

SCHEME FOR FINANCING SCHOOLS

UNDER SECTION 48 OF THE SCHOOL STANDARDS AND FRAMEWORK ACT 1998

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SECTION 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, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant (DSG) 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. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes 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 the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the schools forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

An authority may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget

share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act)

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 at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

1.2 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, and is binding on both the authority and on schools.

1.3 Application of the Scheme to the Authority and Maintained Schools

The scheme applies in respect of all community, voluntary, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the authority. The schools included in the scheme are listed in Annex A.

1.4 Publication of the Scheme

A copy of the scheme will be made available to the Governing Body and headteacher of each school covered by the scheme, via the Council website and any approved revisions will be notified to each such school.

1.5 Revision of the Scheme

Any proposed revisions to the scheme will be the subject of consultation with schools, before they are submitted to the Schools Forum for approval by members of the forum representing maintained schools..

1.6 Delegation of Powers

The Governing Body has responsibility for overall financial management of the school and must ensure the requirements of the scheme and associated guidance from the Chief Finance Officer are met. The first formal budget of each financial year must be approved by the governing body.

In order to meet these requirements the school must prepare its own Financial Management Policy and Procedures document for internal use to

be approved by the Governing Body. The Governing Body must ensure that its Policy and Procedures is implemented.

The Governing Body of each school is required to consider the extent to which it wishes to delegate its financial powers to committees, individual governors, the Headteacher or other staff, and to record its decision (and any revisions) in the minutes of the governing body. The details of the financial responsibilities and procedures must be set out in a Financial Management Policy and Procedures document specifically approved by the full Governing Body.

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

SECTION 2: FINANCIAL REQUIREMENTS

2.1 Application of Financial Controls to Schools

In the management of their delegated budgets schools are required to comply with the authority's requirements on financial controls and monitoring not only those in this scheme but also those requirements contained in more detail in the Financial Guide for Schools with Delegated Budgets.

Where the Governing Body is permitted under this scheme to take or authorise action to be taken up to a limit set by the Chief Finance Officer, such limits are contained in paragraphs 2.4, 2.6 and 2.13.

2.2 Provision of Financial Information and Reports

Schools are required to provide the authority with details of the approved budget and actual expenditure and income, VAT and statements of bank and ledger reconciliation on a monthly basis, in a form and at times determined by the Chief Finance Officer on either of the following basis

- Monthly submission of VAT and bank reconciliation with quarterly submission of actual expenditure and income unless the Chief Finance Officer has notified the school in writing that in view of the school's financial position requires more frequent submission, or,
- Monthly submission of VAT, bank reconciliation and actual expenditure and income

The LA will furnish to schools on a periodic basis a statement of the LA's account of the school's approved budget and actual income and

expenditure to date, which the school will be required to reconcile with its own accounts. The LA's accounts will only include expenditure and charges authorised by the school except as allowed under Sections 4 and 6 of the Scheme.

Schools are required to supply the authority with forecasts of income and expenditure at the year-end, prepared at the end of September and December. The forecasts must be in a format and contain those items of income and expenditure prescribed by the Chief Finance Officer and must take account of the deficit/surplus at the previous 31 March.

Note – schools have to opt for either a monthly or quarterly system before the beginning of the financial year. Claims for VAT reimbursement need to be made on a monthly basis in order that the LA can satisfy Customs and Excise requirements.

2.3 Payment of Salaries; Payment of Bills

Note - Employment - the employer of staff with regard to legal and financial responsibilities is as follows -

*Community, Voluntary Controlled and Community Special schools - LA
Foundation and Foundation Special schools - Gov Body
VA schools - Gov Body*

Salaries

All Community school employees must be appointed and paid in accordance with the relevant national conditions of services.

All school employees must be appointed and paid in accordance with policies and procedures agreed or adopted by the Governing Body. The Governing Body must establish procedures for appointments and setting remuneration rates, it must authorise specific posts/employees to vet and authorise payroll payments and make them responsible for this. Details must be included in the school's Financial Management Policy and Procedures document

All payments connected with employment must be made under arrangements approved by the Chief Finance Officer.

Salaries, wages, pensions, gratuities and all taxable benefits must be paid through payroll administration by direct credit to employees' bank accounts.

Invoices

All invoices and accounts for payment must be paid promptly and in time to avoid any penalty or to obtain any discount.

The Governing Body must authorise specific posts/employees to examine, verify and certify invoices and any other payment vouchers or accounts and make them responsible for this having regard to the necessary separation of duties in the ordering and payments process.

The names and specimen signatures for payroll and other transactions must be sent to the Chief Finance Officer together with any revisions required to ensure the list of authorised signatories is kept up to date.

Details of the school's procedures must be recorded in the school's Financial Management Policy and Procedures document.

Further details of requirements and administrative procedures for payment of salaries and bills are contained in the Financial Guide for Schools with Delegated Budgets.

2.4 Control of Assets

Each school is required to maintain an inventory of all its moveable assets with a value in excess of £1,000 and in a form that complies with the guidance given by the Chief Finance Officer. Schools may determine their own arrangements for assets worth less than £1,000 but must keep a register in some form and have regard to insurance requirements.

Surplus or obsolete inventory or stock items may only be disposed of with the prior approval of the Governing Body and in a way which provides value for money for the school.

2.5 Accounting Policies (including year-end Procedures)

Schools are required to abide by procedures issued by the Chief Finance Officer.

2.6 Writing Off of Debts

The Governing Body may write off its debts, for which all reasonable cost effective recovery action has been demonstrated to have been taken, within the limit of £500. Beyond that limit it shall inform the Chief Finance Officer before taking such action.

2.7 Basis of Accounting

The final accounts of the LA will be drawn up on an accruals basis. Any reports and accounts furnished to the LA for this purpose must also be provided on an accruals basis.

2.8 Submission of Budget Plans

Each school will be given a provisional indication of its share of the Individual Schools Budget (ISB) for the following financial year by the 15 February

On the basis of the provisional indication, and other relevant budgetary information supplied by the LA, the Governing Body must then consider the school's requirements for that year and prepare draft estimates of spending and income.

Each school will be given a statement of its actual budget share by the 15 March.

The full Governing Body must consider and approve a budget plan by the 31 March and report it to the Chief Finance Officer by the 1 May.

The budget plan must be in the format and containing those items of income and expenditure prescribed by the Chief Finance Officer and must take account of the estimated deficit/surplus at the previous 31 March.

At the same time as issuing its budget statement as required by section 52 of the Schools Standards and Framework Act 1998, the authority will inform each maintained school of its estimate of the school's budget share and central government grant income paid via the LA for the two financial years following the year for which the statement is being issued. The estimate will be provided in a format determined by the authority and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the authority at the date of preparation and will necessarily be provisional in nature, implying no commitment on the part of the authority to fund the school at the level shown in the estimate. The authority may issue additional budget estimates from time to time.

The LA may require schools to submit a budget forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year in a format prescribed by the Chief Finance Officer.

2.9 Efficiency and value for money (replaces Best Value)

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements. It is for heads and governors to determine at school level how to secure better value for money.

2.10 Virement

Governing Bodies are able to vire freely between budget heads in the expenditure of their budget shares, provided that all such virements are approved by the Governing body or carried out under powers delegated by the Governing Body.

All virements approved under delegated powers must be reported to the next meeting of the Governing Body or an appropriate Committee as agreed and recorded in the school's Financial Management Policy and Procedures document.

2.11 Audit: General

The Chief Finance Officer shall arrange an adequate and effective internal audit, under his/her independent control, to examine the schools'

accounting, financial and other operations. Each school will be audited on a three year cycle, unless the circumstances of a school require an audit on a more frequent basis.

The Chief Finance Officer, in the role of auditor, and anyone he/she may authorise, shall have authority to:-

1. enter any school premises or land at any time;
2. have access to all records, documents, correspondence, equipment, cash stores and other assets relating to the financial and other transactions of the school;
3. require and receive explanation and answers to questions about anything that is being examined.
4. Require anyone in possession of Council property to produce it on request.

The Chief Finance Officer must be told immediately about:

1. anything that involves (or is thought to involve) irregularities concerning cash, stores or other property;
2. any other suspected irregularity in the running of the school and may investigate and report as he/she thinks necessary.

When an audit is completed the Governing Body must, on receipt of a report from the Chief Finance Officer, respond within three months from that date. The response must:

1. indicate whether or not the reported risks and respective agreed actions have been accepted;
2. state when and how the agreed action have been or will be implemented;
3. explain why any risks or agreed actions are not accepted.

The LA's external audit regime will be determined by the Audit Commission and schools are required to co-operate with any external auditors appointed.

2.12 Separate External Audit

A Governing Body is allowed to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process.

2.13 Audit of Voluntary and Private Funds

The Governing Body is responsible for all voluntary and private funds held by the school and the accounts of any trading organisations controlled by the school. Its permission is required before any unofficial fund is started. The Governing Body may delegate responsibility for a fund to the Headteacher or other employee and spending from the fund may then be at his/her discretion.

The Governing Body must monitor the activities of all unofficial funds to ensure they comply; where appropriate, with HM Revenues & Customs and Charity Commissioners requirements.

The Governing Body must appoint auditors, whose fee must be charged to the unofficial fund. Where a fund's turnover (or the turnover of all the school's unofficial funds) exceeds £10,000 any auditor must be a qualified accountant.

Within six months of the end of the fund's accounting year the Governing Body must receive the audited accounts of all unofficial funds together with a report from the responsible employee. Further an Unofficial Fund Account – Auditors Statement (in a form determined by the Chief Finance Officer) or a certified copy of the audited accounts must be submitted to the Chief Finance Officer, who may report to the Governing Body if he/she thinks it fit.

2.14 Register of Business Interests

The Governing Body of each school must establish a register, which lists for each member of the Governing Body, the headteacher and any member of staff who is authorised to enter into a contract on behalf of the school, any material business interests they or any member of their immediate family have.

The register must be kept up to date with notification of changes and through an annual review of entries. It must be available for inspection by governors, staff and parents, during normal school hours and at Governing Body meetings.

2.15 Purchasing, Tendering and Contracting Requirements

Schools must abide by the authority's Contract Standing Orders for Schools with Delegated Budgets.

The Governing Body must approve written procedures for obtaining and approving tenders ordering goods and services and for the payment of accounts, which must be included in its Financial Management Policy and Procedures document. The procedures must include a requirement to assess in advance, where relevant the health and safety competence of contractors.

2.16 Application of Contracts to Schools

Schools have the right to opt out of LA-arranged contracts except where they have lost that right for contracts (whenever started) that they have freely entered into, in which case they would be bound into the contract for its length. They would also be subject to the clauses within the contract allowing variation of its terms and conditions.

In relation to the supply of school meals, where the authority has entered into a contract with a private supplier, or an agreement with Team Barnet

Catering (the authority's service organisation), schools, which are part of that arrangement, will be bound by the terms of the contract/agreement until its expiry. This applies even where the responsibility for providing school meals has been delegated to the Governing Body.

Although governing bodies are empowered under paragraph 3 of Schedule 10 of the School Standards & Framework Act 1998 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 account. Other contracts may be made solely on behalf of the governing body when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.17 Central Funds and Earmarking

The LA is authorised to make sums available to schools from government grants, e.g. Standards Fund, and from other sources, in the form of allocations, which are additional to and separate from the school's budget shares. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used. Virement will only be possible where the conditions of such allocations allow it.

These allocations must be accounted for separately from the school's budget share. Schools must be able to demonstrate that they have complied with this accounting requirement. Schools are required to return all earmarked or allocations from central funds to the LA if not spent in year, or within the period which schools are allowed to use the funding if different.

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

2.18 Spending for the Purposes of the School

Governing Bodies are allowed to spend budget shares for the purposes of the school, subject to complying with all legal requirements and the requirements of this scheme.

The Governing Body may not make or sanction gifts or ex gratia payments from public funds. Payments to staff in cash or kind, gifts or benefits are not permitted.

By virtue of section 50(3A) amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school. Schools are also allowed to spend their budgets on pupils on the roll of other maintained schools.

2.19 Capital Spending from Budget Shares on Premises

Governing Bodies are allowed to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure

by the Governing Body of a voluntary aided school on work, which is their responsibility under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998.

However if the expected capital expenditure from the budget share and/or balance brought forward, in any one year exceeds £50,000 the Governing Body must notify the LA and take into account any advice from the chief education officer as to the merits of the proposed expenditure. If the premises are owned by the LA, then the Governing Body must seek the consent of the LA to any proposed capital works, but consent can be withheld only on health and safety grounds.

2.20 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 Chief Finance Officer and the Director of Children's Service, 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.

2.21 Schools Financial Value Standard (SFVS)

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

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

As agreed by the Schools Forum, all maintained schools with a delegated budget must submit the form to the local authority before 31 January 2013 and annually thereafter.

2.22 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.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE AND BANKING ARRANGEMENTS

3.1 Introduction

The scheme offers four options for payment of the budget share and banking arrangements. These are set out below as Options A, B C and D. For any school requesting payment of their total budget share into their bank account the frequency of instalments will be as in Option B or D.

No later than 28 February each year the Governing Body must inform the Chief Finance Officer in writing of the arrangements for the payment of instalments of the budget share and banking for the forthcoming financial year.

In the event of the failure of a Governing Body to notify the Chief Finance Officer of its preferred option for the forthcoming financial year, arrangements will be put in place that most closely reflect those of the previous year.

For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units; estimated top-up payments for pupils with high needs are also included in the sums paid under the funding options.

3.2 Frequency of instalments, Proportion of budget share payable at each instalment and banking arrangements

Option A

Under this option, if a school opts to hold their School Budget Share Account with the LB Barnet contracted banker as one of the Council's accounts and use the Council's payroll service, then the school will receive its budget share, less the estimated amount for salaries into that account at the beginning of the financial year. (Money paid into such accounts remain the property of the LA until spent by the school (S49 (5) of the SSaF Act 1998) and any interest accrues to the LA).

Under this option, the estimated amount for salaries will be held centrally by the LA in the school's Salary Account. From this account a school will authorise payment of salaries and associated expenses on production of a statement giving details of payments to be made by the Council's payroll service in accordance with the terms and conditions of a service agreement.

Schools are permitted to open a Reserve Account with the contracted banker or other approved bank or building society in which they can deposit

1. any amount up to the value of their carry forward from the previous financial year
2. any sum in relation to profit from lettings approved by the Chief Finance Officer or
3. a sum set aside for a capital project in future years approved by the Chief Finance Officer.

Option B

Under this option, if a school opts to hold their School Budget Share Account with an approved bank or building society, but not the Council's contracted banker, then the school will receive twelve monthly instalments of their total budget share including salaries.

The standard monthly amount will be one twelfth of the total budget share, except April when an additional one thirty sixth is paid and March when one thirty sixth less is paid. Monthly payment will be made three working days before the school's teachers' salaries are paid. Exceptions may be made, in agreement with the Chief Finance Officer, where a school is able to demonstrate the standard payments do not meet the school's reasonable needs.

Under this option, the amount for salaries will be in their School Budget Share Account. From this account, schools will authorise payment of salaries and associated expenses, on production of a statement giving

details of payments to be made and an invoice for the sum due, by the Council's or other payroll service, in accordance with the terms and conditions of a service agreement or contract.

Schools are permitted to open a Reserve Account, with an approved bank or building society, and transfer any funds beyond their immediate needs to that account.

Option C

Under this option, if a school opts to hold their School Budget Share Account with an approved bank or building society (but not the Council's contracted banker) and use the Council's payroll service, then the school will receive its budget share, less the estimated amount for salaries, in twelve monthly instalments.

The standard monthly amount will be one twelfth of the total budget share less salaries, except April when an additional one thirty sixth is paid and March when one thirty sixth less is paid. Monthly payment will be made three working days before the schools' teachers' salaries are paid. Exceptions may be made, in agreement with the Chief Finance Officer, where a school is able to demonstrate the standard payments do not meet the school's reasonable needs.

Under this option, the estimated amount for salaries will be held centrally by the LA in the school's Salary Account. From this account, schools will authorise payment of salaries and associated expenses, on production of a statement giving details of payments to be made and an invoice for the sum due, by the Council's payroll service, in accordance with the terms and conditions of a service agreement.

Schools are permitted to open a Reserve Account, with an approved bank or building society, and transfer any funds beyond their immediate needs to that account.

Option D

Under this option, if a school opts to hold their School Budget Share Account with the Council's contracted banker but not use the Council's payroll service, then the school will receive twelve monthly instalments of their total budget share including salaries.

The standard monthly amount will be one twelve of the total budget share, except April when an additional one thirty sixth is paid and March when one thirty sixth less is paid. Monthly payment will be made three working days before the school's teacher salaries are paid. Exceptions may be made, in agreement with the Chief Finance Officer, where a school is able to demonstrate the standard payments do not meet the school's reasonable needs.

Under this option, the amount for salaries will be in their School Budget Share Account. From this account, schools will authorise payment of salaries and associated expenses, on production of a statement giving

details of payments to be made and an invoice for the sum due from a payroll service, in accordance with the terms and conditions of a contract.

Schools are permitted to open a Reserve Account with the contracted banker or other approved bank or building society in which they can deposit

1. any amount up to the value of their carry forward from the previous financial year,
2. any sum in relation to profit from lettings approved by the Chief Finance Officer or,
3. a sum set aside for a capital project in future years approved by the Chief Finance Officer.

3.3 Interest Claw-back

The scheme provides for the LA to deduct from the budget share of the schools using Option B an amount equal to the estimated interest lost by the LA in making available the budget share in advance. The amount determined as set out below will be deducted from each monthly instalment.

The calculation of this is as follows –

$$A \times B \times C \quad \text{where}$$

A = 85% of the value of the instalment payment (deemed to be the salaries value of instalment)

B = the average daily interest rate for 7 day money in the month preceding instalment payment

C = 3 days (number of days between receipt of instalment and payment of salaries)

The LA will add interest to late payments of budget share instalments where such late payment is the result of LA error. The interest rate will be that of B above.

3.4 Budget Share for Closing Schools

For schools where approval for closure has been secured, budget shares may be made available on a monthly basis until closure.

3.5 Bank and Building Society Accounts

All maintained schools are required to have a bank/building society account to hold their School Budget Share and other income from which all disbursements, excluding salaries and associated expenses in the case of schools choosing Option A, must be made.

The scheme permits all schools to have external bank accounts into which their budget share instalments (as determined by other provisions) are paid. The scheme provides that where schools have such accounts they shall be allowed to retain all interest payable on the account unless they

choose to have an account within an LA contract which makes other provision.

New bank account arrangements may only be made with effect from the beginning of each financial year. The Chief Finance Officer must be informed of the details of all accounts opened by schools and which of their representatives shall open and operate accounts.

All withdrawals, cheques, direct debits and standing orders from any of the school's accounts must be authorised by members of staff (or governors in some specific circumstances) designated by the Governing Body and recorded in the school's Financial Management Policy and Procedures document.

No school account may be overdrawn.

All schools shall meet any bank charges for their accounts.

3.6 Restrictions on Accounts

Only accounts with an approved bank or building society may be held with the purpose of receiving budget share payments and other income and holding reserves. These are listed in Annex C The list will be reviewed and revised periodically to ensure it is consistent with the authority's Treasury Management policy. Schools must review their choice of banker annually each spring term to ensure it conforms to the approved list for the following financial year.

Schools having bank accounts with other banks prior to 1 April 2011 are recommended to change to a banker on the approved list but will be allowed to retain those accounts, subject to any sum in excess of the school's operational needs being held in an account with one of the banks on the approved list under arrangements approved by the Chief Finance Officer.

Schools are allowed to have accounts, for budget share purposes and holding reserves, which are in the name of the school rather than the LA. However, 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 accounts if the school's right to a delegated budget is suspended by the LA. The LA will continue to have arrangements negotiated with a contracted bank whereby the accounts are in the name of the LA but specific to each school and such an arrangement is offered to schools.

3.7 Borrowing by Schools

Governing Bodies may borrow monies only with the written permission of the Secretary of State. (This provision does not apply to Trustees and Foundations who borrow as private bodies, nor does it apply to loan schemes run by the Authority).

Schools opening their own bank accounts must notify their bank in writing that their accounts must not become overdrawn and instruct the bank to notify the Chief Finance Officer should the account fall overdrawn.

Schools are not permitted to use charge cards or credit or debit cards, except under terms and conditions agreed with the Chief Finance Officer.

SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1 The Right to carry forward Surplus Balances

Whilst schools receive delegated budget shares and other revenue funding to meet the educational needs of pupils in the school at that time, schools are allowed to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

4.2 Reporting on the intended use of Surplus Balances

Each Governing Body is required to report to the LA on the use which the school intends to make of its balance brought forward, in cases where the balance exceeds 5% of the school's budget share.

4.3 Interest on Surplus Balances

Where balances are held by the authority, between the beginning of a financial year and the formal notification to schools of their outturn position (including their surplus/deficit balance carried forward); the authority will pay interest on the difference between the previous year's balance carried forward and the new balance carried forward. This will be at a rate of interest equivalent to the average seven day rate, for the period the balance is held.

4.4 Obligation to carry forward Deficit Balances and Submission of Recovery Plans

Schools are required to carry forward deficit balances, and any such deficit will be deducted from the following year's budget share (see also 4.9).

Schools with a revenue deficit in excess of 2% of their budget share at the end of any one year, or a revenue deficit in excess of 1% of their budget shares in two successive years, are required to submit a recovery plan with their balanced budget plan. The recovery plan to be agreed with the Chief Finance Officer and the Chief Education Officer must include details of

1. savings, efficiency gains and/or increases in income with implementation dates
2. a breakdown of income budgets with sources of income and timetable for the collection of income
3. the school's management procedures for authorising expenditure and its financial monitoring and control system

Failure to meet the requirements set out above or implement an agreed recovery plan may lead to specific directions being made to the Governing Body by the LA of action required to achieve a balanced budget.

Failure to implement specific directions may lead to a formal notice being made to the Governing Body that the LA intends to suspend delegation under Section 51 and Schedule 15 of the Schools Standards & Framework Act 1998.

4.5 Planning for Deficit Budgets

Schools are not allowed to plan for a deficit budget, except in accordance with paragraph 4.9.

4.6 Charging of Interest on Deficit Balances

Where schools are using the Council's banking contract the LA will advise the bank to charge interest on any school account that is overdrawn. This will be at Bank of England Base Rate plus one percent.

4.7 Writing off of Deficits

The Council cannot write off the deficit balance of any school.

4.8 Balances of Closing and Amalgamating Schools

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

4.9 Licensed Deficits

Schools may not generally plan for a deficit budget. In exceptional circumstances, a deficit revenue budget may be permitted, which must have the written approval of the Director of Children's Service and the Chief Finance Officer and conform to the following terms and conditions,

1. the maximum period of deficit budgets to be 3 years; although in exceptional circumstances this may be extended to 5 years;
2. the purpose of the agreed deficit must be to avert or reduce the need for redundancies or other budgetary saving in the immediate financial year that are not required to produce a balanced budget over a longer period;
3. the minimum size of an agreed deficit will be £10,000 and the maximum will be 10% of a secondary or 20% of a primary or special school's budget in the year of application;
4. a recovery plan being agreed with the Chief Finance Officer and the Director of Children's Service, which must include details of
 - savings, efficiency gains and/or increases in income with implementation dates,

- a breakdown of income budgets with sources of income and timetable for the collection of income,
 - the school's management procedures for authorising expenditure and its financial monitoring and control system.
5. the Director of Children's Service being satisfied that the school's staffing establishment is appropriate to the size and nature of the school and that the agreed deficit and recovery plan will enable the school to maintain standards;
 6. the Chief Finance Officer being satisfied as to the soundness of the school's financial management and its ability to meet the reduction of deficit schedule;
 7. the total amount of deficits outstanding not exceeding 100% of the total schools balances at the beginning of the financial year.

The full Governing Body must consider and approve a draft deficit budget and recovery plan by the 1 May and report it to the Chief Finance Officer within five working days to facilitate consideration and agreement by the LA.

No interest payments will be charged to the school but the timing and size of payments to the school will be at the discretion of the Chief Finance Officer and be made so as to allow the school to meet its payroll and other responsibilities under legislation relating to debts.

Failure to meet the requirements set out above or implement an agreed recovery plan may lead to specific directions being made to the Governing Body by the LA of action required to achieve a balanced budget.

Failure to implement specific directions may lead to a formal notice being made to the Governing Body that the LEA intends to suspend delegation under Section 51 and Schedule 15 of the Schools Standards & Framework Act 1998.

If a school has a licensed deficit and the school proposes to spend amounts received by it in respect of School Standards Grant on purposes other than reducing the licensed deficit, the LA will agree to such a proposal unless in its view the proposed expenditure is unreasonable in the school's financial circumstances.

4.10 Loan Scheme

The Governing Body of a school may approve an application for an advance of the budget share and/or capital for future years for a specific project. This will be granted subject to the following terms and conditions being fulfilled:-

1. the maximum length of repayment to be 5 years;
2. the purpose of the advance must be for the acquisition of a tangible durable asset or an improvement to the school's facilities that will be of a durable nature, in relation to the proposed period of repayment;

3. the minimum size of an advance will be £10,000 and the maximum will be £500,000 or 12.5% of the schools' budget share in the year of application, whichever is the lower;
4. the Director of Children's Service being satisfied that the project will make a significant contribution to educational standards achieved by the school;
5. the Chief Finance Officer being satisfied as to soundness of the schools financial planning and its ability to meet the repayment schedule without impinging on the delivery of education at the school;
6. payment of interest calculated on a daily basis on the principal outstanding using the average 7 day interest rate for the financial year. Number of principal instalments and date for interest payments to be agreed by the Chief Financial Officer.
7. the total amount of advances outstanding to schools not exceeding 10% of the total schools balances at the beginning of the financial year.

4.11 Lending by Schools

Schools are not permitted to lend to any institution or individual except the approved banks/building societies within this scheme.

SECTION 5: INCOME

5.1 Income from Lettings

Schools are allowed to retain income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools are able to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the school can demonstrate that there is no net cost to the budget share. However schools are required to have regard to directions issued by the LA as to the use of school premises as permitted under the Schools Standards & Framework Act 1998 for various categories of schools.

Schools must include details of their approved lettings policy and procedures in the school's Financial Management Policy and Procedures document.

5.2 Income from Fees and Charges

Schools are able to 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.

5.3 Income from Fund-raising Activities

Schools are allowed to retain income from fund-raising activities.

5.4 Income from the Sale of Assets

Schools are allowed to retain the proceeds of sale of assets, except in cases where the asset was purchased with non-delegated funds (in which case it will 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.

5.5 Administrative Procedures for the Collection of Income

The Governing Body must approve and implement written procedures for the collection of income that take into account the following matters:

1. Separation of, as far as practicable, the responsibility for identifying sums due to the school from the responsibility for collecting and banking such sums;
2. where invoices are required they must be issued promptly;
3. the issuing of official, pre-numbered, receipts or the maintenance of other formal documentation for all income collected;
4. transfers of money between staff must be signed for;
5. receipts, tickets and other records of income must be securely retained;
6. cash and cheques must be locked away to safeguard against loss or theft;
7. all income collections (including donations), in their entirety must be paid promptly into the School Budget Share Account;
8. income collections must not be used for the encashment of personal cheques or for other payments;
9. reconciliation of the sums collected to the sums deposited at the bank.;
10. HMRC regulations on VAT must be applied where relevant.
11. An effective debt recovery procedure for any arrears.

5.6 Purpose for which Income may be used

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

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

The scheme allows the budget share of a school to be charged by the LA without the consent of the Governing Body **only** in circumstances expressly permitted by the scheme, and requires LAs to consult schools as to the intention to so charge, and notify schools when it has been done.

The scheme provides that the authority charge salaries of school staff at actual cost.

6.2 Circumstances in which Charges may be made

- 6.2.1** Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA);
- 6.2.2** Other expenditure incurred to secure resignations where the school had not followed LA advice; in accordance with section 57 subsection 5 of the SSAF Act 1998.
- 6.2.3** Awards by courts and tribunals against the LEA or out of court settlements arising from action or inaction by the Governing Body contrary to the LA's advice.
- 6.2.4** 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;
- 6.2.5** Expenditure by the LA incurred in making good defects in building works funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status;
- 6.2.6** 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;
- 6.2.7** Recovery of monies due from a school for goods or services provided by the LA to the school, either - 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 schools to the LA, or - where there is no dispute raised by the school but there has been a failure to pay a bill after the school has been sent a first reminder after 28 days and a final reminder after 56 days;
- 6.2.8** Recovery of penalties imposed on the LA by HM Revenue & Customs and Excise or Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence.
- 6.2.9** Correction of LA errors in calculating charges to a budget share (e.g. pension deductions);
- 6.2.10** 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.
- 6.2.11** Legal costs which are incurred by the LA because the Governing Body did not accept the advice of the LA (see also Section 11).

- 6.2.12** Costs of necessary health and safety training for staff employed by the LA, where funding for training has been delegated but the necessary training not carried out.
- 6.2.13** Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14** Any financial losses suffered by the LA caused by a school paying its lettings income into a private school fund account and not its School Budget Share account.
- 6.2.15** Any financial loss suffered by the LA as a result of a school failing to comply with The Late Payment of Commercial Debts (Interest) Act 1998.
- 6.2.16** Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority' compliance with its statutory obligations;
- 6.2.17** Costs incurred by the LA in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- 6.2.18** Costs incurred by the LA due to submission by the school of incorrect data;
- 6.2.19** Recovery of amounts spent from specific grants on ineligible purposes;
- 6.2.20** Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.
- 6.2.21** Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

SECTION 7: TAXATION

7.1 Value Added Tax (VAT)

Schools must adhere to the procedure for submitting monthly a summary of the VAT paid and received by schools. In order to be able to utilise the authority's ability to reclaim VAT on expenditure relating to non-business activity. The amounts so reclaimed will be passed to the school. Full details of the procedure are contained in the Financial Guide for Schools.

7.2 Construction Industry Scheme (CIS)

HMRC state "the scheme should not be operated for payments made for construction operations by the governing body or head teacher of a maintained school on behalf of the local education authority."

SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 Provision of Services from Centrally Retained Budgets

Whilst it is for the LA to determine on what basis services (including existing PRC and redundancy payments) from centrally retained funds will be provided to schools, the Authority is barred from discriminating in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

8.2 Provision of Services bought back from the LA using Delegated Budgets

The LA will provide a comprehensive range of services to schools. The length of any agreement for such services will range for a minimum period of one year to a maximum of three years.

When a service is provided by the LA it will be offered at prices which are intended to generate income which is no less than the cost of providing that service.

8.3 Packaging

The LA will provide any services for which funding has been delegated, and the LA is offering the service on a buyback basis in a way which does not unreasonably restrict schools' freedom of choice among the services available.

8.4 Service Agreements

Service Agreements must be in place by the 28th March to be effective for the following financial year and schools must have at least a month to consider the terms of agreements offered.

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

Services, if offered at all by the LA, will be available on a basis, which is not related to an extended agreement, as well as on the basis of such agreements. Additional ad hoc services over and above those in the service agreements can be available to schools on a chargeable basis, in some circumstances as and when required.

SECTION 9: PUBLIC/PRIVATE PARTNERSHIPS

- 9.1** Each project will be subject to an agreement between the LA and the relevant Governing Body in the light of the circumstances of that project.

SECTION 10: INSURANCE

10.1 Insurance Cover

Where funds for insurance are delegated to any school, the LA may require the school to demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the LA if the LA makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. (See also 6.2.6) The LA will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all schools.

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

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

11.2 Liability of Governors

Because the Governing Body is a corporate body, and because of the terms of S50(7) of the SSaF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

11.3 Governors' Expenses

The scheme allows the LA to delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Under Schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share; the payment of any other allowances is forbidden. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for Legal Costs

The school's delegated budget must meet legal costs incurred by the governing body with the exception of dismissal and discrimination costs. Discrimination and dismissal costs will, usually, be met by the LA as long as the school has followed LA advice.

Any award made against the governing body as a body corporate or against individual governors, acting within their powers on behalf of the governing body, will need to be met by the governor(s). Schools should seek the LA's advice before incurring legal costs. The LA may recharge to the school's delegated budget any legal costs, which arise as a result of the governing body not following LA advice.

Schools may obtain and pay for their own independent legal advice, including where there is a potential conflict of interest between the LA and the governing body.

The LA may assist schools in exceptional circumstances with legal costs where, (1) the education of pupils at the school would be seriously impaired if it does not do so, or, (2) it would not be reasonable to expect the governing body to meet the costs from the school's delegated budget because of the size and unexpectedness of the legal costs.

The costs referred to are those of legal actions, including costs awarded against the LA; not the cost of legal advice provided.

11.5 Health and Safety

Governing Bodies are required to have due 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.

11.6 Right of Attendance for Chief Finance Officer

Governing Bodies are required to permit the Chief Finance Officer of the Authority or his representative to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of her/his responsibilities.

11.7 Delegation to New Schools

The scheme empowers the Authority to delegate selectively and optionally to the Governing Bodies of schools, which have yet to receive delegated budgets.

11.8 Special Educational Needs

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

11.9 “Whistle-blowing”

The LA has approved a Whistle-blowing Policy and Code of Practice to be followed by persons working at a school or school governors, who wish to complain about financial management or financial propriety at the school. Complaints can be made to the Headteacher, or Chair of Governors at the school; or, to the chief Internal Auditor or the Council’s Monitoring Officer of the LA. Details of the policy and code of practice of how such complaints will be dealt with are included in the Financial Guide for Schools.

11.10 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events; the costs of which are to be met from the school’s delegated budget.

11.11 Teachers’ Pensions and Advanced Voluntary Contributions

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

11.12 Responsibility for Redundancy and Early Retirement Costs

The Education Act 2002 sets out how premature retirement and redundancy costs should normally be funded. Where a school is expecting the local authority to bear any costs in relation to redundancy or early retirement, it must follow the authority's redundancy policy and procedures.

Annex B provides guidance and 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.

Governing Bodies must take account of this guidance in reaching any decision concerning redundancies or early retirements.

SECTION 12: RESPONSIBILITY FOR REPAIRS & MAINTENANCE AND CAPITAL WORK

12.1 All funding for repairs and maintenance to schools is delegated. Schools are also provided with devolved capital funds and it is expected that these funds are used to implement capital works which have been identified as priority works in the school's Asset Management Plan. Only capital expenditure relating to major schemes at community and foundation schools and the LA liability at VA schools is retained by the LA. Capital expenditure for the purposes of this scheme is as defined in the CIPFA Code of Practice on local authority accounting.

Annex D – Capital/Revenue Split, sets out the nature of works to be classified as Capital (column 1), Revenue: repairs and maintenance (column 2), in line with the DfE' interpretation of the CIPFA code of practice. The only departure from the description in this annex will be in relation to any works costing below £5,000, which will be deemed to be repairs and maintenance and will be required to be met from the schools delegated budget.

The same definition and the £5,000 limit have been used in determining the level of provision to be delegated to schools.

For voluntary aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by the DfE to categorise such works, not the de minimis limit used by the authority.

With regard to the purchase of Information Technology equipment (hardware and where part of a package software, cabling, installation etc but not training or support) the de minimis level to be eligible capital expenditure is £2,000.

SECTION 13: POWER TO PROVIDE COMMUNITY FACILITIES

13.1 Introduction

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. First, regulations made under s.28 (2), if made, can specify activities, which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

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

- a) those contained in schools' own instruments of government, if any; and
- b) in the maintaining LA's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of governing bodies to provide community facilities.

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.

The Governing Body must ensure that that the exercise of this power does not significantly interfere with its duty to promote high standards of educational achievement at the school or other duties under the Education Acts. Nor should the Governing Body undertake any scheme that in the opinion of the Authority would prejudice the financial position of the school or the Authority, or the welfare or education of pupils at the school.

The budget share of a school, including balances from previous years, may be used to fund community facilities – either start-up costs or ongoing expenditure - or to meet deficits arising from such activities, however the Governing Body must ensure that the school provides and maintains high educational standards. The mismanagement of a community facility can be grounds for suspension of the right to a delegated budget.

13.2 Consultation with the LA – Financial Aspects

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

The Governing Body must formally consult with the authority at least two months (eight weeks) before exercising its community facilities power. This

consultation will take the form of the Governing Body providing detailed information relating to the financial viability of the proposal and market context. The information required is as follows.

- (a) the aims, objectives and targets of the proposed provision, set in the context of any "local" or "borough wide" strategic plan relating to the activity concerned and following consultations with local stakeholders,
- (b) a simple business plan based on market research evidence re: potential customer base in light of proposed session times, charges to be levied, etc, and including income and expenditure relating to both "start up" and "running" costs. The business plan should also show:
 - space and location issues, including any proposed arrangements for leasing and transfer of control agreements
 - likely staffing implications
 - proposed management arrangements
 - proposed financial arrangements including accounting arrangements and internal financial regulations/procedures
 - any proposals for cross-subsidy
 - termination arrangements
- (c) other issues including
 - health and safety,
 - security, insurances,
 - CRB searches,
 - Disability Discrimination Act,
 - monitoring arrangements including any registration requirements and inspection regimes applicable to services/facilities proposed.
- (d) where the proposed community provision involves a formal partnership between the school governing body and a party other than the LA, details of the draft partnership agreement should be forwarded for consideration by the LA

To safeguard the financial position of the school and the authority, and to protect pupil welfare or education, as part of the consultation process the Governing Body is required to submit a financial plan relating to any proposal submitted, for agreement with the authority. In the event of a financial plan not being agreed, indemnification of the authority may be required of the Governing Body prior to commencement of the proposal, either by carrying out the activity through a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.

The LA will seek to respond with advice within two months (eight weeks) of the date of receipt of a formal community facilities proposal from the governing body. The LA may not levy a charge to schools for advice.

The length of time required to make adequate response is likely to be affected by the extent of prior liaison between the school and the appropriate LA specialist service in drawing up the proposal, e.g. Early Years, Leisure & Youth (joint/dual use of sports and leisure facilities).

13.3 Funding Agreements – LA Powers

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

Any proposed funding agreements with third parties (as opposed to funding agreements with the authority itself) should be submitted to the LA for comment at draft stage before any commitment is given. If an agreement is concluded against the wishes of the LA, or has been concluded without informing the LA, which in the view of the authority is seriously prejudicial to the interests of the school or the authority, that may constitute grounds for suspension of the right to a delegated budget.

13.4 Other Prohibitions, Restrictions and Limitations

In certain specific instances of the use of the community power, the governing body concerned will be required to make arrangements to protect the financial interests of the authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA. This requirement will only be imposed in circumstances where the authority has good reason to believe that the proposed project carries significant financial risks.

13.5 Supply of Financial Information

Schools which exercise the community facilities power are required to provide the authority every six months with a summary statement – a "Community Facilities Budget", in a form determined by the Chief Finance Officer, 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.

Where the authority believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, it may give notice to the school, to require such financial statements to be supplied every three months and, if the authority sees fit, to require the submission of a viable recovery plan for the activity in question for agreement with the authority. In the event of a recovery plan not being agreed, some kind of indemnification of the authority may be required of the Governing Body in order for the provision to continue.

13.6 Audit

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.

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

13.7 Treatment of Income and Surpluses

Schools are able 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.

Schools are able to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the authority at the end of each financial year, transfer all or part of it to the budget share balance.

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

Cross-subsidisation of community facilities provision is allowed at the discretion of the Governing Body. Such cross-subsidy cannot be from the school budget share unless provided for in regulations made by the Secretary of State.

13.8 Health and Safety Matters

The health and safety provisions of the main scheme (paragraph 11.5) are extended to the exercise of 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 able to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance must 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 LA is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

13. 10 Taxation

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

Schools are reminded that 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 – see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools are required to follow LA advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13. 11 Banking

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

However in the case of a bank account which is used by the school in connection with community facilities (whether or not the account also contains funds from the school's budget share), the account mandate should not show the LA as the owner of the community facilities funds in the account except insofar as these funds have been provided by the LA itself.

Schools are reminded that they may 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.

SCHOOLS WITHIN THE SCHEME

ANNEX A

(as at September 2013)

	Status
NURSERY SCHOOLS	
Brookhill	c
Hampden Way	c
Moss Hall	c
St Margaret's	c
PRIMARY SCHOOLS	
Akiva	va
All Saints' CE N20	va
All Saints' CE NW2	va
Annunciation RC Infant (The)	va
Annunciation RC Junior (The)	va
Barnfield	c
Beis Yaakov	va
Bell Lane	c
Beit Shvidler	va
Blessed Dominic RC	va
Broadfields (academy conversion Oct 13)	c
Brookland Infant	c
Brookland Junior	c
Brunswick Park	c
Chalgrove	c
Childs Hill	c
Christ Church CE	va
Church Hill	c
Claremont	c
Colindale	c
Coppetts Wood	c
Courtland	c
Cromer Road	c
Danegrove	c
Deansbrook Infant	c
Dollis Infant	c
Dollis Junior	f
Edgware Infant	c
Edgware Junior	c
Fairway	c
Foulds	c
Frith Manor	c
Garden Suburb Infant	c
Garden Suburb Junior	c
Goldbeaters	c
Hasmonean Primary	va
Hollickwood	c
Holly Park	c
Holy Trinity CE	va

Livingstone	c
Manorside	c
Martin Primary	c
Mathilda Marks-Kennedy	va
Menorah Foundation	va
Menorah Primary	va
Monken Hadley CE	va
Monkfrith	c
Moss Hall Infant	c
Moss Hall Junior	c
Northside	c
Orion (The)	c
Osidge	f
Our Lady of Lourdes RC	va
Pardes House	va
Queenswell Infant	c
Queenswell Junior	c
Rosh Pinah	va
Sacks Morasha	va
Sacred Heart RC	va
St Agnes' RC	va
St Andrew's CE	va
St Catherine's RC	va
St John's CE N11	va
St John's CE N20	va
St Joseph's RC Infant	va
St Joseph's RC Junior	va
St Mary's & St John's CE	va
St Mary's CE EN4	va
St Mary's CE N3	va
St Paul's CE N11	va
St Paul's CE NW7	va
St Theresa's RC	va
St Vincent's RC	va
Summerside	c
Sunnyfields	c
Trent CE	va
Tudor	c
Underhill Infant	c
Underhill Junior	c
Wessex Gardens	c
Whitings Hill	c
Woodcroft	c
Woodridge	c

SECONDARY SCHOOLS

Bishop Douglass RC High	va
Finchley Catholic High	va
Friern Barnet	c
Jewish Community Secondary School	va
St James' Catholic High	va
St Mary's CE High	va
St Michael's Catholic Grammar	va

SPECIAL SCHOOLS

Mapledown	c
Northway	c
Oak Lodge	c
Oakleigh	c

PUPIL REFERRAL UNITS

Pavilion Study Centre	c
Northgate	c
Discover Bay	c

KEY

c = Community
va = Voluntary Aided
f = Foundation

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget

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

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

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

An example of where a charge to the central Schools Budget might be appropriate would be a school reorganisation. A reorganisation involving the closure of a number of schools would be likely to result in savings because there would be a reduced amount being allocated through the formula for factors such as flat rate amounts to all schools or floor area. If the ongoing costs of the VER/redundancy exceeded the savings in the formula, then this would qualify.

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

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

ANNEX C

APPROVED BANKS AND BUILDING SOCIETIES

With reference to Section 3.6 of the Scheme the following are the approved banks and building societies, in accordance with the authority's Treasury Management Policy as at July 2011, which is subject to periodic review and updating.

Banco Santander Central Hispano Group (includes Abbey National, Alliance & Leicester and Girobank)

Barclays Bank plc

Cooperative Bank plc

HSBC Bank plc

Lloyds Banking Group plc (includes Bank of Scotland, Lloyds TSB, HBOS)

Nationwide Building Society

Royal Bank of Scotland Group including National Westminster Bank

LA CAPITAL/REVENUE SPLIT

ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE
ROOFS Flat	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed
	Screed/insulation in a new building/extension	Repair/replacement of screed/insulation where defective
	Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/replace small areas of roof.
	Finish on new building. Replacement of all/ substantially all on existing roof	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy.
	Edge Trim/Fascia on new building	Repairs/replacement. (UPVC) Repainting
	Edge Trim/Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (UPVC) Repainting.
	Drainage on new building	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/ pipes
	Other e.g. Flashings, Rooflights on new building. Replacement of all/ substantially all on existing roof	Repair/Replacement/ cleaning of individual items
Pitched	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace/repair small areas of rotten/defective joists, rafters, purlins etc. Not complete trusses
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof
	Insulation. Replacement/repair of substantially all. Improve insulation to current standards	
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/damaged
	Bargeboards/Fascias in a new building/extension, replacement of all/ substantially all on existing roof	Repairs/replacement/repainting
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters
	Drainage. Replacement of all/ substantially all on existing roof	

	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/ substantially all on existing roof	Repair/Replacement/ cleaning
<u>Other</u>	Provide new covered link etc between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing porch	
<u>FLOORS</u>		
<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
	Screed and finish in new build, replacement of all/ substantially all on existing floors - e.g. replacement of most carpets/tiles in a room	Replacement and repair of screed and finishes/replacement of mats/mat wells. Maintenance e.g. re-varnishing wooden floors
<u>Upper Floor</u>	Structure - as ground floor	As ground floor
	Screed and finish - as ground floor	Repairs of finishes/ replacement - as ground floor
<u>CEILINGS</u>		
<u>Top/only Storey</u>	Suspension	Repair/replacement including from water damage, and necessary decoration
	Membrane	
	Fixed	Repair/replacement including from water damage
	Access Panels	Repair/replacement
<u>Lower Storeys</u>	Suspension	Repair/replacement
	Membrane	
	Fixed	Repair/replacement
<u>All</u>	Specialist removal/ replacement of damaged/disturbed Asbestos based materials, planned or emergency	Inspection/air testing Applying sealant coats to asbestos surfaces for protection
<u>EXTERNAL WALLS</u>		
<u>Masonry/Cladding</u>	Structure Underpinning/ propping for new build	Repairs Preventative measures e.g. tree removal
	External Finish on new build	Repair/replacement of small parts of an existing structure. E.g. repointing/ recladding a proportion of a wall where failure has occurred.
	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	
<u>Windows and Doors</u>	Framing - new build	Repair/replacement of individual frames. Repainting frames
	Framing - structural replacement programme	Repair/replacement of individual windows. Repainting frames

	Glazing - new build	Replacing broken glass
	Glazing Upgrading existing glazing	
	Ironmongery Improved security	Repair/replacement, upgrading locks etc.
	Jointing including mastic joints	
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation
<u>Masonry Chimneys</u>	Structure	
	Jointing including expansion and mortar joints/pointing/DPC	Repair/re-pointing
<u>INTERNAL WALLS</u>		
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alternations	Minor alterations
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and re- decoration.
	Refurbishment and alterations	Minor alternations
<u>Doors and Screens</u>	Framing/Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/replacement of defective doors and screens
<u>All</u>	Glazing to meet statutory Health and Safety requirements	Replacement of broken glass
<u>SANITARY SERVICES</u>		
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/replacement of damaged sanitary ware, fittings, waste plumbing etc.
	Large scale toilet refurbishment	Small areas of refurbishment
<u>Kitchens</u>	Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations	Maintain kitchen to requirements of Local Authority Cleaning out drainage systems Redecorations
	General refurbishment	Repairs
	Large and costly items of equipment	Repairs/replacement parts
<u>MECHANICAL SERVICES</u>		
<u>Heating/Hot Water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects
	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health and Safety	Monitoring Systems Health and safety issues
	Planned replacement of old boiler/controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/systems	
<u>Cold Water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair/replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks

<u>Gas</u>	Distribution on new and major refurbishments, terminal units	Repairs, maintenance and gas safety All servicing
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment
<u>ELECTRICAL SERVICES</u>		
<u>General</u>	Main switchgear and distribution in major projects	Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health and Safety. All servicing.
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment
<u>Lighting</u>	Provision of luminaries and emergency	Replacement of luminaries, all testing, adjustments and improvements to emergency
<u>Other</u>	Lighting protection in new build	Repair/replacement
	Alarm systems, CCTV, lifts, hoists etc.	Repair and maintenance
	New installation of communication systems, radio/TV, call, telephone, data transmission, IT etc. and provision in new build	Repair/replacement/ maintenance, including all door access systems
<u>EXTERNAL WORKS</u>		
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps, and handrails, as part of major project, including disabled access	Maintenance and repair car park and playground markings
<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/retaining walls, fencing and gates
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. cleaning of the above and unblocking as necessary
<u>Open Air Pools</u>	Structure, Hygiene/ safety in new building	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<u>Services Distribution</u>	Heating mains Gas mains Water mains Electricity mains, Renewal of any above	Annual servicing