

# South Tyneside Metropolitan Borough Council

## Scheme for Financing Schools

**July 2012**

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## SECTION 1: INTRODUCTION

### 1.1 The Funding Framework

The funding framework which replaces Local Management of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act, (SSAF) 1998.

Under this legislation, local authorities determine for themselves the size of their schools budget and non-schools education budget - although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of 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).

Local authorities must distribute the ISB amongst their maintained schools using a formula that accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools' Forum, though the 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.

Subject to provisions made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for the purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under s.50.

An authority 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 (s.17 of the SSAF Act 1998).

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

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

Regulations also require the local authority to publish the 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

The purpose of the scheme is to set out the financial relationship between the LA and its maintained schools. The scheme sets out the requirements for sound financial management and associated issues. These requirements are binding on both the schools and the LA and are based upon the LA's financial regulations and standing orders amended as necessary to meet the needs of schools.

### 1.2.1 Application of the scheme to the Authority and maintained schools

This scheme applies to all community, nursery, voluntary, special foundation (including trust), and foundation special schools maintained by the South Tyneside Council (as listed in Appendix B). The scheme will also apply to any new maintained schools that open after 1 April 2012.

## 1.3 Publication of the scheme

The scheme is required to be published on the LA website by the date that the scheme comes into force, together with a statement that the scheme comes into force by that date. A copy of the scheme will be e-mailed to each school listed in Appendix B.

## 1.4 Revision of the Scheme

Schools will be consulted on any amendments to the scheme before they are submitted to Schools Forum for their approval. All proposed revisions must be submitted to Schools' Forum for their approval. Where the Schools' Forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

## 1.5 Delegation of powers to the Headteacher

All governing bodies have full responsibility for the management of the school's budget and for the appointment and dismissal of all staff taking into account the professional advice of the Corporate Director Children Adults and Families and their Headteacher. Governing bodies are required to:

- spend their budgets in a manner that is consistent with the implementation of the National Curriculum; with the statutory requirements relating to the curriculum as a whole, (including religious education and worship), to secure provision for children with additional educational needs and use their best endeavours to secure the provision set out in the statement of special educational need of any pupil registered at the school in so far as that provision is not made from central resources retained by the LA for that purpose;
- operate an effective and efficient education service within the strategic framework set by the LA for the benefit of their pupils;
- operate within their budget share;
- meet the actual cost of all expenditure from their delegated budget, any devolved funding (e.g. pupil premium grant) and any income accruing to the governors.

This scheme requires each governing body to consider the extent to which it wishes to delegate financial powers to their Headteacher. The LA has no wish to impose uniformity on schools but has set out a model scheme and code of practice for delegation to Headteachers, which sets out reasonable parameters that governing bodies are asked to consider. It is a suggestion only and governing bodies are free to determine arrangements appropriate to their circumstances.

However it is likely that the following will be included:

- appointment of teachers and non teaching staff,
- securing supply teaching and other staff cover in the event of staff absence or vacancy,
- employment of casual staff,
- virement between budget heads up to £5,000 in primary and £10,000 in secondary schools (all uses of this power must be reported to the governors as they remain responsible for the overall management of the budget),
- authority to order goods and services as necessary,
- authority to enter into leases up to a maximum of two years duration,
- negotiations with bankers,
- income matters, such as setting charges for one off activities,
- taking of corrective action to ensure budget plans are achieved,
- write off of debts up to a limit set by South Tyneside's Head of Finance above which the agreement of the Corporate Director Children Adults and Families is required,
- disposal of assets.

The level of delegation decided upon by the governors of the school and any subsequent revisions should be agreed by the full governing body and duly detailed in the minutes of the governing body. Such decisions will be subject to any requirements of regulations made under Section 38 and Schedule 11 of the School Standards and Framework Act.

Whatever their decision governors should delegate at least the day-to-day administration and management of the school finances to the Headteacher. The arrangements must also make clear the respective responsibilities of the governors and Headteacher for the Annual Budget Plan and delegated budget.

The Headteacher may, in turn, delegate certain tasks and responsibilities to other members of staff. Where such further delegation takes place the overall responsibility is deemed to remain with the Headteacher.

## 1.6 Maintenance of Schools

The LA is responsible for maintaining the schools covered by the scheme, and this includes the defraying of all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, the responsibility of 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 Schools Standards and Framework Act 1998.

## SECTION 2: FINANCIAL REQUIREMENTS; AUDIT

### 2.1.1 Application of financial controls to schools

As far as possible schools will be given the freedom to exercise choice that is compatible with exercising management autonomy over their budgets. South Tyneside LA will seek only to impose regulations that are consistent with the need for accountability and control over the expenditure of public funds.

In managing their delegated budgets, schools are required to abide by the LA's requirements on financial controls and monitoring.

Should any inconsistency be detected between this scheme and any decision or other document produced by South Tyneside LA whether in exercise of its education powers or otherwise that purports to apply to schools with delegated budgets, this scheme takes precedence.

### 2.1.2 Provision of financial information and reports

School governors are responsible for:

- ensuring that there are effective controls in place for authorising, monitoring and controlling expenditure and obtaining value for money,
- maintaining accurate records of all income and expenditure transactions using an accounting package approved by the LA and
- providing the LA with copies of expected and actual income and expenditure, accounts, records, information and other relevant documentation in such form and at such times as required (this includes provision of information to Internal Audit, Council appointed external auditors, Revenue & Customs).

Under Section 151 of the Local Government Act 1972, the Council's Corporate Director Business and Area Management is responsible for the probity and regularity of South Tyneside's financial activities. The Council's Corporate Director Business and Area Management (or other officer given authority to act on his or her behalf) will have the right to intervene in the financial affairs of a school where there are concerns about compliance with financial regulations or other guidance set out in this document or those to which it refers. In such an event the LA may withdraw delegation and any resultant costs arising for the LA will normally be charged to the school's budget.

South Tyneside Council has an overall responsibility to monitor school finances. Schools are required to provide the authority with details of expected and actual expenditure and income, in a form (generally in line with Consistent Financial Reporting) and at times determined by the authority. This will not be more often than quarterly (except for information connected with tax or banking reconciliation) but may be more frequent if the LA has given the school notice in writing that it is concerned about its financial management or the school is in its first year of operation.

### 2.1.3 Payment of bills

South Tyneside Council offers a local imprest account for all expenditure to all of its schools..

All schools covered by the provisions of this scheme must comply with the requirements set out in the school Governors Financial Regulations.

These provisions state that a school may use its local imprest account to pay for all goods and service included in the delegated budget.

A school must not use its local imprest account to pay for any excepted items such as non-LA activities supported by School Funds or PTA Funds.

#### 2.1.3.1 Payment of salaries and wages

The governing body shall be responsible for the payroll routines for employees working in their school. This responsibility will include calculating of all remuneration, pensions and gratuities, deductions for income tax, superannuation, National Insurance, the advance and recovery of any loans agreed by the school, etc. Governors will normally discharge these responsibilities with the assistance of their payroll provider.

- A Where the governing body chooses to use South Tyneside Council's Payroll Service both parties will be required to meet the requirements of an appropriate Service Level Agreement (SLA) that will make clear their respective responsibilities in these matters. This will include a statement about what information the payroll provider will provide to the school and other relevant agencies such as pension funds and Revenue & Customs.
- B Should the governing body exercise this responsibility through some other provider then it is in the governing body's interest that their contract is equally clear about these matters. If governors do not do so they expose themselves to great risk and are therefore advised to seek advice from the Corporate Director Children Adults and Families about their view as to the provider's ability to carry out the functions set out above.

#### 2.1.4 Control of assets

Governing bodies are responsible for the safe custody and control of the school's and the LA's assets, income and stores. This scheme requires that inventories of all movable non capital assets must be held and kept up to date when schools within this scheme make purchases. These inventories can be maintained on a computer system.

Alternatively, those schools using a manual record are strongly recommended to use the standard recommended format for all items over £1,000, the limit set by the Secretary of State in regulations and it is suggested that they keep the inventory for lesser value items in the same format.

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

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures.

#### 2.1.6 Writing off of debts

Governing bodies are authorised to write off debts up to the limit set in the School Governors Financial Regulations. The governing body may choose to delegate the responsibility for approving write-offs of small sums to the Headteacher.

Debts above this level need to be discussed with the Corporate Director Children Adults and Families.

Any schools experiencing problems recovering money due should contact the School Finance Service for advice and support.

#### 2.2 Basis of accounting

Reports and accounts provided to the LA by schools within the scheme shall be on an accrual basis and shall include the projected out-turn.

#### 2.3 Submission of budget plans

The governing body of each school within the scheme is required to submit an approved budget plan showing its intentions for expenditure in the current financial year and the assumptions underpinning it to the LA no later than 31st May.

Provisional budget plans should be submitted within 4 weeks of schools receiving their budget information from the LA.

The budget plan must include all relevant items of expenditure and income along with any specified supplementary information. Schools must take account of any surplus from earlier years and must take account of any accumulated deficit when formulating its plan. The LA will provide schools with all income and expenditure data that it holds which is necessary to efficient planning by schools such as inflation rates and pay rates that it recommends should be used in the budget planning process. Schools will also be provided with an annual statement setting out when the LA expects this data to be available.

Schools will also provide details of any proposed virements from the agreed plan on a termly basis of any financial year together with an explanation of any significant virement.

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

Future-year financial forecasts indicate that a school is undertaking effective financial planning and so will be used as evidence to support the compliance with the Financial Management Standard in Schools (section 2.15) and will be used to support the LA's balance control mechanism (see section 4).

## 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.

## 2.5 Virements

Schools are free to vire between budget headings in the expenditure of their budget shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required.

This freedom to vire is sometimes restricted in the case of devolved funds. The extent of possible virement will be made clear in respect of each fund devolved.

## 2.6 Audit: General

In regard to internal audit, all schools come within the audit regime determined by the LA and will be subject to audit as and when deemed necessary by the Section 151 Officer.

In relation to external audit all schools come within the LA external audit regime as determined by the Council's external auditors.

Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed to audit the local authority itself (external audit).

The accounting records and supporting prime documents are to be retained by schools covered by the scheme together with all other records relating to their financial administration. These records must be readily accessible and made available for inspection by the auditors (both internal and external) and other such external bodies that have a statutory right of access e.g. HM Revenue & Customs.

## 2.7 Separate external audits

In instances 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 co-operate with the LA's internal and external auditors.

If a school chooses to exercise this discretion it should ensure that the appointed auditors are competent and that the Corporate Director Children Adults and Families is notified of the appointment.

## 2.8 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. The Consistent Financial Reporting (CFR) framework requires that private funds under the control of the governing body are included in the school's assets.

Where fund turn-over (income or expenditure) is under £10,000 for the twelve month period, a statement from the governing body that they have chosen not to seek an independent examination or audit of the fund and assert the financial statement for the fund is supported by the records of the fund and all necessary disclosures have been made.

Where fund turn-over (income or expenditure) is between £10,000 and £250,000 for the twelve month period, the governing body must provide the report of an independent examination or audit certificate of the fund.

Where fund turn-over (income or expenditure) is over £250,000 for the twelve month period, the Governing Body must provide an audit certificate of the fund.

An independent examination can only be performed by someone independent of the school and an audit certificate can only be provided by a registered company auditor following CIPFA guidelines.

The failure by a school to provide such certificates renders itself liable to being in breach of the scheme.

## 2.9 Register of business and pecuniary interests

The governing body of each school is required to establish and maintain a register that lists for each member of the governing body and the Headteacher and staff, any business and pecuniary interests they or any member of their immediate family have. The governors are also required to keep the register up to date with notification of changes through annual review of entries, and to make the register available for inspection by governors, staff and parents, and the LA. Nil returns from staff and governors should be included in the register.

## 2.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the LA's financial regulations and standing orders for this scheme in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

The governing body may enter into capital expenditure and leasing contracts and agreements but they are subject to the Corporate Director Children Adults and Families whose permission must be obtained in advance of any such agreement being entered in to. Further information on expenditure on capital schemes can be found in paragraph 2.14 and leasing arrangements in paragraph 13.28.

## 2.11 Application of contracts to schools

Schools have the right to opt out of LA arranged contracts except where they have lost that right for particular contracts (whenever started) in accordance with a specified written procedure. In such cases they will be bound into the contract for its length (although the contract might contain clauses allowing variance of its terms and conditions).

In general schools, under paragraph 3 of schedule 1 of the Education Act 2002, enter into contracts on behalf of the LA as maintainer of the school and owner of the funds in the budget share. However where a governing body has a clear statutory duty, e.g. contracts made by aided schools for the employment of staff, they are acting on their own behalf.

## 2.12 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations that are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used.

While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant that 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. Such allocations may also be sums for Special Educational Needs or other initiatives funded from the central expenditure of a LA's School Budget or other LA budget; once again these should not be assimilated into the school's budget share.

Unless otherwise stated, such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. In general schools should assume that earmarked funds not spent within the period over which schools are allowed to use the funding (which could be different from a financial year) will be returned to the LA.

No deductions in respect of interest costs to the LA will be made from payments to schools of devolved specific or special grants.

## 2.13 Spending for the purposes of the school

Although s.50 (3) of the Act allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme. By virtue of section 50(3A), 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.

Governing bodies are reminded that the prime purpose of the school and its consequent expenditure should be the provision of teaching and learning for the pupils and students attending the school.

In addition the following restrictions shall apply:

- Expenses incurred in connection with staff farewell celebrations and other such social events shall not be funded from the schools delegated budget.
- The advice of the Corporate Director Children Adults and Families should be sought in relation to proposed grants to individuals or groups since these may not be classifiable as being for the purposes of the school.

The costs of non-school activities taking place on school premises are specifically excluded from schools' budget shares; these include expenditure on:

- Adult and community education, youth services, nursery schools, boarding houses, pupil referral units and secure units;
- Pre and post school activities, crèches and nurseries and other self-financing activities. Additional costs in providing these activities must be met from income raised from charges to participants for the activities;
- Non-curriculum activities. The costs of trips such as skiing must be met from charges to participants;
- Fund raising activities.

#### 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 in addition to any devolved capital grant. This includes expenditure by the governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of Schedule 3 of the Schools Standards and Framework Act 1998.

If the expected capital expenditure from the budget share in any one year will exceed £20,000, the governing body must submit detailed proposals to the Corporate Director Children Adults and Families prior to taking any other action and take into account any advice from the Corporate Director Children Adults and Families as to the merits or not of the proposed expenditure.

Where South Tyneside Council owns the premises then the governing body shall seek the consent of the LA to the proposed works, but such consent will only be withheld on health and safety grounds. The reason for these requirements is to help ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation.

## 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 Corporate Director Children Adults and Families, 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, but are not limited to:

- 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;
- 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 LA may take where the governing body does not comply with the notice.

## 2.16 Schools Financial Value Standard

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.

Maintained schools that did not achieve the Financial Management Standard in Schools (FMSiS) must submit the form to the local authority before 31 March 2012, and annually thereafter.

All other maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

## **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.

## SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

### 3.1 Frequency of Instalments

Governing bodies shall be allocated a cash sum each year by South Tyneside, called their Schools Budget Share. The school and the LEA shall agree a frequency of payment of budget share (no less than termly) into the school's local imprest account or external bank account. If the school uses South Tyneside's Payroll service, then the budget share amount paid will be appropriate to the non-pay budget for each school. The Schools Budget Share shall remain South Tyneside's property until spent by the governing body and is spent by the governing body or Headteacher as South Tyneside's agent.

### 3.2 Proportion of Budget Share payable at each instalment

Budget share will be of three amounts paid into the bank account on the first day of each term. Where monthly instalment has been requested, either the full amount or the budget share net of pay costs will be paid in 12 instalments on the first day of each month. The pay costs will be estimated using the latest payroll information on the establishment of the school.

### 3.3 Interest clawback

The LEA will deduct from budget share instalments an amount equal to the estimated interest lost by the LEA in making available the budget share in advance.

- a) For termly instalments interest will be charged on the amount advanced for the period of the relevant term. The interest rate to be used is that which applies at the end of the previous March based on the average cost of borrowing by the LEA.
- b) For monthly instalments excluding payroll there is no charge for interest.
- c) For monthly instalments including payroll interest is to be charged on the amount advanced for a period of one month. The interest rate to be used is that which applies at the end of the previous March based on the average cost of borrowing by the LEA.

### 3.4 Budget Shares for Closing Schools

Where a date has been approved under the relevant sections of the Act to close a school, the payment of budget allocations will continue up to the date of closure in the same manner as hitherto. However, the maximum amount that will be so transferred to the control of the governors will be the pro rata share of what would have been the annual budget share had the school not been discontinued, (including any deductions in respect of deficits from earlier years) together with any agreed additions to meet exceptional costs approved by the LA from central budgets. Consequently the percentages set out in paragraph 3.1 above may need to be adjusted appropriately depending on the date of closure. Where the closure is phased over more than one financial year these arrangements will only apply in the last financial year in which the LA maintains the school.

### 3.5 Bank and Building Society Accounts

All governing bodies may have an external bank account into which their budget share instalments are paid subject to the requirements set out in 3.8 below. Where schools have such accounts they shall be allowed to retain all interest payable on the account.

New bank arrangements shall only be made following three months written notice of intention to change.

Any school requesting a bank account shall not be able to have one until any deficit is cleared. Schools must not be overdrawn as a matter of course and should notify South Tyneside of any instance of going overdrawn.

Schools operating an external bank account can request their surplus balance held by South Tyneside in respect of the school's budget share be transferred to the bank account, subject to where the Council provides the payroll service on behalf of the school such amount relates to planned expenditure on non-pay costs. Both the school and South Tyneside must agree the estimated surplus balance on the basis that subsequent corrections can be made when the schools' accounts are closed.

#### 3.5.1 Restrictions on Accounts

Responsibility for opening an external bank account will be with the school who will notify South Tyneside as to their preferred bank. Bank accounts will be in the name of the Council and school, e.g. "South Tyneside Council XX School Account". Cheque signatories will be determined by the governing body and notified to the Corporate Director Children Adults and Families, but must be employees of the school or officers of South Tyneside where delegation has been withdrawn. Two signatories will be required for all cheques and other documents withdrawing funds from the bank.

The opening of all accounts shall be authorised by the governing body that shall set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The account mandate should acknowledge that:

- South Tyneside is the owner of the funds in the account;
- it is entitled to receive bank statements; and
- it can take control of the account if the school's right to a delegated budget is suspended by the LA.

The bank shall also be advised that the account must not become overdrawn. Schools are, in any case, prohibited from borrowing to finance a revenue deficit under the terms of the Scheme for Financing Schools (see paragraph 3.7).

Schools will only be permitted to open an account with the institutions approved by the Corporate Director Business and Area Management. Detailed procedures on the use of bank accounts are contained in the External Bank Account Guidelines.

### 3.6 Borrowing by Schools

Schools may borrow money only with the written permission of the Secretary of State. Any request to the Secretary of State for such permission must have been subject to prior notification to South Tyneside. Debts incurred by Trustees and Foundations, who will be able to borrow as private bodies, cannot be serviced directly from delegated budgets of schools, 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.

The Scheme for Financing Schools places a duty on the governing body of all maintained schools to plan and conduct its affairs so as to remain solvent. Schools must not borrow to finance a deficit, including through a bank overdraft. Schools shall apply good financial management practice by forecasting their cash position with reasonable accuracy to ensure that they refrain from incurring a revenue deficit, as well as maximising interest from available funds.

The general provision in the paragraphs above forbidding governing bodies to borrow money shall not apply to schemes operated by South Tyneside as set out in paragraphs 4.9 and 4.10.

Schools are not permitted to use charge cards or credit or debit cards, except under the terms and conditions agreed with the Corporate Director Children Adults and Families. Schools wishing to apply for a credit card should make the application in the first instance to the Schools Finance Service.

### 3.7 Other provisions

South Tyneside may formulate further rules and guidance in respect of other aspects of banking arrangements.

## SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

### 4.1 The right to carry forward surplus balances

All schools will be able to carry forward surplus balances from one year to the next. The amount of surplus balance to be carried forward for each school will be shown in the out-turn statement published by the LA under s.251 of the Apprenticeships, Skills, Children and Learning Act 2009. The surplus will be calculated by taking the difference between expenditure and the school's budget share for the year plus or minus any balance brought forward from the previous year.

### 4.2 Controls on surplus balances

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2007:

- a) the Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b) the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance and any unspent pupil premium funding for the previous financial year;
- c) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the 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 but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
- d) if the result of steps a-c is a sum greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the 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.

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.

#### 4.3 Interest on surplus balances

South Tyneside Council does not pay interest on surplus balances.

#### 4.4 Obligation to carry forward deficit balances

Where a school completes a year-end with a deficit, the school's deficit balance to be brought forward will be identified in the school's S.251 out-turn statement agreed and published by South Tyneside. Except in exceptional circumstances the school shall repay the deficit in the following financial year.

#### 4.5 Planning for deficit balances

A school will normally be prohibited from planning for a deficit in any one financial year unless the school applies and is granted a licensed deficit. Unless South Tyneside approves a licensed deficit, schools should ensure that the total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts brought forward from the previous financial year.

#### 4.6 Charging of interest on deficit budgets

South Tyneside Council does not charge interest on deficit budgets.

#### 4.7 Writing off deficits

South Tyneside will not write-off the deficit balance of a school. Schools Forum has the power to allocate funds from contingency for Schools in Financial Difficulty dependent on any application meeting the necessary criteria.

#### 4.8 Balances of closing and amalgamated schools

When a school closes, the final established balance (whether surplus or deficit) of the school will be transferred to South Tyneside. The balance cannot be transferred to the successor 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.

## 4.9 Licensed deficits

South Tyneside will consider, in exceptional circumstances, a school's request to plan for a licensed deficit. Approval for a licensed deficit will only be given in respect of the following:

- Significant, but temporary falling rolls
- Abnormally high requirements for teacher cover during the forthcoming financial year
- Equipment and works to premises that does not fall within the definition of capital expenditure.

All schools with a licensed deficit are required to provide monthly monitoring returns in a manner and format that South Tyneside determines.

Regular meetings will be required with schools with deficit budgets by the Corporate Director Children Adults and Families and his/her representatives to review the progress towards reducing the deficit budget.

A licensed deficit must be recovered within a maximum of three years.

## 4.10 Loan Scheme

As an alternative to a licensed deficit a loan arrangement for schools exists. Loans are available to fund the following general categories of expenditure, provided that the level of expenditure exceeds £10,000:-

- Computer or office equipment
- Enhancement, improvement and extension to premises
- Contributions to secure match funding from external sources

The period for repayment of a loan in respect of office equipment shall not exceed three years. The period for loans for other equipment shall not exceed five years. The interest rate to be charged will be the Council's average lending rate at the time the loan is approved. This rate will be fixed for the period of the loan.

The maximum amount available through the school loans scheme is:-

- Primary and special schools - 5% of the delegated sum in the year of application
- Secondary schools - 2.5% of the delegated sum in the year of application.

Schools which are unable to meet the cost of Job Evaluation from existing resources are eligible to apply for a loan. The minimum loan is £5,000 and repayable over five years (salary protection for staff whose pay is reducing will end after three years and is expected to be the source of funds for repayment).

## SECTION 5: INCOME

### 5.1 Income from lettings

The governing body shall be responsible for arrangements for the collection, custody, control and banking of income that the school has authority to collect and account for. The Headteacher must complete regular financial returns of income banked (including the value of VAT). All income collected must be accounted for separately by collecting officers and not mixed with other official, voluntary or private funds. In addition, income collected must not be used to cash personal or other cheques.

Payments of any sort must not be paid from income collected unless expressly authorised under the Scheme for Financing Schools.

Income collected by either governors or school officers on behalf of the school will be acknowledged by the issue of an official numbered receipt.

Each governing body and Headteacher shall be responsible for ensuring that all accounts for the recovery of income within their authority are rendered promptly and all sums due are correctly recorded. The governing body should set a policy for the collection of any debts due to the school. There shall be procedures to follow in the event of writing-off a debt as irrecoverable to ensure the correct authorisation is obtained within the school and from South Tyneside where appropriate (see also Section 2.1.6).

The governing body may retain income from lettings. However, the schools are required to have regard to any policy statements on charging produced by South Tyneside.

The governing body will be allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the School's budget share. However, schools will be required to have regard to directions issued by South Tyneside as to the use of the premises.

For any schools under a PFI/PPP agreement alternative arrangements may exist for lettings income and this is contained in Section 9.

### 5.2 Income from fees and charges

The governing body may retain income from fees and charges except where a service is provided by South Tyneside from centrally retained funds. However, schools are required to have regard to all policy statements on charging produced by South Tyneside.

### 5.3 Income from fund raising activities

Schools may retain income from fund-raising activities.

### 5.4 Income from 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 will be for South Tyneside 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 South Tyneside. (See also Section 2.1.4).

### 5.5 Administrative procedures for the collection of income

Schools will be required to apply proper procedures for the accounting and collection of VAT on fees and charges arising from fund-raising activities and the sale of assets. South Tyneside will establish administrative procedures for the collection of income that may vary from time to time in the light of advice from the VAT authorities.

### 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.

## SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

### 6.1 General provision

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

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 Section 496 of the Education Act 1996. The LA may only charge the actual cost incurred and the LA may incur a cost only for matters where it has a statutory duty to provide. If that statutory duty belongs to others, the LA has no power to intervene.

#### 6.1.2 Charging of salaries at actual cost

The LA is required to charge school budget shares with the salaries of school based staff at actual cost.

### 6.2 Circumstances in which charges may be made

Recovery of premature retirement costs that have been incurred without the prior written agreement of the LA to bear such costs. The amount chargeable will be the amounts in excess over any amount agreed by the LA.

Recovery of other expenditure incurred to secure resignations where the school had not followed LA advice.

Recovery of awards by courts and industrial tribunals against the LA arising from action or inaction by the governing body contrary to the LA's advice.

Recovery of expenditure by the LA in carrying out 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 to a satisfactory standard.

Recovery of expenditure by the LA incurred in making good defects in building work carried out by governing bodies to premises owned by the LA or the school has voluntary controlled status.

Recovery of 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.

Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to the disputes procedure set out in section 6.1 above or have been referred to a disputes procedure set out in a service level agreement or contract managed by the LA, and the result is that moneys are owed by the school to the LA.

Recovery of penalties, including any interest, imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue & Customs, Teachers Pension the Environment Agency or regulatory authority as a result of school negligence.

Recovery of sums to correct errors made by the LA in calculating charges to a budget share (e.g. pension deductions). No such deductions will take place if the error relates to a period for which the accounts have been closed.

Recovery of additional costs incurred by the LA arising from decisions by the governing body on the length of the school day e.g. transport costs and failure to notify the LA of non-pupil days resulting in unnecessary costs.

Recovery of legal costs incurred by the LA because the governing body did not accept the advice of the LA.

Recovery of the cost 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.

Recovery of any 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.

Recovery of any compensation for costs incurred by the LA if a school fails to pay a debt and which subsequently falls upon the LA to pay. This will include interest payments as per the Late Payment of Commercial Debts Act 1998.

Costs incurred by the authority 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 that statement;

Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a service level agreement (SLA) with the LA, but has failed to pay an amount due under the SLA. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure. Days in August will not count towards the 30 days. This will apply equally to requests for payment for both packages of services and "pay-as-you-use" services.

Recovery of sums outstanding for 30 calendar days or more from the date the request for payment is issued where the school has entered into a contract managed by the LA, but has failed to pay an amount due under the contract. This will only take effect if the school has not disputed the payment through the relevant contracts dispute procedure; or where the dispute procedure has held the school to be liable for a sum and it has not paid. Although the LA will use its best endeavours to avoid a significant part of the 30 days falling in August, no general dispensation can be given since the disputes and payment period are likely to be conditions of the contract.

Recovery of costs incurred by the LA where the school has failed to return information required by the LA on time, or where the information has to be corrected. This will be charged in accordance with the list of charges under service level agreements for ad hoc work, where these are applicable.

Recovery of penalties imposed on the LA by copyright or similar agencies as a result of a governing body failing in its responsibility for copyright or similar compliance.

Recovery of costs incurred by the LA, because the governing body did not abide by the Scheme, resulting in additional work for the Schools Finance Service or Internal Audit beyond their regular programme of work.

Costs incurred by the LA as a result of withdrawal of delegation.

Many grant making organisations require that bids for grants for specific projects have the support of the LA before the bid is submitted. In the event that a school that had received a grant failed to complete the project in a satisfactory manner, the LA would be required to return the funding. In such a case, the LA will recover the funds from the school's account.

Recovery of any costs to the LA as a result of the governing body being in breach of the terms of a contract.

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.

At the end of the financial year, recovery of unspent balances of allocations from centrally held budgets. Where actual expenditure did not meet the conditions of the grant aid or specific purposes for which the allocation was made, the value of that expenditure will be included in the unspent balance. In the case of grant-aided expenditure the recovery will include both the values of the grant aid and the LA's contribution unless the matched funding came from the school's delegated budget.

Recovery of the 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.

## SECTION 7: TAXATION

### 7.1 Value Added Tax (VAT)

The governing body must, in forms specified by South Tyneside as the local authority, ensure VAT on income and expenditure is recorded correctly and timely. Schools may not deal direct with Customs & Excise in respect of VAT except in the case of private funds or charity accounts that are registered for VAT purposes. Should there be any doubt as to the applicability of VAT on any payment or receipt, the Headteacher should contact the Schools Finance team.

Where the HM Revenues & Customs discovers errors in the operation of the VAT system within maintained schools they will seek to recover the appropriate portion of the tax from South Tyneside. Any amounts paid to the HM Revenues & Customs this way will be recovered from the school's delegated budget.

### 7.2 Construction Industry Taxation Scheme (CITS)

Payments to subcontractors employed by schools as contractors for work of a construction nature are subject to special verification and reporting. Each school shall make returns in a prescribed format providing details of payments made under the Construction Industry Tax declaration scheme.

Where the HM Revenue & Customs discovers errors in the operation of the CITS system within maintained schools they will seek to recover the appropriate portion of the tax from South Tyneside. Any amounts paid to HM Revenues & Customs in this way will be recovered from the Schools Budget Share.

### 7.3 Payments to individuals claiming to be self-employed

Schools are required to abide by procedures in connection with payments to individuals claiming to be self-employed. Schools must ensure that they receive documentary evidence that an individual is registered as self-employed with HM Revenues and Customs **and** the nature of the work carried out for school is reflective of self-employed status. Should the above be satisfactory, the individual can be paid as if self-employed, otherwise their payment **must** be paid through the schools payroll service, deducting tax and NI as appropriate.

Where HM Revenues & Customs discovers payments to individuals who themselves, or the nature of their work, is not self-employed they will seek to recover the appropriate portion of tax and NI from South Tyneside. Any amounts paid to HM Revenues & Customs in this way will be recovered from the Schools Budget Share.

## SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

### 8.1 Provision of services from centrally retained budgets

The LA will determine on what basis services from centrally retained funds will be provided to schools, but the LA will not discriminate in its provision of services on the basis of categories of schools except where:

- a) funding has been delegated to some schools only; or
- b) such discrimination is justified by differences in statutory duties.

### 8.2 Timescales for the provision of services bought back from the LA using delegated budgets

The term of any arrangement with a school starting on or after 1 April 1999 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, unless a longer period is required as part of a private finance initiative in order to provide capital investment.

#### 8.2.1 Packaging

South Tyneside may provide any services for which funding has been delegated. Where South Tyneside is offering the service on a buy-back basis it will do so in a way that does not unreasonably restrict schools' freedom of choice among the services available. Schools are able to purchase services on a service-by-service basis as well as in a package of services that South Tyneside may decide to offer.

#### 8.2.2 Pricing of services

When a service is provided, for which funding is not retained centrally by South Tyneside under the Regulations made under Section 26 of the School Standards and Framework Act 1998, it must be offered at prices which are set to cover the costs of providing the service overall, even if schools are charged at differential rates.

### 8.3 Service Level Agreements

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

Services, if offered at all by South Tyneside, shall be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements. Service level agreements with schools will be available to schools so that they are effective for the following financial year and schools will have at least a month to consider their terms.

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

#### 8.4 Premises and Liability Insurance Exemptions

Premises and liability insurance are excluded from the requirements under sections 8.1 to 8.5, as the limitation may be impractical for insurance purposes.

#### 8.5 Teachers Pensions

In order to ensure that the performance of the duty on South Tyneside to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on South Tyneside and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares. The conditions apply to all governing bodies of maintained schools in South Tyneside that have not entered into an arrangement with the Authority to provide payroll services.

All governing bodies should submit an annual return of salary and service to the LA. Governing bodies must also ensure that details of Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit shown in the AVC scheme.

All governing bodies of maintained school, which have entered into any arrangement or agreement with a person other than the LA to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the LA which South Tyneside, as the LA, requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. South Tyneside will advise schools each year of the timing, format and specification of the information required.

A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

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

## SECTION 9: PRIVATE FINANCE INITIATIVES/PUBLIC PRIVATE PARTNERSHIPS

### 9.1 Private Finance Initiative (PFI)

South Tyneside, as the LA, will consult and reach agreement with governing bodies of schools regarding the implementation of any Private Finance Initiative schemes for specific services.

Once the consultation has concluded, South Tyneside will issue regulations relating to PFI/PPP projects. These regulations will deal with a number of issues relating to PFI Schemes including the reaching of agreements with the governing bodies of schools as to the basis of charges relating to PFI/PPP schemes; the treatment of income from third party lettings and the treatment of monies withheld from contractors due to poor performance. All of these regulations will be contained in a school specific 'Governing Body Agreement' that the school will be required to sign before being included within any PFI contract. This agreement is between the LA and governing body and sets out details of the services provided under the PFI contract and the schools financial contributions.

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

## SECTION 10: INSURANCE

### 10.1 Insurance Cover

The funds for insurance have been delegated to schools. Schools are able to continue to buy insurance services from South Tyneside or to make alternative arrangements for the provision of insurance cover for all its insurable interests.

South Tyneside, as the LA, will require the school to demonstrate that the school has taken out insurance cover relevant to South Tyneside's insurable interests that is equal to a scheme South Tyneside could provide through funding from contributions from school's delegated budgets.

South Tyneside is required to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

## SECTION 11: MISCELLANEOUS

### 11.1 Right of access to information

Governing bodies are required to supply the LA with whatever information is required in order for the LA to satisfy itself that the school is managing its delegated finances satisfactorily. In normal circumstances the LA will not require any more information than is set out in other sections of this scheme and this provision will only be followed where there are concerns about the state of a school's financial management arrangements.

### 11.2 Liability of governors

Because the governing body is a corporate body and because of the terms of s.50 (7) of the School Standards and Framework Act 1998, governors of maintained schools would not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

A fraudulent act is an example of behaviour that is not in good faith. Breaches of the Scheme or rejecting LA advice as to financial management are not necessarily breaches of 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 at rates set by the LA.

Under section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Schools are 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. The Governor's Financial Regulations include guidance about rates for governors' allowances.

### 11.4 Responsibility for legal costs

Schools will not normally be reimbursed for the cost of legal actions or costs awarded against the LA where the school has not followed the advice of the LA. However, the LA may consider making a grant to meet such legal costs if the burden of such costs is likely to have an adverse impact on the ability of the school to meet its educational objectives.

This is separate from the cost of legal advice provided which may be obtained by the school either through an SLA with the LA or otherwise and will be paid for by the school in accordance with the arrangements the school has made for obtaining its legal advice.

Governors of voluntary aided schools are reminded that no legal costs relating to the governors statutory duties for buildings can be a charge on the LA for any reason as these are not part of the costs to the LA of maintaining a voluntary aided school.

Occasions might arise where the governors believe there is a conflict of interest between themselves and the LA. Where that is the case it is for the school to discuss this view with the LA in order to reach agreement about whether such a conflict does exist or might reasonably be expected to exist.

Where agreement is reached on this point, the LA will need to satisfy itself that the source of the governor's legal advice was appropriate (the diocese for example in the case of a diocesan voluntary aided school). The LA would need good reasons for rejecting any source of advice proposed by governors. Under these circumstances the school would not automatically be deemed not to be acting in accordance with the advice of the LA with the consequences set out above.

However, if no such agreement were reached or the school took advice from an unsatisfactory source or did not act in accordance with the advice given by the agreed appropriate source, the school would normally be deemed to be acting contrary to the advice of the LA and the consequences set out above would apply.

## 11.5 Health and Safety

When planning and expending the school's budget share, the governing bodies must have due regard to their own and the LA's duties with respect to health and safety by ensuring compliance. The LA will provide advice and guidance on an appropriate response to meet statutory requirements.

## 11.6 Right of attendance for Chief Finance Officer

Governing bodies are required to permit the Corporate Director Business and Area Management of the LA, or their representative, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities.

The attendance of the Corporate Director Business and Area Management shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine. Prior notice of attendance will normally be given except where it is impracticable to do so.

## 11.7 Delegation to New Schools

The LA may delegate selectively and optionally to the governing bodies of schools, which have yet to receive delegated budgets. By virtue of s.49 of the School Standards and Framework Act 1998 a new school must receive a delegated budget in the funding period prior to the funding period within which it opens (that is to say, the funding period during which it first admits pupils, unless the LA has obtained the Secretary of State's approval to make arrangements in place of those in the regulations).

## 11.8 Optional Delegated Funding

Where governors agree to take responsibility for items where delegation or devolution is optional, they must indicate their intention to do so by 1 February (unless some later date is expressly agreed) for the following financial year. Once made, that decision cannot be altered during the financial year in question. If a school wishes to change their decision they must do so by 1 February for the following financial year.

## 11.9 Obligations with respect to special educational needs

Governors are reminded of their statutory duties in respect of making proper provision for pupils with special educational needs and in particular the requirement to spend the resources over which they have control to secure the necessary provision for those children. Failure on the part of governors to comply with this requirement could lead to costs incurred by the LA being charged to the school's budget. If a school persistently failed to make proper arrangements for these pupils, this could be sufficient reason to withdraw delegation.

## 11.10 Interest on late payments

Under the Late Payment of Commercial Debts (Interest) Act 1998 all small company creditors must be paid within 30 days of the receipt of the invoice, unless there has been a dispute registered with the creditor. The creditor can, after such period has elapsed, submit a surcharge, on the original amount outstanding, of the current bank rate plus 8%.

## 11.11 Whistleblowing

South Tyneside has a whistleblowing policy called the Speak Out Policy for school governors and/or people working at a school to follow should they wish to complain about financial management of financial propriety at the school. This policy sets out how such complaints will be dealt with.

## 11.12 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Schools will not be recompensed directly for this release but schools are reminded that pupil disadvantage is a factor in South Tyneside's funding formula.

## 11.13 Redundancy/Early Retirement Costs

The funding of premature retirement and redundancy costs will be in accordance with the provisions of the Education Act 2002, which is that premature retirement costs must be charged to the schools budget, while redundancy costs must be charged to the local authority budget. However, circumstances may arise where there is cause for exception for the default position including but not limited to those below.

### Charge of dismissal/resignation costs to delegated school budget

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

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

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- Where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

Costs of new early retirements or redundancies can also be charged to the central part of the Schools Budget if the Schools Forum agree and the local authority can demonstrate that the "revenue savings achieved by any termination of employment are equal to or greater than the costs incurred".

## SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

### 12.1 Repairs & Maintenance

South Tyneside shall delegate all funding for repairs and maintenance to schools as defined by the statement showing the categories of work. This is shown in Appendix C. South Tyneside will only retain capital expenditure as defined by the CIPFA Code of Practice. Voluntary-Aided governing bodies will continue to have responsibilities for capital expenditure in addition to other responsibilities for repairs and maintenance on the same basis as Community and Foundation schools.

## SECTION 13: COMMUNITY FACILITIES POWER

### 13.1 Application of schemes for financing schools to the community facilities power

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. First, regulations made under s.28 (2), if made, can specify activities, which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under s. 28(1), the main limitations and restrictions on the power will be those contained in this scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

This section of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between South Tyneside and schools to secure the provision of adult and community learning.

### 13.2 Mis-management of community facilities funds

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

### 13.3 Requirement to consult South Tyneside

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, and have regard to advice given to them by their LA. This is South Tyneside in both cases.

### 13.4 Requirement to seek LA advice

Schools are required to seek LA advice in order that both schools and the LA are alerted to any potential financial and other operational liabilities. South Tyneside has adopted a formal procedure for considering schools' proposals and this should ensure that, from the outset, both parties are aware of all pertinent issues before any resource commitments are entered into.

Governing bodies must adhere to the following proposal procedures:

- If a decision is made to enter into a third party arrangement in respect of this provision, the governing body must submit a written proposal to South Tyneside.
- South Tyneside will respond and provide advice to the governing body, depending upon the type of agreement, within eight weeks of receipt of the proposal.
- If it is necessary the governing body must respond with a revised proposal within six weeks.
- The governing body must then comply with procedures as detailed in this "Scheme for Financing Schools" document when entering into a contract.

All community facilities arrangements are subject to this procedure.

### 13.5 Requirements relating to the provision of advice

South Tyneside is required to provide schools with advice within 8 weeks of being consulted, although South Tyneside will seek to offer advice earlier, if at all possible. Schools are required to inform South Tyneside of any action taken following receipt and consideration of South Tyneside's advice, within 6 weeks of receiving such advice.

### 13.6 Funding agreements with third parties

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

South Tyneside's requirement in relation to funding agreements with third parties (as opposed to funding agreements with South Tyneside itself) is that any such proposed agreement should be submitted to South Tyneside for its comments, giving South Tyneside at least 6 weeks to allow adequate time to consider and respond.

Once approved by South Tyneside the funding agreement may not impose a right of veto for South Tyneside on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires LA consent to the agreement for it to proceed, such a requirement and the method by which LA consent is to be signified is a matter for that third party, not for the scheme.

### 13.7 Agreements seriously prejudicial to the interests of the school or South Tyneside

Schools should be aware that, if an agreement has been or is to be concluded against the wishes of South Tyneside, or has been concluded without informing South Tyneside, which in the view of South Tyneside is seriously prejudicial to the interests of the school or South Tyneside, that may constitute grounds for suspension of the right to a delegated budget.

### 13.8 Projects with significant financial risk

The Scheme may not give a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power. South Tyneside may however, require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of South Tyneside by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by South Tyneside.

South Tyneside is required to operate this provision in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks.

### 13.9 Constraints on the exercise of the community facilities power

Section 28 of the Education Act 2002 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

South Tyneside may, if it wishes, propose other scheme provisions, which it believes to be necessary for inclusion within this section. This option will be kept under review and, where South Tyneside feels additional provisions are required to safeguard the financial position of South Tyneside or school, or to protect pupil welfare or education, it will make application to the Secretary of State for this Scheme to be amended.

In considering any proposals for the provision of community facilities, South Tyneside will need to be satisfied regarding the use or change of use of buildings, access, fire and other safety aspects, restrictions on use (where covenants on use bar certain activities or limit the use of the building to educational use), provision of additional accommodation by third parties and the maintenance responsibilities and liabilities.

### 13.10 Financial statements

Schools, which exercise the community facilities power, are required to provide South Tyneside every six months, from the commencement date of the project, with a summary statement, in a form determined by South Tyneside. This must show the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next three months.

### 13.11 Causes for Concern

On giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, South Tyneside will require such financial statements to be supplied every month. If South Tyneside sees fit, it may also require the submission of a recovery plan for the activity in question.

South Tyneside requires such information in order to ensure that schools are not at financial risk. Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share. South Tyneside will suspend the right to delegation, if necessary.

#### 13.11.1 Agreements between schools and South Tyneside

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

### 13.12 Access to school records

The school is 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.

### 13.13 Access to other records

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

### 13.14 Retention of income

Schools are permitted to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is South Tyneside or some other body or individual.

### 13.15 Carry forward of balances

Schools are also permitted to carry such retained income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of South Tyneside at the end of each financial year, transfer all or part of it to the budget share balance. Further details on the procedure to be adopted to transfer any community facility surplus to the school budget share are contained in the Schools Financial Procedures Manual.

#### 13.15.1 Schools ceasing to be maintained

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

#### 13.15.2 Recovery of funds

If there is a deficit on community facilities and South Tyneside needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus. If this is insufficient South Tyneside will have to meet the third party liabilities from its own resources.

This arises from the provision of s.51A of the School Standards and Framework Act 1998 (inserted by paragraph 4 of Schedule 3 to the Education Act 2002), which provides that such liabilities are part of the expenses of maintaining the school; may be recovered from the governing body but the expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share unless such a purpose is prescribed by regulations made under s 50(3)(b) of the 1998 Act.

### 13.16 Extension of Health and Safety provisions

The health and safety provisions of the main scheme are extended to the community facilities power exercised by schools. These include that the governing body is required to have due regard to duties placed on South Tyneside in relation to health and safety, and South Tyneside's policy on health and safety matters in the management of the budget share.

Schools are reminded that where they directly employ a contractor using delegated funding, they must ensure that the contractor is competent, adequately insured and that the contractor has an appropriate health and safety policy and arrangements. The contractor should demonstrate to the school's satisfaction that they have considered all the health and safety implications of working on the school site.

Some work commissioned by schools may fall under the requirements of the Construction Design and Management Regulations 1994 and schools must ensure that all the requirements of these regulations are met.

### 13.17 Criminal records clearance

The governing body is responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place in the school. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

### 13.18 Schools' responsibilities for insurance arrangements

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. Such insurance cannot be funded from the school budget share.

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

All schools are required to provide information to South Tyneside to confirm the details of its insurance arrangements/cover for any community facilities provision. This enables South Tyneside to check that any insurable interest it may have is covered.

It may be necessary for insurance to be in the joint names of the governing body and South Tyneside. All schools are required to seek South Tyneside's advice before finalising any insurance arrangement for community facilities.

### 13.19 LA's insurance responsibility

South Tyneside is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share. These provisions are necessary in order for South Tyneside to protect itself against possible third party claims.

### 13.20 Value Added Tax (VAT)

In general, schools may only make use of South Tyneside's VAT reclaim facility for expenditure on community facilities when this is from LA funds and not expenditure from other funds. South Tyneside will follow HM Revenue & Customs guidance (Notice 749 on local authorities) concerning the recovery of VAT where schools use donated funds.

The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49 (5) of the School Standards and Framework Act 1998 are the property of South Tyneside. This facility also applies to funding given by South Tyneside to schools outside the budget share.

Schools should, however, seek the advice of South Tyneside (and the local VAT office) on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

South Tyneside will make further, specific advice available to schools, as appropriate and this will be contained in the Schools Financial Procedures Manual.

### 13.21 School/Local Authority employees

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 the school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with HM Revenue & Customs rules.

### 13.22 Construction industry scheme

Schools are required to abide by procedures issued by South Tyneside in connection with the Construction Industry Tax Deduction Scheme (CIS) and contained in the Schools Financial Procedures Manual.

### 13.23 Banking arrangements

Where a school opts to provide community facilities, it must operate the same banking arrangements, which it uses for its budget share. Schools should maintain a separate bank account with adequate internal accounting controls to maintain separation of funds.

The remainder of the Scheme for Financing Schools continues to apply in respect of banking arrangements for schools in the instance of community facilities.

### 13.24 Bank accounts and signatories

The Scheme for Financing Schools continues to apply in respect of banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates (except that such mandates may provide that funds for community facilities not provided by South Tyneside are not the property of South Tyneside), and similar matters.

### 13.25 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State. This requirement does not extend to monies lent to schools by South Tyneside LA. The Government's requirement on borrowing 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 South Tyneside when repaying loans.

Schools must notify the Corporate Director Children Adults and Families in advance of any proposed leasing arrangements or any other arrangements to delay or defer payment for goods or services. Any scheme, however described, which effectively spreads the cost of payments across financial years, is likely to fall into this category. Such arrangements may only be entered into after obtaining written approval from the Corporate Director Children Adults and Families.

Certain leasing arrangements count against South Tyneside's capital finance programme and schools are not free to enter into such arrangements without specific written authority from the Corporate Director Children Adults and Families. Expert advice is needed as to what constitutes an operating lease or a finance lease.

## APPENDIX A

### Glossary of Definitions

"Council" means the South Tyneside Metropolitan Borough Council.

"Scheme for Financing Schools" means South Tyneside LEA's Scheme for the Financing of Schools as per Section 48 (1) School Standards and Framework Act 1998.

"Act" means the School Standards and Framework Act 1998

"DfE" means the Department for Education

"Financial Year" means the 12 months from 1 April to 31 March

"LA" means Local Authority

"LEA" means Local Education Authority

"month" means calendar month

"quarter" means a period of 3 months beginning 1 April, 1 July, 1 October or 1 January

"school" means the school named

"Secretary of State" means the Secretary of State for Education

"South Tyneside" means the South Tyneside Metropolitan Borough Council.

"Governing Body" means the Governing Body of the school named

"ISB" means Individual Schools Budget

"FO" means the Section 151 Finance Officer

"Director" means the Corporate Director Children Adults and Families

## APPENDIX B

### List of Schools to which the Scheme applies

#### Nursery Schools

Bedewell Early Years Excellence Centre  
Boldon Nursery School  
Clervaux Nursery School  
Helen Gibson Nursery School

#### Primary Schools

Ashley Primary School  
Bede Burn Primary School  
Bedewell Primary School  
Biddick Hall Infants' School  
Biddick Hall Junior School  
Cleadow Village Church of England VA Primary School  
Dunn Street Primary School  
East Boldon Infants' School  
East Boldon Junior School  
Fellgate Primary School  
Forest View Primary School  
Hadrian Primary School  
Harton Primary School  
Hebburn Lakes Primary  
Hedworth Lane Primary School  
Hedworthfield Primary School  
Holy Trinity VA Primary School  
Jarrow Cross CofE Primary School  
Laygate School  
Lord Blyton Primary School  
Lukes Lane Community School  
Marine Park Primary School  
Marsden Primary School  
Monkton Infants' School  
Mortimer Primary School  
Ridgeway Primary School  
Sea View Primary School  
Simonside Primary School  
SS Peter and Paul RC Voluntary Aided Primary School  
St Aloysius RC Voluntary Aided Infant School  
St Aloysius' RC Voluntary Aided Junior School  
St Bede's RC Primary School, Jarrow

St Bede's RC Voluntary Aided Primary School, South Shields  
St Gregory's RC Voluntary Aided Primary School  
St James' RC Voluntary Aided Primary School  
St Joseph's RC Voluntary Aided Primary School  
St Mary's RC Voluntary Aided Primary School  
St Matthew's RC Voluntary Aided Primary School  
St Oswald's CE Aided Primary School  
St Oswald's RC Voluntary Aided Primary School  
Stanhope Primary School  
Toner Avenue Primary School  
Valley View Primary School  
West Boldon Primary School  
Westoe Crown Primary School  
Whitburn Village Primary School

Secondary Schools

Boldon School  
Harton Technology College  
Hebburn Comprehensive School  
Jarrow School  
Mortimer Community College  
South Shields Community School  
St Joseph's RC VA School  
St Wilfrid's RC VA College

Special Schools

Bamburgh School  
Epinay School  
Greenfields School  
Keelman's Way School  
Margaret Sutton School  
Oakleigh Gardens School  
The Galsworthy Centre

## APPENDIX C

## LA CAPITAL /REVENUE SPLIT AND ITEMS WHICH ARE THE SEPARATE RESPONSIBILITY OF GOVERNORS IN VOLUNTARY AIDED SCHOOLS

Illustrative examples in line with DfE interpretation of CIPFA Code Of Practice

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE	VA SCHOOLS - GOVERNORS RESPONSIBILITIES (Full Details In DCFS Document "Determination Of Financial Liability")
<b>Roofs</b>			
Flat	<p>Structure. New (not replacement) structure</p> <p>Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure</p> <p>Screed / insulation in a new building/extension</p> <p>Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation</p> <p>Finish on new build. Replacement of all/substantially all on existing roof</p> <p>Edge Trim/ Fascia on new build</p>	<p>Repair/replacement of small parts of an existing structure</p> <p>Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed</p> <p>Repair/replacement of screed/ insulation where defective.</p> <p>Work to improve insulation standards, during work to repair/ replace small areas of roof.</p> <p>Replacement of roof finish on existing building, to under capital value limit. Re-coating chippings to improve life expectancy</p> <p>Repairs/ replacement. (uPVC) Repainting.</p>	<p>New structure and repair replacement of structure</p> <p>Replacement of structure</p> <p>New screed/insulation and repairs</p> <p>Replacement/repair of screed/insulation</p> <p>Finish on new build. Replacement of roof finish on existing building. Recoating</p> <p>Edge Trim/fascia on new build and repairs/replacement/ repainting</p>

Pitched	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (uPVC) Repainting.	Replacement of edge Trim/Fascia on existing building
	Drainage on new build	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/pipes	Drainage on new building and repairs/replacement/ repainting (NOT cleaning gutters/downpipes)
	Other e.g. Flashings, Rooflights on new build Replacement of all/substantially all on existing roof	Repair/ Replacement/ cleaning of individual items	Flashings/rooflights on new building and repair/replacement (NOT cleaning)
	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	Structure of new roof and all repairs EXCEPT trusses (i.e. internal repairs)
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace/ repair small areas of rotten/ defective joists, rafters, purlins etc. Not complete trusses	Replacement of internal structure EXCEPT trusses (i.e. internal repairs)
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof	Insulation in new building and repair/replacement.
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards		Repair/replacement or improve insulation
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged	Finish in new building/extension and repair/replacement in existing building
	Bargeboards/ Fascias in a new building/extension,	Repairs/ replacement/ Repainting	Bargeboards/fascias in new building/extension and repairs/replacement/

Other	replacement of all/substantially all on existing roof		repainting in existing building
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters	Drainage in new building/extension and repair/replacement. (NOT cleaning guttering or downpipes)
	Drainage. Replacement of all/substantially all on existing roof		Drainage replacement in existing roof.
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning	Flashings, roof windows in new building/ extension and repair replacement (NOT cleaning) in existing roof
	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link	Provide new covered link and repairs to existing. (NOT cleaning)
	Rebuild or substantially repair structure of existing covered link		Re-build or repair structure of existing covered link.
	Add porch etc. to existing building	Minor repairs, maintenance to existing	Add new porch and minor repairs to existing
Rebuild or substantially repair structure of existing porch		Re-build or repair existing porch.	
<b>Floors</b>			
Ground Floor	Structure and dpc in new building	Repair/replacement of small parts of an existing structure	Structure and dpc of new building and repair replacement to existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to		

Upper Floor	prevent imminent or correct actual major failure of the structure		
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats/ matwells. Maintenance e.g. revarnishing wooden floors.	Provide screed and finish in new buildings (NOT repairs to finishes, matwells etc.)
	Structure - as ground Floor	As ground floor	Structure of new building and replacement of existing structure
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor	As ground floor
<b>Ceilings</b>			
Top/ only storey	Suspension	Repair/ replacement incl. From water damage, & necessary decoration	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair/ replacement incl. from water damage	Provision, (NOT repair or replacement)
	Access panels	Repair/ replacement	Provision, (NOT repair or replacement)
Lower storeys	Suspension	Repair/ replacement	Provision, (NOT repair or replacement)
	Membrane		Provision, (NOT repair or replacement)
	Fixed	Repair/ replacement	Provision, (NOT repair or replacement)
All	Specialist removal/ replacement of damaged/ disturbed Asbestos	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection	Removal/replacement of damaged/disturbed asbestos EXCEPT where part of repair project.

	based materials, planned or emergency		
<b>External walls</b>			
Masonry/ cladding	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal	Structure, underpinning/ propping of new building and repairs, (NOT tree removal unless part of clearing new site)
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred.	External finish on new building and repairs/replacement of existing structure including re-pointing/re-cladding
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding work affecting most of a building/replacement building		External finish on existing building including correcting of structure.
Windows and Doors	Framing - new build	Repair/ replacement of individual frames. Repainting frames	New window frames and doors in new building and repairs/replacement (NOT replacement/ repair/ re-painting of internal doors or windows)
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames	New windows in replacement programme
	Glazing - new build	Replacing broken glass	Glazing new building and replace broken glass.
	Glazing Upgrading existing glazing		Upgrading existing glazing

Masonry chimneys	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.	Ironmongery to improve security and repair/replacement.
	Jointing including mastic joints		Jointing
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.	Internal and external decoration of new provision, external redecoration. (NOT internalre-decoration)
	Structure		Structure of chimneys
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing	Jointing/Pointing and dpc of chimneys and repair/repointing.
<b>Internal walls</b>			
Solid	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.	New walls & finishes, (Not repair/ replacement)
Partitions	Refurbishment and alterations	Minor alterations	New partitions, (Not repair/ replacement)
	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.	
Doors & Screens	Refurbishment and alterations	Minor alterations	Provision of new, (Not repair/ replacement)
	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens	
All	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass	New glazing and replacement of broken glass, (Not internal window repairs)

<b>Sanitary Services</b>			
Lavatories	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.  Large scale toilet refurbishment  Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.  Small areas of refurbishment  Repair/ replacement of damaged fittings, waste plumbing etc.	Provision. (Not repair/ replacement of damaged sanitary ware)  Provision / refurbishment (Not replacement of damaged sanitary ware)  Provision, (Not repair/ replacement of damaged fittings etc.)
Kitchens	Kitchens in newbuildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations	Maintain kitchen to requirements of LA. Cleaning out drainage. Redecoration. Repairs. Repairs/replacement parts.	
<b>Mechanical services</b>			
Heating/ hot water	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.  Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.  Planned replacement of old boiler/ controls systems past the end of their useful life  Emergency replacement of boiler plant/systems	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects  Monitoring systems  Health & safety issues  Replacement of defective parts	Provision of complete system, (Not repair/ replacement or maintenance)
Cold water	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major	Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of	Provision of complete system, (Not repair/ replacement or maintenance)

	projects	cold water tanks.	
Gas	Distribution on new and major refurbishments, terminal units	Repairs, maintenance and gas safety All servicing	
Ventilation	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units	Provision, (Not repair/ replacement)
Other	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.	If Governors provided.
<b>Electrical services</b>			
General	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.	Provision, (Not repair/ replacement or maintenance)
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.	
Power	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment	Provision, (Not repair/ replacement)
Lighting	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency	Provision, (Not repair/ replacement)
Other	Lightning protection in new build	Repair/ replacement	Provision and repair
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and maintenance	Provision, (Not repair or maintenance)

	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems	
<b>External Works</b>			
Pavings	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.	Provision if part of statutory proposal project. Not repair or maintenance  Provision and repair of ramps and steps.
Miscellaneous	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.	
Drainage	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.	Foul drainage plus external gutters and drainpipes. Not maintenance
Open air pools	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.	If governors provided.
Services distribution	Heating mains, gas mains, water mains, electricity mains, renewal of any above.	Annual servicing	Provision grant aided but not for repair

## APPENDIX D

### BEST VALUE

The Government has placed a "duty of Best Value" on all LAs that will require them to demonstrate that all services represent "Best Value" and are undergoing "continuous improvement". The Principles of Best Value are outlined below and these need to be applied to all schools activities.

1. The duty of Best Value is one that LAs will owe to local people, both to taxpayers and customers of local authority services. Performance plans should support the process.
2. Achieving Best Value is not just about economy and efficiency, but also about effectiveness and quality of local services - the setting of targets and performance against these should therefore underpin the new regime.
3. There is no presumption that services must be privatised and once the regime is in place there will be no general requirements for LAs to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works.
4. Competition will continue to be an important management tool, a test of Best Value and important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that Best Value is being achieved.
5. Central government will continue to set the basic framework for service provision, which will in some areas as now include national standards.
6. Detailed local targets should have regard to any national targets, and to performance indicators and targets set by the Audit Commission in order to support comparative competition between authorities
7. Both national and local targets should be built on the performance information that is in any case needed by good managers.
8. Auditors should confirm the integrity and comparability of performance information.
9. Auditors will report on whether Best Value has been achieved, and should contribute constructively to plans for remedial action. This will include agreeing measurable targets for improvements and reporting on progress against an agreed plan.

10. There should be provision for intervention at the direction of the Secretary of State on the advice of the Audit Commission when an authority has failed to take agreed remedial action, or has failed to achieve realistic targets for improvement.
11. The form of intervention should be appropriate to the nature of failure, where an authority has made limited use of competition, and as an exception to the usual rule, intervention may include a requirement that a service or services should be put to competition. Intervention might also take the form of a requirement that a LA should accept external management support and may relate either to specific services, or to the core management of the Council.