

Scheme for Financing Local Authority Maintained Schools

Guidance

Prepared by: Finance Team (July 2022)

This guidance sets out the financial relationship between Milton Keynes Council (the LA) and the school's which it maintains.

This guidance is a requirement of the School Standards and Framework Act 1998 (section 48).

Contents page

1.	Introduction	4
1.1	The Funding Framework	4
1.2	The Role of the Scheme	5
1.2.1	Application of the Scheme to the LA and Maintained Schools	5
1.3	Publication of the Scheme	5
1.4	Revision of the Scheme	5
1.5	Delegation of Powers to Head Teacher	5
1.6	Maintenance of Schools	6
2.	Financial Controls	6
2.1	General Procedures	6
2.1.1	Application of Financial Controls to Schools	6
2.1.2	Provision of Financial Information and Reports	6
2.1.3	Payment of Salaries and Payment of Bills	6
2.1.4	Control of Assets	7
2.1.5	Accounting Policies (including year-end procedures)	7
2.1.6	Writing off of Debts	7
2.2	Basis of accounting	7
2.3	Submission of Budget Plans	7
2.4	School Resource Management	8
2.5	Budget Adjustments (Virements)	8
2.6	Audit: General	8
2.7	Separate External Audits	8
2.8	Audit of Voluntary and Private Funds	9
2.9	Register of Business Interests (Pecuniary Interests Register)	9
2.10	Purchasing, Tendering and Contracting Requirements	9
2.11	Application of Contracts to Schools	10
2.12	Central funds and earmarking	10
2.13	Spending for the Purposes of the School	10
2.14	Capital Spending from Budget Shares	10
2.15	Notice of Concern	11
2.16	Schools Financial Value Standard (SFVS)	12
2.17	Fraud	12
2.18	Devolved Formula Capital (DFC)	12
2.19	Use of Charge & Debit Cards	13
3.	Instalments of the Budget Share and Banking Arrangements	13
3.1	Frequency of Instalments	13
3.2	Proportion of Budget Share Payable at Each Instalment	13
3.3	Interest Claw-Back	14
3.4	Interest on Late Budget Share Payments	14
3.5	Budget Shares for Closing Schools	14
3.6	Bank and Building Society Accounts	14

3.6.1	Restrictions on Accounts	15
3.7	Borrowing by Schools	15
3.8	Leases	16
4.	The Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Shares	16
4.1	Right to Carry forward Surplus Balances	16
4.2	Interest on Surplus Balances	16
4.3	Obligation to Carry forward Deficit Balances	16
4.4	Planning for Deficit Balances	16
4.5	Charging of interest on Deficit Balances	16
4.6	Writing off Deficits	16
4.7	Balances of Closing and Replacement Schools	17
4.8	Licensed Deficits	17
4.9	Approval of a Licensed Deficit	17
4.10	Loan Schemes	17
5.	Income	18
5.1	Income from Lettings	18
5.2	Income from Fees and Charges	18
5.3	Income from Fund Raising Activities	18
5.4	Income from the Sale of Assets	18
5.5	Administrative Procedures for the collection of income	18
5.6	Purposes for which Income may be used	18
6.	The Charging of School Budget Shares	19
6.1	General Provision	19
6.2	Circumstances in which charges may be made	19
7.	Taxation	20
7.1	Value Added Tax	20
8.	The Provision of Services and Facilities by the Authority	20
8.1	Provision of services from centrally retained budgets	20
8.2	Timescales for the Provision of Services Bought back from the Authority using delegated budgets	21
8.2.1	Packaging	21
8.3	Service level agreements	21
8.4	Teachers Pensions	21
9.	PFI/PPP Clauses	22
10.	Insurance	22
10.1	Insurance cover	22
10.2	Risk Protection Arrangement	22

11.	Miscellaneous	22
11.1	Right of access to Information	22
11.2	Liability of Governors	23
11.3	Governors Expenses	23
11.4	Responsibility for Legal Costs	23
11.5	Health and Safety	23
11.6	Right of attendance for Section 151 Officer	23
11.7	Delegation to New Schools	23
11.8	Pupils with Special Educational Needs	23
11.9	Interest on late payments	23
11.10	'Whistle blowing'	24
11.11	Child protection	24
11.12	Redundancy/Early Retirement Costs	24
12.	Responsibility for Repairs and Maintenance	24
Annex A	List of Schools to Which this Scheme Applies	25
Annex B	Redundancy, Premature Retirement and Severance Payments	27
Annex C	Community Facility Arrangements at Schools	31

1 Introduction

1.1 The Funding Framework

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the [School Standards and Framework Act 1998](#).

Under this legislation, LAs determine the size of their schools budget and their non-schools education budget, although the LA must allocate its entire Dedicated Schools Grant (DSG) to the 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.

LAs may retain funding from the schools budget for purposes defined in regulations made by the Secretary of State under s.45A of the act (the centrally retained expenditure). The amounts to be retained centrally are decided by the LA concerned, subject to any limits or conditions which may include gaining the approval of their schools forum or the Secretary of State in certain instances, in accordance with regulations made by the Secretary of State. The balance of the schools budget remaining after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-school's education budget must be retained centrally, although earmarked allocations may be made to schools.

LAs must distribute the ISB to schools using a formula that accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school that 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 this Scheme which is made by Milton Keynes Council (MKC) in accordance with s.48 of the Act. All revisions to the scheme must be approved by the schools forum before they come into effect (and the LA can appeal to the secretary of state in the event of forum rejection). Subject to provisions of this Scheme, governing bodies of schools may spend budget shares as they determine for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. Amounts spent by a governing body on providing community facilities or service under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (section 50(3A) of the act).

The LA may suspend a school's right to a delegated budget if the provisions of this Scheme (or rules applied under the Scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons outlined under schedule 17 to the act.

Each LA is obliged to provide on a publicly available web site 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 the funding delegated to schools; after each financial year the authority must publish a statement showing outturn expenditure. This information can be found

on the Council's website under the Information for Schools section and is also available in the papers of the schools forum.

1.2 The Role of the Scheme

This scheme sets out the financial relationship between Milton Keynes Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues which are binding on both the LA and on its maintained schools.

1.2.1 Application of the Scheme

This scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units maintained by the LA. Annex A to this scheme constitutes a definitive list of all schools to which this scheme applies as at the 1 April of each financial year.

1.3 Publication of the Scheme

A copy of this scheme will be published on the Information for Schools section of the Council's website. Any approved revisions to the scheme will be made to the internet version which will be the latest version and changes to the scheme will be notified to schools via Schools Update.

1.4 Revision of the Scheme

Amendments to the scheme may be proposed by the LA and will be subject to consultation with the schools forum. Schools forum will decide whether the proposed revisions are of such significance that they should be subject to a consultation with the governing body and head teacher of every maintained school.

Revisions to the scheme proposed by the LA may only be implemented after the schools forum or (in cases where the authority and the schools forum cannot agree) the Secretary of State has approved them. In the event that a vote is necessary when deciding whether to agree changes to the scheme, only members of the schools forum representing maintained schools will be entitled to vote.

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 and are therefore are not subject to approval by the schools forum. There will also be an annual review of the scheme to ensure that terminology remains up to date; these will also not require approval from the schools forum but will be shared for noting.

1.5 Delegation of Powers to the Head Teacher

The governing body of a school must consider what powers it wishes to delegate for the financial management of the school to the Head teacher and must record its decision (and any revisions) in the minutes of the governing body meeting although the governing body remains ultimately accountable. The level and extent of any delegation must be reviewed at least annually. Similarly powers may be delegated to a committee of the governing body (such as a finance committee), which may meet more frequently than the full governing body and therefore be in a position to respond more quickly to issues which arise in relation to finances.

The annual and revised budget plan must be approved by the full governing body, this responsibility cannot be delegated to a committee or individual and this should also be recorded in the minutes of the meeting.

1.6. Maintenance of Schools

The LA 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 aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an LA maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

2 Financial Controls

2.1 General Procedures

2.1.1 Application of Financial Controls to Schools

Maintained schools are required to abide by the requirements set out in this scheme as well as those outlined under the Council's [Financial Procedures](#) and the [Financial Regulations](#). The LA will endeavour to ensure consistency between all these documents, but in cases of conflict this scheme takes precedence over other documents.

2.1.2 Provision of Financial Information and Reports

Schools must submit to the LA details of their income and expenditure (trial balance, bank reconciliation and three way reconciliation) on a quarterly basis. The VAT submittal is required monthly. Schools that are identified as requiring additional oversight will be required to provide all of this information on a monthly basis in addition to any supplementary information as requested by the LA in order to give assurance over the schools financial health. Schools that are required to submit information monthly will be notified via a letter to the head teacher and chair of governors outlining the reasons why and the necessary additional reporting requirements. Further information is available under the [Key Financial Tasks](#).

2.1.3 Payment of Salaries and Payment of Bills

Schools have full responsibility for the payment of salaries and wages as well as for the payment of suppliers' invoices. In meeting these responsibilities the school may undertake the necessary tasks itself, or buy in such services either from the LA or other providers. Whichever route is chosen, the school must ensure that the individuals/organisations are suitably competent to carry out the tasks and that they are carried out in line with Financial Procedures for Schools (see section 2.1.1) including undertaking a value for money assessment. Schools should refer to the [Local Guidance on the Scheme for Financing Schools](#) for further information.

Any procedures or arrangements for the payment of salaries and wages for MKC staff employed in nursery, community, special, voluntary controlled, community special schools and pupil referral units should provide for MKC to receive such information, as it reasonably requires, because of its position as employer.

2.1.4 Control of Assets

Each school is required to maintain and regularly update a register/inventory of its assets. The inventory must also include all assets including those that are portable (such as cameras).

Schools are only permitted to dispose of assets where those assets are in the ownership of the governing body. Assets should only be disposed of where this has the approval of the governing body (unless the governing body has delegated authority to do so to either a sub-committee) and this must be included within the minutes to the meeting.

2.1.5 Accounting Policies (including year-end procedures)

Schools must prepare their accounts in accordance with the accounting policies of the LA. These are set out in the [Accounting Policies](#). Schools will also need to follow guidance issued by the LA from time to time on accounting procedures, most particularly at the end of a financial year.

2.1.6 Writing off Debts

Governing bodies are only authorised to write off debts up to £10,000. This should be undertaken in accordance with the [Financial Procedures](#).

In the case of larger debts the school must refer such cases to the Head of Finance or a nominated officer for approval.

2.2 Basis of Accounting

The accounts should be prepared on an accruals basis. Expenditure and income must be accounted for in the year in which goods or services are received/supplied even if the payment has not been made or the income has not been received. In these cases an accrual will be required but an adjustment to the accounts must only be made when the value exceeds £25,000 (the deminimis level).

2.3 Submission of Budget Plans

Schools must prepare a budget plan approved by the governing body on an annual basis and must be submitted by 1 May each year.

From the 2021/22 financial year each school must complete a three-year budget plan and submit to the LA by 30 June each year.

Schools are required to profile both their income and expenditure monthly across the financial year. The submission must be made in signed PDF electronic copy format.

The school should review its budget plan on a termly basis as a minimum and, if it is apparent that there have been or are likely to be significant changes to the plan, a revised plan in the format of the original should be submitted to the LA once approval has been given by the governing body or authorised committee. Schools must formally review their budget plan at least once a year (six months into the year).

If after review no change is necessary then a letter to the LA stating that the review has been carried out and that no changes have been made will be sufficient. However, even if no revision is being made to the overall budget a re-profiled version in line with spending so far in the year and

then re-profiled for the remainder of the year must be submitted. If changes have been agreed, then the revised plan in the same format as the original should be submitted to the LA. In either event a submission to the LA must be made by no later than 1 November.

Schools must ensure that the annual governing body or committee meetings are scheduled at the appropriate time to ensure the deadlines are met.

In setting the budget plan the governing body must take full account of any estimated surplus, or deficit at the end of the previous financial year.

To assist schools in their financial planning the LA will provide schools with all information it holds on a schools income and expenditure, such as its budget share. Ahead of each financial year the LA will provide a schedule which sets out when that information will be available during the year and budget guidance will be provided [School Funding and Budgeting](#).

2.4 School Resource Management

Schools must seek to achieve effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the LA'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. Schools should review their expenditure and compare this to other schools (benchmarking) and think about how to make improvements.

2.5 Budget Adjustments (Virements)

Schools are free to vire (transfer) budgets from one heading to another within the budget share as they see fit. Such virements should be duly authorised in line with the approved arrangements within any individual school. Such changes should be reported to the LA if they are at a level of detail which affects the budget plan (see 2.3 above). In order to promote efficient management of the school it is recommended that the governing body delegates authority for virements below a specified level to the Head Teacher, or other nominated officers. However, this is entirely a matter for each governing body to determine for itself. There are some restrictions around specific earmarked allocations such as capital devolved funding.

2.6 Audit: General

All schools are included within an Internal Audit programme determined by the LA, and are audited at a frequency determined in the Strategic Audit Plan. Schools may also be externally audited as part of the Council's external audit regime as determined by the Local Audit and Accountability Act 2014 and this will be managed via the LA. Schools are required to co-operate with both audit regimes, providing full and free access as necessary for the purpose of audit.

2.7 Separate External Audits

School governing bodies may decide to spend funds from their budget share to obtain additional external audit certification of their accounts, or additional internal audit reviews of their systems separate from the required LA internal or external audit process set out in 2.6 above.

2.8 Audit of Voluntary and Private Funds

Schools must provide an independent examiners report in respect of any voluntary and private funds held and of the accounts of any trading organisation controlled by the school. These should be submitted within six months of the financial year end. The audit should be carried out by a suitable independent person, and the report and accounts should be presented to the governing body annually. The governing body will be required to register any relevant funds with the Charities Commission.

The independent examiners report (provided by the suitable independent person) should specifically assure that no Dedicated Schools Funds are being administered via voluntary or private funds. A school refusing to provide audit certificates to the LA as required by the scheme is in breach of the scheme and the LA can take action on that basis.

2.9 Register of Business Interests (Pecuniary Interests Register)

It is important that people who are making decisions about spending public money are able to demonstrate that they do not benefit personally from those decisions and therefore the governing body must maintain a Pecuniary Interests Register. This should list for each member of the governing body, the head teacher and all staff involved in financial transactions (or financially related transactions):

- Any business interests they (or any immediate member of their family) have
- Details of other education establishments that they govern
- Any relationship between school staff and members of the governing body

The register must be reviewed and updated annually by all relevant staff and governors, and a nil return required where there is nothing to declare.

The register must be available for inspection by governors, staff and parents as well as by the LA and must be published (for example on a publicly accessible website). Advice on specific interests is available from the LA's Internal Audit department.

2.10 Purchasing, Tendering and Contracting Requirements

Each school must abide by the LA's financial regulations and standing orders regarding [purchasing, tendering and contracting requirements](#).

Schools must also assess in advance, where relevant, the health and safety competence of contractors, or anything which did not comply with The Public Contracts Regulations.

The financial regulations and standing orders will not apply where they would require schools:

- a) To do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- b) seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- c) select suppliers only from an approved list;

d) or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year is disapplied for the purposes of this scheme.

Schools may seek advice on a range of compliant deals via [Buying for Schools](#).

2.11 Application of Contracts to Schools

Schools have the right to opt out of LA contracts. The government believes that schools are best placed to make their own purchasing decisions and should not be constrained in their ability to do so. If schools should choose to join the LA's arrangements or contracts, that opportunity will be available to them.

Although governing bodies are empowered to enter into contracts (paragraph 3 of schedule 1 of the Schools Education Act 2002), 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. However some contracts may be made solely on behalf of the governing body, when the governing body has a clear statutory obligation, e.g. contracts made by aided, or foundation schools for the employment of staff.

2.12 Central Funds and Earmarking

The LA may allocate to schools sums of money in addition to the budget share for specified purposes. These might, for example, be sums for SEN (Special Education Needs) or other initiatives funded from the central expenditure of the LA's schools budget or other LA budget. Any conditions or restrictions on the use of such funds will be stipulated at the time of the allocation. Such restrictions may include a requirement that earmarked funds must be returned to the LA if not spent within a specified time period.

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

2.13 Spending for the Purposes of the School

Section 50(3) of the School Standards and Framework Act 1998 allows governing bodies to spend budget shares for the purposes of the school, which includes pupils at other maintained schools or academies subject to any provisions in this scheme (such as the consideration of value for money).

2.14 Capital Spending from Budget Shares

Governing bodies are permitted to use their school budget share to meet the cost of capital expenditure on the school premises. Revenue funding should not be used for capital projects until all capital resources have been exhausted. All such spending should be reflected in the schools budget plan and an explanation provided to the LA as part of the submission of the plan.

Schools are required to have an up to date and completed Asset Management Plan (AMP) indicating how the school plans to invest in the premises over the next three years. The plan must include details of the DFC expenditure that has taken place. Schools should keep a record of all repairs, maintenance and capital expenditure on their premises over the course of the year and what they are planning for future years. This should also include any feedback from building and other surveys undertaken routinely by the school. The LA may request a copy of these documents as required.

The school budget share is not permitted to be transferred for use on capital expenditure if the school is in a revenue deficit position or when the transfer would create a deficit revenue balance. In line with good management practice, schools will be expected to seek appropriate professional advice on the merits of any proposed scheme before entering into any financial commitment. This advice may be sought from the LA or any other properly qualified source. The school will also be expected to adhere to the contract procedures stipulated elsewhere in this scheme (see 2.10 & 2.11) as appropriate.

If the premises are owned by the LA, or the school has voluntary controlled status, then the school governing body must seek consent from the Built Assets Team prior to proceeding with the proposed works if they affect the structure or services of the building e.g. extensions and layout adaptations, boiler or heating system replacement. Such consent will only be withheld on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

2.15 Notice of Concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Section 151 Officer and the Director for 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 LA or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include (but are not limited to):

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts, forecast statements and details of expenditure
- insisting on regular financial monitoring meetings at the school attended by LA officers
- requiring a governing body to buy into an LA's financial management systems
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

The notice of concern is not intended to be used in place of withdrawal of financial delegation where that is the appropriate action to take, however, it may provide a way of making a governing body aware of the LA's concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal. Once a governing body can clearly evidence compliance with the requirements of a notice of concern, the LA will withdraw the notice.

2.16 Schools Financial Value Standard (SFVS)

Maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the 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.

Schools with a delegated budget must submit the form to the local authority annually by 31 March. The financial transparency new burden's policy will publish the names of LAs who fail to submit the returns on time.

2.17 Fraud

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.

2.18 Devolved Formula Capital (DFC)

Maintained schools (with the exception of voluntary aided schools) receive a capital grant; DFC which can be used for any capital purpose relating to school buildings and assets, including ICT equipment. This funding can be accumulated to be put towards a larger project, but normally has to be spent by the end of the third financial year. Schools that have works undertaken as part of the Capital Maintenance Project schemes will be expected to use their DFC funding in the first instance to contribute towards any AMP projects.

If the premises are owned by the LA or the school has voluntary controlled status, then the school governing body must seek consent from the Built Assets Team prior to proceeding with the proposed works if they affect the structure or services of the building e.g. extensions and layout adaptations, boiler or heating system replacement. Such consent will only be withheld on health and safety grounds.

Schools are required to have an up to date and completed Asset Management Plan (AMP) indicating how the school plans to invest in the premises over the next three years. The plan must include details of the DFC expenditure that has taken place. Schools should keep a record of all repairs, maintenance and capital expenditure on their premises over the course of the year and what they are planning for future years. This should also include any feedback from building and other surveys undertaken routinely by the school. The LA may request a copy of these documents as required.

2.19 Use of Charge & Debit cards

Debit Card

Schools are not allowed the use of a debit card where they have a bank account consolidated to the LA's account. A school with an external bank account must inform the LA of their intention to apply for a debit card and obtain approval of the controls for the use of the debit card facility prior to applying to their bank account provider.

Credit Card

Schools are not allowed the use of a credit card. Schools may instead apply via the LA for a government approved procurement card.

Charge Card

Schools are permitted to apply for a charge card with LA permission on the understanding that no interest occurs as a result of any transaction. Schools must ensure that the balance is paid in full at the end of each billing period. Schools must seek permission of the LA prior to making an application for a charge card and obtain approval from the LA of the controls for the use of the charge card facility. Schools must inform the LA immediately in the event that interest is charged to any transaction.

Further guidance on charge card arrangements can be found in the Milton Keynes Council [Purchase Card Guidance](#).

3 Instalments of the Budget Share and Banking Arrangements

3.1 Frequency of Instalments

The school budget share will be made to schools monthly. Top up payments for pupils with high needs will also be made on a monthly basis.

3.2 Proportion of Budget Share Payable at Each Instalment

The LA will pay schools budget shares on the following basis

- 12% of the budget share will be paid into school bank accounts by 15th April
- The remainder in equal monthly instalments (8%) throughout year on 26th of the month or the last working day before the 26th if it is not a working day.

Schools will have the sum transferred via BACS to clear on the stipulated date.

Budget shares include place funding for special schools, specials units and pupil referral units. Top up funding will be estimated and paid on the same profile and updated periodically to reflect the changes in pupils throughout the year. Early years payments will initially be estimated and paid on the same profile and also adjusted periodically to reflect actual uptake.

Schools are expected to manage cash flow and school bank accounts must not go overdrawn in any circumstances. If these circumstances are likely to happen the LA must be informed and it will advance additional funds into the bank account and charge interest until the advance is recovered from a normal instalment of budget share.

The rate of charge will be at 5% above the Bank of England published interest rate.

3.3 Interest Clawback

The LA may deduct from budget share instalments an amount equal to the estimated interest lost by the LA in making available the budget share in advance. Any advances will accrue interest charges at 1% above the rate of the Bank of England Base rate.

3.4 Interest on Late Budget Share Payments

If the LA is late in paying the budget share (where this is the fault of the LA) then interest will be paid to the school at 1% above the rate of the Bank of England base rate if a financial loss to the school can be demonstrated and evidenced.

3.5 Budget Shares for Closing Schools

The school budget share will be made available to the governing body until such time as the school actually closes.

3.6 Bank and Building Society Accounts

All schools must have their own bank account into which will be paid their budget share. All interest payable, or chargeable, to such accounts will be to the benefit, or cost of the school. Schools which have accounts within the LA's pooled arrangements will benefit from the interest rates and terms negotiated by the LA.

Schools wishing to open new bank accounts may only do so at the beginning of each term. Notice of the intention to do so must be given to the LA in writing at least six weeks in advance of the change taking place. Similarly, any school currently holding its own bank account must give the LA notice in writing at least six weeks in advance of any change in banking arrangements.

A school's decision to change its banking arrangements should be formally minuted at a governing body or relevant committee meeting disclosing the governors' reasons for that decision. In making such a decision, governors should have regard to value for money. A move away from the LA's pooled arrangements should be capable of demonstrating clear benefits for the school.

Upon the opening of a new bank account the LA will undertake to transfer into that account an estimate of the balances held by the school at that point in time. Any subsequent adjustment necessary will be made via future cash advances.

3.6.1 Restrictions on Accounts

Schools wishing to open bank accounts outside the LA's contract must ensure the account is placed with a local branch of a bank, or building society holding the following Fitch IBCA ratings, or better; Long Term A or Short Term F1.

The school can seek advice from the LA as to which banks and building societies meet these criteria. Schools are reminded that all cash within a school bank account remains the property of MKC until it is spent.

Schools that already hold bank accounts which do not meet these criteria will not be required to change their current banking arrangements however, if the school chooses to change its banking arrangements, at that point in time it will be required to comply with the above criteria.

Where a school holds a local bank account the account mandate should provide that the LA is the owner of the funds in the account; that the LA is entitled to receive statements (including electronic statements and other reports from the bank) and that the LA can take control of the account if the school's right to a delegated budget is suspended by the LA.

The school's governors are not permitted to be signatories on the school's bank account as they are not members of staff of the school or the LA. The day to day running of the school should be the delegated responsibility of the head teacher.

Schools are permitted to open investment bank accounts to enable them to earn higher rates of interest and the same restrictions apply as above. When transferring funds between bank accounts schools must ensure that cash flow is considered, and sufficient funds are available to cover the school's liabilities.

Schools are encouraged to use electronic banking facilities that are available, more information can be found on the website [School Online Banking and Bankline](#).

3.7 Borrowing by Schools

Schools must not enter into any borrowing agreement unless the written permission of the Secretary of State has been obtained. This provision relates to borrowing from external financial institutions and not to internal loan schemes or borrowing from the LA as part of an agreed recovery plan.

Schools are not allowed the use of credit cards and overdrafts, which are regarded as borrowing, however debit and charge cards are permitted (2.19). Schools may not enter into a 'finance lease' or 'hire-purchase' unless the written permission of the Secretary of State has been obtained, since these are classified as borrowing.

However, they may use government approved procurement cards, as these cards can be a useful means of facilitating electronic purchase.

Schools are allowed the use of any scheme that the Secretary of State has said is available to schools without specific approval. An up to date list is available from the Government website.

This restriction does not apply to Trustees and Foundations. However, any such borrowing may not be financed directly from delegated budgets, but schools are free to agree a charge for a service which the Trustees, or Foundation are able to provide as a consequence of their own borrowing. The restriction does not apply to loan schemes run by the LA (see 4.11).

3.8 Leases

When a school is not purchasing an item outright it may be entering into a financing arrangement. All such agreements must be agreed with the LA Section 151 Officer in advance to ensure compliance with regulations in respect of capital expenditure.

Schools should also be aware that entering into certain agreements such as finance leases and hire purchase agreements constitute external borrowing (see section 3.6) and schools must be cautious and seek advice from the LA when considering entering into long-term agreements to ensure they do not breach the borrowing restrictions.

Further information is available under the [Lease Guidance Information](#).

4. The Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares

4.1 Right to Carry Forward Surplus Balances

Schools are permitted to carry forward from one financial year to the next any surplus balances it has accumulated from the current, or previous financial years.

4.2 Interest on Surplus Balances

Schools which have local bank accounts will be able to retain interest earned on those accounts.

4.3 Obligation to Carry Forward Deficit Balances

In much the same way as schools are permitted to carry forward surplus balances from one financial year to the next they will be required to carry forward fully any deficit balances also. The carry forward will be affected by deducting such deficit from the following year's budget share.

4.4 Planning for Deficit Balances

Schools are not permitted to plan for a deficit balance in normal circumstances. However, this may be permitted in exceptional circumstances with the prior agreement of the LA. Before this agreement is given the school will be expected to work with the LA to consider all available options in an attempt to set a balanced budget. In agreeing to this the LA will require a plan from the school indicating how it intends to recover the deficit (see 4.8). The school will be identified as high risk and additional monthly reporting will be required inline with the [High Risks Schools Policy](#).

4.5 Charging of Interest on Deficit Balances

The LA will charge a school interest on any cash advanced to support a licensed deficit. The rate of charge will be at 5% above the Bank of England published interest rate.

4.6 Writing off Deficits

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

4.7 Balances of Closing and Replacement Schools

In the case of a school closure, any balance (whether surplus or deficit) will revert to the LA. This will be the case even where schools close in order to amalgamate. However, in the latter case special provision will exist to allow the budget share of the new school to reflect the position at the closure of the predecessor school(s). In the case of a maintained school conversion to an academy, the balance will also be transferred to the academy.

4.8 Licensed Deficits

Where a school is permitted to have a deficit balance (see 4.4 and 4.5) it will be required to produce a plan to recover the deficit within three financial years and thereafter remain in surplus. Failure by the school to either submit a plan, or recover the deficit in line with the agreed plan is likely to result in removal of budget delegation to that school. The school must also submit monthly forecast statements and any other reports requested to enable the LA to monitor progress against the recovery plan. The financial transparency new burden's policy will collect information on the number of recovery plans in each LA as part of the annual SFVS return.

The LA may agree to a school planning for a deficit and where a school has a local bank account provide sufficient cash (which it will fund from its reserves) in the following cases:

- a) Where the school already has a deficit at the end of the previous financial year and has a plan to repay that deficit over a period longer than one year.
- b) Where pupil number projections show a temporary reduction having only a short term impact on the schools budget share.
- c) Where a steep reduction in pupil numbers is forecast, in order to allow the school to phase the management action necessary to deal with such a situation provided that the plan is deemed reasonable in addressing the deficit within the three year timescale.

4.9 Approval of a Licensed Deficit

The maximum permitted deficit balance will be 5% of the full budget share allocation in the financial year in which the deficit is planned. In exceptional circumstances a school may make a special case in writing to the LA for variation to the general provision. All licensed deficits require approval by the Director for Children's Services, the Section 151 Officer and will be shared with the lead member for children's services. In the cases of significant deficits, approval is required by the lead member and may be taken in the form of a delegated decision in which case the details would be published on the Council's website.

4.10 Loan Schemes

The LA believes that funding arrangements in place (including the potential for licensed deficits) give schools sufficient flexibility to manage their financial affairs without over committing themselves.

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.

5. Income

5.1 Income from Lettings

Schools may retain for their use any income from lettings subject to any legal constraints arising from contractual commitments. Income from lettings 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. Foundation and Voluntary Aided schools have discretion over the destination of lettings income, however a contribution should be made to the school budget share account in lieu of relevant expenditure e.g. caretaking and energy. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided that there is no net cost to the schools budget share and that they are satisfied that this will not interfere to a significant extent with the performance of the school. However, schools should have regard to directions issued by the LA as to the use of premises.

5.2 Income from Fees and Charges

Schools may retain for their use any income arising from fees and charges except where a service charged for is provided by the LA from centrally held funds. However, schools should have regard to any policy statements on charging issued by the LA.

5.3 Income from Fund Raising Activities

Schools may retain for their use any income generated through fund raising activities.

5.4 Income from the Sale of Assets

Schools may retain for their use any income generated by the sale of assets except where the asset was purchased with non-delegated funds, or is part of the school premises and is owned by the LA. In these excepted cases the income will be retained by the LA. This scheme is not applicable in respect of premises disposals where the school premises are not owned by the LA, such as in the case of VA/Foundation schools.

5.5 Administrative Procedures for the Collection of Income

The administrative procedures in respect of income, including the requirement to bank income promptly, should be in line with the [Financial Procedures](#) issued by the Authority. (See also [Local Bank Account guidance](#)).

5.6 Purposes for which Income May be Used

Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school. Similarly, income generated from the use of the school's assets may only be spent for the purposes of the school. Such income must be paid into the school's budget share and not into voluntary or private funds.

6 The Charging of School Budget Shares

6.1 General Provision

Under normal circumstances the LA may not charge the budget share of a school without the consent of the governing body, or person delegated by them to authorise such. However, there are circumstances which are exceptional from this where the LA incurs a cost or a liability by the actions, or inactions of the school. As this only applies where the LA can incur a liability the provisions in this clause will apply differentially between categories of school. In cases where it is necessary to make such charges the LA will inform the school of the intention to do so and also notify the school of when it has been done and by what method.

The LA is obliged to charge salaries of school-based staff to school budget shares at actual cost. 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.

6.2 Circumstances in which Charges may be Made

- a. 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).
- b. Other expenditure incurred to secure resignations where the school had not followed the written advice of the LA.
- c. Awards by courts and employment tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the written advice of the LA.
- d. Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- e. Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status.
- f. Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA.
- g. 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.
- h. Recovery of penalties imposed on the LA by the Board of Inland Revenue, Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- i. Correction of LA errors in calculating charges to a budget share (e.g. pension deductions).
- j. Additional transport costs incurred by the LA arising from decisions by the governing body on school term dates, the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- k. Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also section 11).
- l. 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.

- m. 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.
- n. Cost of work done in respect of teacher pension remittance and records for schools using non- LA payroll contractors, the charge to be the minimum needed to meet the cost of the LA's compliance with its statutory obligations.
- o. 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.
- p. Costs incurred by the LA due to submission by the school of incorrect data, or the lack of data provision by specified deadlines.
- q. Recovery of amounts spent from specific grants on ineligible purposes.
- r. Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.
- s. Where the LA has withdrawn delegation from the governing body at a school, the LA may charge such costs as it thinks appropriate to the school budget in discharging its responsibilities for running the school.
- t. Costs incurred by the LA 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.

7. Taxation

7.1 Value Added Tax

Schools must follow the procedures set out in the [VAT Guidance Manual](#). All maintained schools must account for VAT through the LA. Any VAT recovered by the LA relating to transactions entered into by the school will be returned to the school once such sums have been received from HM Revenue and Customs.

Schools are required to abide by the procedures contained in the VAT guidance in relation to the construction industry scheme (CIS).

8. The Provision of Services and Facilities by the LA

8.1 Provision of Services from Centrally Retained Budgets

The LA will publish a list of services for which it has retained funding centrally with the schools forum papers annually. In these cases the LA will determine on what basis these services are to be provided.

Where services are provided by the LA from centrally held funds such services will be made available to all schools regardless of their category with the following exceptions:

- a) funding has been delegated to some schools, but not others,
- b) where this is permitted under the School and Early Years Finance Regulations,
- c) different categories of school have different statutory responsibilities.

8.2 Timescales for the Provision of Services Bought back from the LA using Delegated Budgets

When a service is provided for which expenditure is not retained centrally by the LA 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.

8.2.1 Packaging

To ensure that schools are not unreasonably restricted in their choice of service buy-back, the LA will offer each of the services on an individual basis. The LA may choose to offer some of these services on a service by service basis or offer packages of services to schools at discounted rates to reflect economies of scale the LA may be able to achieve by such combination.

8.3 Service Level Agreements

Where services are offered by the LA under a service level agreement the duration of such an agreement will be in line with the provisions under 8.2. Changes to service level agreements may be made at any time during the term of the agreement provided that it is by mutual consent. Any such changes should be documented and duly authorised by both parties.

The LA may offer service level agreements at different prices depending upon the length of the agreement entered into. The LA may also be able to provide services beyond those defined in any agreement. Schools wishing to use such services will need to contact the relevant LA department to check availability and agree an appropriate charge.

8.4 Teachers Pensions

In order to ensure that the performance of the duty of the authority to supply Teachers' Pensions with information under the Teacher's Pension Scheme Regulations 2014, the following conditions are imposed on the LA and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.

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

The 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 LA to supply payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply teacher salary, service and pensions data to the LA which the LA requires to submit its monthly and annual returns of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The LA will advise schools each year of the timing, format and specification of the information required. The governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the LA within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

The governing body of any maintained school which directly administers its payroll shall supply teacher salary, service and pensions data to the LA which the LA requires to submit its monthly and

annual returns of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The governing body of any maintained school shall ensure that the appropriate amount, each month, in respect of employee and employer contributions for Teachers Pensions shall be paid over to the LA by the dates as notified to schools by the LA each financial year. The governing body shall meet any consequential costs falling on the LA, arising as a result of complying with the above requirements, from the school's budget share.

The LA shall have the power to issue regulations from time to time relating to PFI / PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes.

9. PFI/PPP Clauses

The LA shall have the power to issue regulations from time to time relating to PFI / PPP projects. Amongst other issues these may deal with reaching the agreements with the governing bodies of schools as to the basis of charges relating to such schemes.

10 Insurance

10.1 Insurance Cover

The LA offers insurance cover which schools can purchase as part of a buy-back service. Maintained primary schools collectively agreed to de-delegate their insurances services to the LA for 2021/22. Schools that wish to arrange their own insurance cover must ensure that it is at least as good as that arranged by the LA and must provide evidence of cover to the LA.

Schools will also be required to have regard to insurance criteria set out by the LA in a separate statement in order to protect the interest of public money within the control of the governing body. Schools also need to recognise that different categories of school will have different insurable interests. Most particularly the insurable interest for premises rests with the governing body of a VA/Foundation school but with the LA for other categories of school.

10.2 Risk Protection Arrangement (RPA)

Instead of taking out insurance, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA. Schools may do this individually when any insurance contract of which they are part expires.

11 Miscellaneous

11.1 Right of Access to Information

Governing bodies must supply 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 of any central funds allocated to the school.

11.2 Liability of Governors

The governing body of a maintained school is a corporate body and as such governors will not incur personal liability in the exercise of their power to spend the delegated budget share provided that they act in good faith.

11.3 Governors Expenses

Only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. No other allowances are permitted to be paid.

The Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses (see also 11.7).

11.4 Responsibility for Legal Costs

Legal costs incurred by the governing body may be charged to the school's budget share unless the governing body acts in accordance with the advice of the LA. Where a governing body believes that there is a conflict of interest between the school and the LA it may seek independent legal advice. Such a decision should be minuted along with the reason for identifying a conflict of interest, and costs should be met from the school's budget share.

11.5 Health and Safety

School management teams and governing bodies have a delegated budget to manage their schools, this includes ensuring any health and safety arrangements are effectively implemented and meet the LA standards, procedures and policy. This includes that schools must have in place an annual routine of buildings safety maintenance for which records must be kept so this is expected to be part of ongoing budget programming. Please get in touch with the Health and Safety Team with any queries; CHST@milton-keynes.gov.uk.

11.6 Right of Attendance for Section 151 Officer

The Section 151 Officer - Director for Finance and Resources of the LA reserves the right to attend, or send a representative to attend, meetings of the governing body at which any agenda items are relevant to the exercise of his, or her responsibilities. Any such attendance will only take place in exceptional circumstances and will be confined to only relevant items on the agenda. Where practicable such attendance will be notified to the school in advance.

11.7 Delegation to New Schools

The LA may delegate selectively and optionally to the governing bodies of schools which have yet to receive delegated budgets.

11.8 Pupils with Special Educational Needs

In spending their budget share, schools shall use their best endeavours to secure the interests of pupils with special educational needs. In doing so schools should have regard to both national and LA policies and guidance. Most particularly both the Government and LA encourage an inclusive approach to dealing with special educational needs.

11.9 Interest on Late Payments

Schools are reminded of the statutory requirements placed on public bodies in respect of payments of suppliers. Any interest payments, or penalties incurred as a consequence of breaches of such legislation are the responsibility of the school.

11.10 Whistleblowing

School governors, or persons working at the school who wish to raise concerns about the financial management, or financial property at the school should follow the procedures laid down in the LA Whistleblowing policy.

11.11 Child Protection

The governing body of a school is required to put in place arrangements within the school which permit the release of staff to attend child protection case conferences, training and other related events. Guidance on the school's duties and responsibilities can be found in the LA's Child Protection Policy which sits within the Local Safeguarding Board. No specific additional payment will be made to the school as a consequence of this requirement; however, the funding formula does contain elements in respect of both social and educational disadvantage.

11.12 Redundancy/Premature Retirement Costs

The Council's policy on redundancy, premature retirement cost and severance payments in schools is attached as Annex B.

12. Responsibility for Repairs and Maintenance

The principles and procedures covering the responsibility for repairs and maintenance are set out in the Milton Keynes Council [Local Guidance on the Scheme for Financing Schools](#).

VA 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 other repair and maintenance items on the same basis as Community and Foundation schools.

Schools which choose to exercise the power to provide community facilities will be subject to controls. The main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools.

More detailed arrangements and requirements for schools' finances relating to Community Facilities are set out in Annex C.

Annex A – List of Schools to which this Scheme Applies

This Scheme will not apply to a school from the date it converts to an academy.

Nursery Schools

Knowles Nursery
Moorlands Nursery

Primary Schools

Abbeys Primary
Barleyhurst Park Primary
Bishop Parker Catholic
Bow Brickhill C of E Primary
Bradwell Village
Brooklands Farm Primary
Brooksward
Broughton Fields
Bushfield
Caroline Haslett Primary
Castlethorpe First
Cedars Combined
Cold Harbour C of E
Downs Barn
Drayton Park
Emerson Valley Junior
Falconhurst
Germander Park
Giffard Park Primary
Giles Brook Primary
Glastonbury Thorn
Great Linford Primary
Green Park
Greenley's First
Greenley's Junior
Hanslope Primary
Haversham Village
Heelands
Howe Park
Lavendon
Long Meadow
Loughton Manor First
Merebrook Infant
Newton Blossomville C of E
Newton Leys
North Crawley C of E
Oldbrook First
Pepper Hill

Portfields Combined
Priory Common
Priory Rise
Russell Street
St. Andrews C of E Infant
St. Bernadette's Catholic Primary
St. Mary Magdalene Catholic Primary
St. Mary's Wavendon C of E Primary
St. Monica's Catholic Primary
St. Thomas Aquinas Catholic Primary
Sherington C of E
Southwood
Stanton
Stoke Goldington C of E First
Summerfield
The Willows School and Early Years Centre
Tickford Park Primary
Wavendon Gate
Willen Primary
Wood End First
Wyvern

Pupil Referral Unit

Milton Keynes Primary PRU

Secondary Schools

The Radcliffe
St. Paul's Catholic

Special Schools

The Redway
Romans Field
Slated Row
The Walnuts
White Spire

Annex B – Redundancy, Premature Retirement Costs and Severance Payments in Maintained Schools

Guidance and Application Process for Financial Assistance

This document sets out Milton Keynes Council's (MKC) policy on providing financial assistance towards the costs arising from redundancies, premature retirement costs and severance agreements in maintained schools.

1. Background

- 1.1. The Education Act 2002 outlines the Local Authorities' (LA) responsibility in providing financial support to schools where costs arise from redundancies in certain circumstances. This guidance sets out a clear process for schools and the LA to follow and the circumstances in which financial support may be agreed.
- 1.2. This guidance is for schools seeking financial assistance towards the costs of redundancy and is intended to support existing HR policies which still need to be followed. It **does not** replace or supersede any of the processes set out in these policies.

2. Funding

- 2.1. Schools must fund all costs arising from premature retirement and severance agreements from their school budgets. The LA will only fund or contribute funding towards redundancy costs where the school need to make budget savings in order to set an overall balanced budget. The LA will not provide support in certain situations which include;
 - where the school offers more generous terms than the LA policy
 - where the school has unplanned use of surplus balances
 - where the school is making reductions which the LA does not believe are necessary to set a balanced budget
 - if a deficit is likely to occur this has been caused by factors within the school's control.
- 2.2. Where a school has a surplus balance that is not earmarked for another agreed use, the school should fund the redundancy costs from these unallocated surplus funds. Where schools have insufficient balances, the LA will fund or contribute funding towards these costs. The LA will also assess value for money of any request by calculating the payback period of the investment (i.e. the cost of the redundancy vs the savings made). The expectation is that the payback period will not exceed two years.
- 2.3. The Council's decision to provide funding will also consider the overall management of the school budget to ensure that any costs incurred by the Council are fair and reasonable.

3. Decision Making Process

- 3.1. Schools considering reducing their staffing complement through redundancies, premature retirement or severance agreements should consult with their HR provider in the first

instance.

- 3.2. With the support of their HR provider, the school is required to provide a written business case to the Finance Team when requesting financial assistance and all of the elements that must be included are outlined in the checklist at the end of this guidance (annex A). Failure to include all of the requested information may result in a decision on the funding of redundancy costs being rejected or delayed.
- 3.3. The Education Performance Board is responsible for the decision as to whether finance support will be offered (and at what level, either full or part contribution), following review and recommendation from Finance, Legal, and HR colleagues as appropriate. If agreed, the funding support is then made in principle and will not be paid to the school until the redundancy process has been completed and final costs can be evidenced to the LA. All agreed requests will be shared with the Director of Children's Services for information.
- 3.4. The LA will respond to the outline business case in writing within twenty five working days, setting out the decision on funding or requesting additional information if required before a decision can be reached. If additional information is required, the decision timeline will start again from the point when all information is received. **It is therefore essential that schools allow for this period within their proposed timelines (including decisions by their Governing Body) and submit all information required as outlined in the checklist.**

After Decision Actions

- 3.5. If the LA accepts in principle to fund the potential costs resulting from the business case, the school should then begin to formally work through the relevant procedures in conjunction with their HR provider and in accordance with relevant statutory requirements. The LA will continue to monitor school balances and may decide that there are additional reporting requirements that need to be met. The school will be informed of this at the point of agreement.
- 3.6. If the LA does not accept the business case put forward by the Governing Body, or requests modification which the Governing Body rejects, then the school will have a period of ten working days in which it may appeal the decision. The appeal should be submitted to the Finance Team for final decision by the Group Head, Learning and Inclusion and Head of Finance.
- 3.7. Where the LA decision is not to fund a business case, following either the original Governing Body request or any subsequent appeal, the school has the option to continue with their proposals and meet any funding requirement from their delegated budget, providing this does not put them into a deficit budget position.
- 3.8. Once the school has a record of the final Governing Body decision and a schedule of the costs of all the individuals affected, this should be sent to the Finance Team where this will be checked against the original business case and agreement in principle and ensure that payments do not exceed those set out in the LA Redeployment and Redundancy Policy. Any

queries will be discussed with the school.

- 3.9. The school should make any payment through their payroll provider and then, if a LA contribution has been agreed, reclaim this based on the actual costs. The LA will arrange for the payment of the agreed contribution (usually through the next available monthly cash advance) to the school.

4. Redundancy

- 4.1. The primary legislation for the issues addressed by this policy is set out in Section 37 of the Education Act 2002 which makes clear that decision making responsibilities in securing the termination of employment contracts of teaching and support staff in schools through redundancy lie with the Governing Body.
- 4.2. Consequently, the LA role in consideration of any matter of possible staff redundancy would be only on making decisions about **funding** any such proposal, in accordance with relevant statutory requirements.
- 4.3. Section 37 of the Act makes it clear that the costs incurred in respect of securing the dismissal of staff through redundancies, shall not come from the schools delegated budget unless the LA has good reason for refusing to fund all or part of the costs. 'Good reason' is not defined but a good reason might be that the LA believes the proposed redundancy was unnecessary, or not necessary to bring the school back into a balanced financial position, efforts to secure redeployment were not adequately explored, where payments are too high or if the school holds a surplus revenue balance which could reasonably be used to fund the additional costs.
- 4.4. In considering any proposal which might require the LA to fund or contribute towards redundancy payments, we will review the submitted business case and associated information. In addition, the following criteria will be applied to a school's business case by the LA in reaching a decision:
 - a) Is the proposed reduction in staffing based on accurate assessment of the school's current financial position?
 - b) Is the proposed reduction in staffing based on a reasonable and accurate prediction of the school's future financial position?
 - c) Does the funding requested represent value for money when compared to the saving to be achieved?
 - d) Has the school considered other alternatives for efficiencies and reduction of costs?
- 4.5. Having agreed in principle to fund the costs of any redundancy by accepting the business case put forward by a school, the LA will then consider the schedule of proposed costs for redundancy for every individual affected. The LA will only meet the costs of employee payments in line with the MKC policy for redundancy payments, no financial support will be agreed for PILON.

5. Severance and Premature Retirement

- 5.1. The primary legislation for the issues addressed by this policy is set out in Section 37 of the Education Act 2002 which outlines that decision making responsibilities in securing the resignation of teaching and support staff, through severance agreements and premature retirement, lies with the **Governing Body**.
- 5.2. Section 37 of the of the Education Act 2002 makes it clear that the costs incurred by a school in respect of securing the resignation of staff through severance agreements or through premature retirement, shall come from the school's delegated budget. Therefore, no financial assistance is available from the LA in these circumstances.

Annex C – Community Facility Arrangements at Schools

General

From April 2011 a school may use their delegated budget to fund community facilities.

Mismanagement of scheme

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

Consultation with the Authority financial aspects

Before exercising the community facilities power, governing bodies must consult the Authority, and have regard to advice given to them by the Authority.

Funding agreements

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.

Any proposed funding agreements with third parties should be submitted to the Authority for comments at least two weeks before signing, so as to give the Authority adequate notice. There is no right of veto for the Authority on such agreements, either directly or through requiring a right to countersign the agreement.

Other restrictions

The Authority 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 Authority, by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

Supply of financial information

Schools which exercise the community facilities power will be required to provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

The Authority may, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, require such financial statements to be supplied every three months and, if the Authority see fit, to require a recovery plan for the activity in question.

Audit

Schools will be required to grant access to the Authority 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 concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools should ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself on the propriety of expenditure on the facilities in question.

Income and surpluses

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

Schools will be allowed to carry forward such retained income from one year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance,

Health and safety

The health and safety provisions of the main scheme extend to the community facilities power.

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

Insurance

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

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

Taxation

Schools should seek the advice of the Authority and the local VAT office on any issues relating to the possible imposition of VAT on expenditure and income in connection with community facilities.

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

Banking

Schools should either maintain separate bank accounts for budget share and community facilities, or hold one account but with adequate internal accounting controls to maintain separation of funds.

Schools are required to follow the approach to banking matters as outlined in the main scheme.

Schools are not allowed to borrow money without the written consent of the Secretary of State.