THE SHEFFIELD
SCHEME FOR
FINANCING SCHOOLS
SHEFFIELD SCHEME FOR FINANCING SCHOOLS

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SECTION 1: INTRODUCTION

1.1. The Funding Framework

The “Sheffield Scheme for Financing Schools” is made in accordance with section 48 of the School Standards and Framework Act 1998, Schedule 14 to the Act and the School and Early Years Finance (England) Regulations 2012 and 2013.

The overall funding framework for Schools is now based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998.

Under this legislation, Local Authorities determine for themselves the size of their Schools Budget and their non-schools education budget – although at a minimum an 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).

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 approved by the School’s Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to provisions 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.
An Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the Budget Share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated Budget Share may also be suspended for other reasons (s.17 of the SSAF Act 1998).

The Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on Children’s Services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the Authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment, and each year's budget and out-turn statements so far as they relate to that school or central expenditure.

### 1.2. The Sheffield Scheme for Financing Schools

The Act\(^1\) requires that financial controls, which regulate delegation, are set out in a scheme made by the Local Authority and approved by the School’s Forum. This document forms the required scheme for this Local Authority, which schools must adhere to. Detailed operational rules are set out in the Schools Financial Procedures Manual - a copy of which is in every school and subject to periodic revision.

Subject to provisions of this 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\(^2\).

A Local Authority may suspend a school's right to a delegated budget if the provisions contained in this financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the Budget Share has not been managed satisfactorily. There is a right of appeal to the Secretary of State\(^3\).

The Children’s Services Authority is obliged to publish each year a statement setting out details of its planned Local Schools Budget, showing:

- The amounts to be centrally retained
- The Budget Share for each school

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2 In regulations made under s.50 of the School Standards and Framework Act 1998.
3 A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998).
The formula used to calculate those Budget Shares
The detailed calculation for each school

After each financial year the Authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment, and each year’s budget and out-turn statements so far as they relate to that school or central expenditure.

1.3. The Role of the Scheme

This scheme sets out the financial relationship between the Local Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

1.3.1. Application of the Scheme to the Authority and Maintained Schools

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the authority, whether they are situated in the area of the authority or elsewhere. (as listed in Annex A). It does not apply to schools situated in the authority’s area which are maintained by another authority. Nor does it apply to academies.

1.4. Publication of the Scheme

A copy of the scheme will be published on Sheffield.gov.uk by the date the revisions come into force, together with the date on which any amendments take effect. Any approved revisions will be notified to each such school and the Children Young People and Families Portfolio.

1.5. Revision of the Scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the School’s Forum for approval. All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State

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4 Both types of statement are subject to audit certification by the Audit Commission, and information in them may be collated and published by the Secretary of State.
for approval.

1.6. **Delegation of Powers to the Headteacher**

Each Governing Body is asked to consider the extent to which it wishes to delegate its powers to the Headteacher, and to record its decision (and any revisions) in the minutes of the governing body. Detailed guidance is set out in the Schools Financial Procedures Manual in the form of an example “schools financial policy document.” The key points covered by the document are as follows:

- The framework of accountability and financial probity within the school
- The limits of delegated authority
- Roles and responsibilities of the governing body, its committees, the Headteacher and other staff involved in the financial administration of the school.
- Defined procedures for the individual financial systems within the school.

Please note the governing body or finance committee must retain responsibility for approving the first formal budget plan of each financial year and should ratify all significant in-year revisions to the spending plan.

1.7. **Maintenance of Schools**

The local authority is responsible for maintaining 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 section 45 to 53A of the School Standards and Framework Act 1998.
SECTION 2: FINANCIAL CONTROL REQUIREMENTS AND AUDIT

2.1. Application of Financial Controls to Schools

In managing their delegated budgets all schools covered by this scheme must comply with the Authority's requirements on financial controls and monitoring which are set out in the Schools Financial Procedures Manual.

2.1.1. Provision of Financial Information and Reports

The City Council’s Chief Finance Officer has a duty to ensure the proper administration of the Council’s financial affairs (sec. 151 Local Government Act 1972). He/she is also required to produce annual accounts in accordance with statutory requirements and statements of standard accounting practice. Schools must keep accounts that meet the prescribed format of the City Council and will integrate with those for the Authority as a whole. They must also meet the requirements of the DFE Consistent Financial Reporting Framework.

Schools are required to provide the Authority with details of expected and actual expenditure and income, in a form and at times determined by the Authority, in order for it to comply with its own fiduciary responsibilities. The timetable for the submission of the financial monitoring returns and financial statements to the Authority is shown in Annex B. Detailed procedural notes for completion of the returns and the format of the returns are included in the Schools Financial Procedures Manual.

The details of the main requirements are as follows:

Annually

- Schools Financial Value Standard – by 31st March
- Year End CFR & Trial Balance – by 10th April
- Annual spending plan return (FR1) – by 1st May
- Deficit Recovery Plan for schools setting a deficit budget – by 31st May
- Indicative multi-year forecast – by 30th November
- Extended School Community Focused Facility Annual Spending Plan return – by 1st May

Quarterly

- School income and Expenditure forecast (FR2) – by 21st of month following quarter end.
- Children’s Services Authority input return in the format of a summary trial balance from the school’s financial accounting system – by 21st of month following quarter end.
- Extended School Community Focused Facility Income and Expenditure Forecast – by 21st of month following quarter end.
Monthly

- VAT return in the prescribed format (VR1) – by 21\textsuperscript{st} of following month.
- Bank reconciliation and bank statement in the prescribed format (BR1) – by 21\textsuperscript{st} of following month. (Note this return is now requested on a monthly rather than a quarterly basis).
- Cash Flow Statement in the prescribed format (BR1) – by 21\textsuperscript{st} of following month.

In the event that any of the above returns are not received the Authority may send in their own officers to provide the required information and reserves the right to make appropriate charges for this service.

The Authority will discharge its monitoring role and ensure that schools are effectively managing the resources delegated to them by the monitoring of these returns and by the review of internal audit reports.

2.1.1.1. Reconciliation

Information provided from school chequebook systems is currently reconciled by Schools Finance Business Partner Team on a quarterly basis to verify the integrity of the information returned as the information forms part of the Authority’s official records and accounts. Schools are informed of any discrepancies in the information provided and asked to make the necessary corrections in their local accounting system. This service has been delegated since the 1\textsuperscript{st} April 1999. Cheque book schools not buying back into the Authority’s financial services and information systems are responsible for demonstrating the integrity of their returns by completing each quarter:

- A cash expenditure reconciliation.- this will reconcile the quarterly Local Authority and monthly VAT input returns to the bank balance
- A suspense account reconciliation - a reconciliation explaining the balance held on any nominated suspense accounts (e.g. payroll control), which is not included in the school income and expenditure return.

A school with its own bank account will be responsible for managing the cash flow appropriately. Schools should supply the Local Authority with details of cash flow plans on a monthly basis and when requested.

2.1.1.2. Challenge of School Financial Performance

The Local Authority has a duty to ensure the effective management of resources by schools. To this end we require schools to submit returns as mentioned above and listed at Annex B. All submissions should be completed in a timely manner and should be accurate. The
Authority has a duty to challenge schools financial performance and will monitor and check school financial returns as part of the challenge process. Where the school’s financial performance gives cause for concern, the school will be required to attend a financial review meeting with the Authority, to work in collaboration to review the reasons for concern and agree a way forward. The following reasons are deemed to give an indication that the schools financial position looks fragile: -

- Having a deficit budget
- Having a significant uncommitted balance
- Receiving a poor Internal Audit review
- Financial returns are either not returned or give cause for concern
- Requiring a cash flow loan
- Late payment of City Council Invoices

On a quarterly basis the Local Authority will report to the School Forum on all schools that have attended a review meeting and any subsequent areas of concern.

2.1.1.3. Consistent Financial Reporting

Section 44 of the Education Act 2002 enables the Secretary of State to require schools to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).

CFR regulations brought this into force as a requirement from 1st April 2003. The regulations require that all Children’s Services Authority maintained schools submit a CFR return to the DFE by July each year. These returns will be checked and validated by the Children’s Services Authority.

Local Authority’s will be responsible for setting the date schools will need to submit their return for validation. Sheffield City Council requires its schools to submit their returns no later than 9th April.

2.1.2. Payment of Salaries and Personnel Matters; Payment of Bills

2.1.2.1. Payroll Services

Where a school opts to contract with a payroll provider other than the Local Authority’s payroll provider, they need to be mindful that there are certain obligations placed upon schools in order that the Local Authority can fully discharge its statutory requirements. This would include for example the right to be provided with information, as the employing body, to fulfil requirements to report employee statistical data to OfSTED and other statutory organisations. It is advisable that schools contact the Local Authority for advice on contract
specifications and the controls required to ensure the integrity of such a system, before considering such alternative arrangements.

Further details relating to the payment of salaries and personnel matters are outlined in Annex C.

2.1.2.2 Payment of Invoices

The procedure for paying invoices is laid down in the Schools Financial Procedures Manual. Schools are reminded that settlement of invoices should be made within the agreed credit terms offered by the supplier. The school should ensure that the local accounting system is updated with all relevant information.

2.1.3 Control of Assets

Each school must maintain an inventory of its moveable non-capital assets in a form determined by the Authority, and setting out the basic authorisation procedures for disposal of assets. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. They must keep a register in some form. It is suggested that schools follow the guidance currently laid down with regard to all moveable non-capital assets.

Moveable non-capital assets are items of furniture and equipment having a purchase value (excluding VAT) of £100 or over and / or the following three related factors of attractiveness, durability and a current value. Please note equipment with a useful life in excess of one year is deemed to be a capital asset. Purchases of this nature must not be bought from a school’s revenue budget but treated as capital expenditure and accounted for in accordance with the capital budgeting and control procedures.

2.1.4 Accounting Policies (Including Year-End Procedures)

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

The year-end procedures are set out in the year-end procedure notes and close down timetable sent by Schools Finance Business Partner Team at the beginning of the closedown period of each financial year.

Schools operating the Authority’s SIMS FMS6 accounting package should return a system back up disk to the Local Authority at the end of June, September, December and March.
Schools are asked to ensure that internal accounts from within the City Council are paid within 30 days, or a formal query is made in writing.

2.1.5 Writing Off of Debts

Governing bodies are only authorised to write off debts up to a level stipulated by the Chief Finance Officer.

The current limit is set at debts up to and including £500.

They must, however, notify the Chief Finance Officer of any debts written off.

2.2 Basis of Accounting

An accruals basis is required for the preparation of final accounts, but monthly / quarterly management accounts may be prepared on a cash basis.

2.3 Budget Preparation and Submission of Budget Plans

Each school is required to submit a budget plan to the Authority, signed by the Headteacher and the Chair of Governors, by the following date in each financial year:

- 1\textsuperscript{st} May

The budget plan must show the school’s intentions for expenditure in the current financial year and the assumptions underpinning the budget plan.

The format of the budget plan is described in the School Financial Procedures Manual and allows schools to take full account of estimated deficits / surpluses from previous years in their budget plans, (see Annex G).

The Authority may also require the submission of revised plans where the Authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.

The Local Authority will supply schools with all income and expenditure data that it holds and which is necessary to efficient planning by schools. The Authority will supply each school with details of its Budget Share for the forthcoming financial year in March.

2.3.1 Submission of Multi Year Budget Forecasts

Schools are required to submit an indicative multi-year forecast, covering the period that the schools have been notified of Budget Shares, by the following date in each financial year:

- 31\textsuperscript{st} October
The intention of this forecast is to:

- Show that schools are looking at longer term financial planning
- Identify to the Local Authority potential budgetary problems in future years

2.4. **Efficiency and Value for Money**

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

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

2.5. **Budget Transfers - Virement**

Schools are free to vire between budget heads in the expenditure of their Budget Shares but governors are advised to establish criteria for virements and financial limits above which the approval of the governors is required. These limits to delegated authority should be set down in a “School Financial Policy Document “(see section 1.6 above).

2.6. **Audit: General**

Schools are required to co-operate both with auditors employed by the Local Authority (internal audit) and auditors appointed by the Audit Commission to audit the Local Authority itself (external audit). In regard to internal audit, all schools come within the internal audit regime determined by the Authority’s Chief Finance Officer.

**AUDIT ARRANGEMENTS**

- The accounts of the Local Authority maintained schools will be the subject of regular internal audit to review the management of the school’s finances and its stewardship of public money on behalf of the Local Authority.
- Internal audit of schools will be based on a rolling programme, it is expected that each school will be subject to an internal audit review approximately once every 3 years for secondary schools & once every 5 years for primary schools.
- Schools must allow internal auditors access, for the purpose of audit, to such premises, documents and assets, as the internal auditors consider necessary.
- The governing body and school staff should provide internal auditors with any explanations they consider necessary.
- The Headteacher should consider and respond promptly to recommendations in audit reports and report to the governing body on the results of audits and any action by the school.
• The Headteacher should immediately notify the internal auditors of any suspected irregularities.

In relation to external audit all schools come within the Local Authority external audit regime as determined by the Audit Commission and may be subject to inspection as necessary by the Authority’s external auditors.

2.7. Separate External Audits

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its Budget Share to obtain external audit certification of its accounts, separate from any Local Authority internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the Local Authority’s internal and external auditors.

2.8. Audit of Voluntary and Private Funds

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. Certificates are required no later than the end of the Spring Term for audits based on Academic Years and no later than the end of the Autumn Term for audits based on Financial Years.

2.9. Register of Business and Pecuniary Interests

The governing body of each school must have in place, a register that lists for each member of the governing body, the Headteacher and staff, any business or pecuniary interests they or any member of their immediate family have. The information from completed forms should be transferred to either a computerised or handwritten spreadsheet summarising all business and personal interests of all staff and governors at the school. The register should be kept up to date with notification of changes and through annual review of entries, and should be made available for inspection by governors, staff, parents and the Authority.

The Register of Business and Pecuniary Interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts. It should be minuted that this procedure has been followed.

Governors, the Headteacher and any member of staff must refrain from the decision making process or taking any action where they or any member of their immediate family has a business or pecuniary interest.

2.10. Purchasing, Tendering and Contracting Requirements

Schools will want to achieve value for money from all their purchases. This should generally
be accomplished by seeking competition for all contracts for goods, supplies and services. In doing so, schools should comply with the Authority’s financial framework and standing orders in purchasing.\(^5\)

This includes a requirement to obtain three competitive quotes, verbal or written for expenditure between £250 and £2,500 and three written quotes for expenditure between £2,500 and £24,999, in line with the financial framework, and to seek tenders in respect of any contract with a value in excess of £25,000. Also to assess the health and safety competence of contractors, taking into account the Authority’s policies and procedures.

When purchasing on the Internet, schools should:

- Not allow individuals to use their own credit or debit cards,
- Ensure that there is an audit trail,
- Only use secure reliable sites with known secure encryption arrangements.
- Take into consideration terms and conditions of contract, import tax and VAT.

With effect from 1\(^\text{st}\) April 2007 all schools may use government procurement cards. It is anticipated that this will provide an efficient and cost effective method of purchasing goods. The terms and conditions related to the usage of procurement cards can be found on SchoolPoint via the following link:

**Procurement Card Guide**

### 2.11. Application of Contracts to Schools

Schools have the right to opt out of Local Authority arranged contracts.

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 Local Authority as maintainer of the school and the owner of the funds in the Budget Share. Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

\(^5\)However, any section of the Authority's financial framework and standing orders shall not apply if it requires schools:

a. To do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;
b. To seek Local Authority officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
c. To select suppliers only from an approved list.
2.12. **Central Funds and Earmarking**

The Local Authority is authorised to make sums available to schools from central funds in the form of devolved allocations, which are additional to and separate from the schools’ Budget Shares (the Standards Fund regulations will require Local Authorities to do this with many grants). Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used. While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the Local Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school’s budget share.

Such devolved funding is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired to the school’s Budget Share. All income and expenditure relating to devolved funds should be separately identified within the school’s accounting records.

Earmarked funds must be returned to the Local Authority if they are not spent in year; or within the period over which schools are allowed to use the funding if different.

The Local Authority is barred from making any deductions, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grant.

In order that schools may demonstrate compliance with these requirements, the procedures are set out in the following document:

- Schools Financial Procedures Manual

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

In accordance with s.50 (3) of the School Standards and Framework Act 1998 (the SSAF Act 1998) governing bodies are free to spend Budget Shares ‘for the purposes of the school’, subject to any provisions of this scheme, and any regulations issued by the DFE earmarking funds to specific projects.

Under section 50 (3A) SSAF Act 1998, amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school and Schools are allowed to spend their budgets on pupils who are on the role of other maintained schools under section 50 (3)(b) SSAF 1998 and the School Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on roll of other maintained schools or academies.
2.14. Capital Spending from Budget Shares

Governing bodies are permitted to use their Budget Shares to meet the cost of capital expenditure on the school premises\(^6\) provided:

- Where the expected capital expenditure from the Budget Share on any one project in any one year will exceed £15,000, the governing body must first notify the Local Authority and take into account any advice from the Executive Director of Children and Young People as to the merits of the proposed expenditure. This does not apply to specifically devolved capital funds e.g. devolved formula (for more details see Annex F), CLC etc.

- The expenditure does not cause the school to go into a deficit position, which is carried forward into the next financial year.

Where the Local Authority owns the premises then the governing body shall seek the consent of the Local Authority to the proposed works. However, consent can only be withheld on the grounds of health & safety or other statutory reasons.

2.15. Leasing of Equipment

Lease, rental or other deferred payment arrangements for equipment such as computers, photocopiers and telephone systems must not conflict with the Council’s application of government capital controls. Full details are listed at Annex D.

Schools must contact the Finance Business Partner Team help line before entering into any lease agreement to ensure they comply with government capital regulations.

2.16. Setting up School Companies

The government has put in place new provisions\(^7\) that enable schools to form companies on their own, or with other schools or with certain other education bodies. Details with regard to this are shown at Annex K.

2.17. Notice of Concern

The Local Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Executive Director of Children and Young People, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

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\(^6\)This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

\(^7\) Education Act 2002 Section 11 & 12 – School Companies Regulations 2002
Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

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

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

2.18. Schools Financial Value Standard (SFVS)

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

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

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

### 2.19 Fraud

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

The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction of new staff and governors.
SECTION 3: INSTALMENTS OF THE BUDGET SHARE AND BANKING ARRANGEMENTS ("The School Cheque Book Scheme")

Schools may hold an external bank account for official funds; schools choosing to hold an external bank account must comply with the rules and conditions in this scheme. Appropriate staff must attend training courses on systems and financial procedures.

All schools within the Sheffield Local Authority hold external bank accounts and the Budget Share for each school is issued as a cash advance. In the following section’s text the instalment of Budget Share will be referred to as cash advance payments.

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

3.1. Frequency of Instalments

The cash advance will be made available to governing bodies on a monthly basis at a time in the month prescribed by the Authority’s Chief Finance Officer and which will permit prompt payment of salaries. Provision is also made to allow the payment in full of additional devolved funding, where appropriate. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

3.2. Proportion of Cash Advance Payable at each Instalment

The monthly advance on dates to be prescribed by the Authority’s Chief Finance Officer will be calculated on the basis of a percentage of the school’s approved funding which provides a cash flow pattern not in advance of current arrangements and is approved by the Authority’s Chief Finance Officer.
The percentages to be applied each month are set out below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>APRIL</td>
<td>12%</td>
</tr>
<tr>
<td>MAY</td>
<td>8%</td>
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<tr>
<td>JUNE</td>
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<tr>
<td>FEBRUARY</td>
<td>8%</td>
</tr>
<tr>
<td>MARCH</td>
<td>8%</td>
</tr>
</tbody>
</table>

3.3. Interest Clawback and Interest Payments on Late Cash Advance Payments

The frequency, timing and the percentage of cash advanced each month provides a cash flow pattern, which is not in advance of existing arrangements, and spending patterns. It will therefore NOT be necessary for the Authority to make a deduction from cash advances to cover any estimated interest lost by the Authority in making available these amounts.

3.3.1. Interest on Late Cash Advance Payments

If, due to a Local Authority error, cash advance payments are paid later than the arrangements described in section 3.2, interest will be added to the late payment at the prevailing Bank of England base rate.

3.4. Cash Advances for Closing Schools

Provision is made for schools in the chequebook scheme for which approval for closure or amalgamation has been secured, to receive cash advances until closure on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

3.4.1. Suspension of Financial Delegation

If the Governing Body of a chequebook school has had its right to manage a delegated budget suspended, the chequebook facility may also be suspended and the school may be required to use the Authority’s central accounting systems and banking arrangements.
### 3.5. Bank and Building Society Accounts

All Sheffield schools have an external bank account into which their cash advances (as determined by other provisions) are paid. Schools are allowed to retain all interest payable on the account.

A school can meet from its bank account all the expenditure items in its delegated budget. It must NOT meet from its chequebook account:

- Any items relating to private school funds
- Any non-Local Authority activities such as unsubsidised school trips.

It can pay money into the chequebook account from the following sources only:

- Advances from Sheffield City Council, VAT and other tax reimbursements
- Any income which may be generated such as private lettings or craft sales
- Contributions or donations towards school expenditure by charities, school private funds and other external bodies.
- Delegated school meals

#### 3.5.1. Restrictions on Accounts

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

- Santander UK PLC
- Barclays Bank PLC
- HSBC PLC
- Bank of Scotland PLC
- National Westminster Bank PLC
- Bank of Ireland
- Yorkshire Bank PLC
- Lloyds TSB PLC
- The Royal Bank of Scotland PLC

Schools may seek approval from the Local Authority for other banks or building societies not shown on the above list.

Any school closing an account, to which its cash advance is credited, and opening another must select the new bank or building society from the approved list, even if the closed account was not with a bank on the list.

Money paid by the Local Authority and held in school bank accounts remains Local Authority property until spent. It is recommended that bank accounts are opened in the name of the school and Sheffield City Council. Where a bank account is opened only in the name of the school, then the bank mandate must allow the Local Authority as owner of the
funds to receive statements and take control of the account if the school’s right to a delegated budget is suspended.

Schools must notify the Finance Business Partner Team of the bank used, account numbers and authorised signatories for all Local Authority Bank Accounts. Changes to banks and/or signatories should also be notified.

3.6. Borrowing by Schools

Overdrafts are not permitted, and schools must not under any circumstances arrange overdrafts or allow the account to become overdrawn.

Schools are not permitted to use credit cards, as this is a form of borrowing.

Schools are permitted and encouraged to use procurement cards for facilitating electronic purchases.

Governing bodies may borrow money only with the written permission of the Secretary of State (see Section 4.7).

3.7. Other Provisions

The Local Authority has formulated rules and guidance in respect of banking arrangements, which are detailed below.

The scheme places certain requirements on the school. When accounts are opened, schools should ensure that the following requirements are fulfilled:

a) Accounts must only be opened with the approval of the governors and preferably in the name of the school and Sheffield City Council.

b) Governors may authorise a minimum of three and up to a maximum of six signatories. These should be reviewed annually.

c) A proforma should be completed by the school, authorising the bank to accept a request from the Chief Finance Officer or their representatives (Internal Audit and Schools Finance Business Partner staff) for access to information on the school account, in order to fulfil their statutory duties.

d) All correspondence from the bank to the school must be addressed to the Headteacher.

e) Bank statements must be provided on a monthly basis, include all transactions for that month and sent out at the earliest opportunity after the month end.
f) A copy of the bank statement should be sent by the school to the Local Authority at the end of June, September, December and March.

g) Paying in books must be provided and used for paying in income.

h) Cheque counterfoils must be completed in every case and retained for audit purposes.

i) Cheques of up to £5,000 must be signed in manuscript by two of the signatories.

j) Cheques of over £5,000 must be signed in manuscript by three of the signatories (one of whom must be the Headteacher or a designated responsible officer (this individual must be a member of the school staff and not a member of the Governing Body) in place of the Headteacher).

k) Cheques should be crossed, non-negotiable and “a/c payee only”.

l) The school retains any interest and bears any charges made by the bank. Interest should be paid gross.

m) A surplus may be invested, but only in accounts of an approved bank, which bear no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary. Details of this must be provided to the Local Authority in accordance with section 3.5.1.

n) Direct debits or standing orders may be used for salaries and recurring payments such as utility bills and rates. Credit cards are not permitted.

Schools wishing to use telephone or electronic on-line banking systems must ensure that the following control procedures are in place and adhered to:

- The Authority is notified of any changes in banking procedures.
- Controls, particularly access controls, are of a level that is comparable to that provided by the current chequebook system.
- Access to Internet banking systems is by unique User ID and password.
- Users should keep their password secure and not share this with other staff.
- There is separation of duties between the staff preparing payment runs and the staff authorising payment.
- The school recognises that methods of authorisation may change, but the levels of authorisation must comply with the approved bank mandate.
- Payment runs should not be amended once authorisation has taken place.
SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1. The Right to Carry Forward Balances

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's Budget Share for the year plus/minus any balance brought forward from the previous year. School balances are part of the City Council’s general reserves and may be used to support the overall financial requirement of the City Council but subject to the absolute undertaking that the balances will always be available for the use of school governing bodies when required.

Schools opening an external bank account for the first time will have their actual previous years balance transferred to the school bank account in July. Where a school has expressed a desire to receive an estimated amount prior to this date, the provisional calculation will be based on the estimated carry forward shown on the school’s forecast out-turn return for the previous year and will be transferred to the school bank account in the May budget instalment.

4.2. Reporting on the Intended Use of Surplus Balances

Under the reporting requirements by DFE all revenue balances must be shown as either committed or uncommitted. In order to allow the Local Authority to monitor balances, governing bodies are required to report on the use of these balances held at year-end, quantifying and qualifying the balances. Annex G shows a draft form that schools will be required to complete.

The revised legislation also allows the Local Authority to deduct excessive surplus balances from schools and to allocate them to the Local Authority Schools Budget. However, these controls can only be implemented by Local Authorities, which have bound themselves to produce multi-year indicative budgets for schools.

Multi-Year Indicative Budget

Before the beginning of each financial year (i.e. by 31st March) the Authority will inform each maintained school of its estimate of the school’s Budget Share and central government grant income paid via the Local Authority for the next two or three financial years, in line with the availability of appropriate Government funding data, and as required by section 251 of the Apprenticeships, Skills, Children and Learning Act 2009. The estimate will be provided in the format determined by the DFE. The estimate will use information available to the Authority at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the Authority to fund the school at the level shown in the estimate. The Authority may issue additional budget estimates from time to time.
Control of Surplus Balances

Schools are permitted to hold surplus balances but will be asked to evidence the proper assignment of excessive surplus balances. Excessive surplus balances are deemed to be where balances are greater than 5% of a Secondary School’s following year’s Budget Share or 8% of a Primary or Special School’s next year’s Budget Share.

With effect from April 2007 the following guidance has applied to schools’ surplus balances:

a) The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be those held on categories B01, B02 and B06 as defined in the Consistent Financial Reporting Framework – committed balances, uncommitted balances and extended schools balances.

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

c) If this sum is greater than 5% of the current year’s Budget Share for secondary schools, 8% for primary and special schools, or £10,000 (where that is greater than either percentage threshold), then the Authority will work with those schools and their family of schools to agree an investment plan for the excess balance that would benefit pupils at the school and in the local area.

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

Funds held in relation to a school’s exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the Budget Share surplus by the school as permitted by the Authority.
Approved list of reasons for holding large balances

- Expenditure that has been committed by the end of the previous financial year by placing orders or employing staff prior to that date, but has not been charged to the previous financial year.

- Where income from ring-fenced funding has not been spent within the 12 month period but will be by the end of the current academic year.

- Where expenditure has been set aside for specific improvement agendas relating to identified groups of underachieving pupils.

- Where a balance relates to earmarked external funding that has been received, but not yet spent on the assumption that all grant terms and conditions will be met in full.

- A specific scheme of repair or refurbishment which cannot be financed from one year’s budget share, or where work is scheduled during the school’s Easter or summer holidays.

- A specific scheme of building work, furnishing or equipping (e.g. the replacement of ICT equipment) which cannot be financed from one year’s budget share, or where work is scheduled during the school’s Easter or summer holidays.

- Monies held on behalf of another school that will be distributed or spent in the Summer Term.

- Funds set aside for no more than one year to manage change related to awkward class sizes, closing schools or falling pupil numbers.

- Funds earmarked for School Development Plan priorities.

4.2.1. Large Surplus Balances Process

Full details of the current process are available on SchoolPoint.

4.3. Obligation to Carry Forward Deficit Balances

Deficit balances\(^7\) will be carried forward by the deduction of the relevant amounts from the

\(^7\) A school’s deficit balance at 1 April XX is equal to that at 31 March XX
following year’s Budget Share.

4.4. Planning for Deficit Budgets

Governing bodies are precluded from setting a deficit budget and are charged with setting a balanced In-Year budget.

In exceptional circumstances schools may be allowed to plan for a deficit budget in accordance with the terms of section 4.7.1 below and in these circumstances will be required to submit a Deficit Recovery Plan to the Local Authority by 31st May.

4.5. Writing off Deficits

The Local Authority has no power to write off the deficit balance of any school. If the authority wishes to give assistance towards the elimination of a deficit balance this should be through the allocation of a cash sum, from the authority’s schools budget (from a centrally held 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).

4.6. Balances of Closing and Amalgamating Schools

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

Closing schools should have regard to their financial position and liaise with the Finance Business Partner Team to agree all material expenditure.

4.6.1. Closing and Amalgamating School’s Expenditure

A school that is closing and will amalgamate with another to become a new school cannot incur expenditure from its budget for the benefit of the new school without permission from the Finance Business Partner Team. Any expenditure incurred will be offset from the new school’s transitional budget.

4.6.2. Financial Delegation of Closing and Amalgamating Schools

The Finance Business Partner Team reserves the right to review the limit of or to suspend a Governing Body’s entitlement to a delegated budget during the last year of operation of a school identified for closure or amalgamation.
4.7. Borrowing for Agreed Purposes

The School Standards and Framework Act 1998 allows Governing bodies to borrow money only with the written permission of the Secretary of State. Any Community, Foundation, Voluntary Aided, Voluntary Controlled or Special school can apply for approval to borrow. Applications should be made to the Secretary of State, by the Authority, on behalf of the school. In reality there will be few occasions where allowing schools to borrow from the market will be better value to the public purse than providing grant or credit approvals. In considering applications the Secretary of State will consider the following criteria: -

- Repayments of the proposed loan are affordable to the school
- There will be savings in finance charges over central government borrowing
- The borrowing is to fund capital expenditure
- The capital expenditure will contribute directly to improved educational standards
- The proposal has the endorsement of the Children’s Services Authority
- The proposed loan is not secured against an asset of the school
- The proposed loan is for a defined sum over a defined repayment period

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

4.7.1. Licensed Deficits

The Local Authority will permit schools in exceptional circumstances to plan for a deficit budget. The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by the Authority on behalf of schools.

Those surplus balances held by schools in an external bank account remain the property of the Authority and can legally be taken into account by the Authority in assessing the total level of loans it might wish to make to schools.8

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

- Deficit arrangements may only be permitted where budgets cannot be balanced in year without extreme damage to the curriculum.
- The Local Authority may agree in advance a Financial Plan that provides for any deficit to be recovered over more than one financial year subject to the Governing Body passing a resolution to that effect and complying with the conditions agreed in the financial plan.

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8 Although it is open to the Children’s Services Authority, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant Local Authority finance legislation.
The maximum deficit sum shall not normally exceed 10% of the delegated Budget, unless the Local Authority gives specific written agreement.

The total of agreed deficits and capital loans should not normally exceed 40% of schools’ collective balances, subject to exceptional circumstances agreed between the Director of Finance and the Executive Director of Children and Young People.

The maximum period over which schools must balance their budget is normally two years.

Schools will be subject to additional monitoring procedures and will need to satisfy the Authority’s Chief Finance Officer and the Executive Director of Children and Young People that adequate financial management arrangements are in place at the school.

To ensure that Licensed Deficit schools operating their own bank accounts do not overdraw, cash up to the value of their licensed deficit may be advanced as and when required, in addition to their Budget Share. Provision is made for the application of a cash flow deduction based on the prevailing Bank of England base rate on the cash paid in excess of the school’s Budget Share as part of a Licensed Deficit arrangement if the Local Authority so chooses.

4.7.2.Licensed Deficit Process

Full details of the current process are available on SchoolPoint via the following link:

Licensed Deficit Process

4.8. Loan Schemes

In exceptional circumstances the Local Authority may allow a school to request a small capital loan from the Local Authority\(^9\). The loan scheme will be funded from overall school balances.

The arrangements applying to the scheme are set out below:

- Loan arrangements may only be permitted where budgets can only be balanced over more than one year without extreme damage to the curriculum

- The Local Authority may agree in advance a Financial Plan that provides for any loan to be recovered over more than one financial year subject to the Governing Body passing a resolution to that effect and complying with the conditions agreed in

\(^9\) Such a loan scheme can only operate in respect of expenditure deductible from the LSB under the s.45A regulations
the financial plan.

- The maximum loan sum shall not normally exceed 10% of the delegated Budget, unless the Local Authority gives specific written agreement.

- The total of agreed capital loans and agreed deficits shall not normally exceed 40% of schools' collective balances, subject to exceptional circumstances agreed between the Director of Finance and the Executive Director of Children and Young People.

- The maximum period over which schools must balance their budget, in these circumstances, is normally five years.

- Schools will be subject to additional monitoring procedures and will need to satisfy the Authority’s Chief Finance Officer and the Executive Director of Children and Young People that adequate financial management arrangements are in place at the school.

- Provision is made for the application of an interest charge based on the prevailing Bank of England base rate on the capital loan as part of the loan arrangement unless there are special requirements agreed with the Executive Director of Children and Young People.
SECTION 5: INCOME

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

5.1. **Income from Lettings**

Schools may retain income from lettings of the school premises, which would otherwise accrue to the Local Authority, subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the Budget Share. However, schools whose premises are owned by the Local Authority shall be required to have regard to directions issued by the Local Authority as to the use of school premises, and should ensure adequate insurance arrangements are in place. Voluntary schools must also have regard for the Local Authority’s limited powers to issue direction as to the use of voluntary premises as well as those they own (but not foundation schools).

Income from lettings of the school premises should not normally be paid into voluntary or private funds held by the school.

5.1.1. **Income from School Sports Centres**

A school operating separate sports centres should ensure that sports centre income is accounted for separately from any lettings income for the use of school sports facilities that the school makes. Schools should also ensure that expenditure is accounted for separately, that sports centre running costs are not subsidised from the school budget and any shared costs are properly recharged.

5.2. **Income from Fees and Charges**

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

5.3. **Income from Delegated School Meals (i.e. non-Local Authority contract provision)**

A school operating their own school meals provision should ensure income and expenditure is accounted for separately in their school accounting system.

5.4. **Income from Fund-Raising Activities**

Schools may retain income from fund-raising activities.

5.5. **Income from the Sale of Assets**

Schools may retain the proceeds from the sale of assets purchased from the school’s
Revenue Budget Share; the income must be included in the school budget plan and only spent for the purposes of the school. In cases where the asset was purchased with non-delegated funds the proceeds will accrue to the Local Authority.

The proceeds from the sale of an asset will accrue to the Authority where the asset concerned is land or buildings forming part of the school premises and is owned by the Local Authority.

Assets that are leased (section. 2.15) cannot be sold

5.6. Purposes for Which Income May be Used

Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.
SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1. General Provision

The Budget Share of a school may be charged by the Children’s Services Authority without the consent of the governing body only in circumstances set out in section 6.2 below.

However, the Local Authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

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

Schools are reminded that the Local Authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

The Local Authority shall make arrangements for a dispute procedure for such charges.

6.1.1. Salary Costs

The Local Authority is required to charge salaries of school based staff to school budgets at actual cost.

6.2. Circumstances in Which Charges May Be Made

- Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).

- Other expenditure incurred to secure resignations where the school had not followed the Local Authority’s advice.

- Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the governing body contrary to the Local Authority's advice.

- Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
• Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority. (See also section 10.1).

• Expenditure by the authority incurred in making good defects in building work funded by capital spending from Budget Shares, where the Authority owns the premises or the school has voluntary controlled status.

• 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, and the result is that monies are owed by the school to the City Council, also where a City Council debt has not been settled after 60 days and there is clear evidence that the City Council has provided a service to the school.

• Recovery of penalties imposed on the Local Authority by HM Revenue & Customs, the National Insurance Contributions Office, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence.

• Correction of Authority errors in calculating charges to a Budget Share (e.g. pension deductions).

• Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.

• Legal costs that are incurred by the Authority because the governing body did not accept the advice of the Local Authority (see also section 11.6).

• Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training not carried out.

• 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.

• Costs incurred by the Local Authority as a result of a school’s failure to comply with the requirements of the Sheffield Scheme for Financing Schools.

• Recovery of unspent earmarked funds (see section 2.12).

• Cost of work done in meeting reporting requirements on behalf of those schools not
using the Local Authority payroll contractor; for example teacher pension remittance and records. The charge will reflect the minimum needed to meet the cost of the Authority’s compliance with its statutory obligations.

- Costs incurred by the Local Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.

- Costs incurred by the Authority due to submission by the school of late or incorrect data.

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

- Recovery of targeted grant funding where the school has not complied with the terms and conditions of the funding.

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

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

- Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
SECTION 7: TAXATION

7.1. Value Added Tax

The Local Authority has established procedures to enable schools to utilise the Authority’s ability to reclaim VAT on expenditure relating to non-business activity.

A summary of the main conditions relating to VAT is shown below:

VAT Arrangements

Schools will be covered by the procedures for VAT contained within this Scheme. These rules only apply to official funds; unofficial (private) school funds are not covered by this process. The main conditions are:

- Goods and services sold by the school may be liable to VAT. Schools must collect VAT from the purchaser.

- Goods and services purchased by the school may also be liable to VAT. Schools must pay VAT to the supplier.

- Schools may not claim VAT back directly from HM Revenue & Customs (HMRC) nor pay VAT direct to HMRC. All claims must be through Schools Finance Business Partner Team using the scheme for chequebook schools. Reimbursement will be by BACS transfer in the month following receipt of a properly completed return.

- VAT will be reimbursed providing the school is no more than 2 months outstanding on any of the returns prescribed in Annex B. This is to ensure the Authority is able to fulfil its duties to monitor the financial performance of schools.

- Individual schools will be liable for any penalties imposed by HMRC resulting from underpayment of VAT based on their financial returns submitted to Schools Finance Business Partner Team.

Invoices and other records relating to VAT claims must be held at each school. The Council has an agreement with HMRC that invoice documents, till receipts and other primary records can be retained for 3 years plus current year instead of the statutory 6 years plus current. Should HMRC officials wish to inspect these they will give adequate notice, but note that HMRC officers may visit individual schools.

7.2. CIS (Construction Industry Scheme)

From the start of the new Scheme on 6 April 2007, Statutory Instrument 2005/2045
regulation 21 expressly excludes from the Scheme any payments made for construction operations by the governing body or head teacher of a maintained school. As such, the Scheme should not be operated in respect of such payments. Additionally, Voluntary Aided Schools are not treated as contractors for the purposes of Finance Act 2004/S59 (1)(l) and do not have to operate the Scheme.

Schools cannot make payments to individuals (non employees) without considering their income tax status because there is a statutory duty to ensure PAYE is operated where applicable. Non-compliance would result in the school being liable to penalties imposed by HM Revenue & Customs (HMRC).

7.3. Self Employed

A worker’s employment status, that is whether they are employed or self-employed, is not a matter of choice. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement. Therefore, when placing contracts, schools must satisfy themselves as to the correct employment status before the point of engagement and not at the point of request for payment (a suggested pre-employment questionnaire to be used prior to engagement can be found on SchoolPoint. In order to determine the status of any worker, HMRC have developed an interactive toolkit, known as the Employment Status Indicator (ESI).

ESI is an online interactive guidance tool designed to determine whether someone is employed or self-employed. The toolkit is available on the HMRC website and ESI users should be able to reach the correct practical answer to employment status consistently and accurately without understanding how the rules work. Be aware, however, that certain complex cases and cases operating under special rules may not be capable of determination using the toolkit and will require the intervention of one of HMRC’s Status Inspectors (e.g. teachers, lecturers and tutors – see next paragraph). In cases of difficulty please contact in the first instance Sheffield City Council’s Tax Manager.

The Tax and National Insurance contributions (NICS) rules do, however, contain some special rules that apply to certain categories of worker in certain circumstances. Most teachers etc are engaged either part-time or full-time under a contract of service. Where they are not, the Social Security (Categorisation of Earners) Regulations 1978 (SI 1978 No.1689) make provision for treating teachers, who are not employed under a contract of service, as employees. Further information regarding this can be found on the HMRC website.

These Regulations provide for a teacher, lecturer or instructor who teaches in an educational establishment to be treated as an employed earner, if they teach in the presence of their students and are paid by the Local Authority or the person who provides the education and not by the individual student. The terms teacher, lecturer or instructor include sports
coaches, creative practitioners who teach lessons or workshops and individuals from any trade or profession who teach the school's pupils, train the school’s staff or deliver adult and community learning in the school.

**Exceptions**

Do not treat a teacher as an employed earner if:

- Prior to giving the instruction, they have agreed to give it on not more than 3 days in 3 consecutive months; or
- The instruction is given as public lectures. A public lecture is regarded as one which any one can attend; that is, it is not part of a course or confined to a particular group or society.
SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1. Provision of Services from Centrally Retained Budgets

The Local Authority shall determine on what basis services from centrally retained funds will be provided to schools. However, the Authority is debarred from discriminating in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties. The term ‘services’ includes existing premature retirement costs and redundancy payments prior to 1st April 2013.

8.2. Provision of Services Bought Back from the Local Authority Using Delegated Budgets

The Local Authority will offer a range of services each year, which schools can purchase from their delegated budget. The full specification for these traded services will be published on Sheffield City Council website and on SchoolPoint and prices made available for schools during the Autumn Term. The contracts for these traded services will normally be offered for one year but it is possible on request for a contract to be offered for a longer period.

Where services are provided on behalf of schools through a third party contract arrangement, for example cleaning or catering, the length of the contract will be determined by the tendering arrangements.

8.3. Service Level Agreements and Contracts

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

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

Service level agreements and contracts must be in place by the 31st March to be effective for the following financial year, providing that schools have had at least one month to consider the terms of agreement.

Where schools choose to purchase such services from the Local Authority payment may be deducted from the cash advance in line with service delivery. Schools will be notified prior to any deductions being made.
The provisions at 8.2 & 8.3 above will not apply to the supply of centrally arranged premises and liability insurance, as the limitations envisaged may be impracticable for insurance purposes.

8.4. Teachers’ Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers’ Pensions with information under the Teachers’ Pensions etc (Reform Amendments) Regulations 2006, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their Budget Shares.

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

A governing body of any 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 ensure that a remittance for the value of the superannuation collected is sent to the Council’s payroll provider each month; this money will then be forwarded to the Teachers’ Pension Authority. The remittance shall be supported by a detailed report from the school payroll system that lists payments to teachers during the month, including employee and employer pension deductions, to substantiate the value of the contributions paid over. 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.
SECTION 9: PFI Clauses

9.1. PFI Clauses

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

- Governing bodies will be required to undertake to contribute a sum towards the unitary charge by the Authority. This will be outlined in the legal agreement between Sheffield City Council and the School Governing Body.

- Income from lettings and other third party agreements agreed as part of the PFI contract may be diverted to the private sector where required. In addition, the proceeds of sales of assets acquired from delegated funds may be diverted to the private sector where appropriate and required by the contract.

- This arrangement will apply for the entire contracted period and will be amended for future delegated sums associated with expenditure within the remit of the contract.

- Proposals may be brought forward to develop a separate formula for schools operating in managed buildings under future PFI scheme proposals; such proposals will be the subject of further consultation with schools and final approval by the Secretary of State.

- Monies will be withheld from the contractor in line with an agreed default mechanism that ensures performance is in line with the contract specification. Withheld sums will be used initially to reimburse contract administration costs with any residue returned proportionately to contributors.

- The City Council will require the governing body to formally agree the appropriate arrangements in respect of PFI at the relevant time.
SECTION 10: INSURANCE

10.1. Insurance Cover

The Local Authority has made arrangements on behalf of all schools for them to be included within the City Council's Insurance Fund. This Fund covers a wide range of insurance elements and includes all insurable risks that a school is required to take account of; these areas are outlined in Annex H for all school properties. The cost of these premiums will be calculated annually and the prices published along with other traded services in the Autumn Term. Schools will also be able to purchase additional cover, to complement those areas of risk included in the Fund; these are outlined in Annex I and will be charged on an individual premium basis.

The funding for insurance is delegated, however, the Local Authority has an agreement with the Schools Forum that all schools will be deemed to be included in the Fund, for those covers set out in Annexe H, unless they give notice that they wish to opt out of the Fund arrangement. Where a school wishes to opt out of the Fund they will be required to give written notice to the Local Authority. This written notice must be received by the Local Authority no later than the 30th September of the year prior to the financial year the school is seeking to exercise the opt out arrangement. The Local Authority will notify the school of any outstanding insurance claims pertaining to that school, which the school will need to make any future insurer aware of at the time they seek alternative insurance cover.

A school that has taken up the option to opt out of the Fund will be required to provide documentary evidence to the Local Authority no later than 1st March, i.e. in advance of the financial year that the opt out will take effect, that appropriate insurance cover has been taken out with a third party insurer. The Local Authority will require the school to demonstrate that cover relevant to the Local Authority's insurable risk, in the form of a policy arranged by the governing body, is at least equal to the minimum cover arranged by the Fund. If documentary evidence of such cover is not provided by the due date then cover arrangements will automatically default to the Fund and the school will be notified of the insurance premium charge.

The insurable risk requirements for Voluntary Aided and Foundation schools are different to Maintained schools in that the premises and staff are controlled by the governing body. The full range of insurance cover offered under the City Council Insurance Fund is available for these schools and the prices are published along with other traded services in the Autumn Term.
SECTION 11: MISCELLANEOUS

11.1. Right of Access to Information

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

There may be occasions when the Authority may require further information to be assured that a school’s delegated budget is being managed in a proper manner. Should the Authority need to undertake such work on behalf of the school, the school may be liable to a charge based on the published hourly rates of Schools Finance Business Partner Team and agreed in advance.

The keeping of accounts, financial records and prime documents should be in a suitably secure place and condition and for such periods of time as specified.

Schools must not mix official funds (monies due to and from the City Council) with private funds (e.g. School Fund, PTA). These should be kept and accounted for separately at all times.

11.2. Local Authority Financial Controls and Monitoring Arrangements

The authority will monitor the financial information and returns required from schools by this scheme. The purpose will be to ensure that delegated budgets are being effectively managed in accordance with the requirements of the scheme and that the Chief Finance Officer’s responsibilities under section 151 of the Local Government Act 1972 are properly discharged. Where such monitoring identifies that a school may not be complying with the standards of financial administration and control required by the scheme for financing schools, the school will be subject to a “financial review.” The review will assess the school’s financial management and control procedures against the requirements of the scheme. Where these do not comply with the scheme requirements the school will be informed, this may be issued as a Notice of Concern, and must confirm in writing what action will be taken to ensure that financial administration and control requirements are properly discharged.

11.3. Liability of Governors

Because the governing body is a corporate body10, 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.

10 And because of the terms of s.50 (7) of the SSAF Act
11.4. Governors' Expenses

The Local Authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Governing Bodies will not have discretion in the amounts of such allowances; the Authority will set these.

Only allowances in respect of purposes specified in regulations\textsuperscript{11} may be paid to governors from a school's delegated Budget Share. Schools are expressly forbidden from paying any other allowances to governors.

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

11.5. School Spending on Hospitalities, Gifts and Reward Rules for Governors and School Staff

- A member of school staff must not, under his/her office of employment, accept any fee or reward whatsoever other than his/her proper remuneration.

- A Governor or member of school staff must not receive or give or offer any gift or bribe or personal inducement in connection with the School’s activities.

- A Governor or member of school staff must not use Local Authority or School property, assets or materials for other than the purposes of the Local Authority or school without authorisation of the Governing Body or nominee. Such authorisation can only be given if it can be shown that such use is in the interests of the Local Authority or school.

- A Governor or member of school staff must not subordinate his/her duty to the Local Authority and School to his/her private interests or put himself/herself in a position where his/her duty and private interest conflict.

The use of the school budget for the provision of gifts and hospitality to staff should be limited to the following circumstances:-

- Where the Headteacher approves an appropriate purchase of a gift for work related activities for a member of staff. The expenditure per head should not exceed a pre-defined limit as agreed by the school’s governing body and recommended by the Local Authority not to exceed £25.

\textsuperscript{13} Section 19 Education Act 2002 and the Education (Governors’ Allowances) (England) Regulations 2003
Where refreshments are provided for staff incidental to a meeting, visit, conference, training day or event in school. The expenditure per head should not exceed a pre-defined limit as agreed by the school’s governing body and recommended by the Local Authority not to exceed £15.

The school budget should not under any circumstances be used for the purchase of alcohol for staff.

**11.6. Responsibility for Legal Costs**

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

**11.6.1. Legal Advice**

Where there is a conflict of interest between the Local Authority and the governing body of one of its maintained schools, the governing body may obtain legal advice from the City Council's Legal & Governance Team of the Resources Portfolio.

**11.7. Health and Safety**

Governing bodies are required to have due regard to duties placed on the Local Authority in relation to health and safety, and the Authority's policy on health and safety matters in expending the school’s Budget Share.

**11.8. Right of Attendance for Chief Finance Officer**

Governing bodies are required to permit the Chief Finance Officer of the Authority, or any officer of the Authority nominated by the Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities. The Local Authority will give prior notice of such attendance unless it is impracticable to do so.

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

**11.9. Delegation to New Schools**

The Local Authority is empowered to delegate selectively and optionally to the governing bodies of schools that have yet to receive delegated budgets.
11.9.1. **Suspension of Financial Delegation**

Governing bodies and Headteachers are required to manage their delegated budgets with due propriety and to the standards of stewardship required for public money. If they fail to do so the Authority will be entitled to take the following action:

- Give advice
- Issue warnings
- Take direct remedial action in accordance with section 6 of the Scheme for Financing Schools

The Local Authority will consider the suspension of a Governing Body’s right to a delegated budget where:

- There is evidence of substantial or persistent failure to comply with any requirements applicable under the Scheme for Financing Schools.
- There is evidence of financial mismanagement, where the governing body is not managing the appropriation or expenditure of the sum put at their disposal for the purposes of the school in a satisfactory manner.
- There has been mismanagement of the educational affairs of the school.
- A school identified for closure which is in its last year of operation.

**Where delegation is withdrawn, the following conditions will apply:**

- The Authority will give at least one month’s notice of the suspension to the governing body and the Headteacher.
- The Authority may withdraw delegation before the expiry of the period of notice in an emergency situation, but must provide immediate written notification and justification of the action to the Secretary of State.
- The governing body has a right of appeal to the Secretary of State against withdrawal of delegation where the grounds are either failure to comply with the Scheme or financial mismanagement, but not in the case of mismanagement of the educational affairs of the school.

**Furthermore:**

Where a school has been the subject of an inspection which identified the school as being in need of special measures, the Authority is empowered to suspend the governing body’s right
to a delegated budget subject to conditions specified in section 17 of the School Standards and Framework Act 1998.

Schools will continue to have limited delegation as laid down in para.4 of schedule 15 to that Act. The Authority will be responsible for ensuring that the school budget is not overspent, the following procedures will apply to schools where delegation has been withdrawn:

- When financial delegation is suspended, schools operating a bank account may, in certain circumstances, also have the cheque book facility suspended and the school may be required to transfer to the Council’s central debtor, creditor and banking systems.

- The school bank account will be frozen and any balance retained in the bank account under the control of the Authority. However interest accruing to the account may be used to support the financial plans of the school.

- A limit on a school’s Authority to incur expenditure (this limit will normally be restricted to £1,000) and other financial processes to be followed will be set down in a school specific agreement document produced by the Authority. The document will define the roles and responsibilities of both school based staff and the designated Children’s Services Authority monitoring and support officers.

11.10. Special Educational Needs

Schools are required to use their best endeavours in spending their Budget Share, to secure the special educational needs of their pupils. This is a statutory requirement and may lead to suspension of delegation where a situation is serious enough to warrant it. This would not normally relate to an individual pupil.

11.11. “Whistleblowing”

The procedure for persons working at a school or school governors who wish to complain about financial management or financial propriety at the school without prejudice to their personal position, should raise their concerns with:

John Doyle
Director of Business Strategy
Children, Young People and Families
Level 7, West Wing
Moorfoot
Sheffield S1 4PL

Tel. 0114 2735663 Anti Fraud hotline 0114 2736060
Email: John.Doyle@sheffield.gov.uk
11.12. Child Protection

Schools are required by the scheme to make provision, where applicable, for staff to attend child protection case conferences and other related events.

11.13. Duplicate Unique Pupil Number (UPN) Funding

Duplicate UPNs are where two or more schools make returns which contain the same UPN with incompatible pupil enrolment statuses, e.g.

1) When a pupil moves schools, and the school the pupil leaves does not update their register and returns that pupil as still on roll

2) When a pupil is dually registered between two schools and the schools use an incorrect combination of enrolment statuses.

In the case of unresolved duplicates involving more than one local authority, the DFE will assess how available funding should be split between the local authorities concerned. Consequently funding for pupils in Sheffield schools involved in unresolved duplicate UPN cases will be reduced proportionately to match any reduction in the local authority’s Dedicated Schools Grant (DSG). Similarly in the case of any unresolved duplicate UPN cases involving only Sheffield schools, the local authority will assess how available funding should be split between the schools concerned.


In accordance with DfE guidance the Local Authority issued a revised Code of Practice on Delivery of Free Early Years Provision for Three and Four Year Olds. Schools claiming Free Early Learning funding as part of the Early Years Single Funding Formula are required to adhere to the code with effect from 1\textsuperscript{st} January 2011.
SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1. Responsibility for Repairs and Maintenance

The Local Authority will continue to delegate all funding for repairs and maintenance to schools. Only capital expenditure is to be retained by the Local Authority\textsuperscript{12}.

Delegation of the repairs and maintenance budget to individual schools puts the responsibility for these works on the school. The governing body is responsible for items such as health and safety testing and servicing of electrical wiring and emergency lighting systems, fire alarm systems and heating systems and appliances, as well as kitchen maintenance and pest control.

During 2001 the Local Authority carried out a programme of school building condition surveys as part of the Local Authority’s Asset Management Plan. The survey data will be updated by a rolling quinquennial programme of surveys together with an annual update to reflect maintenance work carried out by governing bodies and Local Authority capital investment. This data will continue to be used as the means of delegating resources for repairs and maintenance.

The Local Authority will continue to be responsible for large-scale capital projects such as whole school rewiring, boiler plant renewal, and major extensions or refurbishment projects. The Asset Management Plan will be used to identify and prioritise Local Authority capital projects identified above and school projects, which will be included in the Building Maintenance Plan.

From April 1999 the Section 46 Regulations (now the Section 45A Regulations) required the Authority to adopt a new definition of capital repairs and maintenance which sets out the categories of work which governing bodies must finance from their Budget Shares.

From April 2000 schools should use their allocation of devolved capital for projects in the ‘Capital’ column. VA school governors continue to be eligible for grant from the DFE in respect of their statutory responsibilities and in addition have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.

\textsuperscript{12} For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Local Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority accounting. The actual interpretation of the Code is a matter for the Local Authority.
SECTION 13: COMMUNITY FACILITIES

13.1. Introduction

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.

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

- The school is obliged to consult with the Local Authority and have regard to advice from the Authority.

- The Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

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

a) those contained in schools’ own instruments of government, if any; and

b) any prohibitions, restrictions and limitations made elsewhere in the Sheffield Scheme for Financing Schools.

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.

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

Where schools provide community facilities as part of an Extended Schools Programme they should be accounted for in accordance with the guidance given at Annex L.

13.2. Consultation with the Local Authority—Financial Aspects

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 Local Authority.

Schools are reminded that they are required to seek advice from the Authority before exercising their community facilities power. The following process should be followed when a school wishes to consider using its community facility powers:
• The school should notify the Executive Director of Children and Young People in writing of their intention to consider using the Governing Bodies Community Facilities Powers. The notification should include details of the proposed use of the powers and any third party involvement.

• The Executive Director of Children and Young People, or their representative, will respond to the school’s notification within 10 working days. They will arrange a mutually convenient date for the Director, or his / her representative, to meet with the school to discuss the proposals and provide advice in accordance with the requirements set down in this scheme for financing schools.

The Authority cannot levy a charge for the advice given.

13.3. Funding Agreements – Local Authority Powers

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

Any such proposed agreement should be submitted to the Local Authority for its comments; and must give the Local Authority 28 days to respond. The Local Authority cannot impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. However, if an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, and which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, then that may constitute grounds for suspension of the right to a delegated budget.

13.4. Other Prohibitions, Restrictions and Limitations

The governing body should endeavour to protect the financial interests of the Authority. The Authority may require that in a specific instance of use of the community facilities power, the governing body concerned shall make arrangements to protect the financial interests of the Authority. Arrangements for protection may include the setting up of a limited company formed for the purpose, or obtaining indemnity insurance for risks associated with the project in question, as specified by the Local Authority.

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

13.5. Supply of Financial Information

Schools that exercise the community facilities power must provide the Authority with
financial information. The information should be in the form of an annual planned budget by 1\textsuperscript{st} May each year signed by the Headteacher and the Chair of Governors and then quarterly summary statements (including nil returns) showing actual income and expenditure for the year to date and an estimate of income and expenditure for the remainder of the financial year by the 21\textsuperscript{st} of the month following the quarter.

The Local Authority, on giving notice to the school that it believes there to be cause for concern as to the school’s management of the finances of the community facilities power, if necessary require the submission of a recovery plan for the activity in question.

13.6. Audit

The school must 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.

Schools are required, to ensure that funding agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, 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

Schools will be allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Local Authority or some other person.

Schools will be able to 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.

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

13.8. Health and Safety Matters

The School will be responsible for ensuring health and safety provisions are met in respect of the community facilities.

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

13.9. Insurance

It is the responsibility of the governing body to 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 should seek the Authority’s advice before finalising any insurance arrangement for community facilities.

The Local Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school’s Budget Share.

13.10. Taxation

Schools should seek the advice of the Local Authority and the Sheffield City Council’s Tax Team (telephone 0114 273 5294 or e-mail taxteam@sheffield.gov.uk) 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 and for advice on employment tax issues. Please refer to Annex L for further details on VAT.

If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school’s own bank account (whether a separate account is used for community facilities or not – see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools should follow Local Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.11. Banking

Schools should make banking arrangements in accordance with Section 3 of this scheme. A school may have just the one account provided there are adequate internal accounting controls to maintain separation of funds.

Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the Local Authority.
Annex A – List of Nurseries & Schools to which the Scheme Applies

NURSERIES

Broomhill Nursery
Grace Owen Nursery

COMMUNITY PRIMARY SCHOOLS

Abbey Lane Primary
Angram Bank Primary
Anns Grove Primary
Arbourthorne Community Primary
Athelstan Primary
Ballifield Primary
Bankwood Primary
Beighton Nursery Infant
Bradfield Dungworth Primary
Bradway Primary
Brightside Nursery Infant
Brook House Junior
Brunswick Primary
Carfield Primary
Carterknowle Junior
Coit Primary
Dobcroft Infant
Dobcroft Junior
Dore Infant Junior
Ecclesall Infant
Ecclesfield Primary
Gleadless Primary
Grenoside Primary
Greystones Primary
Halfway Infant
Halfway Junior
High Green Primary
Holt House Infant
Hunters Bar Infant
Hunters Bar Junior
Limpsfield Junior
Lowfield Primary
Loxley Primary
Lydgate Infant
Lydgate Junior
Malin Bridge Primary
Marlcliffe Primary
Meersbrook Bank Primary
Mosborough Primary
Mundella Primary
Nether Green Infant
Nether Green Junior
Netherthorpe Primary
Nook Lane Junior
Oughtibridge Primary
Owler Brook Nursery Infant
Pipworth Community Primary
Prince Edward Primary
Pye Bank CE Primary
Reignhead Primary
Rivelin Primary
Royd Nursery Infant
Sharrow Primary
Shooters Grove Primary
Shortbrook Primary
Springfield Primary
Stocksbridge Junior
Stocksbridge Nursery Infant
Walkley Primary
Watercliffe Meadow Primary
Waterthorpe Infant
Westways Primary
Wharncliffe Side Primary
Whiteways Junior
Woodseats Primary

COMMUNITY SECONDARY
SCHOOLS

Birley Community College

King Edward VII
| COMMUNITY SPECIAL SCHOOLS                  | Becton                      |
|                                         | Bents Green Secondary       |
|                                         | Heritage Park               |
|                                         | Holgate Meadows             |
|                                         | Mossbrook Primary           |
|                                         | Norfolk Park Primary        |
|                                         | Seven Hills                 |
|                                         | Talbot Secondary            |
|                                         | The Rowan                   |
|                                         | Woolley Wood                |

| VOLUNTARY CONTROLLED SCHOOLS             | Ecclesall CE Junior         |
|                                         | Norton Free CE Primary      |

| VOLUNTARY AIDED SCHOOLS                  | Clifford CE Infant          |
|                                         | Deepcar St John’s CE Junior |

| FOUNDATION TRUST SCHOOLS                | Broomhill Infants           |
|                                         | Intake Primary              |
|                                         | Stradbroke Primary          |
|                                         | Woodhouse West Primary      |
|                                         | Woodthorpe Primary          |
# Annex B - Financial Monitoring Returns and Statements

**Financial Returns should be sent to:**
CYPF Finance Business Partner Schools Team  
Level 8, Zone 1, West Wing, Moorfoot,  
Sheffield S1 4PL

<table>
<thead>
<tr>
<th>Financial Returns</th>
<th>Ref</th>
<th>Submission Date</th>
<th>Required From</th>
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<tr>
<td><strong>Annually</strong></td>
<td></td>
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<tr>
<td>Approved Annual Spending Plan</td>
<td>FR1</td>
<td>1st May</td>
<td>All Schools</td>
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<tr>
<td>Deficit Recovery Plan</td>
<td></td>
<td>31st May</td>
<td>Schools setting a deficit budget.</td>
</tr>
<tr>
<td>Consistent Financial Reporting Return</td>
<td></td>
<td>10th April</td>
<td>All Schools</td>
</tr>
<tr>
<td>Schools Financial Value Standard</td>
<td></td>
<td>31st March</td>
<td>All Schools</td>
</tr>
<tr>
<td>Details of write-offs during year</td>
<td></td>
<td>10th April</td>
<td>All Schools</td>
</tr>
<tr>
<td>Multi Year Budget</td>
<td></td>
<td>30th November</td>
<td>All Schools</td>
</tr>
<tr>
<td>Extended School Community Focused Facility Annual Spending Plan</td>
<td></td>
<td>1st May</td>
<td>All Schools</td>
</tr>
<tr>
<td>Audit of Voluntary and Private Funds</td>
<td></td>
<td>21st December</td>
<td>All Schools</td>
</tr>
<tr>
<td>Financial Year</td>
<td></td>
<td>21st March</td>
<td>All Schools</td>
</tr>
<tr>
<td>Academic Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quarterly (Quarter ends: 30th June, 30th Sept, 31st Dec, 31st Mar)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income and Expenditure Forecast (FR2 not required for March quarter end)</td>
<td>FR2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extended School Community Focused Facility Income and Expenditure Forecast (not required for March quarter end)</td>
<td></td>
<td>By the 21st of the month following the quarter end.</td>
<td>All Schools</td>
</tr>
<tr>
<td>Back up of school financial data from local accounting system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monthly</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Reconciliation Statement for all accounts other than private fund accounts</td>
<td>BR1</td>
<td>By the 21st of the month following the month end.</td>
<td>All Schools</td>
</tr>
</tbody>
</table>
Notes:

All the above returns should be authorised by the Headteacher or their designated officer.

The non return of any of the above returns may result in the withholding of your VAT reimbursement as laid down in Section 7.

As stated in section 11 of the Scheme of Finance, there may be occasions when the Local Authority requires additional information to satisfy itself as to the school’s management of its delegated Budget Share, or the use made of any central expenditure by the Local Authority (e.g. earmarked funds) on the school.
Annex C - Payment of Salaries and Personnel Matters

Payroll Services

The City Council has contracted out the provision of payroll services to a third party contractor. This contract is available for schools to access and the prices will be published along with other traded services in the Autumn Term. Where a school purchases this service, the contractor will discharge the full range of payroll related services, including statutory body deductions and reporting requirements, on behalf of the school.

Where a school opts to contract with a payroll provider other than the City Council’s contractor they need to be mindful that there are certain obligations placed upon schools in order that the Local Authority can fully discharge its statutory requirements. This would include for example the right to be provided with information, as the employing body, to fulfil requirements to report employee statistical data to the Department for Children, Schools and Families, HM Revenue & Customs, OfSTED and other statutory organisations. It is advisable that schools contact the Local Authority for advice on contract specifications and the controls required to ensure the integrity of such a system, before considering such alternative arrangements.

Teachers Pensions

The Local Authority will be responsible for remitting pension contributions, and dealing with pension queries relating to Form 188 PEN, to the teachers pension scheme for ALL schools. Any school not using the City Council’s contracted payroll service will have to make arrangements to supply the contributions to the payroll contractor and provide audit assurance that the contributions are correct. Schools not using the Local Authority contractor for Human Resources will need to provide that Service with individual details of teachers as and when pension queries arise.

PAYE

The responsibility for having a PAYE scheme and making deductions is that of the employer; but for this purpose the employer is the ‘person’ paying emoluments. A school will therefore be responsible for a PAYE scheme, the statutory returns and making deductions if salary payment is made from a non-Local Authority account, which is not a ‘sub account’ of the Local Authority.

The responsibility will be with the Local Authority if it provides the payroll service and makes the salary payments on behalf of the school from an account in the name of the Authority. This applies even if the staff are, for other purposes, employed by the school’s governing body (e.g. Voluntary Aided Schools).
National Insurance

The responsibility for National Insurance contributions for employed earners lies with the employer and is administered through the PAYE system. As a rule the employer will be the one operating the PAYE scheme as determined above.

Contracted - Out Payroll & Personnel Services

Schools that choose not to purchase payroll and personnel services from the Authority are reminded that the Council will still have statutory responsibilities in managing employment law, conditions of service and contractual rights for employees within Local Authority maintained schools. The Council remains the employer except in voluntary aided and foundation schools. The Authority has to account to statutory bodies in respect of these responsibilities, e.g. Employment tribunals, courts of law, the commission for racial equality, equal opportunities commission, the DSS and the teacher pensions agency.

Contracted - Out Payroll Service - BACS Legislation

Those schools that choose to use a payroll provider other than the City Council’s contractor, or alternatively choose to provide this service themselves, should ensure that their service provider, or the in-house service, adheres to current BACS legislation and that there are sufficient internal controls in place including a division of duty between the various phases of preparing the BACS transmission.

Information Required

Those schools that do not use the City Council’s payroll or human resource services will be required to provide the following information in order for the Authority to complete their statutory returns and/or responsibilities and to fulfil the Executive Director of Children and Young People Services advisory rights:

Teacher and Support Staff Appointment:

- A copy application form, contract of employment, grade, salary / wage, designation and equal opportunities monitoring return.
- Copies of job specifications, Headteacher short lists, date and time of interviews etc

Teacher and Support Staff leavers:

- Date of effect and reason for leaving.
Employee Relations Information:

- Advance notice of a date and copies of statements of case and procedures to be followed for a hearing for redundancy, discipline, capability and dismissal
- A copy of any employment tribunal complaint
- Sickness absence / maternity leave details
- Details of dismissal costs

The Local Authority controls the costs of unfair dismissal, early retirement and severance. This means the Local Authority will only make payments in line with its own policies and advice. If schools that have not purchased the Local Authority Human Resources Service want to make payments in excess of Local Authority policy they will have to fund any extra payments themselves. In addition, if a school fails to follow or take Local Authority advice on a dismissal or other personnel related decision which results in damages/compensation having to be paid to an employee/job applicant will be charged to the individual school’s budget.

Health and Safety:

- Accident at work reports
- Access to enable site inspections
- Risk assessment reports in accordance with health and safety legislation

Other Responsibilities:

- Submission of monthly and year end returns for statutory agencies
- Ensure that the data supplied from the payroll provides a detailed breakdown in the required format for Consistent Financial Reporting
- The calculation and payment of occupational sick pay and maternity pay in accordance with the appropriate conditions of service and regulations
- Administration of attachment of earnings orders issued by magistrates and county courts and other bodies such as the child support agency.
- Nationally agreed pay awards and incremental progression processed in accordance with appropriate conditions of service
- Processing new starters, leavers and all other changes such as revised hours, regradings etc and the notification of these changes to the appropriate statutory bodies
- The calculation and payment of holiday pay
- The administration and deduction of pension contributions for teacher and local govt. pension schemes
- Pensions advice and administration including calculating and paying pension estimates, average earnings, gratuity payments, lump sum calculations,
enhancements and re-employment issues
- Pension queries e.g. Form 188 PEN
- Issuing of accurate appointment letters and statements of particulars of employment
- Issuing of contract variation letters
- Deduction of General Teaching Council Registration Fees.
- Issue of Teachers Salary Statements
Annex D – Leasing of Equipment

Lease, rental or other deferred payment arrangements for equipment such as computers, photocopiers and telephone systems must not conflict with the Council’s application of government capital controls. Such arrangements must meet the following criteria: -

- The agreement must not allow the school to become the owner or buy the equipment at any stage, or receive any proceeds from the sale of the equipment.

- The value of the equipment at the end of the agreement, as estimated by the school at the beginning of the agreement, must be at least 10% of the leased value of the equipment. Where possible this should be supported by an independent view from, for example, the supplier of the equipment. The lease agreement may contain a clause stating that the school has undertaken this estimation and is prepared to sign to that effect.

- The agreement must not give an automatic right to continue with the agreement at the end of the lease period, although this could subsequently be arranged at what is termed a fair open market rental.

- Schools should not enter into direct debit arrangements with suppliers or lease companies. All payments should be by cheque on the production of a VAT invoice from the finance company/supplier.

- Schools should give careful consideration before committing future years’ budget provision.

Schools must contact the Finance Business Partner Team help line before entering into any lease agreement to ensure they comply with government capital regulations.
Annex E – Principles of Best Value

1. Best value will be a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is to place a duty on Local Authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions, which are exercised by the governing bodies of Local Authority maintained schools. However, schools will be encouraged to adopt the best value performance management framework.

2. In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:

   a) The existence of a programme of performance review, which will aim for continual improvement. Existing mechanisms such as school development plans and post-OfSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:

      1. Challenging how and why a service is provided (including consideration of alternative providers);
      2. Comparison of performance against other schools taking into account the views of parents and pupils;
      3. Mechanisms to consult stakeholders, especially parents and pupils;
      4. Embracing competition as a means of securing efficient and effective services

   b) The development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account:

   c) That the following are included in school development plans:

      1. A summary of objectives and strategy for the future;
      2. Forward targets on an annual and longer term basis;
      3. Description of the means by which performance targets will be achieved;

   d) That internal and external audit takes place ensuring that performance information is scrutinised. Children’s Services Authority oversight of school finances provides external review.
3. The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.
Annex F - Devolved Formula Capital Grant for Schools

Formula Capital Grant has been allocated to schools from 1st April 2000 through the standards fund (except for voluntary aided schools where separate arrangements exist). The grant forms part of the process of further empowering schools and giving them a financial stake in their partnerships with Local Authority’s, based on Asset Management Plans (AMP’s). The basis for most capital expenditure at schools within the Children’s Services Authority should be the priorities agreed locally and set out in the Authority’s AMP. It is expected that the grant it will be spent on urgent building condition work identified in the Authority’s AMP, unless otherwise agreed.

Formula capital grants primary uses are expected to be:

- To fund small capital projects
- To pay for more substantial projects through accumulation over periods of up to 3 years
- For ICT equipment

Schools will be able to form clusters, pooling their formula capital and deciding collectively on its use.

Schools will, subject to agreement, be allowed to accumulate formula capital grant over a maximum of 3 years (i.e. entitlement for one year could be carried forward into the following year and/or year after – to pay for a more substantial project than would otherwise be affordable.) If an allocation is not used within 3 years it is lost.

Schools will be able to roll forward the balance of their grant entitlement if, for example, they are not able to spend the full amount in the first year.

Before a school is issued with its Formula Capital Grant it will be required to gain approval for the scheme under the existing Permission to Work arrangements.

The underpinning principles of the approach are as follows:

- All work carried out to CYPF premises must be recorded;
- The competence of the individual(s) to carry out the proposed work must be established and the work must be properly directed by the premises duty holder;
- All intrusive work to the fabric of CYPF premises requires the completion of a Permission to Work Application;
- All non-intrusive work requires the completion of risk assessments appropriate for the work to be undertaken.
Management of Formula Capital Projects

The expectation is that schools will manage any capital works funded entirely from Formula Capital. However, it is essential that schools seek appropriate advice either from the Local Authority or other professional advisors in either the public or the private sector. Schools will need to take into account the professional’s experience in the education sector. Associated fees and other similar costs must be considered as part of the total project cost. Value for money considerations will also need to apply when selecting the source of professional help. Schools should be aware that there is no potential for further funding should additional costs arise because estimates are not sufficiently rigorous.

Schools must pay due regard to the Financial Framework requirements and standing orders, particularly in relation to tendering arrangements and Standards Fund monitoring.

VA Schools

The DFE currently allocates Formula Capital grant directly to Voluntary Aided schools on an individual basis and at a level excluding the required contributions from the Governing Body and the Local Authority. The grant rules are similar to those described above for all other schools. Local Authorities draw down their contribution to Voluntary Aided school schemes from funding allocated to them through the Standards Fund.

New Schools

Under the Sheffield local agreement schools that open in, or move into, completely new buildings will receive no grant in the first three years (or one part and two full years, if opening other than at the start of a new financial year). This will apply regardless of the method by which the new school has been procured, be it traditional financing or through a Private Finance Initiative (PFI).

Closing Schools

The Authority will agree with any school that is to close during the year whether formula capital is to be provided. It may, for example be appropriate to remedy defects in order to facilitate disposal of the site. If not needed, then the Authority may use the capital elsewhere for schools capital priorities.

Use of Capital Formula Grant

Expenditure must be of a capital nature. Grant must not be used for general maintenance, redecoration or day-to-day repairs. Operating leases in respect of equipment or facilities are not eligible for capital grant. Similarly, formula capital should not be used for the hire of temporary accommodation unless it is part of a larger project, which has a short term
requirement to re-house classes and it cannot be used to meet any periodic PFI charge since that is a charge to revenue.

The definition of capital in this context is based on the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice. Annex J details how the definition can be applied to different work categories. It also defines the Governing Body responsibilities of Voluntary Aided Schools.

Sheffield has a minimum spending level of £2,000 before a project/item can be considered as Capital, below this level the schools revenue allocations should be used.

**Monitoring and Evaluation**

Local Authorities are required to verify the eligibility of all planned expenditure and to provide an estimate of the amount of grant to be carried forward to future years by the end of May, with a further revision in October of the year in which it is allocated.

Schools must therefore provide details to the Authority of their plans for the use of Formula Capital in the first half of the summer term, and may not individually enter into commitments exceeding their devolved sum without the written permission of the Local Authority subsequent to this information being evaluated.
Annex G - School’s Surplus Revenue Balances Form

School Name

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Details of Expenditure &amp; Planned Spend Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed Balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Staff &amp; Pupil Levels</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds set aside to manage change related to awkward class sizes, closing schools &amp; falling pupil numbers</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Site Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A specific scheme of repair, refurbishment or building work</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equipment Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examples include: IT replacement, book renewal, furniture replacement and sports equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Planned Factors (please specify)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Monies held on behalf of another school and extended school activities can be included here</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uncommitted Balances</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>General Contingency</th>
<th></th>
</tr>
</thead>
</table>

Headteacher's Signature ____________________________

Date ________________

This form should be returned to Finance Business Partner Team, Level 8, Moorfoot, Sheffield S1 4PL
# Annex H - Areas of Insurable Risk Provided By the Fund

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUILDINGS</strong></td>
<td>Damage caused by fire, lightning, explosion, aircraft, riot, earthquake and storm.</td>
</tr>
<tr>
<td><strong>ADDITIONAL EXPENSES</strong></td>
<td>Additional expenditure incurred for the sole purpose of avoiding or diminishing the interruption of, or interference with, the business of the school. This cover applies following damage caused by fire, lightning, explosion, aircraft, riot, earthquake, terrorism, flood and storm and is in force for 2 years following a loss.</td>
</tr>
<tr>
<td><strong>TERRORISM</strong></td>
<td>Damage to Buildings and Contents arising out of any act of terrorism. This cover is purchased for all schools taking the council mandatory insurance cover. A limited amount of cover is available under the standard Material Damage policy to a limit of £100,000. Additional cover is purchased up to a limit of £100,000,000 per occurrence.</td>
</tr>
<tr>
<td><strong>ENGINEERING</strong></td>
<td>The statutory inspection of items of plant, boilers and lifts to be carried out by an external insurer. Schools must notify the Insurance Section of items to be inspected.</td>
</tr>
<tr>
<td><strong>EMPLOYER’S LIABILITY</strong></td>
<td>Legal liability to employees for death, injury or disease. The current limit of indemnity is £50,000,000.</td>
</tr>
<tr>
<td><strong>PUBLIC/PRODUCTS LIABILITY</strong></td>
<td>Legal liability to third parties for accidental loss of or damage to property or for death, injury, illness or disease including liability arising from goods sold or supplied. The current limit of indemnity is £50,000,000.</td>
</tr>
<tr>
<td><strong>OFFICIALS INDEMNITY</strong></td>
<td>Legal liability to third parties for negligent acts or accidental errors or omissions committed in pursuit of normal duties. The current limit of indemnity is £10,000,000.</td>
</tr>
<tr>
<td><strong>LIBEL AND SLANDER</strong></td>
<td>Legal liability to third parties for libels (written) in certain publications or slanders (oral) whilst on duty or business. The current limit of indemnity is £1,000,000.</td>
</tr>
<tr>
<td><strong>MONEY</strong></td>
<td>Covers loss or theft of money suffered by the school. Varying limits apply in respect of safes and carryings.</td>
</tr>
<tr>
<td><strong>FIDELITY GUARANTEE</strong></td>
<td>Covers losses of money or property suffered by the council/school due to fraudulent acts of its employees. The current sum guaranteed is £10,000,000.</td>
</tr>
<tr>
<td><strong>MOTOR</strong></td>
<td>Covers any owned, hired or leased vehicles in the custody of the City Council/school. Third Party Property Damage limit is £25,000,000. Cover excludes personal use and some restrictions apply as to who can drive.</td>
</tr>
<tr>
<td><strong>PERSONAL ASSAULT</strong></td>
<td>Injuries sustained by an employee arising out of an assault during the course of their duties which requires time off work whether at the time of the assault or subsequently. This includes attack by an animal and includes damage to personal effects arising out of the assault.</td>
</tr>
<tr>
<td><strong>PERSONAL ACCIDENT</strong></td>
<td>Accidents whilst at work. There is a weekly benefit payable of £100 after 6 months absence plus there are benefits payable for permanent disabilities based on salary. Cover also covers pupils whilst on official work experience visits within Britain.</td>
</tr>
<tr>
<td><strong>TEACHERS ON OUT OF SCHOOL ACTIVITIES</strong></td>
<td>This cover complements the personal accident cover stated above but is for teachers involved in activities, which are complementary to, but not part of their condition of service.</td>
</tr>
<tr>
<td><strong>OFF SITE ACTIVITIES</strong></td>
<td>Personal accident, medical, travel and cancellation expenses, personal property and money cover for staff, children and volunteers whilst on off site activities.</td>
</tr>
<tr>
<td>Governors</td>
<td>Governors are automatically included under the following:</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Employer’s Liability</td>
</tr>
<tr>
<td></td>
<td>Public Liability</td>
</tr>
<tr>
<td></td>
<td>Officials Indemnity</td>
</tr>
<tr>
<td></td>
<td>Libel/Slander</td>
</tr>
<tr>
<td></td>
<td>Money</td>
</tr>
<tr>
<td></td>
<td>Fidelity Guarantee</td>
</tr>
<tr>
<td></td>
<td>Motor</td>
</tr>
<tr>
<td></td>
<td>Out of School Activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Volunteers</th>
<th>Volunteers are automatically included under the following provided they are assisting the school to carry out its function:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer’s Liability</td>
</tr>
<tr>
<td></td>
<td>Public Liability insurance</td>
</tr>
<tr>
<td></td>
<td>Personal Accident insurance</td>
</tr>
</tbody>
</table>
Annex I - Optional Covers which the City Council can Arrange on Behalf of Schools

These areas of risk are not covered by the Fund but can be arranged by the City Council’s Insurance Manager subject to an additional charge.

| BALANCE OF RISKS | Schools can obtain cover against damage caused by malicious damage, theft, flood, burst pipes, impact and accidental damage on their contents.  
|                  | Cover is subject to a £350 excess on each and every claim.  |
Annex J - Setting Up School Companies

Introduction

The government has put in place new provisions\textsuperscript{15} that enable schools to form companies on their own, or with other schools or with certain other education bodies. School companies will be private companies limited either by shares or by guarantee.

Schools will be able to set up companies to undertake three types of activity:

- **Purchasing goods and services** for schools in the company
- **Providing services or facilities** to other schools either directly or facilitating that provision by a third party
- **Exercising functions**, which a Local Authority is able to contract out.

Types of Company

A company limited by shares is a more appropriate structure where the company is seeking to make a profit and to divide that profit between the members.

A company limited by guarantee is more appropriate when the company is not seeking to make a profit e.g. when the company is merely purchasing goods and services on behalf of the member schools.

Forming a Company

A governing body interested in setting up a company under the Regulations must have the consent of the Local Authority and must also have a delegated budget within the meaning of Part 2 of the SSFA 1998. School companies are also required to register under the Companies Act 2006.

Membership

Any governing body of a maintained school with a delegated budget can form a company. Schools wanting to form a company together need not be within the same Local Authority boundaries nor need they be engaged in teaching the same age range.

Schools will need permission from their Local Authority to join a company. This is in order to

\textsuperscript{15} Education Act 2002 Section 11 & 12 – School Companies Regulations 2002
ensure that schools have the managerial and financial capability required to take part in a school company.

Other organisations such as Higher and Further Education institutions, Local Authorities in England, independent schools (including City Technology Colleges and Academies) are able to join school companies. Companies providing education services can also become members of school companies, as long as education or the provision of goods or services ancillary to education is ‘a significant proportion of their business’.

Individuals are permitted to be members of school companies. Certain categories of people are not allowed to be members of a school governing body - for example, – bankrupts, those with criminal convictions, disqualified directors, those prohibited or restricted from teaching or working with children. These restrictions are extended to prevent those individuals from becoming members of a school company.

Employees of maintained schools’ governing bodies and of Local Authorities are excluded from being members of the company as private individuals.

Local Authority Consent

A maintained school’s governing body needs permission from its Local Authority before it can become a member of a school company. In considering applications from governing bodies to join or form a company, a Local Authority will take account of the financial and managerial capability of the schools concerned.

The Local Authority can refuse to give permission if the school:

(a) Is subject to special measures or has serious weaknesses;
(b) Has weak management or finances and joining a company may prevent the school from addressing these weaknesses;
(c) Has been at fault for a previous insolvency of a school company;
(d) Has belonged to a school company which failed to act in accordance with the regulations within the last 3 years;
(e) Has had its delegated budget suspended.

A school that has been refused permission to join a company and thinks this decision is unfair can complain to the Secretary of State by using the right of complaint schools already have against Local Authorities acting unreasonably.

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16 The full list is set out in regulation 5 of The School Companies Regulations 2002
17 Schedule 1 of the Regulations sets out the groups of individuals who are excluded from membership of school companies.
Supervision of Company

All school companies will have supervising authorities. The supervising authority has the following functions:

(a) Monitoring the management and finances of the school company, including scrutiny of audited annual company accounts;

(b) Considering requests from school companies to borrow;

(c) Notifying the Secretary of State of company membership, name or registered number and any changes to these details within 28 days; and,

(d) Directing governing bodies to withdraw from a school company in certain circumstances.

The supervising authority will normally be the Local Authority within which the member schools are based. Where member schools are from more than one Local Authority area, Local Authorities will be expected to agree amongst themselves, which will become the supervising authority.

Where local agreement cannot be reached, the Secretary of State will decide which Local Authority should be the supervising authority.

Where a Local Authority is a member of the school company, and is the only Local Authority which maintains schools whose governing bodies are members of the company, it will become the supervising authority. If there is another Local Authority whose schools are involved and which is not a member then that Local Authority will be the supervising authority.

Where a school company considers that the Local Authority, which is to be the company’s supervising authority, would be in commercial competition with the company, the company may request that the Secretary of State designate another Local Authority as the supervising authority.

The supervising authority has defined powers over companies, some of which can only be exercised in certain circumstances:

(a) It may direct the company to provide such information about the company’s finances, management and contracts to which the company is a party, as the supervising authority think necessary;
(b) It may direct the company to take certain specified steps in order to comply with the Regulations;
(c) It may direct a governing body of a maintained school, which is a member of the company, to reduce its involvement in the management of the company; and
(d) It may direct a governing body of a maintained school, which is a member of the company, to resign as a member of the company.

A supervising authority will need to have evidence for its decisions, and will be bound by the general duty on Local Authorities to act reasonably. Before directing a school to resign from or reduce involvement in a school company, the Authority must give 28 days notice in writing to the governing body and the company. A company that is dissatisfied with a supervising authority’s decision can make representations to the supervising authority and if it is still dissatisfied it can complain to the Secretary of State.

The supervising authority will not intervene in the day-to-day running of a company and should only exercise its direction making powers over the company if there is evidence that a company is approaching or is in financial trouble. The Authority is entitled to receive annual audited accounts, which companies will produce for themselves and Companies House anyway. In the first year of the company’s operation it will provide two sets of six monthly accounts to enable closer supervision and faster action by the supervising authority in the initial set up period when the company has a higher risk of financial difficulties. The additional element of supervision i.e. requesting further information and directing governing bodies only becomes significant if the company is in financial difficulties, is acting illegally or if the schools of the governing bodies are in difficulties.

The other powers and duties of a Local Authority in relation to its schools are not affected by whether or not it is a supervising authority. Therefore, where the supervising authority is also the maintaining Local Authority for some or all of the schools in a company, it will continue to have available all its powers and duties in relation to the performance or state of those school(s) rather than that of the company. Where the supervising authority is not the maintaining Local Authority for a school in the company it supervises, it may become involved in such school matters only at the request of the Local Authority, which maintains the school(s).

**Appointment of Directors and Interests**

The Articles of Association of the company will set out the process for appointing a Board of Directors to run the company.

The members of the company will need to bear in mind that;

(a) Directors can bind the company contractually by acting as the company’s agent and
that they act effectively as trustees of the company’s assets;

(b) At least 40% of the directors of a school company must be non-executive directors, that is directors who are not employed by or contracted to the company to provide services for payment;

(c) Companies must limit the circumstances in which they may enter contracts where directors have an interest; and

(d) Companies would be expected to ensure that appropriate background checks are conducted on directors, members and employees of the company bearing in mind their possible access to school premises. Advice on such procedures can be sought from the supervising authority.

Profit

Any profit made by school companies may either be retained by companies to pursue objectives or distributed amongst members or a combination of both. If profits are to be distributed among members, it is imperative that the members agree at the outset, when they are establishing the company, how a distribution of profits is to be decided upon and how profit is to be divided between the members.

Regulation 10(c) of The School Companies Regulations 2002 provides that the company’s constitution must set out either the proportions of profit to be distributed among the members or a procedure to determine how the profit should be distributed.

Power to Borrow Money

Companies can only borrow money with permission of the supervising authority, whether that borrowing is secured or unsecured. It is possible for a company to borrow against its own assets (with permission), but not against assets that belong to the school members of the company. The property of the members of the school company remains separate from that owned by the company itself.

Debt

Directors of the school company are obliged under company law not to trade whilst insolvent and if they need to borrow funds to see the company through a period of financial instability they are required to seek permission from the supervising authority.

If the supervising authority becomes aware that a company has an excessive debt position, it should then notify the school members and the Local Authorities of the member schools of
that position. The supervising authority could use its powers to direct the company to provide further information for the assessment of the company’s position and could further direct the school governing body members to reduce involvement in or resign from the company.

**Limited Liability Status**

In the event of a school company failing financially, the liability of each company member would be limited either;

(a) in the case of a company limited by guarantee to the size of the guarantee (usually a nominal figure of around £10), or

(b) in the case of a company limited by shares, to the unpaid amount outstanding on the shares.

Company members would determine the value of shares and the amount, if any, outstanding on shares, so would always have taken an informed decision at the outset about their potential liability.

In the unlikely circumstance of a school company becoming insolvent, there will be no risk to a school's assets or the employment of the staff at member schools, as the company does not own the member school’s assets or employ its staff. Where a school company does become insolvent, then the staff employed directly by the company are likely to be made redundant and the company’s assets would be sold.

**VAT**

HM Revenue and Customs has confirmed that companies formed to purchase goods and services for their members will be acting as agents of the Local Authority. This enables the Local Authority to reclaim VAT incurred by these companies when spending the member schools’ delegated budgets.

Service delivery companies will not be acting as the Local Authority’s agent because they will be spending income from fees paid for provision of services rather than purely money from the school’s delegated budgets. Where service delivery companies are delivering services, normal trading VAT rules apply. School companies providing services will include VAT in their fees. If maintained schools are the recipients of these services, they will be able to reclaim VAT as above.
Withdrawing from the Company

If the delegated budget of a member school is suspended, the supervising authority would direct that the school become dormant within a company until the delegation is returned, or resign from the company if that were the more appropriate course. If a budget were only suspended for a short period, leaving the company may not be necessary. The intention here is to cause as little disruption as possible, whilst freeing the school to concentrate on rectifying the problems leading to the suspension of its delegated powers.

Should a member wish to leave the company, it will be required to provide 12 weeks notice.

Takeovers

School companies will be private companies and so shares in them will not be readily available. A takeover could only happen if school company members holding the majority of the shares agreed to sell their shares to a third party. Any member selling all of their shares would then leave the company.

Although the risk of private sector takeover is remote, schools need to be aware of the risk and ensure that restrictions are placed on the sale of company shares through shareholder agreement or that the constitution of the company provides for doing so only after unanimous decision.

Schools will be free – with the necessary agreement – to sell their interest since a school may want to leave the company at a later stage and take any profits for the benefit of the school. On a more positive note, a number of school companies could group together to operate across a network of schools, perhaps in a federation. Alternatively, the company of which a particularly successful school is a member could, by mutual agreement, take over a company whose members are less successful schools, as part of a package of support to them.

Provision of Services

School companies will be limited to providing education services or supplying goods and services to other schools including their own members.

It is also possible that services could be supplied to schools on behalf of a Local Authority. School companies will want to assure themselves of the nature of the undertaking they are

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18 The Contracting Out (Local Education Authority Functions) (England) Order 2002 means that Local Authorities can choose to contract out a much broader range of services to another organisation, including school companies.
contracting to provide by ascertaining key facts such as staffing, liabilities and intellectual property rights.

**Schools Staff**

School staff would not automatically transfer to a company upon its formation. Staff may transfer to a company if they wished and terms and conditions were agreed.

Schools joining the company are able to provide staff to the company. Schools may wish to negotiate with staff to change the duties of school employees partly to carry out duties for the company.

Schools may wish to second staff to companies for a period of time. Alternatively, schools may consider transferring the employment of staff fully over to the company if the member of staff agrees and appropriate protections for their terms and conditions of employment are in place.

Bearing in mind that the school’s governing body can be directed to ensure that its staff are no longer engaged on company business, the school should make clear in its terms of employment that where staff are working on company business their duties may be changed if the governing body is directed to reduce its involvement in the management of the company or is directed to resign from the company.

A school company may take over activities from the school's governing body which result in staff employed by the governing body or Local Authority transferring to the company by operation of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006 No.246). If this is likely to be the case, the governing body or the Local Authority and the school company should seek specialist legal advice to ensure that they comply with their duties under employment law.

In the case of staff seconded to a school company, the need may arise to appoint replacement or temporary cover. Responsibility for this will fall to the governing body or the Local Authority, depending on who is the employer.
Annex K – Extended Schools Financial Framework

Background

The Education Act 2002 gave school governing bodies the powers to provide community facilities that would benefit the school and local community.

Governing bodies cannot provide services that might interfere with their main duty to educate pupils or their responsibility to promote high standards of educational achievement at the school.

Extended school activities are carried out under the governing body’s community facilities powers; the Sheffield Scheme for Financing Schools (section 13) sets out the statutory requirements placed on schools wishing to exercise these powers.

Accounting for Extended Activities

Schools must account for all income and expenditure relating to community focused extended school activities separately from the school’s delegated Budget Share.

The Education Act 2002 required extended school activities to be self financing; expenditure incurred in providing extended facilities cannot be met from the school Budget Share except where the activity benefits the education of the pupil (e.g. study support, before and after school clubs, evening English language classes for pupils, parents and guardians).

From April 2006 however, schools are allowed to use the Schools Standard grant to support extended school activities including those that benefit the wider community as well as those benefiting the education of the pupil.

Extended Activities can be provided directly by the school or as commissioned provision through a third party. Where a third party is the provider they will have responsibility for the financial management of the activity.

It is recommended that directly provided extended school activities are accounted for within the school’s existing financial system (e.g. SIMS FMS6). It will be necessary to set up a separate cost centre and fund code, please contact the Schools Finance Business Partner Helpdesk on 0114 - 2736270 or email them at finhelpdesk@sheffield.gov.uk for advice. You can also obtain advice on setting up your finance system for extended school activities in the Finance Section of the Document Centre on SchoolPoint.
The flow chart below gives an overview of the accounting arrangements for extended activities that are **directly provided** by the school.

### EXTENDED SCHOOL ACTIVITIES ACCOUNTING FLOW CHART

**EXTENDED SCHOOL ACTIVITY**

- **Activities which serve to benefit the education of the pupil**
  - Complete a business plan for the proposed activity
  - Seek CYPS advice on use of powers
  - Funding can be from the school’s delegated budget, school standards grant, other grants and/or charges
  - FMS 6 Accounting System
    - Set up separate cost centre
    - Use GFR coding structure
    - Input VAT recoverable

- **Activities which serve to benefit the wider community**
  - Complete a business plan for the proposed activity
  - Seek CYPS advice on use of powers
  - Funded from School Standards Grant and/or charges
  - FMS 6 Accounting System
    - Set up separate fund code
    - Use GFR coding structure
    - Input VAT irrecoverable

**Commissioned Activities**

Where schools commission extended school activities from a third party provider, the provider will be responsible for the financial management and viability of the project. Charges made by the school to the provider must at least cover any extra costs incurred by the school in running the extended facilities. Schools should account for any costs incurred and charges made separately from the school Budget Share. A separate cost centre and fund code should be used in the schools SIMS FMS6 system to separately identify income and expenditure related to the extended school activity. Please contact the Schools Finance Business Partner Helpdesk on 0114 - 2736270 or email them at finhelpdesk@sheffield.gov.uk for advice.
Financial Returns

The Sheffield Scheme for Financing Schools requires schools to provide the Finance Business Partner Team with financial information about community facility and service activities. The information should be in the form of an annual planned budget by 1st May each year signed by the Headteacher and the Chair of Governors and then quarterly summary statements (including nil returns) showing actual income and expenditure for the year to date and an estimate of income and expenditure for the remainder of the financial year by the 21st of the month following the quarter.

The timetable for the submission of the financial monitoring returns and financial statements to the Authority is shown in Annex B.

A template is available as a downloadable document from SchoolPoint.

Accounting for VAT on Extended School Activities

If the Governing Body of a school provides community facilities as an extended school activity in its own right and the income generated is retained by the Governing Body, then input VAT (VAT on purchases) is now recoverable on non staffing items where those purchases are made by the school and recharged to the Governing Body. Please note VAT cannot be recovered where the Governing Body itself places orders and receives invoices for the goods or services.

(Schools operating extended activities in this way will need to set up their SIMS FMS6 extended school activity codes for non staffing expenditure with a recoverable VAT indicator. It is recommended that Schools contact the Financial Services Helpdesk for advice on how to do this.)

If the Local Authority / CYPD operates the community facility and retains the income or the Governing Body takes on the community facility on behalf of the Local Authority / CYPD (under the Local Authorities “powers of well being” and with a Service Agreement), then input VAT would be recoverable under the Local Authority VAT scheme. In addition if the community facility is for childcare, input VAT is recoverable as following the Chancellors 2005 Budget Statement Local Authorities may now treat this as a non business activity and recover VAT under the Local Authority refund provisions.

VAT on the Supply of Staff

In Voluntary and Community Schools the law requires that all staff are employed by the Local Authority / CYPD. Where the Governing Body is operating extended school facilities
they may use existing staff or new staff to run the facilities. Recharges to the extended facility for the cost of these staff are not subject to VAT because HMRC regards the Local Authority/CYPD as acting in its statutory role as employer of the staff.

In Voluntary Aided and Foundation Schools the Governing Body is generally the employer, so staff deployed on extended schools activities run by the Governing Body will be provided from its own resources. If the school requires additional staff to run the extended facility and the Local Authority provides them HMRC policy is to regard the supply of staff as being a part of its statutory duty to ensure childcare is available.

In summary, all resources for extended schools activities can be provided without an irrecoverable VAT cost so long as they are initially purchased by the school in its official capacity (or the Local Authority/CYPF) and either used directly by the school to run extended school activities or recharged to the Governing Body or other organisations that run the extended schools activities but the justification for this treatment varies. If a Governing Body or other organisation makes the purchase of VATable goods or services directly, ie. places the order and receives an invoice addressed to it (not the school) VAT cannot be recovered even if payment is made via the school’s local bank account using SIMS.

Schools should seek the advice of the Local Authority and the Sheffield City Council’s Tax Team (telephone 0114 273 5294 or e-mail taxteam@sheffield.gov.uk ) on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities.
ANNEX L - RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

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

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

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

The default position, therefore, is that premature retirement costs must be charged to the school’s delegated budget, while redundancy costs must be charged to the local authority’s budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget

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

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

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

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

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

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school’s delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs—

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

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

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

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

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