

The Surrey Scheme for Financing Schools
(updated 14 September 2020)



SURREY
COUNTY COUNCIL

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Sections 2.3, 4.9 and 10 have been changed since the previous update on 24 June 2019. Sections 6 and 13 have been renumbered.

Table of Contents

Section 1: Introduction	6
1.1 The Funding Framework	6
1.2 The Role of the Scheme	7
1.3 Publication of the Scheme	7
1.4 Revision of the Scheme	7
1.5 Delegation of Powers to the Headteacher.....	8
1.6 Maintenance of Schools.....	8
1.7 Matters which must be covered by the Scheme.....	8
Section 2: Financial Controls	10
2.1. Application of Financial Controls to Schools	10
2.2 Basis of accounting	11
2.3 Submission of budget plans	11
2.4 School resource management	12
2.5 Virement.....	12
2.6 Audit: General	12
2.7 Separate External Audits	12
2.8 Audit of Voluntary and Private Funds.....	12
2.9 Register of Business Interests	12
2.10 Purchasing, Tendering and Contract Requirements	13
2.11 Application of Contracts to Schools.....	13
2.12 Central Funds and Earmarking	13
2.13 Spending for the Purposes of the School.....	14
2.14 Capital spending from budget share	14
2.15 Notices of concern	14
2.16 Schools Financial Value Standard.....	15
2.17 Fraud.....	15
Section 3: Instalments of Budget Share; Banking Arrangements	17
3.1 Frequency of Instalments.....	17
3.2 Proportion of Budget Share Payable at Each Instalment	17
3.3 Interest Clawback.....	18

3.4	Budget Shares for Closing Schools.....	18
3.5	Bank and Building Society Accounts.....	18
3.6	Borrowing by Schools	19
3.7	Other Provisions.....	20
Section 4: The Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Share		
.....		21
4.1	Right to Carry Forward Surplus Balances	21
4.2	Scrutiny of surplus balances	21
4.3	Interest on Surplus Balances	21
4.4	Obligation to Carry Forward Deficit Balances	21
4.5	Planning for Deficit Balances	21
4.6	Charging of Interest on Deficit Balances	21
4.7	Writing Off Deficits	22
4.8	Balances of Closing and Replacement Schools.....	22
4.9	Licensed Deficits.....	22
4.10	Loan Schemes	23
Section 5: Income		25
5.1	Income from Lettings.....	25
5.2	Income from Fees and Charges.....	25
5.3	Income from Fund Raising Activities	25
5.4	Income from the Sale of Assets	25
5.5	Administrative Procedures for the Collection of Income.....	25
5.6	Purposes for Which Income May be Used.....	25
Section 6: The Charging of School Budget Shares.....		26
6.1	General Provision.....	26
6.2	Charging of Salaries at Actual Cost	26
6.3	Circumstances in Which Charges May be Made.....	26
Section 7: Taxation		29
7.1	Value Added Tax (VAT)	29
7.2	Construction Industry Tax Scheme (CITS).....	29
Section 8: The Provision of Services and Facilities by the Authority.....		30
8.1	Provision of Services from Centrally Retained Budgets	30
8.2	Timescales for the Provision of Services Bought Back from the Authority using Delegated Budgets	30
8.3	Service Level Agreements	30
8.4	Simple Buyback	30
8.5	Teachers' Pensions Regulations 1997.....	31

Section 9: Private Finance Initiative (PFI)/Private Public Partnership	32
Section 10: Insurance	33
10.1 Insurance Cover	33
Section 11: Miscellaneous	34
11.1 Right of Access to Information	34
11.2 Liability of Governors	34
11.3 Governors' Expenses	34
11.4 Responsibility for Legal Costs	34
11.5 Health & Safety	35
11.6 Right to Information for Chief Finance Officer	35
11.7 Delegation to New Schools	36
11.8 Optional Delegated Funding	36
11.9 Special Educational Needs	36
11.10 Anti-Fraud and Anti-Corruption Strategy	36
11.11 Child Protection	36
11.12 School Meals	36
Section 12: Responsibility for Repairs and Maintenance	37
12.1 Work to be funded from the budget share	37
12.2 Revenue and capital expenditure	37
12.3 Aided schools	37
12.4 De minimis limit for capital	37
Section 13: Community Facilities	38
13.1 The Application of the Scheme for Financing Schools to the Community Facilities powers	38
13.2 Consultation with the local authority: financial aspects	38
13.3 Funding agreements: Local authority powers	38
13.4 Prohibitions, Restrictions and Limitations	39
13.5 Supply of Financial Information	39
13.6 Audit	39
13.7 Treatment of income and surpluses	40
13.8 Health and Safety Matters	40
13.9 Insurance	40
13.10 Taxation	40
13.11 Banking	40

Annexes (available in separate documents)

- Annex A List of Schools Covered by the Scheme
- Annex B Responsibility for Repairs and Maintenance
- Annex C (deleted)
- Annex D Purchasing Rules and Guidelines
- Annex E Local Bank Accounts
- Annex F Approval of Licensed Deficits
- Annex G Premature retirement and redundancy costs

Section 1: Introduction

1.1 The Funding Framework

Since 1990 the Local Authority has delegated funding to its schools in accordance with its Local Management of Schools scheme as approved by the Secretary of State. Under the terms of the School Standards and Framework Act 1998 (SSAF Act 1998), authorities were required to draw up a new scheme for the financing of schools which replaced the previous local management of schools scheme.

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 1998.

Under this legislation, local authorities determine for themselves the size of their Schools Budget and non schools education budget (formerly LEA budget) although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to its 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.

Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under section 45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions prescribed by the Secretary of State, including gaining the approval of their Schools Forum or of the Secretary of State in certain instances. The balance of the Schools Budget (SB) 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 still be made to schools).

Local authorities must distribute the ISB amongst their maintained schools (and private nursery providers) using a formula which accords with regulations made by the Secretary of State, and which enables the calculation of the budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section.51 of the Act. The local authority's funding formula for mainstream schools is published annually on the School Finance webpages and the key features and units of resource are included in the budget notes and guidance which are sent annually to every Surrey maintained school.

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 approved by the Secretary of State. Since 16 March 2007, the right to approve revisions to the scheme has been delegated by the Secretary of State to the Surrey Schools Forum, subject to their compliance with statutory guidance issued by the Secretary of State. This document forms the required scheme for this local authority.

Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purpose of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under section.50 of the Act. In particular, amounts spent by governing bodies on providing community facilities or services under section 27 of the Education Act 2002 may be treated as if they were amounts spent for the purposes of the school (section 50(3A) of the 1998 Act).

An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (section.17 of the 1998 Act)

The authority is obliged to publish each year a statement (the "section 251 budget statement") setting out details of its planned Schools Budget and non schools education budget, showing the amounts to be centrally retained and funding delegated to schools.

After each financial year the authority must publish a statement showing out-turn expenditure at central level and the final total individual schools budget.

The detailed publication requirements for financial statements are set out in directions issued annually by the Secretary of State, but the statements must be made available on a publicly accessible website. Final school balances are no longer published as part of the section 251 outturn statements but are published separately by the Department for Education (DfE).

1.2 The Role of the Scheme

The scheme sets out the financial relationships between the Authority and the maintained schools which it funds. The scheme contains requirements related to financial management and associated issues which are binding on both the Authority and on schools.

1.2.1 Application of the Scheme to the Authority and Maintained Schools

The scheme applies to all community, voluntary, foundation, community special or foundation special schools (including Trust schools) maintained by the Authority, including nursery schools and pupil referral units. It does not apply to Academies (because they are not maintained by the Authority).

Annex A contains a list of all schools covered by the scheme.

1.3 Publication of the Scheme

The current version of the Scheme is made available on the School Finance pages of the Surrey County Council website (under "learning" then "teachers and education staff" then "school finance" then "school financial management"). Schools will be advised, usually via the Schools Bulletin, of any changes to the Scheme. Schools without access to the Internet may ask for paper copies. Copies of older versions of the Scheme may be obtained from the Authority if required.

1.4 Revision of the Scheme

Any proposals for revision of the scheme must be the subject of consultation with the head teacher and governing body of every maintained school and will then require the approval of those members of the Schools Forum representing maintained schools. The Forum may approve the changes or approve them subject to modifications. The Authority has the right to appeal to the Secretary of State if the Schools Forum refuses to approve a proposed revision to the Scheme, or if the Forum imposes modifications to the Authority's proposals which are unacceptable to the Authority.

Sometimes the Secretary of State makes directed revisions to authorities' Schemes, following consultation. Such revisions become part of the scheme from the date of the direction. The authority will notify maintained schools of these directed changes as soon as possible.

1.5 Delegation of Powers to the Headteacher

The Governing Body of every maintained school should consider the extent to which it wishes to delegate its financial powers to the Headteacher. The Authority does not set a limit to this delegation. However, Governors should have regard to the Headteacher's responsibility for day to day operation of the school and their overall responsibility for the schools budget. Any delegation of powers, or revisions to this, must be recorded in the minutes of the Governing Body and will be subject to internal audit inspection.

The Governing Body is responsible for the approval of the first formal budget plan of each financial year. The Headteacher's role is to support Governors in the preparation of the budget plan.

1.6 Maintenance of Schools

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

1.7 Matters which must be covered by the Scheme

The matters which must be covered by the Scheme for Financing Schools are specified in the current School Finance regulations, currently (in 2020) section 34 and Schedule 5 of the School and Early Years Finance (England) Regulations 2020. These are:

- a) the carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget shares.
- b) amounts which may be charged against schools' budget shares;
- c) amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used;
- d) the imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures;
- e) terms on which services and facilities are provided by the authority for schools maintained by them;
- f) the payment of interest by or to the authority.
- g) the times at which amounts equal in total to the school's budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time;.
- h) the virement between budget heads within the delegated budget;
- i) circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority's non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act(a).

- j) the use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets;
- k) borrowing by governing bodies;
- l) the banking arrangements that may be made by governing bodies;
- m) a statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the 1998 Act;
- n) a statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 Act;
- o) the keeping of a register of any business interests of the governors and the head teacher;
- p). the provision of information by and to the governing body.
- q) the maintenance of inventories of assets.
- r) plans of a governing body's expenditure.
- s) a statement as to the taxation of sums paid or received by a governing body.
- t) insurance.
- u) the use of delegated budgets by governing bodies so as to satisfy the authority's duties imposed by or under the Health and Safety at Work etc Act 1974.
- v) the provision of legal advice to a governing body.
- w) funding for child protection issues.
- x) how complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made
- y) expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.

Section 2: Financial Controls

2.1. Application of Financial Controls to Schools

Schools are required to abide in the management of their delegated budgets by the Authority's requirements on financial controls and monitoring. Detailed requirements are included in the schools Finance Manual.

2.1.1 Provision of Financial Information and Reports

Schools are required to provide the Authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority. Authorities cannot require this data more often than once every three months except for those returns connected with tax or banking reconciliation, unless the Authority has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. The restriction to a minimum 3 month interval does not apply to schools which are part of an on-line financial accounting system operated by the Authority.

The details of these requirements are as follows:

- a monthly statement of Income and Expenditure passed through the local bank account by 18th of each month;(Required in respect of tax (VAT) and bank reconciliation)
- specified reports at year end that will enable the Authority to reconcile the school local bank account.
- a Cash Flow statement for all schools operating 100% local bank accounts which will be required on a monthly basis.
- A financial monitoring statement, plus supporting documentation, upon request, where the Authority has concerns;
- a financial monitoring report, including projected current year outturn, and including a reconciliation of school expenditure to County ledger, to accompany the draft budget plan submitted in November. The date at which the report should be compiled will be specified annually by the Authority.

2.1.2 Payment of Salaries; Payment of Bills

The procedures to follow will vary according to the choices made by schools on school banking arrangements and the buy back of the Authority's payroll system. The procedures are set out in the Finance Manual as follows:

Section E - Purchasing Arrangements

Section F - Payments of Accounts

Section G - Local Bank Accounts/Petty Cash

Section H - Guide to Purchasing

Section P - Claims and Casual Staff.

2.1.3 Control of Assets

Each school must maintain an inventory of its moveable non-capital assets. In particular schools should consider including items which are portable and attractive, such as cameras.

Details of the coverage of assets, the form of the inventory and arrangements for the disposal of assets are contained in the Finance Manual - Section U. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. Schools exercising this discretion must keep a register in some form.

2.1.4 Accounting policies (including year-end procedures)

The accounting policies of the Authority, including closure of accounts, are contained in the Finance Manual. Schools are required to abide by the requirements laid down in these documents, in respect of all income and expenditure from public funds, or derived from the use of publicly funded assets, including income and expenditure for community purposes and income and expenditure of confederations and partnerships.

2.1.5 Writing-off of debts

All Maintained (including Aided and Foundation) schools must agree any debt write off with the Authority. This is to ensure that there is some external check on the losses to public funds. This is subject to a de minimis level of £150 i.e. schools can write off a sum up to that amount.

2.2 Basis of accounting

The Authority prepares its statutory accounts on an accruals basis. Maintained schools are required to ensure that annual spending notified to the Authority is on an accruals basis. Their Consistent Financial Reporting returns to the DFE should also be on an accruals basis, so that they are on the same basis as reports to the Authority. However, schools can choose their own basis of accounting for internal accounting and reporting.

Schools can choose which financial software they wish to use, provided they meet any costs of modification to provide output required by the Authority. In particular, schools should be able to report separately to the Authority on revenue and capital expenditure, and on any funds held by them on behalf of collaborative ventures with other schools where specified by the Authority, to demonstrate that only public funds have been reported to the Authority, and to demonstrate an audit trail back to its accounts for each of these separate funds.

2.3 Submission of budget plans

Every school maintained by the Authority is required to submit an annual budget plan by 1 May each year detailing its income and expenditure plans for the year. The format of this plan is contained in the Finance Manual Chapter A. The budget plan format allows schools to take full account of estimated deficits/surpluses at the previous 31 March.

Schools are required to complete a draft budget for the following financial year by 30 November. This is formalising good practice carried out by many schools in the past. These drafts can be prepared using the verification and forecasting tool provided by the authority, to forecast the budget for the following year at current prices. A new version of this will normally be made available during the autumn following Cabinet approval of changes to the following year's funding formula. The draft budget should be prepared and presented to the Governors' Finance Committee. The Chair's signature is not required on the draft budget.

The Authority is required to supply schools with all school income and expenditure data which it holds which is necessary to efficient planning by schools, and to supply schools with an annual statement showing when this information will be available at times through the year.

2.3.1 Multi year budget forecasts

From the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June and which will be advised separately.

Local authorities must inform schools of the purposes for which they intend to use these 3-year budget forecasts. The authority will provide this information in due course.

2.4 School resource management

Schools must seek to achieve effective management of resources 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 optimise the use of resources and maximise value for money.

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

2.5 Virement

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

2.6 Audit: General

All schools are subject to the audit regime determined by the authority as regards internal audit and to the authority's external audit regime as determined by the Local Audit and Accountability Act 2014. Schools are required to co-operate with any internal and external audit inspection and provide access to the school's records.

2.7 Separate External Audits

Governing Bodies are able to spend funds from their budget share to obtain external audit certification of its accounts, separate from any local authority internal or external audit process. This audit would have to take account the status of the school as a spender of local authority funds, rather than being a grant aided institution. Any school securing a separate external audit should be aware that the statutory responsibility for audit remains with the authority. There is no expectation that routine annual external audit at school level of the budget share should be a usual feature of the new funding system.

2.8 Audit of Voluntary and Private Funds

Voluntary and private funds are separate from the school's delegated budget, and are often administered by Surrey County Council staff. The authority must satisfy itself that public funds are not being misused. Schools are therefore required to provide audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school. The procedures for furnishing these audit certificates and advice on handling of such voluntary and private funds is set out in section X of the Finance Manual.

2.9 Register of Business Interests

Governing Bodies must maintain a register which lists for each member of the Governing Body and the head teacher,

* any business interests they or any member of their immediate family have;

- * details of any other educational establishments which they govern;
- * any relationships between school staff and members of the governing body.

They must keep the register up to date with notification of changes and through annual review of entries, must make the register available for inspection by the authority, Governors, staff and parents, and must publish the register, for example on a publicly accessible website

2.10 Purchasing, Tendering and Contract Requirements

The Authority has Purchasing Rules and Guidelines and Standing Orders relating to purchasing, tendering and contracting matters. A summary of Purchasing Rules and Guidelines is attached as Annex D. The detailed Purchasing Rules and Guidelines and Standing Orders are contained in the Finance Manual Section E.

Schools are required to abide by these Financial Regulations and Standing Orders except where these would require schools:

- (a) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any European Union Procurement Directive;
- (b) to seek Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- (c) to select suppliers only from an approved list;
- (d) to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year.

Schools may seek advice on a range of compliant deals via the DfE [Buying for schools](#) site

2.11 Application of Contracts to Schools

Schools have the right to opt out of contracts arranged by the Authority with the following exceptions:

for contracts which schools have agreed to be covered by in respect of services for which funding was delegated by the Authority prior to 1 April 1999;

for contracts which schools agree to be covered by in respect of services for which funding is delegated by the Authority after 1 April 1999;

Although governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. However other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations-for example, contracts made by aided or foundation schools for the employment of staff.

2.12 Central Funds and Earmarking

The Authority 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 are subject to the conditions attached to the allocations that set out the purpose or purposes for which the funds may be used. These funds cannot be assimilated into the schools budget share, although some limited virement may be possible.

Earmarked funding from centrally retained funds can only be used for the purpose specified. Schools will be required to account separately for such funds. Earmarked funds must be returned to the Authority if not spent in-year, or within the period over which schools are allowed to use the funding if different.

The Authority will not make any deduction, in respect of interest costs to the Authority, from payments to schools of devolved specific or special grant.

2.13 Spending for the Purposes of the School

Section 50(3) of the School Standards and Framework Act 1998 allows Governing Bodies to spend budget shares for the purposes of the school, subject to the provisions of the scheme. Under section 50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. Such purposes are prescribed in the Schools Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), the School Budget Shares (Prescribed Purposes) (England) Amendment regulations 2004(SI 2004/444), and the School Budget Shares (Prescribed Purposes) (England) Amendment regulations 2010 (2010 SI 190). In particular, budget shares may be spent for the educational benefit of pupils registered at other maintained schools or academies, and also to provide staff, goods and accommodation to contribute to the well being of children and relevant young people in the area as defined by section 10 of the Children Act 2004. From 1 April 2011, under section 50(3A), amounts spent by governing bodies of all schools on community facilities or services under section 27 of the Education Act 2002 may be treated as spent for the purposes of the school.

2.14 Capital spending from budget share

Governing bodies are permitted to use their delegated budgets to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998.

Any planned capital expenditure from the delegated budget must be notified to the Authority. If the expected capital expenditure from the budget share in any year will exceed:

- £15,000 or
- 2% of the school's budget share if between £15,000 and £100,000 or
- £100,000 if 2% of the school's budget share is higher than this,

the Governing Body must notify the Authority and take account of advice given as to the merits of the proposed expenditure. Where the premises are owned by the Authority, or the school has voluntary controlled status, then the Governing Body should seek the prior consent of the Authority to any works proposed to the premises, irrespective of value, in accordance with established procedures which are intended to ensure that the appropriate constructional and health and safety standards are complied with. Consent can be withheld only on health and safety grounds. Contact details are shown in the Capital Expenditure section of the Finance Manual.

2.15 Notices of concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Chief Education Officer/Director of Children's Services, the school has failed to comply with any provisions of the scheme, or

where actions need to be taken to safeguard the financial position of the local authority or the school.

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

These may include, without limitation:

- 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 or nominees;
- requiring a governing body to buy into a local authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

2.16 Schools Financial Value Standard

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs)) 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.

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.

School staff should notify Surrey County Council Internal Audit (Telephone 020 8541 9190) of any matter coming to their attention that involves or is thought to involve corruption or financial irregularity. In addition the council expects that the police are made aware of, and investigate independently, any offence where material financial impropriety may have occurred.

The link to the council's strategy against fraud and corruption and the confidential hotline telephone number for whistleblowing can be found in Section D of the Schools' Finance Manual

Section 3: Instalments of Budget Share; Banking Arrangements

3.1 Frequency of Instalments

Schools can opt to receive their budget share on a monthly or termly basis. A school without a local bank account is able to draw on its budget share from the start of the year.

Schools using the Surrey Payroll Service, can opt to receive payments net of payroll costs (See 3.2)

For the purpose of this section, the budget share includes place funding for special schools and SEN centres.

3.2 Proportion of Budget Share Payable at Each Instalment

Two options are available to schools operating local bank accounts:

Option 1

Payment of non-salary related expenditure in three termly instalments as follows:

1 April - 40% (Covering April to August = 5/12)

1 September - 35% (Covering September to December = 4/12)

1 January - 25% (Covering January to March = 3/12)

Salary costs are calculated using the school budget plan. As these are not available until 1 May, an estimate is made of the first termly tranche based on the previous year's budget plan. On 1 June the estimated payment is compared to the actual budget plan and adjusted to ensure that the school receives 40% of the non-salary expenditure in total. Where the estimated payment was below the 40% instalment, the balance plus interest is paid to the school to compensate for the loss of interest between 1 April and 31 May. Where the due date is not a banking day, the payment will be due instead on the next banking day.

Option 2

Payment of school budget share in monthly instalments as follows:

1 April - 1/36th of school budget share

Month 1-11, 3 working days prior to the pay date - 1/12ths

Month 12, 3 working days prior to pay date - 1/12th less 1/36th

Temporary cash advances in addition to the above will not be made unless a budget plan has been agreed both by the school and the Authority. This will ensure that school spending is operated on a sound financial basis. In addition, schools that have not made the requisite monthly Authority returns will not be provided with an additional cash advance until they are up to date with their claims.

Temporary cash advances will only be provided to schools to the extent that they are necessary to allow schools to make payments due without going overdrawn. In assessing the need for such advances, the authority will take into account all funds available to the

school originating from official sources, both capital and revenue, and irrespective of the accounts in which they are held.

3.3 Interest Clawback

There is no interest clawback from the schools budget share.

3.3.1 Interest on Late Budget Share

The Authority will add interest to late payments of budget share instalments, where such late payment is the result of Authority error. The interest rate used will be the Local Authority 7 day rate.

3.4 Budget Shares for Closing Schools

Where it is deemed appropriate by the Authority, the budget shares of schools for which approval for discontinuation has been secured, will be made available until closure on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

3.5 Bank and Building Society Accounts

All schools may have an external bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they will be allowed to retain all interest payable on the account.

Arrangements for new bank accounts may only be made with effect from the beginning of each financial year.

Schools have a choice between a free-standing external bank account or an umbrella account with the County's banker (the HSBC). Under the free standing option schools are able to receive their budget share into the bank account and retain any interest earned. Similarly, the school's umbrella account with the HSBC will be credited with the school budget share and receive interest calculated on a daily basis and credited quarterly at base rate less 0.5%.

Details of the local bank account scheme are contained in section G of the Finance Manual and summarised in Annex E.

Where a school opens an external bank account the Authority will, if the school desires, transfer immediately to the account an amount agreed by both school and the Authority as the estimated surplus balances held by the Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed

3.5.1 Restrictions on Accounts

Accounts may only be held for the purpose of receiving budget share payments, at the following banks:

HSBC plc

Barclays Bank plc

Royal Bank of Scotland plc (including Nat West)

Lloyds Banking Group (including Lloyds, Halifax and Bank of Scotland)

This list of authorised banking institutions may be revised by the authority from time to time in response to market conditions and needs.

Schools having bank accounts with other banks prior to 31 March 2011 can retain those accounts.

Any school closing an account used to receive its budget share and opening another must select the new bank from the approved list.

Schools can opt to hold a local bank account in the name of the school.

However, if a school has such an account the account mandate should provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

Alternatively schools can opt to hold a local bank account in the name of the Authority under the "Umbrella" scheme. Such an account must be opened by the Shared Services Banking Team in Business Services Directorate.

Signatories for bank accounts are restricted to local authority employees and school employees. Governors who are not members of staff cannot be signatories.

Schools managing finances for partnerships (eg 11-19 networks) are not required to maintain separate bank accounts for such purposes, although they should maintain a clear separation within their own accounts (ie separate source of funds). However, if they choose to maintain a separate bank account, expenditure and income from these accounts should still be reported to the authority as expenditure and income. The transfer of funds to or from a separate bank account should not be reported as expenditure and income at the point of transfer.

3.6 Borrowing by Schools

Governing Bodies can only borrow money externally (ie other than from the authority) with the written permission of the Secretary of State. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the authority when repaying loans.

The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

Schools should be aware that finance leases constitute external borrowing, which cannot be legally entered into without the approval of the Secretary of State. Other similar arrangements may also constitute borrowing. Schools should therefore be cautious when entering longer-term agreements to ensure they do not breach the borrowing restriction. Schools are required to consult the authority before entering into any lease or similar arrangement, or series of leases with the same supplier and/or lessor, which involves the acquisition of equipment with a capital value exceeding £10,000 in any single financial year.

Schools are expected to have regard to any advice given by the authority in respect of such leases. Further guidance on leases is given in the school finance manual.

3.6.1 Use of purchasing cards

Schools are not permitted to use credit cards, because they are a form of borrowing. However, schools are encouraged to consider the use of procurement cards in order to facilitate electronic purchases. Procedures for the issue and use of purchase cards are contained in section G of the Finance Manual. Balances must be cleared monthly so that no interest charges are incurred.

3.7 Other Provisions

Detailed rules and guidance on the operation of the local bank account scheme are contained in Section G of the Finance Manual.

Section 4: The Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Share

4.1 Right to Carry Forward Surplus Balances

Schools must carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year, subject to section 4.2 below

Any school opening a new bank account will receive their estimated carry forward surplus balance on 1 April. The estimate figure would be agreed between the school and the Authority. Any adjustment to this figure would be made following closure of accounts using the outturn statement published under s.251 of the Apprenticeship, Skills, Children and Learning Act 2009.

4.2 Scrutiny of surplus balances

The authority is entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the following year's budget share (5% for secondary schools) or in other circumstances where, in its view, the level of surplus balances may be a cause for concern. In certain circumstances, the authority may consider the maintenance of a high level of uncommitted surplus balances, unsupported by specific proposals for their use, as evidence of weak management, justifying further action (eg a requirement to submit multi year financial forecasts, or to provide more frequent financial monitoring reports). The authority will no longer recover excessive surplus balances from individual schools.

4.3 Interest on Surplus Balances

Balances held by the Authority on behalf of schools, outside schools' local bank accounts, whether capital or revenue, will attract no interest

4.4 Obligation to Carry Forward Deficit Balances

Deficit balances will be carried forward **every year** by the deduction of the relevant amounts from the following year's budget share.

4.5 Planning for Deficit Balances

Schools may only plan for a deficit budget in accordance with the terms of paragraph 4.9 below. Outside this provision, schools should ensure that total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts carried forward from the previous financial year.

4.6 Charging of Interest on Deficit Balances

Application of Interest

Surrey Maintained schools will be charged interest at the Local Authority seven day rate on cash advances to support a deficit budget.

In some instances the charging of interest may not be in the educational interests of pupils and may act as a disincentive to a new headteacher. Interest charges will therefore be waived in circumstances determined by the Authority. Such circumstances may include schools due for closure or years where in the view of the Authority, the overall budget settlement produces a larger than expected number of deficit budgets in circumstances outside the control of the school governing body. Charges will not be waived for schools

operating without a licensed deficit, or for cash advances exceeding these required to support the licensed deficit.

Calculation of Interest

Interest will be charged on the amount and duration of any additional advance using the following calculation:

$$\text{Additional advance} \times \text{Number of days}/365 \times \text{Interest Rate}$$

The interest rate will be the Local Authority 7 Day Rate

4.7 Writing Off Deficits

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

4.8 Balances of Closing and Replacement Schools

When a school closes, any balance (whether surplus or deficit) reverts to the Authority. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school. For the avoidance of doubt, where a school converts to an Academy on the application of the governing body, under s4(1)(a) of the Academies Act 2010, its surplus (or deficit unless sponsored) at the date of conversion transfers to the Academy.

However, where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes. Surrey will normally do this where there is a clearly identifiable school which meets the criteria..

4.9 Licensed Deficits

Governors have no legal right to set a deficit budget without the consent of the Authority and should not presume that such consent will be granted. However, the Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in-year. This will be funded from the collective surplus of school balances held by the Authority on behalf of schools.

The detailed arrangements applying to this scheme are set out below:

- (a) the maximum length of time over which a school may repay a deficits is three years, In practice the timescale will depend on the extent of the deficit and the school's ability to take early action.
- (b) deficit arrangements may be agreed in the following circumstances
 - Falling pupil numbers
 - Spreading the cost of cyclical maintenance works over two or more years
 - Other circumstances agreed by the Authority to be reasonable;
- (c) the maximum level of deficit which may be agreed is 10% of a school's Budget Share. Licensed Deficits in excess of 5% of a school's Budget Share will be reported to

Members for approval. For the purpose of this section, the budget share includes early years funding for 3-4 year olds registered at the school. For schools with funded SEN places, and pupil referral units, it also includes SEN top up funding (other than IPSB) even though this is not technically part of the budget share

- (d) schools' balances will be used to support deficits which will be subject to a ceiling of 20%.of available balances'
- (e) schools wishing to apply to the Local Authority to set a deficit budget must consult the authority and should have regard to the advice given by the authority's Finance Consultant if they subsequently choose to apply for a deficit.. A higher level of budget monitoring will be required by the school and Authority for the period of the deficit and until such a time afterwards as the Authority is satisfied that the school is maintaining a balanced budget.
- (f) Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years. Schools have a duty to identify potential deficits and to plan recovery action early. The Local Authority expects the Recovery Plan to be submitted by 1 June. The format of the Recovery Plan, and arrangements for its submission, will be specified by the Authority in the Finance Manual. From April 2021 a recovery plan is a statutory requirement where budget deficits exceed 5% of budget.
- (g) Where a licensed deficit application exceeds 5% of budget, where in the opinion of officers repayment is likely to prove particularly challenging, or where it has been identified through the monitoring process that the school is unlikely to meet its repayment targets, the Authority may impose additional restrictions on a school during the term of the licence, as part of the licence, eg the right of approval of specified staffing appointments or of contracts over a specified value. The need for such restrictions would be assessed on a school by school basis

4.10 Loan Schemes

The Authority operates a loan scheme funded by the collective balances held by schools. All schools maintained by the Authority are eligible to apply for a loan facility that can be for the:

- Purchase or replacement of equipment including computer equipment;
- Full or part funding of premises projects;
- fulfilment of maintenance responsibilities;
- energy and environmental improvements;
- purchase of key worker housing.

Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the

effect that such a loan does not transfer, either in full or part, to the new Academy school in individual cases.

The normal maximum loan will be up to 5% of the schools budget share. However, subject to a detailed business plan, the Authority may approve a loan in excess of this limit, provided it is satisfied that the school can meet the ongoing commitment.

Equipment loans will normally be for a maximum period of three years. Only in exceptional cases will loans for equipment be extended to a maximum of five years. Loans for property will be up to five years, but may be extended to ten years for larger loans used to create or secure an asset.

Approval Arrangements

Loans up to £100,000 will be approved by the Director of Education, Lifelong Learning and Culture

Loans between £100,000 and £500,000 will be approved by the Director of Education, Lifelong Learning and Culture following consultation with the Schools Forum;

Loans over £500,000 will be approved by the council's Cabinet, following consultation with the Schools Forum.

Full details of the scheme including loan approval criteria are contained in Section I of the Finance Manual.

Section 5: Income

5.1 Income from Lettings

Schools may retain income from letting of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or Private Finance Initiative (PFI) agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided that the governors are satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. There is a requirement to prepare a memorandum account to demonstrate the extent to which this has been done. Schools whose premises are owned by the Authority shall be required to have regard to directions issued by the Authority as to use of school premises as permitted under the School Standards and Framework Act 1998. Full details are contained in Section M of the Finance Manual. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

In retaining income from lettings, schools should be mindful of any obligations which they may have to tenants in maintaining buildings or providing other services, the cost of which would fall upon lettings income or should be funded from their budget share as appropriate.

5.2 Income from Fees and Charges

Schools will retain any income from fees and charges except where the service is provided by the authority from centrally retained funds. Schools are required to have regard to DfE and any Authority guidance on charging and remissions (see Finance Manual)

5.3 Income from Fund Raising Activities

Schools will retain any income generated through fund raising activities.

5.4 Income from the Sale of Assets

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

5.5 Administrative Procedures for the Collection of Income

Because of the potential VAT implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the Authority has established administrative procedures for the collection of income which are contained in Section L of the Finance Manual.

5.6 Purposes for Which Income May be Used

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

Section 6: The Charging of School Budget Shares

6.1 General Provision

The Authority must charge the salaries of school based staff to the budget share of a school at actual cost. Otherwise the budget share of a school can be charged by the Authority without the consent of the governing body only in circumstances set out in section 6.3 below.

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

Schools are reminded that the Authority 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.

For the avoidance of doubt, the LA may de-delegate funding for permitted services from budgets of primary and secondary schools without the approval of individual governing bodies, provided that this has been approved by the Schools Forum representatives of the relevant sector.

For this purpose the deduction from budget shares known locally as the “central services levy” for services provided by the Authority to maintained schools only is not regarded as a charge.

6.2 Charging of Salaries at Actual Cost

The Authority must charge the salaries of school based staff to the budget share of a school at actual cost.

6.3 Circumstances in Which Charges May be Made

- 6.3.1. Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority); By way of background Annex G sets out current DFE guidance on responsibility for premature retirement and redundancy costs;
- 6.3.2. Other expenditure incurred to secure resignations where there is good reason to charge the cost to the school
- 6.3.3. Awards by courts and industrial tribunals against the authority, or out of court settlements, arising from the action or inaction by the governing body contrary to the Authority’s advice.
- 6.3.4. Expenditure by the Authority in carrying out health and safety work, including tree management, or capital expenditure for which the authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
- 6.3.5. Expenditure incurred by the Authority in remedying defects or making good directly consequential damage in respect of building or building services works undertaken by the Governing Body and funded from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status;
- 6.3.6. Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority;

- 6.3.7. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority;
- 6.3.8. Recovery of penalties imposed on the Authority by HM Revenues and Customs, the Contributions Agency, the Environment Agency, Teachers Pensions or other regulatory authorities as a result of school negligence.
- 6.3.9. Corrections of Authority errors in calculating charges to a budget share (e.g. pension deductions).
- 6.3.10. Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days, resulting in unnecessary transport costs.
- 6.3.11. Legal costs which are incurred by the Authority because the governing body did not accept the advice of the Authority
- 6.3.12. Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training not carried out.
- 6.3.13. Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.3.14. Cost of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contracts, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.3.15. Costs incurred by the Authority in securing provision specified in an Education Health Care Plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence special educational needs (SEN) and/or of specific funding for a pupil with high needs.
- 6.3.16. Costs incurred by the Authority due to submission by the school of incorrect data. Including, without limitation, actual losses of income by the authority through reliance on that data, and additional costs incurred by the authority in correcting that data (for example, in additional visits to schools to obtain supporting information), and penalties and fines imposed by government or its agencies on the authority, for example those payable under the Carbon Reduction Commitment scheme.
- 6.3.17. Recovery of amounts spent from specific grants on ineligible purposes.
- 6.3.18. Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.
- 6.3.19. Any legal costs, compensation, out of court settlements and ombudsman costs associated with a school governing body failing to carry out a Director's Notice on the admission of a pupil to a school.
- 6.3.20. Recovery of outstanding balances on loans to school staff, where the loan was approved by the headteacher and/or governing body, the loan was to be recovered by deduction from payroll, the member of staff is no longer employed by the school or authority, and

where it has been impossible to make acceptable alternative arrangements to recover the outstanding debt from the borrower.

- 6.3.21. Costs incurred by the Authority as a result of failure by a school, without good cause, to supply data required under the Scheme, or by statute, including financial and School Census data and data required to fulfil the authority's duties under the Carbon Reduction Commitment emissions trading scheme.
- 6.3.22. Costs incurred by the Authority as a result of substantial and continuing failure by a school to comply with the financial reporting requirements of the Scheme, where not covered by section 6.3.16, and where the school has not attempted to seek competent advice or to act on that advice
- 6.3.23. Costs incurred by the authority, or by other schools, as a result of the school withdrawing from a cluster arrangement, for example where such an arrangement funded staff providing services across the cluster, and where there was evidence of the school's agreement to that arrangement for a specified period (not yet expired) or of the school's membership of the body which agreed it.

Section 7: Taxation

7.1 Value Added Tax (VAT)

All maintained schools form part of the Authority for VAT purposes and act as agents to the Authority when making payments including VAT through the local bank account scheme. Schools are able to recover the VAT liability, which is reimbursed to the school following the completion of monthly returns.

Detailed guidance on VAT matters is contained in the Finance Manual as follows:

Section F - Annexe 1 - VAT

Section G - Local Bank Accounts

7.2 Construction Industry Tax Scheme (CITS)

Schools are required to abide by the procedures issued by the authority in connection with CITS. Detailed guidance is contained in Section G - Annexe 6 - CITS of the Finance Manual.

Section 8: The Provision of Services and Facilities by the Authority

8.1 Provision of Services from Centrally Retained Budgets

The Authority will determine on what basis services (including Premature retirement costs and redundancy payments) from centrally retained funds will be provided to schools. The Authority is not permitted to 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 permissible under the School and Early Years Finance regulations or the Dedicated Schools Grant conditions of grant.

8.2 Timescales for the Provision of Services Bought Back from the Authority using Delegated Budgets

Any agreement between the Authority and its schools for the provision of services or facilities bought back from the Authority or other County Council Departments starting on or after 1 April 1999 shall be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the latter. Subsequent agreements for the same services or facilities are limited to periods not exceeding five years. This requirement excludes centrally funded premises and liability insurance as the limitations may be impractical for insurance purposes. Contracts for the supply of catering services can be for five and seven years respectively.

When a service is provided for which expenditure is not retainable centrally by the Authority under Regulations made under section 46 of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing these services. The total cost of the service must be met by the total income, even if schools are charged differentially.

8.2.1 Packaging

Any service provided by the Authority on a buyback basis must be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available. Where practicable, this will include provision on a service-by-service basis as well as in packages of services.

8.3 Service Level Agreements

Service level agreements must be in place by 31 March to operate from 1 April. When a service produces a SLA, this must allow schools at least one month to consider the terms of the agreement before that agreement comes into force.

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

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

8.4 Simple Buyback

Arrangements will be made for simple buyback of services to minimise administration. The options available are:

- journal;
- invoicing.

Journal: this is a simple way of charging schools for a service. A journal will only be used where the school has agreed to the charge.

Invoice: Invoicing means that a service can charge more exactly e.g. a charge per training course, where each charge can be itemised. Schools know exactly what they are paying for each time they receive an invoice.

Invoices require more administration time (cost) both for the creditor and the debtor. Individual preparation is required and unpaid invoices need to be chased. Schools must check the invoice, draw a cheque and post.

8.5 Teachers' Pensions Regulations 1997.

In order to ensure the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares

The conditions only apply to governing bodies of maintained schools that have not entered into an agreement with the Authority to provide payroll services.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the authority 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 Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that AVCs are passed to the authority 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 Initiative (PFI)/Private Public Partnership

- 9.1 Authorities usually own their school buildings and equipment and thus will normally be the sole or main party to authority school PFI contracts. Authorities will have access to additional revenue support grant (via “PFI credits”) to meet those elements of PFI fees relating to the “hire” or use of capital assets. The remainder of PFI fees will relate to operating charges and will need to be met from existing resources.

The operating charge elements of PFI fees will usually be for premises-related services, which schools normally meet from their delegated budgets.

When a PFI project is considered the Governing Body will be consulted on the proposals. If the proposal is to proceed, the Governing Body may need to meet a specified part of the PFI fee for the duration of the PFI contract. Such contributions from the delegated budget will only be with the agreement of the Governing Body.

Section 10: Insurance

10.1 Insurance Cover

Funding for insurance is delegated to all schools, subject to the right of Schools Forum to agree de-delegation in respect of maintained primary and secondary schools. The Authority will normally offer insurance cover to all schools on a traded basis. Should a school wish to arrange insurance independently, the Authority will require that school to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority. The Authority 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

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA, on the expiry of any existing contract after 1 April 2020. Schools should note that RPA cover is not identical to Surrey's, but it will be deemed to be cover which meets the authority's basic requirements, except in respect of motor insurance and damage caused by explosion of boilers, pressure vessels etc, which are not covered by the RPA. Schools are advised to take professional advice before changing their insurance arrangements. Schools may choose to join the RPA individually when any insurance contract, of which they are part, expires, or at the end of each financial year where they are part of the LA contract and a multi year agreement exists (subject to giving notice to the LA before 31 January to join the RPA on 1 April). . Alternatively primary and/or secondary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

Section 11: Miscellaneous

11.1 Right of Access to Information

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

11.2 Liability of Governors

The Governing Body is a corporate body, and under the terms of section.50(7) of the School Standards and Framework Act 1998, Governors of maintained schools will not incur personal liability in the exercise of their powers to spend the delegated budget share provided they act in good faith.

11.3 Governors' Expenses

The authority shall have the power to delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet governors' expenses. The extent of these funds will be determined by the authority.

Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

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

11.4 Responsibility for Legal Costs

Legal costs incurred by the Governing Body, although the responsibility of the Authority as part of the cost of maintaining the school, may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Authority. The legal costs relating to the statutory responsibility of aided school Governors for buildings remains the Governors' responsibility.

There may be occasions due to conflict of interests between the Authority and the governing body where the Legal Department of the County Council will not be able to represent the governing body. In such circumstances, the governing body will need to seek legal advice from a private law firm and meet the cost of this from the school budget.

11.5 Health & Safety

In expending the school's budget share, the Governing Body are required to have due regard to duties placed on the Authority in relation to health and safety, and to the specific responsibilities delegated to them in accordance with the County Council's policy on health and safety matters in the management of the budget share.

The Authority retains responsibility as the employer in Community and Voluntary Controlled schools to determine the Health and Safety Policy, Instructions and Information that ensures compliance with the law. Monitoring of compliance with the Policy by schools is an Authority responsibility. The Authority retains within the Fair Funding expenditure heading of Strategic Management the resources to fulfil a range of responsibilities such as establishing policies and setting standards, providing competence at a strategic level, carrying out reactive and proactive monitoring, reviewing the policies and standards and advising schools. The Authority has no responsibility as employer for Health and Safety in Voluntary Aided and Foundation schools. However, governors at such schools should have regard to the Authority's responsibilities for Health & Safety and the guidance and advice provided within the Authority's Health & Safety policy.

Schools have delegated to them the responsibility to make proper arrangements for the discharge of the employer responsibilities for Health and Safety. The resources delegated include those for making proper arrangements for Health and Safety, purchase of induction to and training in the Policy and the performance of risk assessment.

Community and Voluntary controlled Schools are required to make available to the Authority such information as it determines as necessary to ensure that its employer's responsibilities are being properly discharged. That information is set out in detail in the Health & Safety Manual which details the competent arrangements into which Governing Bodies need to have entered.

Where the Authority provides services for schools to buy into or recommends contractors then such arrangements will be deemed to be competent and those organisations will provide details of schools buying those services to the Authority. Definitions of competent arrangements are provided in the Health & Safety Manual.

Where governing bodies of Community and Voluntary Controlled schools do not buy into the Authority in house services or use the recommended contractors, they are required to assess the health & safety competence of contractors taking account of the Authority's policies and procedures and to submit that assessment to the Authority.

Where the Authority identifies that a school has not made competent arrangements it will put in place such arrangements and recover the cost from the school's delegated budget (see paragraph 6.2.4 of the Scheme). Where a school has failed to ensure that necessary training of staff has taken place the Authority may require staff to undertake such training and recover the costs from the school (see paragraph 6.2.12 of the Scheme).

11.6 Right to Information for Chief Finance Officer

The Governing Body must permit the Chief Finance Officer of the Authority, or any officer of the authority nominated by the Chief Finance Officer, to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of his responsibilities. Prior notice of the Chief Finance Officer's attendance will be given unless it is impractical to do so.

The Chief Finance Officer's attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.

11.7 Delegation to New Schools

The Authority is empowered to delegate selectively and optionally to the Governing Bodies of schools which have yet to receive delegated budgets.

The Authority is empowered to delegate some spending powers to the temporary governing body of a new school without a delegated budget. It is a matter for the Authority to decide whether and to what extent to exercise the power in each case.

11.8 Optional Delegated Funding

Where a school exercises an option to receive delegated funding for an item, that option can only be exercised once a year by notification to the Authority at least three months prior to the financial year.

11.9 Special Educational Needs

Schools are required to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils.

11.10 Anti-Fraud and Anti-Corruption Strategy

The County Council has published an Anti-Fraud and Anti-Corruption Strategy which underlines the County Council's commitment to protect itself from fraud and corruption both from within the county council and from external sources. The strategy sets out the means which the County Council will use to achieve its objective and specifically recognizes the role to be played by staff, elected members, contractors and the public in reporting matters of concern.

The County Council undertakes to treat any information received in total confidence and to investigate those matters fully and impartially. The Public Interest Disclosure Act 1998 provides specific protection to employees who report matters of concern.

11.11 Child Protection

Governors are required to allow staff to attend child protection conferences and other related events where the Authority considers attendance necessary to fulfil its statutory duty. The funding for this duty is delegated to schools.

11.12 School Meals

The Authority has published a school meals policy document entitled "School Catering – Contract Information". Governing Bodies are required to have regard to this document in discharging their duties in relation to school meals.

Section 12: Responsibility for Repairs and Maintenance

12.1 Work to be funded from the budget share

Annex B contains the categories of work which governing bodies must finance from their budget share. Voluntary Aided Governor responsibilities are included in Annex B, but full details are set out in the DFE document “Voluntary Aided and Special Agreement Schools - determination of Financial Liability”.

12.2 Revenue and capital expenditure

The Authority delegates all funding for recurrent repairs and maintenance to schools. Only funding for capital expenditure is retained by the Authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. Where local authorities use de minimis limits for defining what expenditure is treated as capital and what is revenue in their financial accounts, the same de minimis limits must be used in defining what is delegated.

12.3 Aided schools

Governors of Aided schools will continue to be eligible for grant from the DFE in respect of their statutory responsibilities and in addition they will have responsibility for other (ie revenue) repair and maintenance items on the same basis as Community and Foundation schools.

12.4 De minimis limit for capital

A sum of £2,000 has been set aside as the de minimis level for the purposes of categorising expenditure as either revenue or capital. Maintenance work that costs less than £2,000 is treated as revenue. This is in line with the de minimis limit used by the DFE for Aided schools.

Section 13: Community Facilities

13.1 The Application of the Scheme for Financing Schools to the Community Facilities powers

Schools which choose to exercise the power conferred by section.27(1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under section.28(2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, 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 section.28(1), the main limitations and restrictions on the power will be

- (a) those contained in schools' own instruments of government if any; and
- (b) in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to 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 any other agreements granting third parties rights of occupation of maintained schools, or agreements between the Authority and schools to secure the provision of adult education and community learning. Separate guidance on these is provided within the finance manual.

For the avoidance of doubt, this chapter covers the provision of childcare and other "community focused" activities, in children's centres, where run directly by the school's governing body acting in that capacity. It also covers similar activities run by the school through a network or confederation, where the risks of those activities ultimately lie with the school or with the local authority (ie the school enters into contracts or employs staff).

Schools should be aware that mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

13.2 Consultation with the local authority: financial aspects

Schools are no longer legally required to consult the local authority prior to providing community facilities, except where a funding agreement with external parties is involved. However, it is recommended that schools advise the authority before providing community facilities involving gross expenditure exceeding £15,000 or involving the provision of early education or childcare. Contact information will be provided in the schools finance manual.

Schools are reminded that, as public bodies, they are required to act reasonably, which includes consulting those affected by decisions which they make.

Any legal costs arising from community facilities projects are not covered by existing buyback arrangements.

13.3 Funding agreements: Local authority powers

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 both

supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.

Any such proposed agreement should be submitted to the Authority for its comments and should allow the Authority six weeks notice.

The Authority has no power of veto over such agreements, either directly or through requiring a right to countersign the agreement.

If the third party requires the Authority's consent to the agreement for it to proceed, such a requirement and the method by which the Authority's consent is to be signified is a matter for that third party, not for the scheme.

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

13.4 Prohibitions, Restrictions and Limitations

Where a governing body undertakes community focused activities, and the LA considers the risks associated with the project in question. to be significant, the governing body will be required to make arrangements to protect the financial interests of the Authority. This will be achieved by either carrying-out the activity concerned through the vehicle of a limited company formed for that purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

13.5 Supply of Financial Information

- 13.5.1 Schools which exercise the community facilities power should provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.
- 13.5.2 If the Authority 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, it will require on giving notice to the school such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question. Where a school is running a Children's Centre, financial monitoring statements for that centre will routinely be required at intervals more frequent than every six months, as determined by the Authority from time to time.

13.6 Audit

Schools are required to co-operate with any internal and external audit inspection and provide access to the school's records connected with the exercise of the community facilities power.

When concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools must ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question. This is necessary so that the Authority may satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 Treatment of income and surpluses

- 13.7.1 Schools shall retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or any other person.
- 13.7.2 Any retained net income may be carried forward from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, the school may transfer all or part of it to the budget share balance.
- 13.7.3 If the Authority ceases to maintain any community or community special school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed by the funding provider.

13.8 Health and Safety Matters

Health & Safety responsibilities detailed in section 11.5 of the main scheme text apply equally to activities carried out under the community facilities power.

The governing body is responsible for the cost of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Schools should seek the Authority's advice before finalising any insurance arrangements for community facilities. (In principle, the insurance issues arising from the use of community facilities power are the same as those which already arise from non-school use of school premises.)

The Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. If it judges those arrangements to be inadequate, the Authority may make arrangements itself and charge the resultant cost to the school.

13.10 Taxation

Schools should seek the advice of the Authority and the local VAT office on any issue relating to the possible imposition of VAT on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

If any member of staff employed by the school or Authority 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 – see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools are required to follow the Authority's advice in relation to the Construction Industry Scheme (CIS) where this is relevant to the exercise of the community facilities power.

13.11 Banking

Schools are required to ensure that there are adequate internal accounting controls (including separate sources of funds) to maintain separation of funds between school funds and community purposes funds. They may find a separate bank account useful for this

purpose, but they are not required to maintain separate bank accounts for community purposes.

If schools choose to use a separate bank account, or accounts, for community purposes, including confederations and children's centres, they should note that expenditure and income from those accounts should still be reported to the Authority as expenditure and income. The only exception is expenditure and income relating to private funds, which does not relate to activities involving local authority owned assets or to staff employed by the governing body in that capacity. In particular the transfer of funds to or from a separate bank account should not be reported to the authority as expenditure/income.

All schools may have an external bank account. Schools have a choice between a free-standing external bank or an umbrella account with the County's banker (the HSBC). Under the free-standing option schools are able to receive their budget share into the bank account and retain any interest earned. Similarly, the school's umbrella account with the HSBC will be credited with the school budget share and receive interest calculated on a daily basis and credited quarterly at base rate less 0.5%. (see section 3.5 above). Further details of the local bank account scheme are contained in section G of the schools Finance Manual and summarised in Annex E. For the avoidance of doubt, schools may maintain separate umbrella accounts for children's centres and other community purposes, so long as they are largely funded from public sources or from income for services which DfE expects extended schools to provide.

Accounts may only be held at the banks or building societies: listed in section 3.5.

Bank accounts for community purposes are subject to all the other conditions in section 3.5.1 of the Scheme. In particular, the Authority is the owner of the funds and has the right to receive statements, unless the funds in the account are demonstrably not public funds. Signatories for bank accounts are restricted to Authority employees and school employees. Governors who are not members of staff cannot be signatories.

Governing Bodies can only borrow money externally with the written permission of the Secretary of State. This restriction includes borrowing by the governors, in their capacity as a governing body, for community purposes. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts.