessary)

**Summary of Benefits to the School:**

(use additional page if necessary)

**Supporting evidence related to Capital Projects (refer to paragraphs 3 and 4  
of Asset Loan Scheme)**



**Scheme for Financing Schools  
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(use additional page if necessary)

**Supporting evidence related to project cost and funding (refer to paragraph 28 to 30 of the Asset Loan Scheme)**

(use additional page if necessary)

**Scheme for Financing Schools  
September 2015**

**Date and Minute of Resolution of Full Governing Body:**

(use additional page if necessary)

I accept the terms and conditions of Central Bedfordshire capital loan scheme and will fully comply with Scheme for Financing Schools.

Signed:

Headteacher..... Date:.....

Chair of Governors.....Date:.....

**Approval:**

Chief Finance Officer.....Date:.....

Director of Children's Services:.....Date:.....

# Scheme for Financing Schools September 2015

## APPENDIX (E)

The Head Teacher and Chair of Governors

Dear Colleague

20XX/20XX Confirmation of School Budget Surplus / Deficit Balances

I am writing to confirm your final position for 20XX/XX, which should correspond to that previously reported to you in your Period 13 report and your Final CFR return.

Your school had a balance of £.....(including earmarked funds) as at 31st March 20XX.

Committed Revenue (B01)	-	Per your CFR Return
Uncommitted Revenue (BO2)		Per your CFR Return
Devolved Formula Capital (B03)	-	Per your CFR Return
Other Capital (B05)	-	Per your CFR Return
Extended School Balance (B06)	-	
Total Reserves	£	

These balances are subject to Section 4 The treatment of Surplus Balances in the Scheme for Financing Schools and are subject to claw-back of £ calculated as per Section 4 of the Scheme.

Uncommitted Revenue (BO2)	£
10/15% of ISB and other thresholds allowed	£
Claw-back	£

Where schools have a surplus balance that exceeds above thresholds prescribed in section 4 of the Scheme, the Governing Body are required to put in place a financial plan which gives explanations of holding these balances. Relevant evidence must support B02 Uncommitted Revenue Balances and be in written form and may comprise of:

Finance Governors Minutes  
Three year plans  
Projected Pupil Numbers  
Correspondence with Contractors  
Any other relevant information

The plan will be reviewed and agreed by a Sub Group of the Schools Forum. If the Sub Group of the Schools Forum is minded to believe that the school is not retaining the balance for appropriate reasons, then the excess amount of £.....will be clawed back from school's budget share.

Yours sincerely,