

HARROW SCHEME FOR FINANCING SCHOOLS

September 2020

People Services

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1. Summary

1.1 Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain.

In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum.

2. The Outline Scheme

nb references to:

'the Act' are to the School Standards and Framework Act 1998)

'the authority' is the local authority

'the regulations' are the School and Early Years Finance (England)(No2)Regulations 2018

3. Introduction

3.1 The Funding Framework

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

Under this legislation, local authorities determine for themselves the size of their Schools Budget and non-schools education budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. 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).

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All revisions to the scheme must also be approved by the schools forum, though the local 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 such amounts of their budget shares as they think fit for any purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations

made under s.50 of the Act. (Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school.)

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) but in that case there is no right of appeal.

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the authority must publish a statement showing out-turn expenditure.

The detailed publication requirements for financial statements are set out in regulations, but each school must receive a copy of each year's budget and out-turn statements.

Regulations also require a local authority to publish their scheme and any amendments to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

3.2 The role of the scheme

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

3.3 Application of the scheme to the Authority and maintained schools

The scheme applies to all community, nursery, voluntary, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the Authority (current list of schools see Annex A).

3.4 Publication of the scheme

A copy of the scheme will be supplied to the governing body and the headteacher of each school covered by the scheme, and any approved revisions will be notified to each school. In line with the regulations the scheme and any revisions to it will be published on the Harrow Council website.

3.5 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 schools forum.

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 the revisions or approves them subject to modifications which are not acceptable to the LA, the LA may apply to the Secretary of State for approval.

It is also possible for the Secretary of State to make directed revisions to schemes after

consultation. Such revisions become part of the scheme from the date of the direction.

3.6 Delegation of powers to the headteacher and other school staff

Each Governing Body should consider the extent to which it wishes to delegate its financial powers, and should record its decision (and any revisions) in the minutes of the governing body. Governing Bodies may make delegations in writing direct to the Headteacher and other members of staff or may choose to delegate matters only to the Headteacher who in turn may make further delegations as appropriate.

The first formal budget plan of each financial year must be approved by the governing body.

3.7 Maintenance of schools

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

4. Financial Controls

4.1 General Procedures

4.1.1 Application of financial controls to schools

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. Some of these are directly referred to in this scheme while others are included in Financial Regulations, Contract Procedure Rules and the Schools Financial Handbook issued by the LA to schools.

4.1.2 Provision of financial information and reports

Schools are required to provide the authority with details of anticipated and actual expenditure and income. For schools using SIMS FMS with electronic links this information can be transferred monthly by running the "VAT" report. Schools that are not linked electronically to the LA will be required to submit financial information quarterly in a form and at times determined by the authority. The LA can write to a school requiring them to submit financial reports, where in the LA's view the schools financial position requires more frequent monitoring or the school is in its first year of operation.

4.1.3 Payment of salaries; payment of bills

All Harrow's schools are in receipt of their own bank accounts and the majority of payments will be processed using these accounts. The administration relating to this area should be in accordance with Financial Regulations, Contract Procedure Rules and Schools Financial Handbook issued by the LA to schools. This includes in particular:

Orders for Goods and Services
Payment of Accounts
Petty Cash

Any internal payments to Departments or other schools within the Local Authority that are made by schools that are linked electronically to the LA, should be processed by journal transfer rather than by cheque or Bacs payment. Schools that are not linked electronically or choose to have a bank account separate from the LA's, will need to make all payments by cheque or Bacs. The procedures for the payment of salaries will vary according to the choices schools make about the buying back of the authority's payroll SLA. At present the majority of schools have opted to buy into the LA payroll service and for those that are electronically linked with the LA's financial system, the LA's general ledger record of payments and information regarding salaries is transferred electronically to schools on a weekly basis. Schools that are not electronically linked will have their salaries charged direct to their bank account. The administration relating to this area should be in accordance with Financial Regulations issued by the LA to schools.

Schools wishing to opt out of the LA's payroll service, will need to ensure that adequate controls are exercised over payments and that the payroll section is provided with the information required to fulfil the Council's statutory obligations in this area, in a form and at times specified by the Payroll Manager.

4.1.4 Control of assets

Each school must maintain an inventory of its moveable non-capital assets, in a form determined by the authority for assets with a value in excess of £1,000 (as required by the DfE) and in some form for smaller value items. The requirements and format of the inventory and the procedures for authorisation and disposal of assets are set out in the Schools Financial Handbook (which recommends the listing of items over £200 to aid insurance claims in the event of loss. However for certain types of desirable and portable items schools may wish to include items below this value in order to be able to claim insurance where multiple items are to be claimed for).

4.1.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued by the authority in relation to accounting policies, arrangements and year-end procedures. This includes the requirements for consistent financial reporting. The year-end procedures are issued to schools towards the end of each financial year.

4.1.6 Writing off of debts

The Governing Body should set appropriate limits on the individual value of bad debts that may be written off by the Headteacher, and should receive regular reports on any debts written off. Bad debts in excess of this value must be submitted to the Governing Body to be written off. The administration relating to this area should be in accordance with Financial Regulations and Schools Financial Handbook issued by the LA.

4.2 Basis of accounting

The reports and Accounts furnished by schools to the LA must be on an income and expenditure (accruals) basis.

4.3 Submission of budget plans

Budgets should be prepared in accordance with Schools Financial Handbook issued by the LA to schools. They should, preferably, be approved by Governing Bodies before the start of the financial year. If this is not possible then the Governing Body should give its approval as soon as possible in the new financial year. Each school is required to submit the approved budget plan to the LA by 31 May at the latest, in the format requested by the LA prior to the start of the year, duly authorised by the Headteacher and Chair of Governors. It is essential that schools maintain accurate and up to date budgets in their financial systems.

The LA will supply schools with all income and expenditure data that it holds and which is necessary for efficient financial planning by schools. Much of the detailed information required by schools for budget preparation is issued in the annual 'Budget Guidance Pack' prior to the start of the financial year. Budget Preparation Workshops will be available to aid schools in constructing their budgets. Schools should estimate their deficit/surplus at the previous 31 March and take this into account in their budget plan.

Schools must accept responsibility for the proper coding of income and expenditure to ensure that requirements of consistent financial reporting (CFR) are met.

4.3.1 Submission of Financial Forecasts

Schools are required to submit a 3 year financial forecast linked to the School Improvement Plan in a format required by the LA. The LA will pass on details of income and expenditure inflation rates to be used but schools should also try to reflect increases/decreases in pupil numbers, salary incremental drift and changes in spending patterns.

One of the aims of the three year plan is to show that the school has a sustainable and stable budget. This means that the school is not incurring a level of spending higher than its income, for year after year, by running down balances, or going into deficit. The 3 year financial forecast will assist schools in their financial management and can be used as evidence to support the LA's assessment of Schools Financial Value Standards.

4.4 School resource management

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

It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money.

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

4.5 Virement

Schools are free to vire between expenditure and income budget heads in their budget shares. Governors must determine a procedure for authorising virements between budget heads, including financial limits above which the approval of the governors is required. To maintain accurate budgetary control, budget virements should be updated on the school's computerised financial system at the earliest opportunity.

Records should be kept of virements made and the authorisations obtained.

4.6 Audit: General

The Council has a statutory responsibility to maintain an adequate and effective internal audit function and this responsibility has been delegated to the Chief Executive and Director of Finance. This service is provided by the Council's Internal Audit Section. Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed to audit the local authority itself (external audit). This includes providing access to schools' records for both internal and external auditors.

With regard to internal audit, all schools come within the audit regime determined by the LA. In relation to external audit all schools come within the LA external audit regime as determined by the Local Audit & Accountability Act 2014.

4.7 Separate external audits

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

4.8 Audit of voluntary and private funds

Schools must have their voluntary and private funds audited annually. They must obtain an audit certificate/statement confirming that an audit has been carried out and that in the auditor's view the funds are properly maintained and accounted for. Schools must provide copies of audit certificates, for all voluntary and private funds held by the school and of the accounts of any trading organisations controlled by the school, to the LA annually. A school refusing to provide audit certificates to the LA as required by the scheme is in breach of the scheme and the LA may take action on that basis.

Schools are required to advise Schools Finance Team of any trading organisations controlled by the school that are not operated as part of their official or unofficial funds.

The administration of the "Private" or "Unofficial" funds should be of the same high standard as for the main delegated budget. The operation of these funds needs to conform with the LA Financial Regulations.

4.9 Register of business interests

The governing body of each school is required to maintain a register which lists for each member of the governing body and the headteacher:

1. Any business interests they or any member of their immediate family have
2. Details of any other educational establishments that they govern
3. Any relationships between school staff and members of the governing body

The register should be kept up to date with notification of changes and the entries should be reviewed annually. The register should be available for inspection by the LA, governors, staff and parents and should be published, for example, on a publicly accessible website.

The LA has a model 'Code of Conduct' for staff that covers this area and this has been recommended to schools (it suggests that **all** staff declare business interests – or at least those in a position to make financial decisions). Declaration of any pecuniary interests should also be made at governors meetings and minuted.

4.10 Purchasing, tendering and contracting requirements

Schools are required to abide by the Authority's Financial Regulations and Contract Procedure Rules in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures, e.g., the Corporate Health and Safety Policy. Schools may seek advice on a range of compliant deals via [Buying for schools](#).

4.11 Application of contracts to schools

Schools may opt out of LA procurement contracts, but they may not opt out during the period of a contract that they have agreed to.

Although governing bodies are empowered under paragraph 3 of Schedule 1 of the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and owner of the funds in the budget share. Other contracts may be made solely on behalf of the governing body when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

4.12 Central funds and earmarking

The LA is authorised to make sums available to schools in the form of allocations that are additional to and separate from the schools' budget shares. Some 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 LA itself is not permitted to vire), this should not be used to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given. Earmarked funds are to be returned to the LA if not spent within the period for which the earmarked funding was given.

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

4.13 Spending for the purposes of the school

Governing bodies are free to spend budget shares 'for the purposes of the school', subject to regulations made by the Secretary of State and any provisions of this scheme. Schools are permitted to spend their budget shares on community facilities or services (see section 15) and on pupils who are on the roll of other maintained schools.

4.14 Capital spending from budget shares

Governing bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises¹. Capital expenditure is defined as works of an improvement nature that enhance the life of an asset – and in line with priorities set out in the schools Asset Management Plan.

If the expected capital expenditure from the budget share in any one year will exceed £20,000, the governing body must notify the LA and take into account any advice from the Service Manager - Capital as to the merits of the proposed expenditure.

Where the premises are owned by the LA or the school has voluntary controlled status, then

¹ This includes expenditure by the governing body of a voluntary aided school on work that is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

the governing body shall seek the consent of the LA to the proposed works (from the Service Manager - Capital). However, this may only be withheld on health and safety grounds or where it adversely affects the general teaching capacity.

4.15 Notice of concern

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

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

These may include:

- 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.

4.16 Schools Financial Value Standard (SFVS)

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

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of

remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

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

4.17 Fraud

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

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

5: Instalments of the budget share and banking arrangements

5.1 Frequency of instalments

Budget shares will be credited to school bank accounts on a monthly basis. For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units. Schools may draw on all of their non payroll budget from the start of the year.

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

5.2 Proportion of budget share payable at each instalment

Two options are available to schools that affect the amount of budget share payable into school bank accounts in each instalment. The first option (A) is based on current practice and is relevant to schools that wish to retain their LA bank account and take full advantage of the LAs electronic data interchange facility between the corporate financial (general ledger) system and schools' FMS financial system. These schools will continue to receive salaries, rates, cleaning, service agreement charges, etc., via the data interchange and therefore do not need these funds credited during the year into their bank accounts.

The second option (B) enables schools to opt for instalments of their total budget share to be paid into an external bank account on a monthly basis. Schools choosing this option would not receive internal charges, such as salaries, via the data interchange and would therefore need to manually input these charges, including monthly charges for individual employees. The calculation of the budget share payable for each instalment for options A and B are set out below.

Option A

Schools' bank accounts will be topped up to set levels on each receipt by the LA of the electronic information from the school detailing the expenditure incurred during the previous month. The minimum levels will be calculated according to the total budget share of each school. The bank balance will be topped up to the set level of 2% of the budget share. The level of 2% is calculated based on historic spending levels from schools bank accounts. It should be adequate for schools 'normal' monthly needs, although if schools have particularly high expenditure in a month, additional funds can be requested from the Schools Finance Team. The level of 2% will be reviewed periodically with the Schools Forum, taking into account the number of ad-hoc top-ups required and the change in the balance of charges made to schools via the data interchange and incurred directly by school bank accounts.

e.g. A school's budget share is £1,500,000. The bank balance would be topped up to a set level of £30,000 ($£1,500,000 \times 2\%$) each month.

Schools using an external payroll provider will provide the School Finance Team with an estimate of the monthly payroll costs for the year and an automatic monthly BACS credit will be generated 5 days before the due payroll run. This will be in addition to the normal bank account top up.

Option B

On 1 April schools' bank accounts will receive 2% of their delegated budget for the year. The subsequent instalments will take into account funding needed for earmarked budgets and for net VAT payments.

The school budget shares issued in March will be used to calculate the assumed net VAT to be paid in the year by the school. This will be calculated on the basis of the net VAT incurred by maintained schools as a proportion of their total net expenditure in the most recent financial year for which full information is available. The percentage used will be standard for all schools, not differentiated. The percentage will be applied to the known budgets in March and this sum will not change during the year.

In the monthly instalments between **April and August** the amount payable will be: $\frac{1}{12} \times (A+B-C)$ where

A = the school's total budget in March (including earmarked budgets) B = calculated expected net VAT to be paid in year C = cash advance made on 1 April

In September the instalments of **September to December** will be calculated on the basis of: $\frac{1}{7} \times (D+B-E)$ where

D = the school's total budget at 31 August (including earmarked budgets and any contingency allocations)

B = calculated expected net VAT to be paid in year (calculated in March)

E = the total of the cash advances relating to that financial year made to the school between 1 April and 31 August

In January the instalments of **January to March** will be calculated on the basis of: $\frac{1}{3} \times (F+B-G)$ where

F = the school's total budget at 31 December (including earmarked budgets and any contingency allocations)

B = calculated expected net VAT to be paid in year (calculated in March)

G = the total of the cash advances relating to that financial year made to the school between 1 April and 31 December

In order that schools do not receive the non-salaries part of the final instalment on 25th March, i.e., too late in the financial year, this will be advanced to schools with the February instalment. This will be based on 20% of the March instalment and the remaining 80%, representing the estimated salaries part, will be advanced on 25 March.

The items C, E and G above will not include any supplementary cash advances referred to in paragraph 5.3 below.

After the end of the financial year the total cash advanced will be compared against the total delegated budget for the financial year, total net expenditure on earmarked budgets and the total net expenditure on VAT. The resulting balance will either be added to or deducted from the monthly cash advance following the confirmation by the LA of schools' closing balances. This one-off adjustment will be made to either the August or September cash advance in the following year.

5.3 Interest clawback

There will be no deduction of interest where a school chooses the option A route. For schools choosing option B, there will be no deduction for interest where a school receives cash advances in the pattern and for the amounts calculated in 5.1 and 5.2 above.

Where option B schools require additional cash advances, the headteacher will be required to apply, in writing to the Schools Finance Team, for a supplementary cash loan which will accrue interest on a daily basis at the local authority inter-bank LIBOR rate until the amount is repaid. This will affect those schools whose patterns of expenditure are different to the standard one or which have accumulated deficit budgets.

5.4 Interest on late budget share payments

Where as a result of LA error a budget share instalment is paid late the LA will pay interest to the school on a daily basis at the local authority inter-bank LIBOR rate until the amount is repaid.

5.5 Budget shares for closing schools

Budget shares of schools for which approval for discontinuation has been secured, will be made available until closure, on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

5.6 Bank and building society accounts

Option A Route

Schools choosing the option A route will be required to continue with their LA bank accounts (in the name of the LA and the school). Interest will be paid on all LA bank accounts. For administrative ease and to provide certainty in schools' budget planning, the interest receivable by individual schools will be a notional calculation. This will be the sum of the interest on the estimated average bank balance during the year plus a half year's interest on the school's budget share carry forward balance at the start of the year. The interest rate will be the higher of (1) the annual average 3 month Libid rate and (2) the rate earned for call deposits with the council's main bank. (The Libid rate measures the rates that banks will pay on deposits.) The average bank balance during the year will be calculated as follows:

$$[(K \times L) + (K \times L) - (K \times M)/12] / 2$$
 where

K = the budget share

L = the 'set level' for the bank instalment top-up (currently 2% -see para 3.2)

M = the estimate percentage of the total schools' delegated budget sum that is paid from schools' bank accounts rather than via the electronic data interchange (estimated at 12.5%).

e.g. A school's budget share carry forward balance at 31 March is £20,000 and its budget share is £850,000. The average bank balance during the year will be calculated as:

$$[(£850,000 \times 2\%) + (£850,000 \times 2\%) - (£850,000 \times 12.5\%)/12] / 2$$

This equates to £12,570. The interest receivable on the average balance is therefore calculated as £503 (£12,570 x 4%). The interest receivable on the balance carried forward is calculated as £400 (£20,000 x 4%) /2).

Option B Route (external bank accounts)

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

New bank account arrangements (options A and B) may only be made with effect from the beginning of each financial year and schools are required to advise the LA of changes by the end of December prior to the beginning of the financial year.

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

5.7 Restrictions on accounts**Option A Route**

Schools choosing this route will be required to maintain their LA bank account in the name of the LA and the school (currently with National Westminster Bank). Schools are not permitted to maintain another external account for their official delegated funds.

Schools wishing to use direct debits or standing orders must seek prior permission from the LA. This will only be granted in exceptional circumstances.

Option B Route (external bank accounts)

Any school wishing to open an account at a bank or building society other than LA bank account will need to request approval for this, via the Children's Services Finance Business Partner.

Any school closing an account that used to receive its budget share and opening another must also request approval from the Children's Services Finance Business Partner.

A maximum of two accounts may be opened by each school, a current account (which may be interest bearing) and a deposit interest bearing account.

Schools are allowed to have accounts for budget share purposes that are in the name of the school rather than the LA (option B route only)². If a school has such an account the account mandate should provide that the LA is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the LA.

Signatories for bank accounts must be either LA or school employees.

² Money paid by the LA and held in such accounts remains LA property until spent (5.49(5) of the Act).

5.8 Borrowing by schools

Governing bodies may only borrow money or use finance leases with the written permission of the Secretary of State³. The general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time the Secretary of State may introduce limited schemes to meet broader policy objectives. Schools are allowed to use any scheme that the Secretary of State has said is available to schools without specific approval eg Salix scheme.

Schools may not use credit cards or overdrafts. However the use of LA purchase card is encouraged as this can be a useful means of facilitating electronic purchases. No interest charges should be incurred by the school, with balances fully cleared on a monthly basis.

This provision does not apply to loan schemes run by the Authority (see 6.10)

5.9 Other provisions

The rules and guidance relating to banking arrangements are set out in Financial Regulations.

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

6. The treatment of surplus and deficit balances arising in relation to budget shares

6.1 The right to carry forward surplus 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.⁴ Where a school opens a new bank account at the start of a financial year a provisional balance will be calculated for that school by taking the amount of unspent budget share after all March salary costs have been expended. This amount will then be subject to adjustment once a final reconciliation of the previous year's accounts has been completed.

6.2 Controls on surplus balances (Balance Control Mechanism)

With effect from 1 April 2011, the LA removed its mechanism for clawing back surplus balances.

6.3 Interest on surplus balances

Schools choosing to retain their LA bank account (route A) will receive interest on their estimated average bank balance during the year plus a half year's interest on the school's budget share carry forward balance at the start of the year. The detailed calculation is set out in 5.6

Schools opting for an external bank account (route B) will hold cash in their external bank accounts. Interest accrued on all external bank accounts is retained by schools.

6.4 Obligation to carry forward deficit balances

Deficit balances⁵ will be carried forward by the deduction of the relevant amounts from the following year's budget share (see also 6.8)

6.5 Planning for deficit budgets

Schools may only plan for a deficit budget in accordance with the terms of para. 6.9.

6.6 Charging of interest on deficit balances

Schools choosing to retain their LA bank account (route A) will be charged a half year's interest on a deficit balance held at the start of the financial year. The interest rate will be the same as for surplus balances as set out in 5.6

Schools opting for an external bank account (route B) will need to apply for supplementary cash loans on which interest will be charged (see 5.3). Where schools have deficit budgets, any direct payments by the LA on behalf of the school will be treated as if they were supplementary cash loans and interest will be charged on those sums too.

⁴ The amount of a surplus balance would be shown in the relevant out-turn statement published under s.251 (although there may be commitments against any figure shown in such a statement).

⁵ The deficit balance would be shown on the out-turn statement published under s.251 (although this might be shown gross of committed expenditure and therefore appear lower than would otherwise be the case).

6.7 Writing off deficits

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

The LA may give assistance towards the elimination of a deficit balance 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 school, from a de-delegated contingency budget where this has been agreed by Schools Forum.)

6.8 Balances of closing and replacement schools

When a school closes, any balance (whether surplus or deficit) reverts to the authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school. However where a school converts to academy status, under section 4(1)(a) of the Academies Act 2010, any surplus balance will transfer to that academy.

Where an Infant and a Junior School amalgamate, the LA will make an allocation to the new school⁶ which has the effect of giving them the benefit of an additional sum, which is equal to the balances of the relevant closing schools.

6.9 Licensed deficits

In the exceptional circumstance, where schools are in financial difficulties and are projecting a deficit budget (at whatever level), the LA may permit schools to agree a plan for that deficit budget. This will only be after the Governing Body has explored all alternatives for recovering the financial position and taken appropriate action, to the satisfaction of the LA.

It is expected that the majority of the small number of deficits that are agreed should be for one financial year only, i.e., carry over of a deficit at the end of one year and return to a nil or surplus balance at the end of the following year. In particularly exceptional circumstances the LA may agree to a Governing Body managing a deficit for up to a maximum of three financial years. In this circumstance the planned deficit at the end of each year will need to be agreed from the outset and the Governing Body will need to report regularly on progress as specified by the LA.

Licensed deficits of less than £100,000 will need to be agreed, in writing, by the Corporate Director of Children's Services and the Chair of Governors. Deficits greater than £100,000 and/or those that will be repaid over more than one financial year, will also need to be agreed by the Corporate Director of Finance.

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 schools⁷. The LA may only licence deficits up to a maximum of 40% of the amount of surplus balances at the end of the previous financial year held by schools maintained by the authority.

⁶ Under S47 of the SSAF ACT 1998

⁷ although it is open to the LA, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation.

6.10 Loan schemes

The purpose of the loan scheme is to make more effective use of school balances by enabling schools to apply to the Local Authority for a loan, which will be funded from the collective revenue schools balances and repaid in subsequent years. For the school it offers the opportunity to carry out building works or make large equipment purchases which could not normally be funded from the formula capital allocation in one year.

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

The amount available for loans to schools as a whole will be subject to a limit of £1,500,000 or 20% (whichever is lower) of the total of all schools balances as at end of the previous March thereby ensuring that schools will always have access to their funds. Loans will only be made if school balances exceed £5m in aggregate.

Loans are only available for capital expenditure and the loan scheme is available in the main to provide funds for the following:

The purchase of IT equipment to set up, or update/replace existing systems.

Purchase of new, or replacement of, general school equipment.

Full or part funding of premises projects including remodelling, improvements or new buildings.

Other applications may be considered if they are one off capital projects.

Loans will not be provided for general maintenance or salary costs. Schools with deficit budgets may not apply for a loan. Schools may also not apply for a loan if they already hold uncommitted balances, which are greater than or equal the costs of the project concerned.

Applications for loans will be dealt with on a first come first served basis. No school will have an absolute right to receive a loan, but all schools with delegated budgets are eligible to have their applications considered.

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

Premises and equipment loans will normally be for a maximum period of 3 years. Loans for premises projects, in some circumstances, will be extended to a maximum of 5 years, where the benefit from the project can be clearly demonstrated over the medium term.

The Director of Children's Services and the Director of Finance will approve loans up to £100,000. Loans between £100,000 and £500,000 will be approved by the Director of Children's Services and the Director of Finance in consultation with Schools Forum.

The Chair of Governors and the Headteacher must agree loan requests. Information to support the application will be expected (See Annex F for Loan application and administrative procedures).

7. Income

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

7.1 Income from lettings

Schools may retain income from lettings of the school premises that would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided 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. However, schools whose premises are owned by the LA shall be required to have regard to directions issued by the LA as to the use of school premises. Such directions are only those permitted under the School Standards and framework Act 1998 for various categories. The administration of this area should be carried out in accordance with Financial Regulations issued by the LA to schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

7.2 Income from fees and charges

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

7.3 Income from fund-raising activities

Schools may retain income from fund-raising activities.

7.4 Income from the sale of assets

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

The procedures carried out for any sales should be in accordance with Schools Financial Handbook.

7.5 Administrative procedures for the collection of income

The administrative procedures for this area should be carried out in accordance with Schools Financial Handbook. Supplementary guidance will be provided from time to time in the light of advice from HMRC.

7.6 Purposes for which income may be used

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

8. The charging of school budget shares

8.1 General provision

The budget share of a school may be charged by the LA without the consent of the governing body only in circumstances set out in 8.2 and 8.3 below. The LA shall consult a school as to the intention to so charge, and shall notify a school when it has been done.

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

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

8.2 Salaries of school-based staff

The Authority should charge the salaries of school-based staff to school budget shares at actual cost.

8.3 Circumstances in which charges may be made

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

8.3.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B)

8.3.3 Awards by courts and industrial tribunals against the authority, or out of court settlements, arising from action or inaction by the governing body contrary to the LA's advice

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

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

8.3.6 Expenditure incurred by the authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover to the minimum standard specified by the Council's Insurance Manager. The minimum specified level shall not be higher than the level arranged by the LA for schools that have decided to buy back into the in-house insurance package from their delegated budgets.

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

8.3.8 Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence.

8.3.9 Correction of LA errors in calculating charges to a budget share (eg pension deductions)

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

8.3.11 Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also 13).

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

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

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

8.3.15 Costs incurred by the LA in securing provision specified in an Education Health and Care Plan (EHCP) where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;

8.3.16 Costs incurred by the LA due to submission by the school of incorrect data;

8.3.17 Recovery of amounts spent from specific grants on ineligible purposes;

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

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

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

9. Taxation

9.1 VALUE ADDED TAX (VAT)

The LA has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. These are set out in Annex C. Amounts reclaimed through these procedures will be passed back to the school.

9.2 CIS (Construction Industry Taxation Scheme)

With effect from April 2007 schools are exempt from CIS. This exemption means that where a contract is between the school/governing body and the subcontractor (i.e. not with the LA) CIS reporting is not required. Schools will still have the responsibility for checking employment status i.e. when engaging an individual for any works (including construction works) their Employment Status should be checked to see if they are self employed. If not self employed payment should be made through payroll to ensure compliance with Tax and NI regulations.

10. The provision of services and facilities by the authority

10.1 Provision of services from centrally retained budgets

The LA shall determine on what basis services from centrally retained funds will be provided to schools (including existing premature retirement costs and redundancy payments). The LA is debarred from discriminating in its provision of services on the basis of categories of schools except where this would be permitted under the School and Early Years Finance Regulations or the dedicated schools grant conditions of grant.

10.2 Provision of services bought back from the authority using delegated budgets

The term of any arrangement with a school to buy services or facilities from the LA shall be limited to a maximum of three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement relating to the same services. When a service is provided for which expenditure is not retainable centrally by the authority under the Regulations made under section 45A of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

10.3 Packaging

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

10.4 Service level agreements

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

Centrally arranged premises and liability insurance are excluded from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

10.4.2 Where services are offered by the LA they will be available on the basis of buy-back for an extended period and/or on an ad-hoc basis. Different rates will apply to the different types of agreement.

10.4.3 Service Level Agreements must be in place at least one month before the start of the financial year in which they are effective. Schools must have at least one month to consider the terms of these agreements.

10.5 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 Regulations 2014, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares:

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its 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. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that 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.

11. Private finance initiative (PFI) and public private partnerships (PPP)

PFI schools will be required to sign a 'Governing Body Agreement'. The agreement is between the Authority and Governing Body and sets out details of the services provided under the PFI contract and the schools financial contributions.

The current PFI contract in place requires schools to pay a contribution based on their historical spend for the services now provided by the contractor under the PFI contract and also payment of lifecycle and maintenance costs on any variation orders.

12. INSURANCE

12.1 Insurance cover

Funds for insurance are delegated to Harrow schools. The LA requires schools to

demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the governing body, meets the minimum standard specified by the Council's Insurance Manager. The minimum specified level shall not be higher than the level arranged by the LA for schools that have decided to buy back into the in-house insurance package from their delegated budgets. In relation to the minimum level of insurance the LA shall have regard to the actual risks that might be expected to arise at each school.

From 1st April 2020 schools may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may do this individually when any insurance contract of which they are part expires. All primary and/or secondary maintained schools can join the RPA collectively by agreeing through the schools forum to de-delegate funding.

13. MISCELLANEOUS

13.1 Right of access to information

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

13.2 Liability of governors

Because the governing body is a corporate body⁸, 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.

13.3 Governors' expenses

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

Only allowances in respect of purposes specified in regulations⁹ 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.

13.4 Responsibility for legal costs

Legal costs incurred by the governing body arising from legal actions, (although the responsibility of the LA as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings) may be charged to the school's budget share unless the governing body has followed LA advice.

In discharging its functions, it is expected that a governing body will actively seek, and take into account, advice from the LA. Where it appears that there may be a conflict

⁸ and because of the terms of s50(7) of the SSAF Act.

⁹ Section 19 Education Act 2002.

between the interests of the governing body and the LA, this should be specifically considered by senior representatives of the governing body and the LA. If it is agreed that such a conflict exists, consideration will be given to the governing body seeking external advice. The LA will advise on the appropriate source of such advice.

13.5 Health and Safety

In expending the school's budget share, the governing body should have regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share. The LA may issue directions to the governing body and headteacher of any school under s.39(3) of the School Standards and Framework Act 1998.

13.6 Right of attendance for Chief Finance Officer

Governing bodies must allow 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 LA should 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.

13.7 Special Educational Needs

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

13.8 Interest on late payments

Statutory requirements now in place regarding interest on late payments

13.9 'Whistleblowing'

Where a school employee or governor wishes to complain about the financial management or financial propriety at the school this should be carried out in accordance with the school's Whistleblowing Policy and Procedures. The school is strongly advised to adopt the Council's Whistleblowing Policy & Procedures¹⁰

13.10 Child Protection

Schools sometimes need to release staff to attend child protection case conferences and other related events. The LA does not however make any specific payment to schools to help meet the costs involved.

13.11 Redundancy/Early Retirement Costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. See Annex B

¹⁰ Approved at Standards Committee 26/3/07

14. Responsibility for repairs and maintenance

14.1 The authority delegates all funding for repairs and maintenance to schools. Only capital expenditure is retained by the authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. Illustrative examples of the categories of work which governing bodies are expected to finance from their budget are provided in the attached Annex E.

14.2 Voluntary aided governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for repair and maintenance items on the same basis as community schools.

15. Community facilities

Introduction

Application of Schemes for Financing Schools to the Community Facilities Power.

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. This includes those schools who are providing the following types of facilities:

- After School Clubs
- Breakfast Clubs
- Childcare Facilities
- Other income generating activities

The provision of community facilities tends to be where schools are incurring additional costs to provide activities which are funded from fees and grants.

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

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning. Sections 27 and 28 of the Education Act 2002 which explain the new provisions are detailed in Annex D (1).

Whilst not explicit in S28, the Governing Body of a community school can not enter into a lease or licence as they have control of the land, but not legal ownership, hence the reason for the scheme to refer to transfer of control agreements being outside the remit.

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

15.1 Consultation with the authority: financial aspects

Schools no longer need to consult the authority when establishing community facilities under Section 27 of the Education Act 2002. However schools are expected to act reasonably, and this includes consulting those affected by decisions that they make

15.2 Funding agreements: local authority powers

15.2.1 Funding agreements with third parties

The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved. For example this would apply where the school is hosting an After School Club but where it is run independently to the school. Schools letting premises to third parties for the provision of community facilities should be the subject of a third party agreement with the school.

Any funding agreement with third parties (as opposed to funding agreements with the LA itself) must be submitted to the LA for its comments. Funding agreements for comments should be sent to Children's Services Finance Business Partner at least two calendar months before the intended agreement is due to be effective. The LA will provide comments within one calendar month of having received the request accompanied by all the necessary information. Whilst the LA does not have the power to veto these agreements any agreement which the school concludes against the wishes of the LA or without informing the LA, which in the view of the LA is seriously prejudicial to the interests of the school or the LA, may constitute grounds for suspension of the right to a delegated budget. This applies only to new arrangements. However as and when existing arrangements are renewed these should be submitted to the LA for comments.

15.3 Other prohibitions, restrictions and limitations

15.3.1 Protection of the Authority's Financial Interests

Although the LA does not have the right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power, the LA may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the LA. For example this may involve undertaking the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question. The LA will consider each case individually and advise accordingly. This requirement will only be imposed where the LA believes that the proposed project carries significant financial risks.

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations.

15.4 Supply of financial information

15.4.1 Submission of Financial Statements Schools who exercise the community facilities power must provide to the LA a summary statement showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis for the next six months. These statements should be sent as at the end of

September and as at the end of March each year and should be received within one calendar month of the end of the period. These statements should be signed as a true record by the Governing Body. For those schools that are linked electronically these statements will not need to be provided as the information can be obtained centrally by the LA via the electronic link. Summary statements should be in the form prescribed by the LA (Schools Financial Services to prescribe the format) and sent to the Children's Services Finance Business Partner. Financial information relating to community facilities will need to be included in returns made by schools under the Consistent Financial Reporting Framework and these will provide the main source of information for the financial aspects of community facilities. This will be completed automatically for those schools that are linked electronically to the LA via the schools financial system. Schools who exercise the community facilities power must provide to the LA an approved budget plan by 31st May each year. This must be authorised by the Headteacher and Chair of Governors.

15.4.2 Submission of Summary Statements where there is cause for concern Where the LA has given notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power then the school must provide to the LA a summary statement as detailed in paragraph 15.4.1 above every three months (i.e. at the end of June, September, December and March) and at the LA's request the submission of a recovery plan for the activity in question.

15.5 Audit

Access to records

15.5.1 Schools are required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure. In this instance school records include but are not restricted to all financial records and documentation and a register of pupils attending the community facility. Schools who receive funding from the Harrow Early Years Development & Childcare Partnership will be required to allow access to records for inspection by the Partnership.

15.5.2 Schools are required in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the LA 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. For example a third party should maintain their own register which is available upon request for inspection.

5.6 Treatment of income and surpluses

15.6.1 Retention of net income Schools are allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the LA or some other person.

15.6.2 Carry forward of surplus balances Schools are allowed to carry retained net income over from one financial year to the next as a separate community facilities surplus. Subject to the agreement of the LA at the end of each financial year, schools can transfer all or part of the retained net income to the budget share balance.

15.7 Health and Safety

15.7.1 General provision The health and safety provisions detailed in paragraph 13.5 of the main Scheme of Financing Schools are extended to cover the community facilities power.

15.7.2 Disclosure Barring Service All staff working with children must have Disclosure Barring Service (DBS) checks undertaken. Governing bodies are responsible for the costs of securing DBS 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.

15.8 Insurance

15.8.1 Insurance arrangements The governing body is responsible for ensuring that adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Schools must seek the LA's advice before finalising any insurance arrangement for community facilities. Where a third party claim they have arranged separate insurance cover they must be asked to provide evidence of this cover to the school. The school must then forward this on to the LA to check that cover is adequate. A school may join the RPA for risks that are covered by the RPA, instead of taking out insurance.

15.8.2 LA protection against third party claims The LA can 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.

15.9 Taxation

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

15.9.2 Payment of staff employed by the school If any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is liable for payment of income tax and National Insurance, in line with HM Revenue and Custom rules.

15.9.3 Construction Industry Tax Scheme (CITS) Schools are required to abide by procedures issued by the LA in connection with Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

15.10 Banking

15.10.1 Banking arrangements Schools cannot elect to have separate banking arrangements for the community facilities to that of their school budget share. Therefore schools who choose option (A) within the main scheme i.e. those who wish to retain their LA bank account and take full advantage of the LA'S electronic data interchange facility must operate this system for their community facilities. Schools who wish to have external bank accounts for their community facilities must also opt for this option for their school budget share. This is option (B) within the main scheme.

Schools who choose option (A), may choose to keep the community facilities accounts separate from that of their budget share by using a separate fund within their school FMS

financial system. Advice on this will be provided by Schools Financial Services. There will be no need to have a separate bank account for community facilities.

Schools who choose option (B) must ensure that the community facilities accounts are kept separate from that of their budget share either by using separate bank accounts or having adequate internal controls to maintain the separation of funds.

15.10.2 Restrictions on accounts The same restrictions on bank accounts apply to community facilities as for those of the main scheme. These can be found in 5.7

15.10.3 Borrowing by schools Governing bodies are reminded that they must not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining LA.

LIST OF SCHOOLS TO WHICH THIS SCHEME APPLIES

Primary Schools	Infant Schools
BELMONT	KENMORE PARK
CAMROSE	
CANNON LANE	Junior Schools
CEDARS MANOR	KENMORE PARK
ELMGROVE	
GLEBE	
GRANGE	
GRIMSDYKE	
LONGFIELD	Special Schools
MARLBOROUGH	KINGSLEY
NEWTON FARM	SHAFTESBURY
NORBURY	WOODLANDS
PINNER PARK	
PINNER WOOD	
ROXBOURNE	High Schools
ROXETH	WHITMORE
ST ANSELM'S R.C.	
ST JOHN'S STANMORE	
ST TERESA'S R.C.	Pupil Referral Unit
STAG LANE	
STANBURN	HELIX EDUCATION CENTRE
VAUGHAN	
WEALD RISE	
WEST LODGE	Nursery Schools
WHITCHURCH	HILLVIEW NURSERY

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.

To assist schools Harrow Council has issued Guidance on Budget Planning and the Financial Rules which clearly sets out the council's expectations in respect of financial planning, deficits and the payment of redundancies.

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.

It is important that the local authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

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.

PROCEDURES TO ENABLE THE RECLAIM OF VAT

The LA has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. These are as follows:

Schools using the SIMS FMS system will be required to follow the procedures issued by Schools Financial Services for closing periods and running VAT reports, which will include the submission of a signed 'VAT Submittal Report' from the system (to be retained in school). This report will be used to validate the data received electronically from the school.

Schools not using the SIMS FMS system will be required to forward monthly reports defined by the LA to include details of VAT expenditure and VAT income within the period, together with a signed claim summary of net expenditure.

Section 27 - Power of governing body to provide community facilities etc.

(1) The governing body of a maintained school shall have power to provide any facilities or services whose provision furthers any charitable purpose for the benefit of-

- (a) pupils at the school or their families, or
- (b) people who live or work in the locality in which the school is situated.

(2) The power under subsection (1) includes, in particular, power for a governing body to-

- (a) incur expenditure,
- (b) enter into arrangements or agreements with any person,
- (c) co-operate with, or facilitate or co-ordinate the activities of, any person, and
- (d) provide staff, goods, services and accommodation to any person.

(3) Subject to the provisions of Chapter 3 of Part 6 of the Education Act 1996 (c. 56) (charges in connection with education), a governing body may charge for any services or facilities provided under this section.

(4) This section has effect subject to section 28.

Section 28 - Limits on power to provide community facilities etc.

(1) Section 27(1) does not enable a governing body to do anything which they are unable to do by virtue of any prohibition, restriction or limitation on their powers which is contained in-

- (a) the school's instrument of government, or
- (b) any scheme under section 48 of the School Standards and Framework Act 1998 (c. 31) (local education authorities' financial schemes) which relates to the school.

(2) Regulations may make provision preventing governing bodies from doing, by virtue of section 27(1), anything which is specified, or is of a description specified, in the regulations.

(3) A governing body shall exercise the power conferred by section 27(1) only if and to the extent that they are satisfied that anything which they propose to do 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.

Outline Business Plan

Aims and Objectives

~~Describe the aims and objectives of operating the community facility within the school. Consider how the operation of the facility links with the School Development Plan/Education Development Plan/Harrow Education Service Strategic Plan.~~

Description of the Facility

~~Describe the facility to be provided including opening hours, location, number and skills of staff involved, number of places to be offered, physical resources and materials available.~~

Demand and Marketing

~~State what research has been undertaken to assess the demand for the facility both in the short term and in the longer term. State what the anticipated trends are regarding demand. State how the facility will be marketed.~~

Management and Quality

~~Describe how the facility will be managed. State whether there will be a separate management committee. State what the role of the Governors will be in the facility and what reports Governors will receive. State who will line manage the staff involved in the facility and what processes there will be for staff training and development. Describe what steps will be taken to ensure that the facility provided is of good quality.~~

Funding and Sustainability

~~State how the facility will be funded and sustained over the next three years. Include projections of income and expenditure for the next three years. This can be completed using the budget planning form for community facilities. Copies of these are available from Schools Finance. Ensure that budget plans are consistent with the staffing levels and demand described above. Provide details of what the charges for the use of the facility will be and how these have been arrived at. Demonstrate that these charges will be affordable to users including any potential fee increases in the future to sustain the facility. Ensure that the facility is viable following the fall out of any "one off" set up grants.~~

Risk Assessment and SWOT Analysis (strengths/weaknesses/opportunities/threats)

~~Describe the strengths, weaknesses, opportunities and threats that exist which may effect the success/longer term viability of the facility. An example of the type of situations which may exist are listed below. State what the risks are in connection with providing the facility and what the outcomes might be if the risks materialised.~~

Strengths	Weaknesses
Highly trained staff	Staff turnover
Well resourced facility	Location and access to facility
Demand exceeding places available	Opening hours
Opportunities	Threats
Grant funding	Reduced demand
Extend facilities	Competition from other providers
Increase demand via marketing	Staff shortages

Describe what action you plan to take to limit the weaknesses and threats and to manage the risks involved:

ANNEX E

REPAIRS AND MAINTENANCE OF SCHOOL BUILDINGS AND GROUNDS

Section 1

EXTERNAL ELEMENTS		
	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
	CAPITAL	REVENUE
ROOF COVERINGS (FELT)	- Replacement of all / substantially all roof finishes on existing roof	<ul style="list-style-type: none"> - Blisters and cracks - Patch repair roof, flashings and gutters - Reform skirtings and drips etc - Reform r.w. outlets and gutters - Refix flashings - Renew flashings - Renew felt roofing - Repairs to any other parts of roof coverings or substructure - Remove algae and silt
ROOF COVERINGS (ASPHALT)	- Replacement of all / substantially all roof finishes on existing roof	<ul style="list-style-type: none"> - Blisters and cracks. - Patch repair roof, flashings and gutters - Reform skirtings and drips etc - Reform r.w. outlets and gutters - Refix flashings. - Renew flashings. - Repairs to any other parts of roof coverings or substructure - Remove algae and silt
ROOF COVERINGS (PITCHED)	Replacement of all / substantially all roof finishes on existing roof	<ul style="list-style-type: none"> - Refix and renew slates and tiles - Refix ridge tiles etc - Renew valley gutters - Refix and renew corrugated sheeting - Refix flashing - Renew flashings - Temporary guards and protection
RAINWATER GOODS		<ul style="list-style-type: none"> - Renew gutters, downpipes and pipe fittings - Renew fittings, brackets and clips - Realign gutters - Clear out gutters and downpipes
FASCIAS AND SOFFITS ETC.	- Edge trim fascia on new build - Replacement of all / substantially all edge trim fascias on existing roof	<ul style="list-style-type: none"> - Renew timber fascia boards - Renew soffit linings - Renew timber barge boards - Renew metal fascias and soffits etc - Refix and renew soffits to covered ways

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
ROOF STRUCTURES	<ul style="list-style-type: none"> - Install insulation in new building. - Improve insulation to current standards - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure - Renew timber and steel trusses - Renew timber and steel joists. - Repair and renew concrete slabs and beams 	<ul style="list-style-type: none"> - Improve insulation standards during repair works to small areas of roof - Woodworm and rot treatment - Repair and renew rafters and purlins etc - Renew insulation (flat roofs) - Renew any defective roof insulation - Renew screed to concrete - Renew roof decking
PARAPETS AND COPINGS		<ul style="list-style-type: none"> - Repoint, rebed and renew copings. - Rebuild parapet walls - Damp proof courses and trays - Reform brick copings - Repoint parapet walls - Remove loose copings and leave safe - Repair or replace other parapet or coping items
CHIMNEYS AND FLUES	Structure	<ul style="list-style-type: none"> - Sweeping - Renew pots or cowls - Reflaunch pots - Repoint and rerender - Renew bricks and rebuild - Renew gutters and flashings - Line flues - Renew flue pipes - Renew soot doors
ROOF LIGHTS		<ul style="list-style-type: none"> - Renew (all types). - Concrete repairs - Refix and renew flashings
STRUCTURAL FRAMES	<ul style="list-style-type: none"> - Replacement of all / or a substantial part all structural frames - Repair and renew concrete beams, panels and columns. - Repair and renew steel beams, trusses and columns. - Repair and renew aluminium beams, trusses and columns. - Repair and renew timber beams, trusses and columns 	

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
EXTERNAL WALLS	<ul style="list-style-type: none"> - External Finish on existing build where needed to prevent imminent, or correct actual, major failure of the structure. e.g. repointing/recladding work affecting most of a building /replacement build - All external Finish on new build Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure 	<ul style="list-style-type: none"> - Repoint brickwork - Repair and pin structural cracks - Renew damp proof course - Concrete repairs - Make good rendering - Repairs to cladding and any other repairs deemed necessary to prevent deterioration of the structure - Repair/replacement of small parts of an existing structure. e.g. repointing / recladding a proportion of a wall where failure has occurred - Preventive measures e.g. tree removal, pruning and root barrier Treatment
WINDOWS, DOORS AND FRAMES	<ul style="list-style-type: none"> - Framing - new build - Framing - structural replacement programme - Glazing - new build 	<ul style="list-style-type: none"> - Renew defective windows and sashes - Repair/ replacement, upgrading locks etc - All repairs, replacement adjustment of any internal, external windows, window frames, doors, door frames to also include all ironmongery, mechanical, electrical closers, draught stripping and all fittings. - Jointing including mastic joints - External decoration to include cleaning down and preparation. - Replacing broken glass
DAMP PROOF COURSES		<ul style="list-style-type: none"> - Insert chemical damp proof course. - Renew slate and sheet damp proof course. - Renew vertical damp proof course to reveals. - Renew cavity trays
PAVED AREAS, STEPS AND RAMPS	<ul style="list-style-type: none"> - Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access 	<ul style="list-style-type: none"> - Maintenance and repair - Car park and playground markings - Refix and renew hand and guard rails - Repoint and rebuild brickwork - Repair and renew concrete - Repair and renew tarmacadam - Repair, rebed and renew bricks - Repair, rebed and renew paving slabs - Repair and renew timber steps and ramps - Refix, repoint and renew dangerous structural tiles and slabs to steps and ramps

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
FOUNDATIONS	<ul style="list-style-type: none"> - Repair and renew concrete foundations. - Renew brick footings below damp proof course - Underpin concrete foundations. - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure 	
EXTERNAL DRAINAGE	<ul style="list-style-type: none"> - Drains, soakaways, inspection chambers and sewage plant as part of new projects - Large scale drain renewal 	<ul style="list-style-type: none"> - Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. - Cleaning of the above and unblocking as necessary upon request - Repair and rebuild manholes - Repair and renew soil and vent pipe - Repair and renew field drains. - Renew pipework and fittings. - Repair and renew gully gratings and curbs - Re-bed and renew inspection covers and frames
FENCES, WALLS AND GATES		<ul style="list-style-type: none"> - Repair and renewal of fencing. - Repair and rebuild walled fencing. - Repair and renewal of gates - Ease, adjust repair and renew hinges, fasteners and all ironmongery
MISCELLANEOUS EXTERNAL WORKS	<ul style="list-style-type: none"> - Provision of walls, fencing, gates and ancillary buildings as part of major project 	<ul style="list-style-type: none"> - Maintain ancillary buildings
GROUND		<ul style="list-style-type: none"> - Maintain unstaked trees.
MAINTENANCE		<ul style="list-style-type: none"> - Maintain woodland areas
DECORATION	<ul style="list-style-type: none"> - Painting on new build 	<ul style="list-style-type: none"> -All items (except as part of new build)

INTERNAL ELEMENTS

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
CEILING STRUCTURE	<ul style="list-style-type: none"> - Complete ceiling structure - Repair and renew structural concrete - Repair and renew structural timber 	<ul style="list-style-type: none"> - Repair and renew suspended framing
WALLS AND PARTITIONS	<ul style="list-style-type: none"> - Complete replacement including various internal finishes, linings and decorations - Complete structure including linings, framing, glazing, decoration etc 	<ul style="list-style-type: none"> - All internal decorations and pre-decoration repairs - Repoint, repair and renew brickwork - Repair and renew stud partitions - Repair and renew patent partitions
FLOOR STRUCTURE	<ul style="list-style-type: none"> - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure - Structure and dpc in new building 	<ul style="list-style-type: none"> - Repair and renew individual floorboards - Repair and renew individual floor joists - Repair and renew individual concrete floor slabs - Repair/replacement of small parts of an existing structure
FLOOR FINISHES	<ul style="list-style-type: none"> - Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most/all wood blocks/carpets/ tiles in a room 	<ul style="list-style-type: none"> - Replacement and repair of screed and finishes/ - Replacement of mats/matwells - Maintenance e.g. revarnishing wooden floors - Repair and renew all floor finishes - Sand and seal wood blocks - Repair and renew p.v.c. tiles and sheet - Repair and renew carpet and carpet tiles - Repair and renew p.v.c. tiles and sheet - Repair and renew carpet and carpet tiles
STAIRCASES	<ul style="list-style-type: none"> - Repair and renew structural members - Repair and renew balustrades 	
MATERIALS CONTAINING ASBESTOS	<ul style="list-style-type: none"> - Specialist removal/ replacement of extensive sections/areas of damaged/ disturbed Asbestos based materials, planned or emergency - Provision of asbestos register 	<ul style="list-style-type: none"> - Inspection/ air testing - Applying sealant coats to asbestos surfaces for protection - Testing, encapsulating, removal, renewal and making good - Removal of asbestos as part of, or to facilitate, minor repairs

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
FIXTURES – CUPBOARDS, SHELVES		- <i>Refix, repair and renew cupboards, shelves</i>
WASTE AND SOIL PIPES	- In new buildings provision of all waste plumbing and internal drainage.	- Repair and renew soil pipes and fittings
PLUMBING SERVICES (EXCLUDING HEATING SYSTEMS AND BOILERS)	- Large scale toilet refurbishment - Provision of disabled facilities, and specialist facilities related to pupils with statements	- Emergency repair to burst pipework - Repair and renew stopcocks, ballvalves, valves and draw off cocks etc - Repair and renew pipework runs and fittings - Repair and renew trace heating tapes - Repair and renew pipe lagging where asbestos is suspected - Water hygiene and legionella control measures
SANITARY FITTINGS	- In new buildings provision of all toilet fittings	- Repair and renew w.c. pans and cisterns - Repair and renew urinal slabs, bowls and cisterns - Repair and renew drinking fountains - Repair and renew wash basins and brackets - Repair and renew sinks and sink tops
KITCHENS	- Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations - General kitchen upgrade/refurbishment - Provision of large catering and kitchen equipment	- Cleaning out drainage systems - Redecoration - Day to day repairs - Repairs and replacement of parts
HOT AND COLD WATER STORAGE (EXCLUDING HEATING SYSTEMS AND BOILERS)	- Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects - Upgrade / replace complete hot water cylinder installations	- Repair and renew cold water storage tanks - Repair and renew local hot water cylinders - Repair and renew trace heating tapes - Cyclical maintenance of hot and cold water installations - Overhaul and renew ballvalves - Clear, repair and renew overflows - Repair and renew insulation jackets and tank sets

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
GAS SERVICES AND EQUIPMENT	<ul style="list-style-type: none"> - Planned replacement of old boiler/ controls systems past the end of their useful life - Emergency replacement of boiler plant/ systems 	<ul style="list-style-type: none"> - Cyclical service and test all gas services and fixed equipment (excluding catering equipment, etc.).
	<ul style="list-style-type: none"> - Installation of complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc. - Distribution on new and major refurbishment's, terminal units 	<ul style="list-style-type: none"> - Repair and renew defectives gas services and equipment (excluding heating or HWS main boiler plant) including:- - Distribution pipework; - Check meters and controls; - gas fires and convector heaters; - gas over sink water heaters; - gas incinerators - Hire of gas heaters, guards and fuel - All repairs identified during cyclical servicing - Check isolating valves and cocks for satisfactory operation - Relight pilot jets and adjust temperature and time controls (to space heaters and domestic type boilers only)
ELECTRICAL SERVICES AND EQUIPMENT	<ul style="list-style-type: none"> - Main switchgear and distribution in major projects. - Replacement of obsolete and dangerous wiring systems, including distribution boards - Upgrade/provision of complete fire alarm systems. - Upgrade/provision of complete emergency lighting systems. - Upgrade/provision of complete lift installations. - Lightning protection in new build - Alarm systems, CCTV, lifts/ hoists etc. in new build - New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build. 	<ul style="list-style-type: none"> - Cyclical servicing and testing of hard wired electrical installations - Cyclical service of fire alarm systems, security alarm systems, fixed heating and ventilation systems and units, lifts and hoists, emergency lighting systems, lightning conductors - Repair and renewal of defective power, lighting and specialist installations including:- - switchgear, cables, wiring and conduits; switches and socket outlets; external and internal light fittings - Repair and renew earthing equipment, lightning conductors, fixed heating and ventilation systems, lifts and hoists, control systems - Installation test and inspection of incinerators - Repair and renew fire alarm system components

	HARROW / LA RESPONSIBILITY	SCHOOL RESPONSIBILITY
ELECTRICAL SERVICES AND EQUIPMENT (cont)		<ul style="list-style-type: none"> - Repair and renew emergency lighting systems - Repairs to lifts and hoists, lightning conductors - Repair and renew class change systems - <i>Repair and renew security alarm systems</i> - Repair and renew electric oversink water heaters - All repairs identified during cyclical servicing - Replace lamps and tubes - Clean lighting fittings - Replace shades and diffusers - Clean and lubricate extractor fans - Replace fuses and reset circuit breakers
MECHANICAL SERVICES AND EQUIPMENT	<ul style="list-style-type: none"> - Replace complete heating distribution pipework and heat emitters installation. - Replace and upgrade complete fixed air conditioning systems - Upgrade/renew complete air handling system - Renew/upgrade complete swimming pool plant/installation 	<ul style="list-style-type: none"> - Cyclical service of dry risers - Cyclical service and repair heating or HWS main boiler plant and control systems - Cyclical service of air conditioning systems - Repair and replace chimneys and flues - Repair and replace pumps, f&e tanks, central hot water cylinders and calorifiers - Repair and renew sections of heating distribution pipework and individual heat emitters - Repair and renew individual fixed air conditioning units - Repair and renew individual air handling units/ parts - Repair and renew sewage pumps and chambers - Repair and renew individual items of swimming pool plant - Repair and renew insulation - Ease valves, cocks - Repairs to dry risers - Repair and renew pipe lagging. - All repairs identified during statutory/cyclical servicing - Vent radiators and heat emitters - Clean filters, grilles, fans and air handling equipment

ANNEX E

Section 2

EXTERNAL ELEMENTS

	SCHOOL RESPONSIBILITY
WINDOWS	<ul style="list-style-type: none">- Clean windows
MISCELLANEOUS EXTERNAL WORKS	<ul style="list-style-type: none">- Repair and renew signs and notices- Repair and renew external fixtures- Maintain hard surfaces and field markings- Rebed and renew inspection covers and frames
GROUND'S MAINTENANCE	<ul style="list-style-type: none">- Maintain staked trees, flower beds and other horticultural features- Cut and maintain grassed areas and hedges- Control and clear weeds (other than to caretakers residential garden)
FIXTURES (CUPBOARDS, SHELVES, ETC.)	<ul style="list-style-type: none">- Repair and renew fixed and portable sports and gymnasium equipment (including annual inspection) and markings- Refix, repair and renew curtain tracks, blinds and other internal fittings
DECORATIONS	<ul style="list-style-type: none">- All items
GAS SERVICES AND EQUIPMENT	<ul style="list-style-type: none">- Repair and renew laboratory bench outlets- Maintain, repair and renew kitchen and laundry equipment (not catering contractors)
ELECTRICAL SERVICES AND EQUIPMENT	<ul style="list-style-type: none">- Reset and test alarm systems- Repair and renew clocks- Repair and renew bells- Maintain, repair and renew kitchen and laundry equipment (not catering contractors)- Repair and renew hand driers- Repair and renew T.V./Radio receiving equipment and cabling- Repair and renew fixed portable equipment and carry out annual inspection
MECHANICAL SERVICES AND EQUIPMENT	<ul style="list-style-type: none">- Renew filters and grease traps- Maintain, repair and renew kitchen and laundry equipment (not catering contractors)- Fill, drain and clean out pools- Backwash filters- Chemically dose and check water quality to swimming pools- Clean swimming pool plant room and exterior of plant- Repair and renew metal guards

LOAN ADMINISTRATIVE PROCEDURES

1.0 Considerations Prior To Applying For a Loan

Schools have a number of options to consider for the funding of new equipment or a premises project. These include:

- Using the schools own balances
- School unofficial funds
- Leasing arrangements (subject to approval by the Local Authority)
- School loan
- Devolved formula capital
- Contributions from revenue funding

Schools should consider which method of financing best suits their needs. Where a school has sufficient balances to offset the proposed expenditure, the expectation is that they will not apply for a loan. However, schools may wish to consider using a combination of the above.

1.1 Scope of the School Loan Scheme

The general principle is that loans will be available for the purchase or development of an asset that has a useful life covering the period of the loan. This would cover the following:

- The purchase of computer equipment to set up or update, replace existing systems.
- Purchase of new or replacement of general school equipment.
- Full or part funding of premises projects including remodelling, improvements or new buildings.

Loans will not be available for general maintenance or salary costs.

1.2 Premises Projects

Where loans are requested for premises projects, it is a requirement that the Service Manager – Capital is informed as they may wish to be involved in planning the project and they will also need to confirm approval of the proposals prior to commissioning.

1.3 Amount of Loan Available to Schools

It is important that schools are able to afford annual repayments and interest charges on any loan taken out. The total loan available will therefore normally be limited to 5% of the schools budget share (excluding any brought forward balances).

1.4 Loan for Larger Capital Works

Loans in excess of 5% may be approved subject to the approval arrangements in 1.3 above. In view of the larger amount of loan advanced, there is a greater inherent risk involved in these type of projects. It will therefore be necessary for any application to include a robust business plan.

1.5 Content of the Business Plan

The detail required in the plan will depend on some extent on the size and length of a loan. It should contain sufficient detail for the Local Authority to be reassured that the project is viable, represents best value and that repayments are affordable. It should include:

- A more detailed description of the project.
- A cost/benefit analysis.
- Arrangements to ensure a school can meet repayment of a loan over 5% of budget share and/or that it can sustain repayment over a period of up to 3 years via income and expenditure projection.
- Risk assessment including implications if loan rejection.

1.6 Criteria for the approval of the Loan

Loans will only be approved subject to sufficient funding being available to the Local Authority. Outstanding loans will not exceed 20% of the total school balances. Criteria for the approval of the loan will include:

- The quality of the business plan
- The degree of financial risk
- The length of the proposed loan
- Experience of other similar projects
- The ability of the school to repay the loan over the loan period.

1.7 Repayment Period

Loans would normally be expected to be repaid over a period not exceeding 3 years.

1.8 Repayment Costs

As schools' collective balances will be used to fund school loans, the rate of interest to be charged for loans will reflect the loss of interest on these balances. The rate of interest to be applied will be the average annual rate of return received on council balances in the prior financial year (as reported in the published Treasury Management Outturn Report). The interest rate will be fixed during the loan repayment period.

2.0 How to Apply for a Loan

Having decided to apply for a loan, certain administrative procedures need to be followed.

2.1 Loan Request Form

A copy of the official request form 'School Loan Scheme – Application Form' is attached. Section 1 of this form needs completing, including the signature of the Chair of Governors and the Headteacher. This form should then be sent to the School Finance Team, along with school loan business case, which the Chair of Governors and the Headteacher will also need to sign.

Schools are required to demonstrate:

- a sound financial position over the three preceding years, with the ability to generate reserves.
- the ability to repay the loan from the formula allocations in future years.
- a resolution of the Governing Body supporting the application.
- that the project to be funded is of a 'one off' nature.
- that full use is being made of any current balances held by the school.
- a detailed business plan.

Section 2 (Finance) of Application Form will be completed by School Finance Team and submitted for authorisation to the Director of Children's Services and the Director of Finance. **It is important that schools do not take action on the assumption of authorisation.**

Schools proposing premises projects, should ensure that they have consulted fully with the Service Manager - Capital on all aspects of the project. A premises loan application will need to be supported by evidence of consultation with and agreement of the Service Manager – Capital.

3.0 Payment From and To the Loan Fund

The following arrangements are made for payments and repayment of a school loan.

3.1 Payment From the Loan Fund to the School

The loan payment will be journalled to the school, which would need recording in the school's accounts as income to the delegated budget. All invoices would be authorised for payment by the school (payment being made according to current CIS regulations). In circumstances where the Service Manager -Capital is making payments on the school's behalf, it is assumed that the expenditure will be journalled across to the school by the Service Manager -Capital.

3.2 Payment to the Loan Fund

Repayments (including interest) will be made in annual fixed instalments. The repayment amount will be agreed with the school before the loan is approved. The first repayment will be due in the financial year in which the loan was granted. The agreed payments will be deducted from the school's account by journal transfer and subsequently at the beginning of each financial year until the loan is repaid.

Example of School Loan Calculation

Amount of Loan	50,000
Period of Loan	3 years
Date of Advance	01-Apr-16
Interest Rate Charged	01 Apr 16
Interest Rate	0.97%
Add 0.5%	0.5%
Loan Rate	1.47%

Payments due from the school

	Principal o/s	Interest (1.47%)	Principal	Total Charge
	£	£	£	
2016-17	50,000	735	16,667	17,402
2017-18	33,333	490	16,667	17,157
2018-19	16,667	245	16,666	16,911
Total		1,470	50,000	51,470

Based on the following assumptions:

The rate of interest to be applied will be the average annual rate of return received on council balances in the prior financial year (see 1.8), plus 0.5%

Interest is payable for the whole of the year in which the loan is taken out.

Principal is repaid in equal instalments and deemed to have been paid back on 1 April each year.

Interest is then calculated on the outstanding balance of the loan

Notes:

To be correct principal should be repaid on the anniversary of the loan, and interest calculated accordingly, but this would make administration more cumbersome.

SCHOOL LOAN SCHEME APPLICATION FORM

SECTION A - SCHOOL DETAILS	
School Name	
Head Teacher	
Amount of Loan	
Amount of Loan as Percentage of School Budget	
Project Description	
Period of Advance	
Date Loan Required	
<p>Please attach supporting papers:</p> <ul style="list-style-type: none"> a sound financial position over the three preceding years, with the ability to generate reserves the ability to repay the loan from the formula allocations in future years via income and expenditure projections (which will be cross checked with the budget planning form) a resolution of the Governing Body supporting the application that full use if being made of any current balances held by the school a detailed business plan for schools wishing to borrow more than 5% of their schools budget share. 	
<p>I am applying for a loan on behalf of the above named school, and if agreed, I understand that the school will be fully liable for the loan repayments to be made over the lifetime of the loan.</p> <p>Signed:</p> <p>Head Teacher</p> <p>Date</p> <p>Chair of Governors</p> <p>Date</p>	

SECTION B - FINANCE

Amount of Loan	£
Pay Back Period	
Interest Rate	
First Annual Repayment (including interest)	£
Cost Centre	

SECTION 3 - AUTHORISATION

Approved by Service Manager -Capital (Premises Loans Only) :

Signed..... Date.....

Approved by Children's Services Finance Business Partner:

Signed Date
.....

Approved by Director of Children's Services

Signed Date
.....

Approved by Director of Finance

Signed Date
.....

Consultation with Schools Forum for loans between £100,000 and £ 500,000

☐

Date Discussed

When section A has been completed this form should be sent to the School Finance Team, Harrow Council, Civic Centre, Station Road, Harrow, HA1 2XF

School Loan Business Case

Overview	
Project Title	
Project Description	
(provide full details of project)	
Additional Info (if required) -	

Costs Benefits Analysis
Costs of Project
(provide details of total cost for project)
Benefits of Projects
How Project is to be Funded
(school's own funds plus loan)
Loan Requirement
(amount required)
Duration of Loan (maximum of 3 years)
How Loan is to be repaid

(Provide 3 year budget plan and provide details i.e. formula capital allocation and/or revenue contribution)

Head teacher and Chair of Governors' Request

Head teacher's Name:

Head teacher's Signature:

Chair of Governors' Name:

Chair of Governors' Signature: