

**SCHEME FOR**

**FINANCING SCHOOLS**

**The “Fair Funding Scheme”**

**Approved by Schools Forum 13 October 2020**

**Revisions to the Scheme are effective from 15 October 2020**



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**Changes from previous version (June 2019) of this guidance**

2.3 Amended title from “Submission of budget plans” to “Submission of budget plans and financial forecasts”.

2.3.10 Added: From 2021 to 2022 funding year each school must submit a 3-year budget forecast each year by 15th June each year.

Deleted: Schools are required to prepare a multi-year budget plan. Best practice being a 3-year budget plan.

Added: This supports the Governing Body and the Local Authority in establishing a view of the schools medium term sustainability and provides the ability to take strategic action in a timely manner where financial issues are highlighted.

2.3.12 Added: Schools must submit a recovery plan to the local authority when their revenue deficit rises above their anticipated income at 31 March of any year.

Amended: deadline for submission of three year financial forecast to 15th June from 15th July.

3.1.7 Deleted: text as no longer relevant – “Top up payments for pupils with high needs in Pupil Referral Units will be made monthly unless otherwise agreed with the provider.”

3.1.8 Renumbered 3.1.7

4.9.3d Deleted: “The session explains the process for the school loan scheme.”

10.1.1 Added: The budget for insurance is fully delegated to schools. It is the responsibility of the governing body to ensure that its school has adequate insurance cover. Insurance cover maybe arranged through Nottingham City Council’s Insurance and Risk Team or with an external provider.

10.1.2 Moved guidance in 10.1.2 to 10.1.4.

Added: In assessing the type and level of insurance cover required, the LA will 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 simply applying an arbitrary minimum level standard of insurance cover for all schools.

10.1.3 Added: 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. Schools may do this individually when any insurance contract of which they are part expires. All primary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding. It must be noted that the insurance offered by the RPA is not as comprehensive as the cover offered by the LA and cover that is not offered by the RPA must be sourced and obtained by the school separately to ensure adequate cover is in place.

10.1.4 Renumbered paragraph 10.1.2 to 10.4.4: Schools must provide any details related to the above insurance arrangements, as requested by the Director of Strategic Finance.

Added contact details for the Nottingham City Council Insurance and Risk Management Team.

**References**

This guidance uses the following references throughout this guidance:

* “the act” is the Schools Standards and Framework Act 1998 (<http://legislation.gov.uk/ukpga/1998/31/contents>)
* “the regulations” are the School and Early Years Finance (England) Regulations 2020 (<http://www.legislation.gov.uk/uksi/2020/83/contents/made>)

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**STATEMENT OF PRINCIPLES**

The Authority’s Scheme for the financing of its schools is drawn up not just to reflect the requirements laid down by statute and circular, but to reflect the aspirations and policies of Nottingham City Council. The Authority has developed a Statement of Purpose and Commitment which is shown below:

**LA Statement of Purpose and Commitment**

Nottingham City Council Children & Adults is committed to raising educational standards.

Our purpose is to challenge and support schools to continuously improve, and to work with all partners to create solutions and achieve success.

**We believe that:**

* all children can learn;
* all children can achieve excellence;
* education matters to the whole community;
* learning is for everyone.

**Our core values are equality, integrity, respect, inclusion and care.**

**The work we do with partners will:**

* draw on shared ideas and the best of practice;
* foster mutual accountability and shared responsibility;
* have energy and optimism.

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**SECTION 1: INTRODUCTION**

**1.1 THE FUNDING FRAMEWORK**

* + 1. 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 (hereafter “the Act”).
    2. Under this legislation, local education authorities determine for themselves the size of their schools budget and non-schools education budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Local authorities may centrally retain funding in the schools budget for purposes defined in regulations made by the Secretary of State under s.45A of the act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).
    3. Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.
    4. Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act).
    5. An LA 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 (Schedule15 to the Act – **Appendix C**).
    6. Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children’s services, showing the amounts to be

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centrally retained and funding delegated to schools. After each financial year the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

* + 1. The detailed publication requirements for financial statements and for schemes are set out in directions issued by the Secretary of State, but each school must receive a copy of each year’s budget and outturn statements so far as they relate to that school or central expenditure.
    2. Regulations also require that local authorities publish their scheme and any amendments to it on a website accessible to the general public, by the date the revisions come into force, together with a statement that the revised schemes come into force on that date.
  1. **THE ROLE AND APPLICATION OF THE SCHEME** 
     1. The Scheme for Financing Schools exists to set out the relationship between Nottingham City Council and the maintained schools it funds. The Scheme contains requirements relating to financial management and associated issues. The requirements are binding both on the City Council and on schools.
     2. The scheme applies to all community, nursery, community special, voluntary, foundation (including trust), Pupil Referral Units maintained by the authority. A list of schools that are covered by this scheme as at 1st September 2020 can be found in **Appendix A**.
  2. **PUBLICATION OF THE SCHEME**
     1. The scheme will be published on the Nottingham schools extranet which is accessible to schools and governing bodies and on the Nottingham City Council public website <https://www.opendatanottingham.org.uk/dataset.aspx?id=170> . A paper copy can be supplied on request.
     2. The City Council will notify any approved revisions to each school. The Headteacher should ensure that the Scheme is available to the governors, staff and parents on request for reference purposes.
  3. **REVISION OF THE SCHEME**
     1. Any revisions proposed by the LA to the Scheme will be the subject of consultations with the governing body and the head teacher of every school maintained by the LA before they are submitted to the Schools Forum for their approval. Approved revisions will be notified to each school before they come into force, together with a statement stating when the revised version comes into effect.
     2. All proposed revisions must be submitted to the Schools Forum for approval by members of the forum representing maintained schools. Where Schools Forum does not approve them or approves them subject to modifications which are not acceptable to the City Council, the City Council may apply to the Secretary of State for approval.

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* + 1. It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the Scheme from the date of the direction.
  1. **DELEGATION OF POWERS TO THE HEAD TEACHER** 
     1. The requirements placed on a school by this Scheme are the responsibility of the Governing Body, which may delegate powers to the Headteacher or a sub-committee of Governors subject to any statutory limitation. Any reference in the Scheme to the school, Governing Body, the Headteacher or Governors’ sub-committee shall apply to all parties, dependent upon local arrangements operating within individual schools.
     2. Each governing body should consider the extent to which it wishes to delegate its financial powers to the head teacher and to record its decisions (and any revisions) in the minutes of the governing body. Governors are invited to refer for advice on the delegation of powers to the Governors’ Handbook produced by the City Council.
     3. The first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing. The City Council recommends that this is approved by full governing body.
  2. **MAINTENANCE OF SCHOOLS** 
     1. The Local Authority is responsible for maintaining the schools covered by the scheme and this includes the duty of defraying all the expenses of maintaining them (except in the case of voluntary aided schools where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.
     2. The financial responsibility for different levels of repairs and maintenance are shared between the LA and the governing bodies of schools, using the repairs and maintenance funds delegated to them by the LA’s funding formula.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**Section 2: Financial Controls**

**2.1 GENERAL PROCEDURES**

**Application of financial controls**

2.1.1 The Governing Body is responsible for the proper financial management and financial probity of their school, and is publicly accountable for the money that it spends. Governors should conduct the business of the school in a manner consistent with public expectations of legality and propriety.

2.1.2 To assist Governing Bodies with discharging this responsibility, this Scheme contains regulations covering all aspects of financial management. The Governing Body is responsible for the observance of these regulations.

2.1.3 The Governing Body should ensure that all relevant staff within the school are aware of, understand, and comply with financial regulations. Any staff who fail to observe financial regulations may be subject to disciplinary action.

2.1.4 The Director of Strategic Finance (Chief Finance Officer) is statutorily responsible for ensuring the proper administration of the City Council’s financial affairs. This includes all aspects of financial management undertaken by Governing Bodies. The Director of Strategic Finance, or their authorised nominee, has the power to revise the regulations binding on schools regarding financial control, and to issue new regulations. In practice, this responsibility is discharged by the Business Partner covering the Children & Adults Department, assisted by Schools Finance Support and Schools Funding team and the Head of Audit and Risk.

2.1.5 Every effort has been made to achieve consistency between the provisions of this Scheme and the City Council’s Financial Regulations. In the event of any apparent conflict, the Scheme provisions will take precedence.

2.1.6 Schools requiring guidance or clarification in respect of any financial regulation should contact the Head of Audit and Risk in the first instance. Schools Finance Support Team or the Business Partner covering the Children & Adults Department will be pleased to assist.

**Provision of financial information and reports**

2.1.7 The Headteacher is responsible for ensuring that copies of any budgetary control reports (and their covering supporting documents) submitted to the Board of Governors (or Finance Committee) are submitted to the Business Partner for Children & Adults if requested.

2.1.8 The City Council recommends that all schools undertake their own financial and budget monitoring and prepare their own internal management accounts at least once a month. However, the Local Authority reserves the right to request schools to provide details of anticipated and actual expenditure and income in a prescribed format. Normally such information will not be requested more than once each term (June, November and February) and must be submitted to the Schools Finance Support Team.

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2.1.9 Occasions when financial information may be requested more frequently include the need for bank reconciliation (Rec 1), accounting treatment of taxation (VAT file) or where a school has been notified in writing that the City Council has concerns regarding financial probity or if a school is in its first year of operation. Refer to section 2.15.1.

2.1.10 Schools are responsible for the operation of their bank accounts and as such are required to have effective cash flow management practices. If however, the school does experience cash flow difficulties the LA will notify the school the frequency of when the Cash Flow Forecasts are required.

2.1.11 The requirement for the provision of financial information is separate to the requirements to submit annual budget plans. The format of this information will, so far as possible, take account of the Consistent Financial Reporting framework.

2.1.12 If, for any reason, the above returns or budget monitoring reports are not submitted, the LA is obligated to extract the required financial information.

**Payment of salaries and bills**

2.1.13 All salary and wage payments must be made in accordance with the LA’s Financial Regulations and the Inland Revenue regulations.

2.1.14 Schools using the East Midlands Shared Service as their payroll service will have their budgets charged with the actual costs of salaries and wages via a monthly upload file into the schools FMS system. Any schools that intend to use an alternative payroll provider will need to notify the Schools Finance Support Team at least three months in advance of when the cash is required to pay their new provider so that the cash can be paid into the schools bank account to pay for the salaries. This is in line with EMSS payroll requirements.

2.1.15 In order to comply with Inland Revenue regulations, schools must not make salaries and wages payments from their own bank accounts (outside payroll arrangements). Schools requiring further advice or clarification should contact the Schools Finance Support Team.

2.1.16 As the LA is the responsible employer for school staff they are legally required to prepare and submit statutory returns to the Inland Revenue for pensions *(see also 8.4).* All schools will be charged for this service (see *Education Services Nottingham Directory* for details). Schools that do not use the LA to make staff payments will be required to provide full employment and staff payment details to the LA, in a format determined by the LA.

2.1.17 False declarations provided to the Inland Revenue are liable to considerable fines. If a declaration error is due to inaccurate information provided by the school then the subsequent fine will be charged to the school’s individual budget, (see 6.2.9).

**Ordering and payments**

2.1.18 All payments charged to the school budget must be made in accordance with the LA’s financial regulations. Payments will be made directly by schools through an approved chequebook account.

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2.1.19 Schools have a responsibility to pay suppliers invoices within 30 days of the invoice date, in accordance with legislation and the City Council’s policy on this area. This provision applies equally to external suppliers as well as amounts that schools owe to the City Council. If schools fail to pay amounts owed to the City Council then the LA will retain the cash owing from the next cash instalment due to the schools.

2.1.20 Legislation empowers suppliers to claim for interest on late payments, which if successful, would be a charge against the responsible schools budget share.

2.1.21 Schools must repay cash owed for the repayment of deficit advances in accordance with the notified terms and conditions. If schools fail to pay amounts owed to the City Council then the LA will retain the cash owing from the next cash instalment due to the schools. The City Council reserves the right to charge the schools interest on the outstanding balance owed by the schools at base rate plus 1%.

**Control of Assets**

2.1.22 Each governing body must prepare and keep up-to-date an asset register in a form approved by the Chief Finance Officer, on which shall be recorded an adequate description of all moveable and non-capital assets where the current valuation (for properties) or the acquisition cost (for other assets) is greater than the following de-minimis levels:

(a) Land and Buildings - £5,000

(b) Vehicles, Plant & Machinery and Other Equipment - £3,000

(c) Furniture and Fittings - £1,000

(d) Information Technology (IT) Equipment - £1,000

2.1.23 In addition, details of all assets that are part of a lease agreement should be recorded in the asset resister. These details must include the type of lease [finance or operating] and the expiry date.

2.1.24 The governing body must arrange a complete asset register review each financial year, and shall forward details of all relevant items acquired or disposed of since the last review, in a format and to a timescale approved by the Chief Finance Officer. Any discrepancy should be reported to the Corporate Director of Children & Adults who, with the Chief Finance Officer shall immediately deal with any such discrepancy. Items appearing in the asset register shall, as far as practicable, be effectively marked as the property of the school.

2.1.25 The governing body must prepare and keep up-to-date an inventory in a form approved by the Chief Finance Officer, of all furniture, fittings and other equipment, which does not appear on the asset register, but where the acquisition cost or replacement cost is greater than £1,000. Schools may determine their own arrangements for keeping a register of assets worth less than £1,000, but a register must be kept in some form. All assets shall also, as far as practicable, be effectively marked as the school’s property.

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**DISPOSAL OF ASSETS**

2.1.26 The governing body must ensure that the disposal of assets is carried out in a way which maximises the residual value of such assets. Disposal of assets shall only take place once the governing body is satisfied that there is no longer a requirement for such assets. Items with a value of less than £50 can be disposed of, by the Headteacher, but with the Governors being informed at their next meeting. Items disposed of above £50 (including stolen items) will need Governors approval/acknowledgement in writing.

2.1.27 Depending on the type of asset, consideration shall be given to the sale of assets by sealed bids invited from interested purchasers identified from within the external market. Where there is no identifiable market for the sale of assets, sealed bids may be invited from employees of the City Council. A record of the sealed bids received shall be prepared by the Head Teacher.

**Accounting Policies and Year-end**

2.1.28 Schools must abide by all accounting policies and procedures as directed by the LA. The Local Authority will, each year in the Spring term, notify schools in writing, of the procedures and timescales to be followed to close the financial year. The Governing Body is responsible for ensuring that this guidance is followed and the required timescales are met.

**Writing off of Debts**

2.1.29 The Governing Body is responsible for minimising the risk of income owing to the school has to be written off. In particular, the Governing Body must:

* Collect payment in advance of the service or goods being provided, where this is practical;
* Issue invoices promptly

If the write-off of a debt is unavoidable, the authority for write-off debts is as follows in accordance with Financial Regulation – income and debt management:

**Debt Value Approval Required**

Up to £500 Headteacher

£501- £5,000 Governing Body

£5,001- £10,000 Chief Finance Officer

Over £10,001 Executive Board

**2.2 BASIS OF ACCOUNTING**

2.2.1 All reports and accounts submitted to the LA by schools must be on an accruals basis.

**2.3 SUBMISSION OF BUDGET PLANS & FINANCIAL FORECASTS**

**Submission of Budget Plan**

2.3.1 The Governing Body (or Finance sub-committee) will need to review its provisional budget plan against the resources available. The schools formal annual budget plan must be

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approved by the Full Governing Body or a committee of the Governing Body. The City Council recommends that is the Full Governing Body.

2.3.2 Schools must submit to the LA, in the specified format that compliments the CFR framework, a formal budget plan usually is submitted by 1st May of each financial year (unless notified of a later date by the Local Authority). Each submission must include income and expenditure budget profiles and the assumptions underpinning the budget plan. The Full Governing Body or a committee of the Governing Body must approve the school’s formal annual budget plan (see section 2.3.3).

2.3.3 If the relevant Governors meeting takes place before the budget has been set or after the required submittal date the budget plan must be submitted “*subject to Governing Body approval*”. The submitted budget should then be taken to the next relevant governing meeting for approval and the LA informed immediately if any changes are made. All budget plans will be entered onto the LA’s financial management system.

2.3.4 The City Council will provide the school with relevant expenditure and income information to necessitate efficient planning by schools. An annual statement showing when this information will be made available by the City Council. Full account should be taken within the budget plan of any deficit/surplus balances at the previous 31st March. Schools with deficit carry forwards, or with potential financial problems (as determined by the Schools Finance Support Team) may be required by the LA to submit a draft budget plan before the general deadline date.

2.3.5 All budget plans must be set within the resources available to the school. A school Governing Body must not plan for a deficit budget (refer to 4.5).

2.3.6 The City Council believes that fixing the annual budget as soon as practical is of prime importance to sound financial management. The City Council will carry out formal monitoring of this area. The City Council may suspend advances to the bank accounts of those schools that fail to fix their budget before the end of the Summer Term.

2.3.7 The City Council may also require submission of revised budget plans as the financial year progresses. The City Council will issue separate guidance covering this requirement as and where necessary. Such revised plans shall not be required at intervals of less than three months or more than four times per year.

**Submission of financial forecasts**

2.3.8 The City Council will require schools to submit a financial forecast covering a three year period. The 3-year budget plan will be requested to:

* Support the authorities balance control mechanism (refer to section 4.2)

* Be used as evidence to support the City Council’s assessment of Schools Value Standards (refer to section 2.16)

* Support a schools application for a loan (refer to section 4.10)

2.3.9 The Business Partner covering Children’s & Adults will define the format of the 3 year budget plan. The plan should also include any assumptions made by the school regarding income and expenditure.

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2.3.10 From 2021 to 2022 funding year each school must submit a 3-year budget forecast each year by 15th June each year. This supports the Governing Body and the Local Authority in establishing a view of the schools medium term sustainability and provides the ability to take strategic action in a timely manner where financial issues are highlighted. With the introduction of a national funding formula for schools from 2018/19 to close “arbitrary and unfair “ gaps between areas, it is even more important to produce the 3 year budget plan to manage the change.

2.3.11 The City Council may require additional forecasts to be produced by schools that are in financial difficulties including as a result of falling pupil numbers. The authority will require these forecasts to be submitted in an agreed format, stating assumptions made and for schools in deficit accompanied by an action plan.

2.3.12 Schools must submit a recovery plan to the local authority when a forecast deficit is projected at 31 March of any year. Schools that set a deficit budget will be expected to submit a financial forecast and action plan as instructed by the Schools Finance Support Team. All remaining schools will be expected to submit a financial forecast by 15th June each year. Schools that project a deficit outturn during a financial year will be required to submit a financial forecast within one term of the date a deficit was projected.

2.3.13 By the end of February, the City Council shall provide each maintained mainstream school with notification of its school budget share for the following financial year. Details of the indicative figures (based on the previous financial year) for other major revenue funding streams when actual allocations are not available will also be provided. The streams include allocations for Early Years, High Needs, and the Pupil Premium Grant.

2.3.14 By the end of February, the City Council shall provide each maintained special school with notification of the number of commissioned places and the pupil top-up rates for the following financial year. Indicative figures (based on the previous financial year) for the Pupil Premium Grant.

**2.4 SCHOOL RESOURCE MANAGEMENT**

2.4.1 Schools must seek 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 outlined in section 2.10.

2.4.2 It is for heads and governors to determine at school level how to secure better value for money. **Appendix F** lists the best value principles.

2.4.3 When submitting the budget plan, the school may be required to submit a statement that sets out what steps they will be taking in the course of the year to ensure that expenditure, particularly in respect to contracts, will reflect the principles of efficiency and value for money.

**2.5 VIREMENTS**

2.5.1 Following the setting of the final annual budget, changes to circumstances, plans and priorities may require that funds are transferred from one budget heading to another. This process is known as a virement, and reflects good financial management practice.

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2.5.2 Schools may vire funds between all budget heads within their budget share. The LA must be informed of all virements between pay and non-pay codes. If the school’s budget plan is expected to significantly change, then the school must submit a revised budget plan for the year. Schools must record each virement on their Financial Management Systems (SIMS FMS). The virement must not change the “bottom line” of the budget, i.e. the total budget available to the school.

2.5.3 The Headteacher is authorised to vary the annual budget prepared by the Finance & General Purposes Committee and approved by the full Governing Body. This variation shall be the result of any change in the day-to-day spending plans of the school, but still be in accordance with the aims and objectives of the school, as laid down in the School Improvement Plan. This variation, known as a ‘Virement within Budget Share’ shall not exceed £1,000. A ‘Virement within Budget Share’ in excess of £1,000 should be recommended to the Finance & General Purposes Committee by the Headteacher and actioned after minuted approval of the ‘Virement within Budget Share’ by the Finance & General Purposes Committee.

**2.6 AUDIT: GENERAL**

This section details the audit regime applying to schools.

2.6.1 Schools are included within the corporate audit regime and must co-operate with internal auditors and the LA’s external auditors. Schools must provide access to their records for both internal and external auditors.

**Internal Audit**

2.6.2 The Director of Strategic Finance is responsible for maintaining ongoing internal audit of the accounting, financial and related operations of the City Council. This responsibility in respect of schools is in practice discharged by the Business Partner for Children & Adults, assisted by the Internal Audit, who act as the Director of Strategic Finance authorised representatives.

2.6.3 The Director of Strategic Finance is responsible for reviewing, appraising and reporting to governing bodies, the Director of Children & Adults and members on the soundness, adequacy and application of financial and other related management controls in operation in schools.

2.6.4 The Director of Strategic Finance (or authorised representative) in pursuance of their duties and responsibilities, shall have the right to:

* Enter City Council land or property at all reasonable times;
* Have access to all records (including records held on computer), documents and correspondence relating to any financial matter and/or related transaction involving the Council;
* Require and receive such explanations as are necessary concerning any matter under examination.

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**Irregularities or potential irregularities**

2.6.5 The Governing Body or Headteacher should immediately contact the Business Partner for Children & Adults or Head of Audit and Risk if any matter arises which gives cause for suspicion of, invoices or is thought to involve irregularities concerning City Council or Governing Body assets or resources. The Business Partner for Children & Adults in conjunction with the Head of Audit and Risk will initiate action as deemed necessary, by way of investigation and report.

**2.7 SEPARATE EXTERNAL AUDITS**

2.7.1 School governing bodies are not precluded from spending additional funds, from their budget share, to obtain external audit certification of its accounts, separate from any LA internal or external audit process.

**2.8 AUDIT OF VOLUNTARY AND PRIVATE FUNDS**

2.8.1 Schools must provide an independent audit certificate in respect of all voluntary and private funds held by the school and of the accounts of any trading organisations controlled by the school.

2.8.2 Schools are required to ensure that all unofficial funds are audited on an annual basis by a suitably independent and experienced person. These accounts must be submitted with a report, to the Governing Body within four months of the accounting year end of that fund.

2.8.3 Schools must provide valid audit certificates to the Director of Strategic Finance, for each unofficial fund when requested by the City Council. Any school refusing to or unable to provide audit certificates to the City Council is in breach of this scheme and the City Council will take action on that basis.

2.8.4 Further guidance on the administration and audit of unofficial fund is given in the Financial Administration and Control Policy which can be downloaded from Schools Finance webpage. Guidance on the administration and audit of unofficial funds in voluntary aided schools is available from the relevant diocesan authority.

**2.9 REGISTER OF BUSINESS INTERESTS**

2.9.1 The governing body of each school is required to have a register which lists for each member of the governing body and the head teacher:

* any business interests they or any of their immediate family have; This section details the requirements for purchasing, tendering and contracting arrangements;

* Details of any other educational establishments that they govern;
* Any relationships between school staff and members of the governing body;
* keep the register up to date with notification of changes and through annual review of entries;

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* Make the register available for inspection by the Authority, governors, staff and parents. The register should also be published e.g. on a publicly accessible website.

2.9.2Further guidance on this issue is provided in the Authority’s financial regulations and the Code of Conduct for Employees. A pro-forma Register of Business (or Pecuniary) Interest is available on the Nottingham Schools Finance extranet.

2.9.3 A business interest in this context is any financial or personal relationship that could be perceived as an unfair influence on the decision-making process relating to official school purchases. An example of this is would be a relative working for a local supplier.

2.9.4 Employees and Governors who have a business interest must exclude themselves from any decision-making process relating to purchase in the relevant area of business.

2.9.5 The Department for Education published the regulations and an amendment to the Statutory Guidance for maintained schools in March 2015 entitled: The School Governance (Miscellaneous Amendments) (England) Regulations 20151 and DFE Statutory Guidance on publication of Governor’s Details and the Register of Interests. Refer to http//www.legislation.gov.uk/uksi/2015/883/pdfs/uksi 20150883 en.pdf

**2.10 PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS**

2.10.1 Schools must abide by the Authority’s financial regulations and Contract Procedure Rules in purchasing, tendering and contracting matters. In addition, schools must assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA’s policies and procedures. Irrespective of financial regulations:

2.10.2 Schools are not required to:

* do anything incompatible with the provisions of this scheme, or any statutory provision, or any EU Procurement Directive and or Public Procurement Legislation and case law interpretations;
* seek LA officer countersignature for any contracts for goods or services for a value below **£60,000** in any one year; to select suppliers only from an approved list.

2.10.3 Schools are required to:

* Demonstrate that the price obtained is competitive; the City Council is obtaining value for money; and record these details in writing for any contract with a value between **£1,000** and £5,000 in any one year. If there is any possibility that the scheme may exceed £5,000 in value, at least three written quotations should be sought.
* Seek no less than three written quotations in respect of any contract with a value exceeding £5,000 in any one year.

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* Obtain in writing at least three quotations and adhere to the procedures relating to receiving and assessing of these quotations for all contracts between £5,000 and £50,000.
* Adhere to the Authority’s full tendering procedures for all contracts exceeding £50,000. Financial Regulation link [**http://gossweb.nottinghamcity.gov.uk/nccextranet/CHttpHandler.ashx?id=34575&p=0**](http://gossweb.nottinghamcity.gov.uk/nccextranet/CHttpHandler.ashx?id=34575&p=0)

2.10.4 Schools may seek advice on a range of compliant deals via “Buying for schools” at (<https://www.gov.uk/guidance/buying-for>-schools)

**European Procurement Directives**

2.10.5 European Procurement Directives 2014 and Public Contract Regulations 2015 require the City Council to operate a tendering process to appoint suppliers for those goods and services where the total value of the business placed by the City Council exceeds a given amount. All parts of the City Council are obliged to use those suppliers, or comply independently with European Procurement Directives and Public Procurement Legislation. Failure to do so can jeopardise the City Council’s eligibility for grant funding, incur challenges through court injunctions potentially leading to contracts being revoked with substantial fines and damages.

2.10.6 Both the Department for Education and HM Treasury have advised that schools could be considered as “discrete operational units” and not part of the corporate whole. However, neither Government department has given firm guidance nor at any stage has this been confirmed by the European Parliament. HM Treasury has recommended that Authorities form their own view.

2.10.7 Accordingly, for the purpose of complying with EC Directives and Public Procurement Legislation, the City Council regards schools as part of the corporate whole and therefore requires schools either to use the City Council central purchasing arrangements, or to comply independently with European Procurement Directives.

**City Council Central Purchasing arrangements**

2.10.8 Schools may use City Council central purchasing arrangements for the supply of goods and services, without having to go through quotations and tendering processes. City Council suppliers will have been selected under the Council’s Rules for Contracts and financial regulations tendering procedure. Approved suppliers have already provided assurance that they comply with Health and Safety requirements.

2.10.9 Schools may use any of the City Council’s services. The Internal service provider will be responsible for complying with the City Council’s Rules for Contract and financial regulations.

2.10.10 Schools may request support and guidance from the City Council’s Procurement and Commissioning Service to find a source for any goods or services they may require.

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**2.11 APPLICATION OF CONTRACTS TO SCHOOLS**

2.11.1 Although Governing Bodies are empowered to enter into contracts, in most cases they do so on behalf of the LA as the maintainer of the school and the owner of 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 by aided or foundation schools for the employment of staff.

2.11.2 The SSAF Act requires the liability for outstanding contracts and leases to be transferred to the LA in the event of a school closure. Consequently, where a school goes into Special Measures or is named in a school organisation consultation any new contracts or leases for periods exceeding one year must be approved by the LA.

2.11.3 Schools are not obliged to utilise LA arranged contracts. These are currently offered through buy-back, via Service Level Agreements.

2.11.4 Schools have the right to opt out of any LA-arranged contract at the point at which the contract is set up and where the school has received delegated responsibility for the areas covered by the contract, except where they have lost that right for particular contracts in accordance with a specified written procedure: in which case the school is bound into the contract for its length.

2.11.5 Governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority maintainer of the school and the owner of the funds in the budget share. (This is the main reason for allowing authorities to require authority counter-signature of contracts exceeding £60,000).

**2.12 CENTRAL FUNDS AND EARMARKING**

2.12.1 The LA may make sums available to schools from central funds in the form of allocations which are additional to and separate from the schools’ budget shares. Such allocations will be subject to conditions setting out the purpose (or purposes) for which funds may be used. While these conditions need not preclude virement (except, where funding is supported by a specific grant which the LA itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school’s budget share. Such allocations might, for example, be sums for SEN or other initiatives funded from the central expenditure of a LA’s schools budget or other LA budget.

2.12.2 Earmarked funding from centrally retained funds must be spent on the purpose for which it was given, or on other budget heads for which earmarked funding is given, and should not be vired into the budget share. There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with.

2.12.3 The LA may request earmarked funds to be returned to the LA if they are not spent within the period stipulated by the authority over which schools are allowed to use the funding.

2.12.4 The LA is barred from making any deduction, in respect of interest costs to the LA, from payments to schools of devolved specific grant.

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**2.13 SPENDING FOR THE PURPOSES OF THE SCHOOL**

**Principles**

2.13.1 Governing bodies are empowered to spend budget shares for the purposes of the school, subject to any restrictions as may be imposed by or under this scheme. Amounts spent on pupils who are on the roll of other maintained schools or on community facilities will be treated as if spent for the purposes of the school.

**Restrictions on the use of the budget**

2.13.2 The delegated budget share cannot be used to support:

* Non-school activities – even where they take place on school premises and the Governors and Headteacher have overall responsibility for their management.

* Further education courses provided under Section 12 of the Further and Higher Education Act 1992 (although income raised from course fees may be used for the purposes of the school).
* The Governing Body does not have the automatic power to enter into any leasing or deferred payment arrangements. In each case, the Governing Body must obtain the specific written approval of the Director of Children & Adults and the Director for Strategic Finance in the first instance before proceeding with any such arrangement.

2.13.3 Any purchase must be made in accordance with the purchasing, tendering and contracting requirements laid out in section 2.10 of this scheme.

2.13.4 The school should establish effective monitoring and debt recovery arrangements to ensure that all income is received and that the overall effect on the school’s financial position is zero.

**2.14 CAPITAL SPENDING FROM BUDGET SHARES**

2.14.1 Governing bodies may utilise their budget shares to meet the cost of capital expenditure on the school premises which is schools responsibility under paragraph 3 of Schedule 3 of the act. The City Council may request schools to provide details of any such expenditure.

2.14.2 Governing bodies must notify the Director of Children & Adults of any proposed capital spending from the budget share. If such expenditure is expected to exceed £15,000 in any one year, the governing body must take into account subsequent advice from the LA on the merits of the proposed expenditure.

2.14.3 Schools must consult with the Director of Children & Adults before arranging for any work that may affect the number of places at the school.

2.14.4 If the premises are owned by the City Council, the governing body must seek the consent of the City Council as Landlord to the proposed works. If the premises are owned by a diocesan authority, the City Council recommends that the school obtain the consent of the relevant authority. Changes to premises may affect the capacity of the school, operational management, insurance, rateable value or be non-compliant with works previously resourced from specific grants. Consent will not be unreasonably withheld.

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2.14.5 For accounting purposes, capital expenditure incurred by schools from delegated budget shares is classed as “Revenue Contributions to Capital”. Schools may not enter into any arrangement that involves payment deferral as stated in section 2.13.2 of this scheme.

**Devolved Capital**

2.14.6 Schools will each receive devolved formula capital (DFC) allocations on an annual basis.

The allocation may be used:

* To fund small capital projects;
* To pay for more substantial projects through accumulation over periods of up to three years;
* As a contribution to bigger projects sponsored by the LA.

2.14.7 The definition of capital is based upon the “CIPFA code of Practice on Local Authority Accounting in Great Britain 1998”. It cannot be used for revenue items where these fall below the LA’s minimum capital spend threshold i.e. £20,000.

2.14.8 For LA and VC maintained schools the LA should be informed of planned Devolved Formula Capital spend and approval sought for each project, to comply with statutory duties and landlord responsibilities. For further advice and information please refer to the DFC Guidance sent out with the Maintained schools and Academies Funding Guidance.

**2.15 NOTICE OF CONCERN**

2.15.1 The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Strategic Finance and the Corporate Director of Children & Adults, 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 LA or the school.

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

These may include:

* insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
* insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
* placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the LA;

* insisting on regular financial monitoring meetings at the school attended by LA officers;

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

2.15.3 The Head of Education Partnership will review the evidence available to determine which schools may be issued with a notice of concern. Notices will be issued to the Governing Body and will clearly state the requirements that will result in the removal of the notice and the deadline 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.

2.15.4 A notice of concern will not be issued in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may be issued to provide a way of making a governing body aware of the authority’s concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

**2.16 SCHOOLS FINANCIAL VALUE STANDARD (SFVS)**

2.16.1 All local authority maintained schools (including Nurseries and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.

2.16.2 Governors must demonstrate compliance through the submission of the SFVS 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.

2.16.3 All maintained schools with a delegated budget must submit the form to the local authority before the end of the financial year.

2.16.4 The City Council will submit to the DfE a list of school numbers which have completed the return and notification of any that have not with a valid reason. This will be done in accordance with DfE timescales and signed by the City Council’s Chief Finance Officer.

**2.17 FRAUD**

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

2.17.2 The governing body and Head Teacher must inform all staff of school policies and procedures relating to fraud and theft, the controls in place to prevent them; and the consequences of breaching those controls. This information must also be included in induction for new school staff and governors. Refer also to section 2.6.4.

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**SECTION 3: Instalments of the budget share; Banking Arrangements**

**banking arrangements**.

**3.1 FREQUENCY OF INSTALMENTS**

3.1.1 Advances of the non-pay budget shares will normally be delegated to chequebook schools on a termly basis and will be distributed as follows:

* **April** 5/12ths of indicative non-pay budget estimated at **10%** of total budget
* **June** 5/12ths of non-pay budget based on budget plan **less** payment made in April **plus** overspend/underspend carried forward from previous year
* **September** 4/12ths of non-pay budget based on budget plan
* **January** 3/12ths of non-pay budget based on budget plan

Cash will be distributed by 10th of the stated month above.

3.1.2 In exceptional circumstances, schools may request an interim advance payment pending the next regular instalment. The City Council expects schools to manage their bank account effectively to avoid the need for such action.

3.1.3 Pay budget shares will only be delegated to chequebook schools that do not use the City Council payroll service, and only if the school request this arrangement prior to the start of the financial year, whereupon the pay and non-pay budget shares will be delegated together on a monthly basis. If they change the provider part way through the year, they will need to notify the Schools Finance Support Team at least three months in advance of when the cash is required to pay their new provider (see also 2.1.14).

3.1.4 Schools with a budgeted or projected deficit will receive their non-pay budget share monthly between April and March.

3.1.5 Upon agreement from the LA, the above profiles of delegation payments may be altered. These arrangements may be subject to an administration charge and interest charge (see 3.3).

3.1.6 Schools requesting ad hoc cash advances from the LA are required to submit a cash flow statement and supporting information to justify the advance by the 20th of the preceding month.

3.1.7 Top up payments for pupils with high needs are dealt with through the termly advance process for special schools and focus provision units as top up funding forms a significant proportion of the schools budget.

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**3.2 PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT**

3.2.1 The non-pay budget will automatically be given to schools in the instalments of delegated funds.

3.2.2 The pay budget will only be delegated to schools if this is requested prior to the first instalment payment.

3.2.3 The initial estimate of pay costs will be based on 90% of the School Budget Share.

3.2.4 Chequebook schools that use the LA’s payroll service will not have pay budgets paid into their bank accounts.

3.2.5 At the end of the financial year, the LA will calculate the difference between the estimated sums deducted from the budget share when calculating the advances and the actual costs relating to these sums. Any difference will be carried forward into the next financial year and will be charged or reimbursed to the school as necessary.

**3.3 INTEREST CLAWBACK**

3.3.1 There are no interest charges to schools using external payroll due to the LA transferring the pay budget share in monthly cash advance.

3.3.2 There are no interest charges on late budget share payments.

**3.4 BUDGET SHARES FOR CLOSING SCHOOLS**

3.4.1 For schools, which have been approved for closure, the non-pay budget will be delegated to the school on a monthly basis, irrespective of previous arrangements. Expenditure must not exceed the delegated monthly instalments.

**3.5 BANK AND BUILDING SOCIETY ACCOUNTS**

3.5.1 All Nottingham City schools will operate an approved bank account scheme, which allows participating schools to:

* receive their budgets in the form of cash advances paid into separate bank accounts to be administered by the school;
* Pay in income generated by the school;
* To issue cheques for the purchase of goods and services;
* Retain interest earned on this account.

Budget share funds paid by the LA and held in school accounts remain LA property until spent (s. 49(5) of the Act).

3.5.2 The City Council recommends that the name of any official account bears the name of Nottingham City Council within their title to show that it is a local authority maintained school.

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3.5.3 Schools with bank accounts may pay bills for utilities and other recurring expenditure by *direct debit*. The value of each Direct Debit should be reviewed and compared with invoices received from the supplier. Suppliers paid by Direct Debit must be reviewed regularly to ensure they continue to provide Best Value.

3.5.4 If a school opens an external bank account the LA must, if the school desires, transfer immediately to the account an amount agreed by both school and LA as the estimated surplus balance held by the LA 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.

3.5.5 The governing body should ensure that:

* Blank cheques are stored in a secure environment;
* Cheques drawn on the account always bear two signatories;
* There are a sufficient number of authorised cheque signatories available to cover in times of absence;
* Authorised signatory lists should always be kept up to date with banks;
* Bac/electronic payments generated via online banking are always authorised under dual control i.e. on person enters the details and a different person checks and authorises the payments and that there are sufficient funds in the account to cover payments issued;
* Cheques are crossed “a/c payee only” and may not have pre-printed signatures.

3.5.6 The Governing Body should ensure that the balance on the bank statement is reconciled to the finance system on a regular basis (at least monthly), and documentary evidence is retained for audit purposes. The Headteacher should review that bank reconciliations have taken place on a timely and regular basis and maintain evidence that they have done so.

3.5.7 Schools can change the bank at which they have their current account and submit the BANK1 form to Schools Finance Support Team. Permission will not normally be denied but the chosen bank must meet the minimum investment criteria as **determined by the Council’s Treasury Management Strategy**.

3.5.8 Full details of the Nottingham school bank account scheme regulations are provided within the Banking section of the Manual of Financial Guidance. All schools must adhere to these regulations.

**3.6 BORROWING BY SCHOOLS**

3.6.1 Governing bodies cannot borrow money (including bank overdrafts and the use of finance leases) unless written permission has been obtained from the Secretary of State. This does not apply to Trustees and Foundations or to the School Loans Scheme operated by the LA. The Secretary of State’s general position is that schools will only be granted permission for borrowing in exceptional circumstances.

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3.6.2 This means that unless the specific approval is obtained schools cannot overdraw their bank account or arrange overdrafts; take out bank loan, or use credit cards. Procurement

cards are permitted provided that the full amount committed is repaid in full by the agreed date.

3.6.3 Schools are responsible for the operation of their delegated bank accounts and must avoid overdrawing their account. They are therefore required to have effective cash-flow management processes in place. Refer to section 3.1.2.

3.6.4 The City Council has no power to grant consent to borrowing. However, this provision does not apply to borrowing arrangements for the School Loan Scheme (see 4.10), or borrowing arrangements between voluntary aided schools and the relevant diocesan authority.

3.6.5 From time to time, however, the Secretary of State may introduce limited borrowing schemes in order to meet broader policy objectives. Schools are allowed to 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.

**Leasing**

3.6.6 Schools must notify the Corporate Director of Resources in advance of any proposed leasing arrangements or any other arrangements to delay or defer payment for goods or services. Any scheme (however described) that effectively spreads the cost of payments across financial years is likely to fall into this category. Such arrangements may only be entered into after obtaining written approval from the Chief Finance Officer. See the Manual of Financial Guidance for further details.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 4: The treatment of surplus and deficit balances arising in relation to budget shares**

**4.1 RIGHT TO CARRY FORWARD OF SURPLUS BALANCES**

4.1.1 At the end of the financial year, any surplus will accrue to the school and be carried forward to the following financial year (subject to the restrictions set out in section 4.2.1). Similarly, at the end of the financial year, any deficit will be carried forward to the following year.

**4.2 CONTROL ON SURPLUS BALANCES**

4.2.1 Surplus balances held by schools are subject to the following restrictions:

a) the Authority shall calculate by beginning of June each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

b) the Authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance;

c) the City Council shall write to schools where the balance (after steps a and b) is greater than 5% of the current year’s budget share to find out whether amounts have been assigned for specific purposes;

d) the Authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority as listed at paragraph 4.2.5 of this Scheme, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether any sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.

[*the last provision is intended to ensure schools can build up reserves towards particular projects but cannot defer implementation indefinitely*]

e) if the result of steps a-d is a sum greater than whichever is the greater of 5% of the current year's budget share (secondary schools) or 8% (primary and special schools), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

4.2.2 Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

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

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4.2.4 The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.

4.2.5 Specific purposes for which balances in excess of 5% or 8% may be retained are:

* Funding earmarked for specific capital projects; and
* Other funding earmarked for specific projects detailed in School Development Plans.

These will need to be approved by the City Council (refer to paragraph 4.2.1). To enable the City Council to do this schools would need to provide a detailed plan of what the expenditure is for including a timescale over which the expenditure is to be incurred. If a school fails to provide a sufficiently robust plan, the City Council will request an improved version(s). Ultimate failure to provide a sufficient plan may result in the amount being returned to the City Council.

**Reporting on the Intended Use of Surplus Balances**

4.2.6 Schools with balances greater than 5% of the current years delegated funding (secondary schools) or 8% (primary and special schools) must submit to the LA a declaration of how the funds are intended to be used.

4.2.7 Amounts may be assigned for specific purposes under the following categories:

* A building development / refurbishment project
* Purchase of equipment or other asset
* To cover a temporary reduction in funding due to a projected reduction in pupil numbers.

**4.3 INTEREST ON SURPLUS BALANCES**

4.3.1 Schools can retain all interest earned through local bank accounts.

**4.4 OBLIGATION TO CARRY FORWARD DEFICIT BALANCES**

4.4.1 Schools with a deficit carry forward balance will have the deficit deducted from the following year’s budget share. Any existing school deficit recovery plans, which have been agreed with the LA, will continue.

**4.5 PLANNING FOR DEFICIT BUDGETS**

4.5.1 Schools may only plan for deficits in certain approved circumstances (see 4.9)

**4.6 CHARGING OF INTEREST ON DEFICIT BALANCES**

4.6.1 Schools incurring a deficit budget will not incur interest charges providing the deficit is repaid within the parameters set out in this scheme *(see 3.3 and 4.9).* Where a school fails

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to achieve a balanced budget within the set timescales, interest will be charged for the full period of the deficit, at 1% above the average bank base rate.

**4.7 WRITING OFF DEFICITS**

4.7.1 The LA is not empowered to write off the deficit balance of any school or pupil referral unit.

Funding to support schools in financial difficulty will only be provided as a cash sum from an allocation of the LA’s centrally held schools budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum.

**4.8 BALANCES OF CLOSING AND REPLACEMENT SCHOOLS**

4.8.1 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, the 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 the previous funding periods) of the closing school for the funding period in which it closes.

4.8.2 Where a school converts to an academy, the LA will take full control of the bank account two months following the conversion date. The old school’s system will close and remain static after closure once accruals have been posted in respect of old school items not yet processed. The school or academy staff will thereafter process all transactions through the new Academy system. Any old school transactions processed that were not previously notified on the accrual schedule will be notified to the LA so that the Council Finance system can be updated to reflect the old school balance.

4.8.3 After four months the old school balance in the LA’s accounts will be notified to the Academy. If agreed, the balance adjusted for amounts already paid by the Academy will be paid over. A clause should consequently be included in the “Transfer Agreement” that, if any further expenditure or income items arise, then the academy would be responsible for the cost or benefit, including VAT.

4.8.4 According to DfE guidance on “treatment of surplus and deficit balances when maintained schools become academies”, the LA will work closely with schools becoming an academy to ensure that they manage the risk of an increasing deficit. The deficit cap must be approved by Corporate Director of Children & Adults before the conversion. If a school is not managing its expenditure in a satisfactory manner, the LA may withdraw delegation of the school’s budget share in order to limit the potential cost to the LA’s budget. Finance officers from the LA will work closely with the school improvement officers to identify issues at early stage schools which are underperforming and may require a sponsored academy solution and provide additional financial monitoring prior to them becoming an academy. If schools have a significant deficit, applications may be postponed until it has been managed down to a reasonable level. The session explains the process for licensed deficits.

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**4.9 LICENSED DEFICITS**

4.9.1 Schools must set budgets which are within the level of funds available to them; that are the Individual Schools Budget, Pupil Premium Grant, estimated carry forward from the previous year and additional income. The LA will supply schools with all income and expenditure data that it holds that is necessary for efficient financial planning by schools and supply schools with an annual statement showing when this information will be available at times through the year.

4.9.2 An unplanned overspend may occur for a variety of reasons. This should normally be removed in the following year’s budget plan, if it has not been possible to deal with it within the budget year.

4.9.3 For reasons other than incorrectly estimating pupil numbers, a budget may be balanced over a period of more than one year if approved by the Corporate Director of Children & Adults and the Chief Finance Officer and under the following circumstances:

a) There must be sufficient funds within the ISB, both at the time of setting the budget and projected forward to the end of the budget deficit, to cover the deficit.

b) The school must provide a budget plan which provides a balanced budget. This plan must be assessed and approved by the officers of the Schools Finance Support Team.

c) The deficit must not exceed the *greater* of 5% of the school budget share or **£35,000** for primary schools and the *greater* of 2.5% of the school budget share or **£70,000** for secondary schools, unless approved by the Director of Children & Adults and the Chief Finance Officer.

d) The maximum repayment period will normally be 3 years but in exceptional circumstances may be 5 years if it appears to the Corporate Director of Children & Adults and Corporate Director of Strategic Finance.

4.9.4 Up to 40% of the collective school balances, whether held by the LA or in separate school bank accounts, will be used to back deficit arrangements.

4.9.5 As schools are not allowed to incur an overdraft on their local chequebook accounts, the LA will temporarily support a school’s deficit.

**4.10 THE SCHOOL LOANS SCHEME**

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

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

If loans are made to fund a deficit and a school subsequently converts to academy status, 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.

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4.10.2 The Scheme is administered by the Strategic Finance - Children & Adults Team. Loans will only be granted if:

a) The loan is repaid in line with terms specified by the LA. Currently, loans are repaid in a maximum of three instalments commencing in the financial year after the loan is raised. If a school is subject to potential closure due to reorganisation then the loan must be repaid by a full year prior to the proposed closure date. If the school becomes an academy, permission from the Secretary of State will be required for the loan repayments to be continued before the academy’s funding agreement is signed, whereupon the liability to repay the loan will be transferred to the academy.

b) Schools that have set a deficit budget or forecast an overspend are not eligible for loans unless this is required to undertake essential health & safety work. The Children & Adults Risk and Health & Safety Manager must confirm that the work is essential.

c) The purpose of the loan is for the benefit of the school:

* to meet a statutory requirement that cannot be funded from existing resources
* has been subject to a cost benefit analysis and its impact on the School Improvement Plan

d) The loan debt outstanding for a school cannot exceed 5% of the school budget share (i.e. main budget plus Pupil Premium Grant).

e) There are sufficient funds within the collective school balances, whether held by the LA or in external bank accounts, to finance the arrangement. The maximum proportion of these funds that can be used to finance the school loans scheme is 30%.

f) The school can demonstrate to officers of the Children & Adults Schools Finance Support Team that the repayments can be financed from the school budget share and that they are incorporated within the school’s medium term financial projections. This includes submission of a Medium Tem Financial Plan in a format agreed by the LA detailing the assumptions and any actions required.

g) Interest is payable on the loan at base rate plus 1% from the date the loan is taken out. Emergency loans for health and safety works may be given interest free if approved by the Director of Strategic Finance**.**

h) An administration fee is payable.

i) The loan must be agreed by the School Governing Body

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 5: Income**

**5.1 INCOME FROM LETTINGS**

5.1.1 Schools may retain all income obtained from lettings of the school premises, other fees and charges and fund raising activities, which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools must take account of any LA policies on the use of school premises and charging [see **Appendix D**].

5.1.2 Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. Income from lettings should not normally be paid into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the schools trustees to determine the use of any income generated by the land.

**5.2 INCOME FROM FEES AND CHARGES**

5.2.1 Schools may retain all income from fees and charges except where a service is provided by the LA from centrally retained funds.

5.2.2 Schools are required to have regard to any policy statements on charging produced by the City Council.

5.2.3 Governing Bodies are required to adopt a charging and remissions policy which should be made available to all interested parties (see **Appendix D**).

**5.3 INCOME FROM FUND RAISING ACTIVITIES**

Schools may retain income from fund raising activities.

**5.4 INCOME FROM THE SALE OF ASSETS**

5.4.1 Schools may retain income from the sale of assets, providing the purchase was made from delegated funding. In cases where the asset was purchased with a non-delegated budget, the LA will decide if the school retains the proceeds.

5.4.2 When selling an asset that is surplus to requirements, the Governing Body should aim to maximise the sale proceeds.

**5.5 ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME**

5.5.1 Administrative procedures for the collection of income 5.5.1 These are outlined in the Authority’s financial regulations and the Manual of Financial Guidance.

5.5.2 The Governing Body is responsible for ensuring that all income receivable is collected, banked and accounted for.

5.5.3 They also must ensure that administrative systems used for the collection and banking of income provide adequate protection for the staff involved with handling income, and ensure adequate security for cash and cheques received.

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**5.6 PURPOSES FOR WHICH INCOME MAY BE USED**

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

5.6.2 Income received under 5.1 to 5.4 above is classed as “official income” and must be paid into the school’s official bank account.

5.6.3 The only exception to 5.6.1 is lettings income collected by voluntary aided schools, which may be paid into unofficial funds.

5.6.4 Official income may only be used for the purposes of the school in accordance with section 2.13 of this Scheme.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 6: The Charging of School Budget**

**6.1 GENERAL PROVISION**

6.1.1 The budget share of a school can only be charged by the LA without the consent of the governing body in circumstances that are expressly permitted by this scheme [see **Appendix E**]. In addition, the LA will charge salaries of school based staff to school budget shares at actual cost.

6.1.2 The school will be informed that the budget share is to be charged directly and notified when it has been done.

6.1.3 The LA may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate representatives of Schools Forum.

**6.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE**

6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA);

6.2.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school;

6.2.3 Awards by courts and industrial tribunals against the LA or out of court actions arising from action or inaction by the governing body contrary to the LA’s advice

6.2.4 Awards may sometimes be against the governing body directly and would have to be met from the budget share. Where the LA is joined with the governing body in the action and has expenditure as a result of the governing body not taking LA advice, the charging of the budget share with the LA expenditure protects the LA’s position.

6.2.5 Expenditure from the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work but the governing body has failed to carry out the required work;

6.2.6 Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status;

6.2.7 Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA (see section 10);

6.2.8 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the LA;

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6.2.9 Recovery of penalties imposed on the LA by HM Revenue & Customs, the Contributions Agency, Teachers Pensions, The Environment Agency or other regulatory authorities as a result of school negligence;

6.2.10 Recovery of monies due from the school for interest charges incurred for pay budget advances and deficit school balances held by the Authority.

6.2.11 Correction of LA errors in calculating charges to a budget share (e.g. pension deductions) providing these deductions are reasonable.

6.2.12 Additional transport costs incurred by the LA arising from decisions by the Governing Body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.

6.2.13 Legal costs which are incurred by the LA because the Governing Body did not accept the advice of the LA.

6.2.14 Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training not carried out.

6.2.15 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.16 Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority’s compliance with its statutory obligations.

6.2.17 Costs incurred by the LA in securing provision specified in an Education and Health Care Plan (EHCP) where the Governing Body of a school fails to secure such provision despite delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with high needs.

6.2.18 Costs incurred by the LA due to submission by the school of incorrect data.

6.2.19 Recovery of amounts spent from specific grants on ineligible purposes.

6.2.20 Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.

6.2.21 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 7: Taxation**

**7.1 VALUE ADDED TAX (VAT)**

7.1.1 Schools are covered by the City Council’s VAT registration arrangements as part of the Council. Schools may not register for VAT in respect of the activities involving the use of official funds delegated under this Scheme.

7.1.2 HM Revenue and Customs have agreed that VAT incurred by schools when spending any funding made available by the authority is treated as being incurred by the authority and qualifies for reclaim by the authority. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. See also section 13 – community facilities.

7.1.3 The City Council is responsible for making returns to HM Revenue and Customs for the purpose of:

* reclaiming VAT on purchases, and
* paying VAT on income from such items as sales and lettings.

7.1.4 Schools are required to keep records of VAT transactions as part of everyday accounting arrangements. In accordance with a timetable and method established by HM Revenue and Customs and communicated to schools by Children's Finance, schools must submit a VAT period-defined claim. School bank accounts will be reimbursed or charged with the VAT recoverable from or payable to HM Revenue and Customs. The reimbursement or charge will be made by the following term of the school’s VAT claim being submitted.

7.1.5 Records should be retained and be available for inspection by HM Revenue and Customs.

7.1.6 If the City Council is penalised because of errors in administering VAT, these costs will be charged against the budget of the school(s) responsible for the error(s). Refer to section 6.2.8. Governing Bodies are responsible for ensuring that VAT requirements are followed. The latest VAT Guidance to follow can be found on the City Council’s website.

**7.2 CIS (CONSTRUCTION INDUSTRY TAXATION SCHEME)**

7.2.1 The Construction Industry Taxation Scheme no longer applies to schools that directly employ contractors in the construction and related industries.

7.2.2 Schools do still have responsibility for checking employment status when engaging an individual for any works including construction works.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 8: The Provision of Services and Facilities by the Authority**

**8.1 THE PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS**

8.1.1 The LA will determine the basis that centrally funded services will be provided to schools, including the financing of existing PRC and redundancy payments.

8.1.2 The LA will not discriminate its provision of services on the basis of the categories of schools except in cases where it would be allowable under the early years and finance regulations or the Dedicated Schools Grant conditions of grant.

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

8.2.1 With the exception of centrally funded premises and liability insurance, any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the LA is initially limited to 3 years from the date of the agreement and periods not exceeding 5 years for any subsequent agreement relating to the same service. This may be extended to 5 and 7 years respectively for supply of catering services.

8.2.2 As stated in 2.11 *- Application of Contracts to Schools*, all services are currently offered via an annual buy-back under a Contract.

8.2.3 When a service is provided (and expenditure is not retained centrally by the LA) it will be offered at prices that are intended to generate income that covers the total costs of providing the service.

**Packaging**

8.2.4 With the exception of centrally funded premises and liability insurance, any service offered by the LA on a buy-back basis will be offered in a way that does not unreasonably restrict schools’ freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as packages of services which may be offered at a discount for schools taking up a wider range of services.

**8.3 SERVICE LEVEL AGREEMENTS**

8.3.1 The services and facilities provided under a Contract will be reviewed annually and set out in the *Education Services Nottingham Website*.

8.3.2 The services offered by the LA are not subject to an extended agreement.

**8.4 TEACHERS’ PENSIONS**

8.4.1 In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers’ Pensions Regulations 2014, 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.

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

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8.4.3 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.

8.4.4 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 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.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 9: PFI / PPP**

**9.1 PRIVATE FINANCE INITIATIVES AND PUBLIC PRIVATE PARTNERSHIPS**

9.1.1 Provisions relating to PFI/PPP projects are currently under consideration. Amongst other issues these might deal with the reaching of agreements with the governing bodies of schools as to the basis of such charges; and the treatment of monies withheld from contractors due to poor performance.

9.1.2 In addition the LA’s powers will be set out to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 10: Insurance**

**10.1 INSURANCE COVER**

10.1.1 The budget for insurance is fully delegated to schools. It is the responsibility of the governing body to ensure that its school has adequate insurance cover. Insurance cover maybe arranged through Nottingham City Council’s Insurance and Risk Team or with an external provider. If schools choose to arrange their own insurance cover, they must demonstrate to the Insurance and Risk Management Team that the cover relevant to the LA’s insurable interests, which is provided under a policy arranged by the governing body, is as least as good as the minimum relevant cover arranged and offered by the LA.

10.1.2 In assessing the type and level of insurance cover required, the LA will 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 simply applying an arbitrary minimum level standard of insurance cover for all schools.

10.1.3 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. Schools may do this individually when any insurance contract of which they are part expires. All primary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding. It must be noted that the insurance offered by the RPA is not as comprehensive as the cover offered by the LA and cover that is not offered by the RPA must be sourced and obtained by the school separately to ensure adequate cover is in place.

10.1.4 Schools must provide any details related to the above insurance arrangements, as requested by the Director of Strategic Finance.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

**Insurance and Risk Management Team**: **General email**

insurance@nottinghamcity.gov.uk

**Insurance Claims Queries**

0115 8765436 simon.webb@nottinghamcity.gov.uk

**Insurance Claims Queries**

0115 8764162 martin.brown@nottinghamcity.gov.uk

**Risk Management Advice**

0115 8764322 mark.baguley@nottinghamcity.gov.uk

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**SECTION 11: Miscellaneous**

**11.1 RIGHT OF ACCESS TO INFORMATION**

11.1.1 As well as the specific requirements included in this Scheme, governing bodies must supply all financial and other information, which might reasonably be required to enable the Authority to satisfy itself that the school is soundly managing its delegated budget share, or the use made of any central expenditure by the Authority on the school.

11.1.2 In connection with the above, the Governing Body must allow the Schools Finance Support team to have access to the school’s finance system and any other records.

11.1.3 Where inadequate information is provided to enable the LA to satisfy itself that the school’s finances are being soundly managed, the LA will monitor net costs incurred against the school budget share (inclusive of any surplus or deficit) and transfers to the school’s account will be limited to funds totalling the school budget share (inclusive of any deficit).

**11.2 LIABILITY OF GOVERNORS**

11.2.1 The governing body is a corporate body, and because of the terms of s.50(7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

11.2.2 An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the Scheme are not in themselves failures to act in good faith; neither is rejection of LA advice as to financial management.

**11.3 GOVERNORS’ EXPENSES**

11.3.1 The LA may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors’ expenses. The amounts of which will be set by the City Council.

11.3.2 Under section 50(5) of the School Standards and Framework Act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. The payment of any other allowances is forbidden.

11.3.3 Schools are prohibited from paying expenses to governors which duplicate those paid by the Secretary of State to governors appointed to schools under special measures.

11.3.4 The amount of any allowances or expenses paid should be in line with the scheme for employees of the LA.

**11.4 RESPONSIBILITY FOR LEGAL COSTS**

11.4.1 Any legal costs (*the costs of legal actions, including those awarded against the LA but excluding the cost of legal advice*) incurred by the governing body are the responsibility of the LA as part of the cost of maintaining the school, unless they relate to the statutory responsibility of aided school governors for buildings. However, if the governing body do not act in accordance with the advice of the Authority then these costs may be charged against the school’s budget share.

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11.4.2 Where there is a conflict of interest between the LA and the governing body, the governing body must seek legal advice from outside the LA at its own expense. The Law Society can provide information on where to obtain this advice.

**11.5 HEALTH AND SAFETY**

11.5.1 The Governing Body should ensure compliance with all relevant health and safety legislation. In addition, the Governing Body is required to have due regard to the duties placed on the Local Authority in relation to Health and Safety, and the Local Authority's Health and Safety policy and codes of practice in expending the school’s budget share, (See **Appendix G**).

11.5.2 The Local Authority can recoup costs for necessary health and safety work carried out in schools, where the governing body has failed to carry out the required work. It is anticipated that this will only need to be invoked in exceptional circumstances (refer to sections 6.2.5 and 6.2.14).

**11.6 RIGHT OF ATTENDANCE FOR CHIEF FINANCE OFFICER**

11.6.1 Governing bodies must permit the Chief Finance Officer, or any officer nominated by the Chief Finance Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities. Where practical, prior notice of attendance will be provided by the LA.

**11.7 SPECIAL EDUCATION NEEDS**

11.7.1 Schools are required to use their best endeavours in spending the budget share to secure the special educational needs of their pupils. **Appendix I** details Nottingham City Education Board’s Policy Framework on Special Educational Needs.

**11.8 WHISTLEBLOWING**

11.8.1 Any employee or governor of a school should follow / refer to the corporate procedures to complain about financial management or financial propriety at the school. The Authority is in the process of reviewing the corporate procedures for maintained schools, once these have been finalised they will be included as an appendix to this document and the Authority will notify schools when this has happened.

11.8.2 Concerns should initially be raised with immediate line managers or the Headteacher or nominated whistleblowing representative for the school, but if this is not considered appropriate, may be raised with:

* For fraud and financial irregularity: the City Council’s Chief Internal Auditor
* For all other matters: the Monitoring Officer (Legal Services)

If this is not felt appropriate, concerns may also be raised with:

* Director of Education, Adult Education & Libraries

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* Finance Manager covering Education

11.8.3 Within ten working days, the person to whom a concern was referred will acknowledge receipt of the concern and indicate how the matter will be dealt with. This may be by internal investigation, referral to the police, referral to the external auditor, or through an independent inquiry. Subject to legal constraints, the outcome of any investigation will be made known.

11.8.4 For further information please refer to the City Council's whistleblowing procedure.

**11.9 CHILD PROTECTION**

11.9.1 Schools are required to comply with the City Council practice on matters connected with Child Protection.

11.9.2 Schools must, from its own resources, provide a suitable representative to attend child protection case conferences and other related events and / or provide a written report.

**11.10 REDUNDANCY/EARLY RETIREMENT COSTS**

11.10.1 The 2002 Education Act sets out how premature retirement and redundancy costs should be funded. Guidance is provided in **Appendix H**.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 12: Responsibility for repairs and maintenance**

**12.1 SCHOOL RESPONSIBILITIES**

12.1.1 Schools will receive delegated funding from the LA for all repairs and maintenance, and governing bodies will be expected to finance this from their school budget. *(Please see reference*

12.1.2 For voluntary aided schools, the liability for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools.

12.1.3 Schools are responsible for all inspections required by the Statutory Testing & Inspection of Fixed Installations in “Nottingham City Council Properties – Policy statement and testing procedures October 2013” which includes planned preventative maintenance (PPM). This document provides a guide to PPM tasks and their frequency. Where schools do not buy PPM services from the LA, to assess compliance, schools will periodically be required to provide evidence the work has been carried out in accordance with current regulations and where equipment is in warranty, manufacturers recommendations. A copy of the Nottingham City Council Properties – Policy statement and testing procedures October 2013 can be found at: http://gossweb.nottinghamcity.gov.uk/nccextranet/CHttpHandler.ashx?id=30746&p=0

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**SECTION 13: COMMUNITY FACILITIES**

**13.1 APPLICATION OF THIS SCHEME FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER**

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

1. Regulations made under s.28 (2), if made, can specify activities, which may not be undertaken at all under the main enabling power.

2. The school is obliged to consult its LA and have regard to advice from the authority.

3. 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.

13.1.2 However, under s.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 LA’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.

13.1.3 Schools are therefore subject to the prohibitions, restrictions and limitations detailed in this Scheme (*reference 13.4*).

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

13.1.5 The financial arrangements for any community facility must be clearly separated from those of the school itself. The budget share of a school may not be used to fund community facilities – either start-up costs or on-going expenditure – or to meet deficits arising from such activities.

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

**13.2 CONSULTATION WITH THE LA – FINANCIAL ASPECTS**

13.2.1 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local authority, and have regard to advice given to them by the LA.

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13.2.2 Schools are required to seek LA advice at least one full term in advance of the proposed start date. In order that both schools and the LA are alerted to any potential financial and other operational liabilities, this Authority has adopted a formal procedure for considering schools’ proposals. This should ensure that, from the outset, both parties are aware of all pertinent issues before resources are committed. This procedure seeks to include reasonable requirements as to timeliness and the amount of information, which schools must supply in seeking LA advice. This procedure and any revisions will be published to all schools.

(*for the one exception).* The LA will retain funding for capital expenditure. For these purposes, expenditure may be treated as capital only if it fits the definition within the CIPFA Code of Practice on Local Authority Accounting, which is followed by the LA.

13.2.3 The LA will provide schools with advice within 30 working days after being consulted, although the LA will seek to offer advice earlier. Schools are required to inform the LA of any action taken following receipt and consideration of the LA’s advice a reasonable time. It may include a requirement for schools to inform LAs what action has been taken following LA advice.

**13.3 FUNDING AGREEMENTS – LA POWERS**

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

13.3.2 The Authority’s requirements in relation to funding agreements with third parties (as opposed to funding agreements with the Authority itself) are that any such agreement should be submitted to the LA for its comments, giving the LA at least 20 working days to allow adequate time to consider and respond.

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

13.3.4If an agreement has been or is to be concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, then this may constitute grounds for suspension of the right to a delegated budget.

**13.4 OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS**

13.4.1 The exercise of the community facilities power is subject to all other prohibitions, restrictions and limitations prescribed in this Scheme.

13.4.2 In addition, in exercising community powers, schools should have due regard to financial procedures. In particular, schools should ensure that procedures relating to leases are observed and that any funding arrangements with third parties do not constitute finance leases.

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13.4.3 If the LA has good reason to believe that a proposed project, actioned by the governing body under the community facilities power, carries significant financial risks, then the governing body concerned may be required to make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.

13.4.4 The LA will need to be satisfied regarding the use of buildings, access, fire and other safety aspects, restrictions on use (where covenants on use bar certain activities or limit the use of the building to educational use), provision of additional accommodation by third parties and the maintenance responsibilities and liabilities.

13.4.5 Section 28 empowers the Authority to propose other scheme provisions of that nature which they believe necessary. In considering whether to approve any such provisions for inclusion in the Authority’s scheme, the Secretary of State will adopt a principal criterion that restrictions should only be in existence if they are necessary to safeguard the financial position of the Authority or school, or to protect pupil welfare or education.

**13.5 SUPPLY OF FINANCIAL INFORMATION**

13.5.1 Schools which exercise the community facilities power are required to provide the Authority each term with a summary statement, in a form determined by the Authority. This must show the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

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

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

**13.6 AUDIT**

13.6.1 The school is required to grant access to the school’s records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

13.6.2 Internal and external Audit will have the same rights of access to records connected with the exercise of the community facilities power as they do for schools other financial records as detailed in section 2.6 of this Scheme.

13.6.3 In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools are required to ensure that such agreements contain adequate provision for access by 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

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in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

**13.7 TREATMENT OF INCOME AND SURPLUSES**

13.7.1 Schools may retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the LA or some other person.

13.7.2 Schools may carry such retained net income over 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, transfer all or part of it to the budget share balance.

13.7.3 Any deficit on community facilities may not be met from a schools delegated budget share. No expenditure incurred in the exercise of the community facilities power may be met from the budget share unless such a purpose is prescribed by the regulations made under s. 50(3)(b) of the 1998 Act.

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

**13.8 HEALTH AND SAFETY MATTERS**

13.8.1 The health and safety provisions contained in section 11.5 of this Scheme are extended to the community facilities power. See **Appendix G**.

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

**13.9 INSURANCE**

13.9.1 It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. The school must seek the Authority’s advice before finalising any insurance arrangement for community facilities.

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

**LA’s insurance responsibility**

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

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costs could not be charged to the school’s budget share. Such a provision is necessary in order for the LA to protect itself against possible third party claims.

**13.10 TAXATION**

**VAT**

13.10.1 In general, schools may only make use of the LA’s VAT reclaim facility for expenditure on community facilities when this is from LA funds and not expenditure from other funds. The Authority will follow HMRC guidance concerning the recovery of VAT where schools use donated funds.

13.10.2 The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s, 49(5) of the SSFA are the property of the LA. This facility also applies to funding given by the LA to schools outside the budget share.

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

13.10.4 All staff employed by the school or LA in connection with community facilities at the school must be paid through the school payroll to ensure that Inland Revenue rules pertaining to the payment of income tax and National Insurance are met.

**13.11 BANKING**

13.11.1 **Arrangements**

Where a school opts to provide community facilities it must operate the same banking arrangements used for its budget share but with adequate internal accounting controls to maintain separation of funds.

13.11.2 **Bank accounts and signatories**

The provisions set out in *reference 3.5.1* apply in respect of banks that may be used, signing of cheques, the titles of bank accounts, the contents of mandates (except that such mandates may provide that funds for community facilities not provided by the LA are not the property of the Authority), and similar matters.

13.11.3 **Borrowing**

Governing bodies cannot borrow money **(including bank overdrafts)** unless written permission has been obtained from the Secretary of State. This does not apply to Trustees and Foundations or to the School Loans Scheme operated by the LA. See *reference 3.6* for full details.

**CONTACT**

**School Funding Team**

0115 8763733

school.funding@nottinghamcity.gov.uk

**Schools Finance Support Team**

0115 8765053

schools.finance@nottinghamcity.gov.uk

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**Appendix A: List of schools covered by this scheme**

|  |  |
| --- | --- |
| **MAINTAINED PRIMARY SCHOOLS** | **DfE REFERENCE NUMBER** |
| Bentinck Primary  Berridge Primary  Cantrell Primary  Carrington Primary  Claremont Primary  Crabtree Farm Primary  Dovecote Primary  Dunkirk Primary  Fernwood Primary  Forest Fields Primary  Glade Hill Primary  Greenfields Primary  Haydn Primary  Heathfield Primary  Hempshill Hall Primary  Henry Whipple Primary  Melbury Primary  Mellers Primary  Middleton Primary  Rise Park Primary  Robin Hood Primary  Rufford Primary  Seely Primary  Snape Wood Primary  Southglade Primary  Southwold Primary  Walter Halls Primary  Welbeck Primary  Westglade Primary | 2045  2006  2056  2057  2894  2153  3323  2061  2016  2929  2360  3324  2163  2095  2170  3328  2079  2158  2080  2151  3329  3332  2007  2897  3326  2128  2117  2157  3327 |

|  |  |
| --- | --- |
| **MAINTAINED NURSERY SCHOOLS** | **DfE REFERENCE NUMBER** |
| Nottingham Nursery & Training Centre | 1012 |

|  |  |
| --- | --- |
| **MAINTAINED SPECIAL SCHOOLS for children with autistic spectrum disorders** | **DfE REFERENCE NUMBER** |
| Rosehill (age range 3-19) | 7035 |

|  |  |
| --- | --- |
| **MAINTAINED SPECIAL SCHOOL for children with physical difficulties** | **DfE REFERENCE NUMBER** |
| Oak Field (age 3-16) | 7042 |

|  |  |
| --- | --- |
| **PUPIL REFERRAL UNITS** | **DfE REFERENCE NUMBER** |
| Hospital and Home Education - Thorneywood | 1109 |

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**Appendix B: Financial Regulations relating to locally managed schools**

**FINANCIAL REGULATIONS RELATING TO LOCALLY MANAGED SCHOOLS**

|  |  |
| --- | --- |
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1 **FINANCIAL REGULATIONS RELATING TO LOCALLY MANAGED SCHOOLS**

1.1 **General**

a) Under the Fair Funding Scheme, Governing Bodies must comply with the conditions specified under the Scheme and also with the City Council’s Financial Regulations in so far as they are compatible with the Scheme itself.

b) All references to the Governing Body shall be deemed to refer to the Governing Body of the relevant Locally Managed School.

c) All queries regarding financial matters shall be referred initially to the Corporate Director of Children & Adults.

1.2 **Governing Body**

a) The Governing Body shall:

i) Ensure that the school’s budget is expended in accordance with the Articles of Government as defined in the School Standards and Framework Act 1998, or its successor; and

ii) Ensure that the school’s financial matters are conducted in accordance with the requirements of these Financial Regulations.

b) The Governing Body is not empowered to:

i) Incur capital expenditure unless funded from within delegated funding;

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ii) Enter into, or terminate, any leasing arrangement(s) without the agreement of the Chief Finance Officer. If the Chief Finance Officer supports a schools application for a finance lease then approval from the Secretary of State should be sought.

iii) Enter into, or terminate, any arrangements(s) in connection with the buying and selling or granting of interests in land and/or buildings; and

iv) Expend resources made available by the City Council to the school in addition to delegated funding on any other item except those specified by the City Council.

c) The Governing Body shall be responsible for the financial implications arising from decisions on:

i) The overall management of the school;

ii) The development of the management plan;

iii) The determination of the use of delegated funding.

iv) Staffing levels; and

v) The appointment and dismissal of staff.

1.3 **Accounting**

a) The Governing Body shall be responsible for the maintenance of all financial and accounting records within the school. These records shall be retained by the school for such periods as the Chief Finance Officer may determine.

The Governing Body shall ensure that accounting procedures and systems within the school are adequate and will enable the Head Teacher of the school to provide information required by the Chief Finance Officer.

The Governing Body shall have a duty to maintain standards of financial recording and control which are to the satisfaction of the Chief Finance Officer.

b) The Head Teacher of the school shall provide the Chief Finance Officer with any information required for the purpose of maintaining and closing the financial accounts of the City Council. Such information shall be provided in accordance with the timetable determined by the Chief Finance Officer.

c) The Governing Body shall, at least monthly, ensure that the financial and accounting records of the school are checked for accuracy and reconciled with the Chief Finance Officer’s statutory accounts.

d) The Head Teacher of the school shall, without delay, report any discrepancy in the financial and accounting records of the school to the Corporate Director of Children & Adults.

1.4 **Budget and Budgetary Controls**

1. The Corporate Director of Children & Adults, in conjunction with the Chief Finance Officer, shall be responsible for determining the Individual School Budget for all

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1. Schools in accordance with the School Standards and Framework Act 1998, or its successor, and any subsequent DCSF circular(s) in connection thereto.

b) Each year, the Corporate Director of Children & Adults shall notify the Governing Body of delegated funding available to the school for the period 1 April to the following 31 March. This notification shall be issued before the commencement of the financial year and shall be in accordance with the Scheme of Delegation (Fair Funding Scheme).

c) The Governing Body shall determine how delegated funding is to be spent and shall notify the Corporate Director of Children & Adults by 1 May of every year of its proposed detailed budget. The form of such notification shall be determined by the Corporate Director of Children & Adults in conjunction with the Chief Finance Officer. The Governing Body may subsequently vary the way in which it decides to spend delegated funding during the course of any financial year.

d) The Governing Body may delegate the preparation and the management of the school’s budget to a Board/Committee of the Governing Body. The responsibility for such Board/Committee shall remain with the Governing Body.

e) The Governing Body shall be responsible for exercising budgetary control to ensure that the overall net expenditure of the school is not in excess of delegated funding at any time, without the agreement of the Corporate Director of Children & Adults. The Corporate Director of Children & Adults shall report to the Governing Body each financial year on spending, including sums committed but not yet paid, against the school’s budget.

f) Any underspending or overspending of delegated funding will be carried forward to the next financial year.

1.5 **Income and Banking Arrangements**

a) The Corporate Director of Children & Adults, in conjunction with the Chief Finance Officer, shall make arrangements with regard to the administration of schools’ official bank accounts.

b) All schools’ official bank accounts shall be operated in accordance with the current Fair Funding Scheme, which is issued annually.

c) All cheques shall be signed by 2 approved signatories. The Head Teacher of the school concerned shall prepare and keep an up-to-date register of names and signatures of authorised signatories, matched to the current bank mandates, which shall be made available to the Corporate Director of Children & Adults and the Chief Finance Officer upon demand.

d) The Governing Body shall determine a charging policy for the supply of work, goods, materials or services by way of instruction and guidance notes issued by the Corporate Director of Children & Adults. Such charges shall be subject to annual review by the Governing Body.

e) All income shall:

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i) Be paid without delay and intact into the school’s official bank account

ii) Be banked prior to school closure periods exceeding twenty-four hours;

iii) Be collected in advance of supply/service delivery wherever possible;

iv) Be acknowledged by official receipts and accounted for without delay, with all such receipts held securely to prevent misuse;

v) Be identified by means of an appropriate accountancy code;

vi) Not be used to defray expenditure;

vii) Not be used for the purpose of cashing personal cheques.

f) Where income is collected after the service has been provided, an official invoice shall be issued and submitted, without delay, to the debtor.

g) All income shall be held securely until banked and shall be acknowledged in writing when transferred from one person to another.

h) All payments banked shall be by means of an official bank paying-in book, separately identifying cash and cheques, with all cheques listed.

1. All school funds shall be operated in accordance with the current Manual of Financial Guidance prepared by the Corporate Director of Children & Adults in conjunction with the Chief Finance Officer.

1.6 **Security of Assets**

1. The Governing Body shall be responsible for maintaining proper security at all times for all land, buildings, vehicles, plant, machinery, furniture, fittings, equipment, documents, books, computer records, cash, stores, stocks and other property within the school. The Governing Body shall inform the Corporate Director of Children & Adults, without delay, where security is thought to be defective or where it is considered that special security arrangements may be needed.
2. The Governing Body shall arrange for a physical check to be carried out of all the school’s assets and inventory items, each financial year, in a form approved by the Chief Finance Officer. Any discrepancy shall be reported to the Corporate Director of Children & Adults who, with the Chief Finance Officer, shall immediately deal with any such discrepancy.

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c) All money held on school premises shall be secured in a safe (where provided), secure cabinet or cash box. Such safes, secure cabinets or cash boxes must be kept locked at all times with the keys removed. Keys to such safes, secure cabinets or cash boxes must, at all times, be carried on the person of the keyholder nominated by the Head Teacher of the school. The nominated keyholder must report any loss of such keys to the Head Teacher of the school immediately.

d) The Head Teacher of the school shall ensure that there are relevant and effective backup procedures in place for all computer systems. All backup disks, tapes etc shall be securely retained in a fireproof safe or at a remote location.

e) The Governing Body shall ensure that only members of staff authorised in writing by the Governing Body have access to computer hardware and software used for the overall management of the school. Passwords shall not be disclosed and shall be changed regularly.

1.7 **Suspension of Financial Delegation**

Under Schedule 17 of the School Standards and Framework Act 1998, or its successor, each LA (Local Authority) has the power to suspend a Governing Body’s right to decide how to spend its delegated budget in cases where the LA judges that Governors:

i) Have been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction under the legislation or the LA’s approved scheme for the Local Management of Schools (LMS); or

ii) Are not managing the delegated budget in a satisfactory manner.

1.8 **Declaration of Interests**

A Governor, Head Teacher or any other member of staff within the school, who is in a position to influence a decision of the school, and with pecuniary interest in a personal capacity in any contract with the school, shall declare that interest in writing to the Governing Body or relevant Board/Committee of the Governing Body. The Governing Body or relevant Board/Committee of the Governing Body shall record such declaration in a register of pecuniary interests.

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# **Appendix C: School Standards and Framework Act 1998**

**SCHEDULE 15**

**SUSPENSION OF FINANCIAL DELEGATION**

*Suspension of financial delegation for mismanagement, etc.*

(1) This paragraph applies where it appears to the local authority that the governing body of a school which has a delegated budget-

(a) have been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction, or

(b) are not managing in a satisfactory manner the expenditure or appropriation of the sum referred to in section 50(1).

(2) The authority may suspend the governing body's right to a delegated budget by giving the governing body not less than one month's notice of the suspension, unless by reason of any

gross incompetence or mismanagement on the part of the governing body or other emergency it appears to the authority to be necessary-

(a) to give the governing body a shorter period of notice, or

(b) to give the governing body a notice suspending their right to such a budget with immediate effect.

 (3) The notice must specify the grounds for the suspension, giving particulars-

1. of any alleged failure on the part of the governing body to comply with any delegation requirement or restriction;

(b) of any alleged mismanagement on their part; and

(c) if applicable, of the basis upon which a period of notice of less than one month was given under sub-paragraph (2).

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(4) The notice must also inform the governing body of their right to appeal against the suspension under paragraph 3 and of the time within which such an appeal may be brought.

(5) A copy of the notice must be given to the head teacher of the school at the same time as the notice is given to the governing body.

(6) The authority shall send a copy of the notice to the Secretary of State.

(7) In this paragraph "delegation requirement or restriction" means any requirement or restriction applicable, under or by virtue of the scheme or section 50(3), to the management by the governing body of the school's budget share.

1. Any notice given under this paragraph must be in writing.

*Review of suspension*

1 (1) The local authority concerned-

(a) shall review before the beginning of every financial year any suspension under paragraph 1 which is for the time being in force, unless the suspension took effect less than two months before the beginning of that year; and

(b) may review at any time any suspension under paragraph 1 which is for the time being in force, if they consider it appropriate to do so.

(2) For the purposes of any review under sub-paragraph (1), the authority shall give the governing body and the head teacher of the school an opportunity of making representations with respect to the suspension.

(3) If on the review the authority consider it appropriate to do so, they shall revoke the suspension-

1. (in the case of a review under sub-paragraph (1)(a)) with effect from the beginning of the financial year next following the review; or

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(b) (in the case of a review under sub-paragraph (1)(b)) with effect from such time before the beginning of the financial year next following the review as they may determine.

(4) The authority shall give the governing body and the head teacher notice in writing of their decision on the review.

(5) If-

(a) the review was conducted under sub-paragraph (1)(a), and

(b) the authority's decision is to refuse to revoke the suspension,

the notice must inform the governing body of their right to appeal against the refusal under paragraph 3 and of the time within which such an appeal may be brought.

*Appeal against suspension or refusal to revoke it*

3 (1) A governing body may appeal to the Secretary of State against-

(a) the imposition of any suspension under paragraph 1 of their right to a delegated budget; or

(b) any refusal of a local authority to revoke any such suspension on a review under paragraph 2(1)(a).

(2) An appeal under this paragraph must be brought within the period of two months beginning with the date on which the governing body receive the authority's notice under paragraph 1(2) or 2(4), as the case may be.

(3) But if the authority's notice failed to comply with paragraph 1(4) or 2(5), such an appeal may be brought at any time before the end of the period of two months beginning with the date on which the governing body are informed by the authority in writing of their right of appeal under this paragraph.

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(4) On an appeal under this paragraph, the Secretary of State-

(a) may allow or reject the appeal; and

(b) shall have regard, in making his determination, to the gravity of the default on the part of the governing body and the likelihood of its continuing or recurring.

(5) Where the Secretary of State allows an appeal under this paragraph, the suspension of the governing body's right to a delegated budget shall be revoked from a date determined by the Secretary of State.

*Effect of suspension of right to delegated budget*

4 (1) During any period when a governing body's right to a delegated budget is suspended under paragraph 1-

1. the local authority's duty under section 50(1) shall not apply in relation to the school; but
2. the authority may permit the governing body to take such decisions as to the spending of sums to be met from the school's budget share as the authority consider appropriate.

(2) Where in accordance with sub-paragraph (1)(b) the governing body have decided that a particular sum should be spent, they shall, in spending that sum, comply with such reasonable conditions as the authority think fit to impose.

(3) The governing body may, to such extent as they may specify, delegate their powers in relation to that sum to the head teacher.

**CONTACT**

**Schools Finance Support Team**

**🕿** 0115 8765053

**🖂** [schools.finance@nottinghamcity.gov.uk](mailto:schools.finance@nottinghamcity.gov.uk)

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# **Appendix D: The Charging Policy**

**GENERAL PRINCIPLES**

The School Governing Body is committed to the general principle of free education. The Governing Body recognises the valuable contribution that a wide range of activities, including school visits, residential experiences and clubs, can make towards all aspects of pupils’ education. The Governing Body would accordingly wish to promote and provide as far as possible such activities as part of a broad and balanced curriculum for the benefit of pupils of the school.

**CHARGES**

The Governing Body reserves the right to make a charge for the following activities which may from time to time be organised by the school.

Residential Activities held during school hours: charges may be made for the board and lodging element of those residential activities during school hours. Parents will be notified in advance of any such activities which the school proposes to organise and the estimated cost. Parental consent will be obtained for their children’s participation in any such activities for which a charge may be made.

Any charge for a particular activity will be calculated by reference to the actual cost of providing the board and lodging for each pupil; no other costs will be covered by the charge. Any remission arrangements for such activities will be at the discretion of the Governing Body EXCEPT in the circumstances described below.

Activities held outside school hours: the school will endeavour to provide a range of such activities from time to time. These will sometimes include day and residential experiences, and are known generally as ‘optional extras’. Charges may be made for these activities EXCEPT where they are provided to fulfil any requirements specified in the syllabus of a prescribed public examination or are required in order to fulfil statutory duties relating to the National Curriculum or to religious education in which case they are not regarded as optional extras as such and charges cannot be made. (Board and lodging charges may still however be made for any residential activities subject to the remission arrangements described below).

Parents will be notified in advance of any ‘optional extras’ which the school proposes to organise and the estimated cost. Parental consent will be obtained if their children are to participate in any activities for which a charge may be made.

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Any charge for a particular activity will be dependent upon the type of activity and its cost and the number of participants. This charge will not exceed the actual cost of providing the activity, divided equally by the number of pupils willing to participate. The cost of other pupils participating in the visit will not be included in the charge. The charge may however include an appropriate element for such things as:

the pupil’s travel costs;

the pupil’s board and lodging costs;

materials, books, instruments and other equipment;

non-teaching staff costs;

entrance fees to museums, castles, theatres, etc;

insurance costs;

the expenses only of participating teachers engaged on a separate contract for services to provide the ‘optional extra’.

Any remission arrangements for such activities will be at the discretion of the Governing Body, *except* in the circumstances described below.

Materials and Ingredients: a charge will only be made for any materials and ingredients relating to activities taking place during school hours where parents have indicated in advance a wish to own the finished product, e.g. in home economics or CDT. Alternatively parents may, in these circumstances, be asked to volunteer to provide the ingredients and materials prior to the activity taking place.

**REMISSIONS**

Where the parents of a pupil are in receipt of Income Support, Family Credit, or Universal Credit the Governing Body will remit in full the cost of board and lodging for any residential activity the school organises for the pupil if the activity:

takes place within school hours,

or

forms part of the syllabus for a prescribed public examination or fulfils statutory duties relating to the National Curriculum or religious education, irrespective of whether the activity takes place within or outside school hours.

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Any other remission arrangements for a particular activity or pupil will be entirely at the discretion of the School Governing Body. Any subsidy provided by the Governing Body will be met from the funds at its disposal.

**VOLUNTARY CONTRIBUTIONS**

Nothing in this policy statement precludes the School Governing Body from inviting parents to make voluntary contributions for the benefit of the school or in support of any school activity, whether during or outside school hours. Any contributions sought will be entirely voluntary and pupils will not be treated differently according to whether or not their parents make a contribution in response to any invitation.

**BREAKAGES AND DAMAGE TO SCHOOL PROPERTY**

The School Governing Body reserves the right to seek reparation from parents where their children cause breakages or damage to school property.

**REVIEW**

The School Governing Body reserves the right to review and amend this charging policy statement from time to time, as appropriate.

**CONTACT**

**Schools Finance Support Team**

**🕿** 0115 8765053

**🖂** [schools.finance@nottinghamcity.gov.uk](mailto:schools.finance@nottinghamcity.gov.uk)

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# **Appendix E: Circumstances where a school budget share can be charged by the LA without the consent of the School**

1. Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA);
2. Other expenditure incurred to secure such resignations where the school had not followed LA advice;
3. Awards by courts and industrial tribunals against the LA or out of court actions arising from action or inaction by the governing body contrary to the LA’s advice
4. Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the LA is joined with the governing body in the action and has expenditure as a result of the governing body not taking LA advice, the charging of the budget share with the LA expenditure protects the LA’s position.
5. Expenditure from the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work but the governing body has failed to carry out the required work;
6. Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status;
7. Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA;
8. (See also insurance.)
9. Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the LA;
10. Recovery of penalties imposed on the LA by HM Revenue & Customs, the Contributions Agency, Teachers Pensions, The Environment Agency or other regulatory authorities as a result of school negligence;
11. Recovery of monies due from the school for interest charges incurred for pay budget advances and deficit school balances held by the Authority.
12. Correction of LA errors in calculating charges to a budget share (e.g. pension deductions) providing these deductions are reasonable.
13. Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
14. Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA.
15. Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training not carried out.
16. 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.
17. Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority’s compliance with its statutory obligations.
18. Costs incurred by the LA in securing provision specified in an Education Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
19. Costs incurred by the LA due to submission by the school of incorrect data.
20. Recovery of amounts spent from specific grants on ineligible purposes.
21. Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.
22. Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

**CONTACT**

**School Funding Team**

**🕿** 0115 8763733

**🖂** [school.funding@nottinghamcity.gov.uk](mailto:school.funding@nottinghamcity.gov.uk)

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**Appendix F: Best Value Principles**

1. The duty of Best Value is one that local authorities will owe to local people, both as taxpayers and the customers of local authority services. Performance plans should support the process of local accountability to the electorate.
2. Achieving Best Value is not just about economy and efficiency, but also about effectiveness and the quality of local services – the setting of targets and performance against these should therefore underpin the new regime.
3. The duty will apply to a wider range of services.
4. There is no presumption that services must be privatised, and once the regime is in place there will be no compulsion for Councils to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works.
5. Competition will continue to be an important management tool, a test of Best Value and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that Best Value is being achieved.
6. Central government will continue to set the basic framework for service provision, which will in some areas as now include national standards.
7. Detailed local targets should have regard to any national targets, and specified indicators to support comparisons between authorities.
8. Both national and local targets should be built on the performance information that is in any case needed by good managers.
9. Audit processes should confirm the integrity and comparability of performance information.
10. Auditors will report publicly on whether Best Value has been achieved, and should contribute constructively to plans for remedial action. This will include agreeing measurable targets for improvement and reporting on progress against an agreed plan.
11. There should be provision for intervention at the direction of the Secretary of State on the advice of the DfE’s appointed auditors when an authority has failed to deliver Best Value.
12. The form of intervention should be appropriate to the nature of failure.

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**CONTACT**

**Schools Finance Support Team**

**🕿** 0115 8765053

**🖂** [schools.finance@nottinghamcity.gov.uk](mailto:schools.finance@nottinghamcity.gov.uk)

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# **Appendix G: Arrangements for Health and Safety**

**Children & Adults**

1. In its health and safety policy statement, Children & Adults has declared acceptance of its legal duty to pursue a policy which ensures, so far as is reasonably practicable, the health and safety of all its employees and of those persons who may be affected by its operation.

**Corporate Director of Children & Adults**

2. The safety policy statement for the Children & Adults Department is supplementary to the Corporate policy and sets out the organisation and arrangements established by the Corporate Director of Children & Adults to ensure implementation of policy within maintained schools. This details where duties have been delegated to school management. The City Council safety manual is available to every school. Competent advice is available via the Education Services contract.

It is the Corporate Director of Children & Adults’ policy to encourage the co-operation of all staff by discussion and consultation with them, and their representatives, with a view to promoting and developing measures to ensure adequate standards for health and safety at work are met.

All levels of management must appreciate that their responsibilities for health and safety are no less than for any other function and they have a duty to do everything reasonably practicable to provide and maintain buildings and equipment, systems of work, a workplace and a working environment which are safe and without risk to the health of any person. To this end, the Corporate Director of Children & Adults and staff in positions of responsibility have a duty to ensure that the information, instruction, training and supervision necessary to ensure the health and safety of all employees are provided in accordance with departmental procedures.

For their part, Children & Adults employees must recognise that it is their duty under the Health and Safety at Work, etc, Act 1974 to take reasonable care of the health and safety of themselves and their fellow employees, or third parties who may be affected by their actions at work, and co-operate with senior staff to enable the Corporate Director of Children & Adults to meet his/her responsibilities in law.

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**School Governors**

3. For City and Controlled Schools, Children & Adults will retain the primary responsibility as the employer under the Health and Safety at Work Act 1974, and will continue to have the power to issue directions on health and safety matters. (In the case of voluntary aided schools, the governing body, as the employer, will retain the primary responsibility.) Note the Children & Adults has no responsibility for the health and safety of directly employed staff and the pupils of academies.

Governors will have a statutory duty to ensure health and safety associated with their delegated budgets for premises under their control. They must comply, insofar as it is in their power to do so, with Children & Adults detailed in the health and safety manual. Under section 29(5) of the Education Act 2002, governing bodies of such schools must comply with any such direction from the local authority

The governing body will be required to receive reports and monitor the school’s compliance with health and safety matters and the effectiveness of the implementation of their school’s policy.

Children & Adults will periodically monitor the school’s compliance with Children & Adults health and safety policy.

The governing body should also be aware that an Inspector for the Health and Safety Executive or the City Council’s Safety Advisors Unit may at any reasonable time, or if there is a dangerous situation prevailing, enter premises which they have reason to believe it is necessary to enter for the purpose of carrying into effect any relevant statutory provision under the Health and Safety at Work Act 1974.

The governing body is required to maintain, monitor and review their own Safety Policy Statement.

**CONTACT**

**Health and Safety Team**

**🕿** 0115 8764608

**🖂** [davidm.thompson@nottinghamcity.gov.uk](mailto:davidm.thompson@nottinghamcity.gov.uk)

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# **Appendix H: Responsibility for redundancy and early retirement costs**

**1. INTRODUCTION**

1.1 This Policy sets out the circumstances when the costs of redundancy and the costs of annual pension in early retirement (including where redundancy activates access to pension) may/will be paid in full or part by the Local Authority for employees appointed by and working in maintained schools.

1.2 With regards to staff employed directly by Academies within the City, the liability for these costs remains the responsibility of the governing body of the Academy (as the employer of their staff). All liability for such costs passes to the governing body of the Academy at the point the TUPE transfer takes place.

1. **BACKGROUND**
   1. Section 37 of the Education Act 2002 states that:

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

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

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

* 1. Therefore, the default position is that premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the Local Authority’s budget. In the former case, the Local Authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

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* 1. Ultimately, it would be for the courts to decide what a good reason was, but the examples provided within DFE guidance on Schemes for Financing Schools indicates the situations in which exceptions to the default position may be taken.
  2. Costs of early retirements or redundancies may be charged to the central schools services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of retirement and redundancy charges agreed before 1 April 2013. Costs may not exceed the amount budgeted in the previous financial year.
  3. A de-delegated contingency could be provided, if the Schools Forum agree, to support individual schools where a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school budget share.
  4. The Local Authority will discuss its policy with Schools Forum. Although each case will be considered on its own merits, this should be within an agreed framework. It may be reasonable to share costs in some cases.

1. **PAYMENT OF REDUNDANCY COSTS**

3.1 The Local Authority will view it as ‘good reason’ to pass the costs (in full or part) to the school’s delegated budget if any of the reasons below occur:

1. If a school has decided to offer more generous terms than the Local Authority’s policy, then it would be deemed reasonable to charge the excess to the school’s budget;
2. If the school is otherwise acting outside of the Local Authority’s policy;
3. Where the school is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit;
4. Where staffing reductions arise from a deficit caused by factors within the school’s control;
5. Where the school has excess surplus balances and no agreed action plan to use these;
6. Where a school has refused to engage with the Local Authority’s redeployment policy.

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3.2 All schools would be expected to comply and fully engage with all the provisions of the current Restructuring Principles and Redundancy Guidelines for Schools taken from the People Management Handbook for Schools.

3.3 Schools would also be expected to adhere to the advice provided by the Local Authority representative in respect of the procedure, best practice and any relevant employment legislation.

3.4 Schools are also fully expected to maintain close liaison with the Schools Finance Team. Not to do so may justify as ‘good reason’ to pass all costs associated with any redundancy to the school’s delegated budget.

3.5 In addition, the Local Authority deems it both fair and reasonable to only accept to meet such costs that would otherwise result in the school having a deficit budget. Therefore, reductions made on grounds other than a deficit budget would need to be met by the school’s delegated budget.

**Supporting Documentation**

3.6 With any redundancy situation in any maintained school, there are a series of documents that are required by the Local Authority to demonstrate that the correct process has been followed and that the situation in the school is a genuine redundancy situation.

3.7 The documentation that is required from maintained schools in order for consideration to be given as to whether the Local Authority will meet any redundancy costs are as follows:

1. Minutes from Governing Body Meetings – this will need to include the initial discussions where the staffing reductions are proposed and then when the proposals have been accepted after consultation. Evidence should be submitted in addition to demonstrate that the school has considered alternative proposals to making the reductions even if this has been discussed formally with the HR representative from the Local Authority.
2. The budget sheet – confirming that the school is in a deficit budget or would be in a deficit budget if the staffing reductions were not made.
3. Recovery plan for budget – obtained through Finance by the school to demonstrate the impact of any reductions over the three year budget plans.
4. Section 188 notification – which confirms the reductions that need to be made and to demonstrate that formal consultation has been undertaken with the recognised Trade Unions.
5. Structure charts – both the existing and the proposed structure charts highlighting where posts have been removed from the structure.

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1. Formal correspondence – any documentation regarding the consultation process and the Staff Dismissals Hearings which help to demonstrate that due process has been followed by the school. This will need to include the minutes from the Staff Dismissal Hearing and the school decision letter following the hearing. Evidence of consultation having taken place should also be submitted to demonstrate due process has been undertaken.

3.8 Upon receipt of the above documentation, the Local Authority will make a decision as to whether the redundancy costs will be met by the Local Authority’s budget or whether the costs should be passed on in full or part to the school’s delegated budget.

1. **PAYMENT OF EARLY/PREMATURE RETIREMENT COSTS**

4.1 Support Staff

If a member of support staff is made redundant at age 55 years or over, and they pay into the Local Government Pension Scheme, then the employee’s pension will automatically be released early. In such cases, all costs associated with the early release of the pension will fall to the school’s delegated budget.

4.2 Teaching Staff

The procedure within the Local Authority at this time is that if a member of the teaching staff is made redundant at age 55 years or over, and they pay into the Teachers’ Pensions Scheme, then subject to the conditions of Teachers’ Pensions, the employee’s pension may automatically be released early. In such cases, the annual pension costs associated with the early release of the pension under the Teachers’ Pension Scheme Regulations 2014 will fall to the school’s delegated budget.

1. **PAYMENT OF EARLY/PREMATURE RETIREMENT ANNUAL PENSION COSTS FROM A NON-SCHOOLS’ BUDGET**

5.1 The default position is that premature retirement costs must be charged to the school’s delegated budget. In exceptional circumstances, and in accordance with DFE guidance on Schemes for Financing Schools, the Local Authority may agree to fund in full or in part early retirement annual pension costs for staff from a central non-school’s budget.

5.2 In such exceptional circumstances, an assessment would be made on a case-by-case basis and would be subject to final approval of a business case by the Corporate Director responsible for schools and academies. Consideration will be given where the following circumstances apply:

1. In conjunction with other circumstances, where the school has an ongoing long term reduction in pupil numbers and charging such costs to their budget would impact upon maintaining standards of achievement.

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Where a school is closing and does not have sufficient balances to cover the costs and where the central schools budget does not have the capacity to absorb the deficit. This does not include schools converting to academy status. Any balance remaining will need to have been mitigated as far as possible by the school with the appropriate supporting evidence, this will also need to include why any remaining balance cannot be contained within budget.

1. Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of the Local Authority or government interventions to improve standards.
2. Where charging such costs to the school’s budget would prevent the school from complying with the requirement to recover a licenced deficit within the agreed timescale.

5.3 The school would need to compile a business case outlining their rationale as to why the costs should be picked up by the Local Authority rather than being charged to the school’s delegated budget. Evidence would be needed to confirm that alternative approaches to the reductions have been considered. It will then be a decision for the Local Authority, namely the Corporate Director for Childrens and Adults Services, as to whether the Local Authority assists partly or fully with the costs associated with the early/premature retirement.

**6 STAFF EMPLOYED UNDER THE COMMUNITY FACILITIES POWER**

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

Section 37 now states:

(7) where a local authority incur costs –

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

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

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

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

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

**CONTACT**

**HR Advisory Service**

**🕿** 0115 8762000

**🖂** [schools.hrenquiries@nottinghamcity.gov.uk](mailto:schools.hrenquiries@nottinghamcity.gov.uk)